



Pearson

A better future for all

Pearson
Sustainability report 2016

2020

Our Sustainability Plan

Pearson is the world's learning company. Our 2020 Sustainability Plan is designed to create long-term value for our business, our stakeholders, and our world. This report shows the steps we have taken to advance our plan in 2016.

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The three pillars of our 2020 Sustainability Plan



Be a trusted partner

20

Deliver high-quality products and services

Respect human rights

Develop our people and communities

Protect our natural environment

Build a sustainable supply chain

Ensure strong governance



Reach more learners

46

Improve access to and affordability of products and services

Collaborate to reach underserved learners



Shape the future of learning

64

Leverage technology for equitable learning outcomes

Build skills that foster employability and inclusive economic growth

Promote education for sustainable development

Contribute to global research, dialogue, and collective action on quality education

About our reporting

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Progress on 2016 targets

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Targets for 2017 and beyond

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What does sustainability mean for the world's learning company?

We believe that quality education can create a more inclusive global society and economy. It helps to improve lives, expand economic opportunities, and build tolerance and understanding.

For Pearson, sustainability means using our core strengths as a learning company to help spread the benefits of quality education far and wide, while strengthening our business and upholding the highest standards of responsible business conduct.

Our opportunity

As we transition from being a print-led to a digital-first business, we have an enormous opportunity to:

- Operate responsibly, create effective products, respect human rights, support people and communities, reduce our impact on the planet, build a sustainable supply chain, and ensure strong governance;
- Reach more learners by improving access to quality education for learners from all backgrounds; and
- Play a leading role in ensuring education prepares learners for the challenges and opportunities of the 21st century and creates more inclusive societies.

Maximizing our impact

To maximize our impact, we are supporting the UN Sustainable Development Goals and collaborating with partners to support global efforts to solve our world's biggest challenges.

Sustainability highlights in 2016

Integrating sustainability

Launched our 2020 Sustainability Plan



1 Be a trusted partner



2 Reach more learners



3 Shape the future of learning

1st

Published our first Global Reporting Initiative (GRI) sustainability report



Recognition



Corporate Knights – World's 100 Most Sustainable Companies (3rd year)



ROBECOSAM
Sustainability Award
Silver Class 2017

Dow Jones Sustainability Index – Silver Class (5th year)



FTSE4Good

FTSE4Good (since inception)



Human Rights Campaign – Corporate Equality Index (4th year)

Pillar 1:

Be a trusted partner



Showed that our products can help underserved learners

Demonstrated how Pearson's MyLab & Mastering and Bug Club have been effective for students from disadvantaged backgrounds or who need extra help

➔ p13; p23; p50

Fostered employee learning and advancement

Launched Pearson U, including Technology Academy, to support our employees and our digital transformation

➔ p31

Supported pay equality

Set a target to publish gender pay details for our UK businesses by 2018 and extend our reporting on gender pay to cover our global operations by 2020

➔ p32

Committed to inclusive content

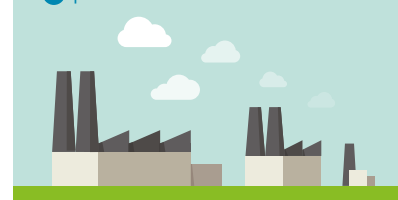
Set a target to roll out new Global Content Principles by 2020 to ensure content is appropriate, effective, and relevant for all learners, for the 21st century and beyond

➔ p25

Reduced our environmental impact

Cut our absolute carbon footprint by 13.7% year-on-year

➔ p35-36



kiva

Supported global entrepreneurship

Ranked as the #2 company on Kiva, with the second highest number of loans and most new users. We have made \$1.3m in loans to 31,000+ Kiva borrowers in 78 countries, with 40% of Pearson employees participating globally

➔ p34

Pillar 2: Reach more learners



Supported people with disabilities

Set a target to ensure that by 2020, 100% of our digital portfolio will be fully accessible to people with disabilities

➔ p52-53



Advanced emergency education

Pledged to extend our Every Child Learning partnership with Save the Children focused on developing innovative solutions for delivering education in emergencies and conflict-affected settings

➔ p59-60

Fostered innovation

Launched the Tomorrow's Markets Incubator to benefit low-income communities, with 167 teams applying

➔ p55

Fought illiteracy

Doubled our Project Literacy network to 90 partners

➔ p61

Empowered girls and women

Reached 120,000+ girls in secondary school through our Camfed partnership in East Africa and awarded 567 BTEC qualifications to mentors

➔ p57-58



Pillar 3: Shape the future of learning



Supported innovation in education

Contributed to World Economic Forum research on innovation in education

➔ p77



Partnered for adaptive learning

Launched partnership with IBM Watson to develop a virtual, personal tutor to improve education access and outcomes

➔ p67



Promoted the UN Sustainable Development Goals

CEO John Fallon served as a commissioner on the Business & Sustainable Development Commission

➔ p77

Advanced collective action for education

Represented the private sector on the multi-stakeholder Global Partnership for Education for the 4th year

➔ p77



Chief executive's introduction

"When we launched our 2020 Sustainability Plan last year, we committed to integrate social and environmental issues more deeply into every aspect of the company."



When we launched our 2020 Sustainability Plan last year, we committed to integrate social and environmental issues more deeply into every aspect of the company. This will not only make our business more resilient and more sustainable, but also help us make a greater contribution to some of the most intractable issues in education today.

While 2016 was a challenging year for Pearson, we're investing more than ever before to build a more digital, sustainable business that helps people make progress in their lives through learning. With 330 million¹ children in school but not learning and 197 million people out of work², we have an opportunity and a responsibility to help more people obtain the skills they need to get good jobs and build better lives.

I am proud of the progress we have made in 2016. We expanded our presence in online learning, launched an incubator to develop products for underserved markets, and invested in digital platforms and services that are shaping the future of learning. We were recognized as one of the World's 100 Most Sustainable Companies for the third year and have again been included in the Dow Jones Sustainability and FTSE4Good Indices.

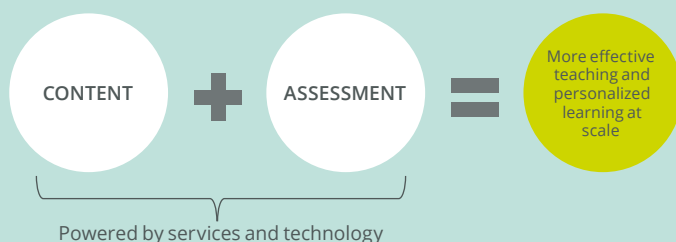
Our transition to digital is making our business more efficient and more effective. It's allowing us to simplify our operations and supply chain, reduce our costs, and shrink our environmental footprint. Technology will also play a key part in our efforts to expand access and improve affordability for learners from all backgrounds.

This report outlines many accomplishments from last year. However, there is much more we need to do. We'll continue to work towards delivering on our Sustainability Plan by setting more ambitious targets and reporting on our progress to achieve them. As a founding signatory to the United Nations Global Compact, we remain committed to embedding its ten principles, spanning human rights, labor, the environment, and anti-corruption, into our strategies and operations, and are supporting the UN Sustainable Development Goals.

We believe that expanding access to quality education is the best way to tackle inequality and to build a more tolerant and connected world. That shared belief across our organization is what drives us every day to build a more sustainable business.

John Fallon Chief executive officer, Pearson

Our Sustainability Plan is aligned with our strategy



¹ The International Commission on Financing Global Education Opportunity, *The Learning Generation*, September 2016.

² International Labour Organization (ILO), *World Employment Social Outlook 2016*, January 2016.

A better future for all

"Our Sustainability Plan is fundamental to Pearson's mission to help people make progress in their lives through learning."



2016 was an important year for sustainability at Pearson. With the launch of our 2020 Sustainability Plan, we took a significant step forward in our journey to embed sustainability into every aspect of our business, creating value for our learners, shareholders, and society more widely.

Amid all of the uncertainty in our world, education remains a powerful force for bringing people together. Our Sustainability Plan is fundamental to Pearson's mission to help people make progress in their lives through learning. It supports our business by helping us earn the trust of our stakeholders, reach new markets, and stay on the cutting-edge of the changing education landscape. As a result, we can help to grow our company while also making a positive impact on our world.

This report shows how we have put our plan into action by focusing on the issues most important to our business and our stakeholders, and by taking steps to support the UN Sustainable Development Goals.

While there is more work to be done, we have made good progress. We identified ways for our products and services to expand opportunities for underserved learners. We conducted a review to understand how we can empower girls and women both inside and outside of our company. And our programs and partnerships advanced new approaches to address some of the biggest education challenges.

We also began to work with Pearson's leaders and partners to set new goals and targets to take our plan forward. There are several new targets highlighted throughout the report, including commitments to make all of our digital products accessible for people with disabilities, disclose gender pay data across our global operations, and roll out new global content principles. Setting more targets to deliver on our plan will be a major focus going forward.

Next year, we will continue on our journey to integrate sustainability – through the way we conduct our business and the decisions

we make about how we develop and sell our products, which markets are important to us, who we do business with, and how we empower our employees and our customers.

We will also undertake a human rights review and develop strategies to address risks and opportunities for learners, employees, and business partners across our value chain. We will continue to drive innovation through our Tomorrow's Markets Incubator and our global partnerships, and we will identify new opportunities for Pearson to advance education and skills for sustainable development.

The possibilities are enormous, and I am confident that by advancing our Sustainability Plan, we can drive positive change in our business and in the world.

A handwritten signature in blue ink, reading "Amanda Gardiner".

Amanda Gardiner VP, Sustainability & social innovation, Pearson

SUSTAINABILITY IN ACTION



Every Child Learning

Supporting education for children affected by conflict

Through our Every Child Learning partnership with Save the Children, we are working to deliver high-quality education to Syrian refugees and vulnerable children in Jordan. Our partnership involves raising awareness of the need for education in emergencies, providing financial support for Save the Children's work, and innovating new solutions that are designed to address the unique needs of children affected by conflict.

£1.7m+

invested in R&D of new education solutions, supporting two Save the Children Learning Centers, and joint advocacy

£3.4m

committed in 2016, doubling our initial investment and extending the partnership from 2017-2019

"Visiting Jordan reinforced for me how we – as an education company – can and should help to empower the millions of children affected by conflict."

Our resources and expertise, our ability to build awareness and advocacy, and ultimately, our brand, give us a unique role to play in scaling the work we're doing with Save the Children. By understanding where we have the most impact, we can help keep every child learning."

Kate James Chief corporate affairs and global marketing officer, Pearson

SUSTAINABILITY IN ACTION

Revel Professor Catherine Medrano works with low-income students

"Growing up in a large Mexican-American family in the Central Valley of California, I saw the importance of education in allowing for opportunities and social mobility, but I also saw issues of educational inequality. This fuels my desire to work in education and bring access and opportunity to non-traditional college students who may be low-income, first-generation, and suffering from other obstacles that make educational attainment difficult."

When Prof. Medrano began using Pearson's Revel, a digital learning tool with interactive media and assessments, she saw a significant improvement to her students' test scores.

"I was so proud of my students! I knew they could do it!"

The semester prior to using Revel, my students' average exam score was 68%. After using Revel, their average exam scores increased to 83%!"

Catherine Medrano Associate professor,
College of the Sequoias and Fresno
City College



+15%

After using Revel, Prof. Medrano's students' average exam scores increased by 15%.



Supporting the UN Sustainable Development Goals

Our 2020 Sustainability Plan is designed to support our business and global efforts to address some of the world's biggest challenges: lack of access to education, growing inequality, high youth unemployment, unprecedented migration and conflict, market disruption caused by technology and artificial intelligence, and pressure on our natural resources.

The good news is that the world has agreed on a plan to put us on a more sustainable path and ensure that no one is left behind. In 2015, UN Member States set out the 2030 Agenda for Sustainable Development, including its 17 Sustainable Development Goals (SDGs), and the Paris Agreement to tackle climate change.

We have an opportunity and responsibility to play our part in delivering these landmark agreements. By supporting the SDGs, we will help create a better world in which our business can grow and we can more effectively achieve our mission to help people improve their lives through learning.

For Pearson, operating responsibly is an important first step in supporting the SDGs. Beyond that, we have identified three SDGs where we believe we have an opportunity to make the biggest impact through our business practices, products and services, programs, and partnerships. The SDGs we focus on are closely aligned with the issues we have identified as material to our business (see p18 and p87-89 in the full report) for more on our material issues).

➔ For more information on how our work contributes to the SDGs, see p90-98.

SUSTAINABLE DEVELOPMENT GOALS

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



Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all

Why it is significant to us



263m

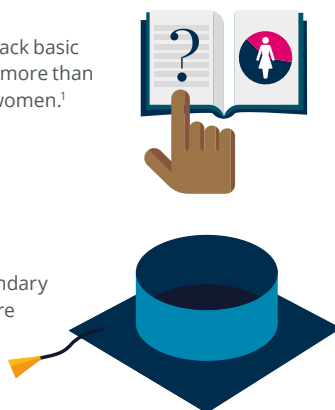
children, adolescents, and youth are out of school.³

103m

youth worldwide lack basic literacy skills, and more than 60% of them are women.¹

330m

primary and secondary school students are in school but not learning.²



How we support SDG 4

The education goal and targets are directly aligned with Pearson's mission, capabilities, and public commitment to expand access to quality education and improve progress for more learners. Education is a basic human right and a driver of economic and social progress, underpinning the achievement of all 17 goals. We enable learners at all stages to have access to a quality education through our portfolio of products and services.

¹ United Nations, Sustainable Development Goals – SDG4.

² The International Commission on Financing Global Education Opportunity, *The Learning Generation*, September 2016.

³ United Nations Educational, Scientific and Cultural Organization (UNESCO), *Leaving no one behind: How far on the way to universal primary and secondary education?*, July 2016.

8 DECENT WORK AND ECONOMIC GROWTH



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

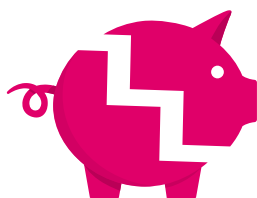
Why it is significant to us

197m

people are unemployed globally.²

767m

people are estimated to have been living below the international poverty line of \$1.90 per person per day.³



600m

jobs will be needed between 2016 and 2030 to employ young people entering the workforce.¹



How we support SDG 8

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 also aim to provide our own employees with a healthy, fulfilling, and inclusive workplace that recognizes their contributions and provides opportunities for advancement (see p30-34), and we ask our suppliers to do the same (see p37-38). Respecting labor rights within our business and our supply chain is emphasized in our code of conduct (see p40) and in line with our commitment to international standards for human rights and labor (see p26).

¹ United Nations Development Programme (UNDP), *Human Development Report 2016*, March 2017.

² International Labour Organization (ILO), *World Employment Social Outlook 2016*, January 2016.

³ The World Bank, *Tackling Inequality*, 2016.

10 REDUCED INEQUALITIES



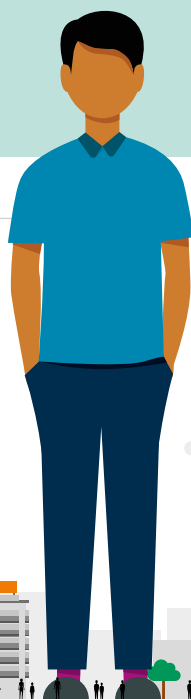
Reduce inequality within and among countries

Why it is significant to us

Since 1980, income inequality has risen sharply in most developed economies.⁴

Eight men own the same wealth as the 3.6 billion people

who make up the poorest half of humanity.⁵



How we support SDG 10

We strive to develop inclusive products and ways of learning that are compatible with every learner's needs. By helping learners progress and prepare to enter the workforce, we reduce inequality and equip more people with the 21st century skills they need to get good jobs, improve their lives, and provide for their families (see p68). 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.

⁴ Harvard Business Review, *Corporations in the Age of Inequality*, March 2017.

⁵ Oxfam International, *An economy for the 99%*, January 2017.

Our business

We serve the needs of millions of students and teachers around the world by combining leading content and assessment with the promise of advanced, adaptive learning technologies and predictive insights. Through our digital transformation and 2020 Sustainability Plan, we are working to ensure our products and services help to expand access to high-quality education and improve results for learners from all backgrounds.

What we offer

Content

We work closely with teachers and students to develop high-quality course materials and digital tools that improve access to education and learning outcomes.

Sales £2,200m/\$2,926m* (48%)

Revel

An interactive learning environment that enables students to read, practice, and study in one continuous experience.

274,361 Revel registrations in 2016



Bug Club

A dynamic phonics reading program teaching children to read through an online reading world, print books, and comics.



Assessment

We help educators evaluate academic progress and instruction, and learners demonstrate the knowledge and skills they need to advance their education and get better jobs.

Sales £1,334m/\$1,774m* (30%)

UK qualifications

Pearson is the UK's largest awarding body, offering both academic and vocational qualifications.

5.43m GCSE/A level papers marked in 2016

1.01m BTEC registrations

Pearson VUE

Helps individuals prepare for their next educational or career opportunity through credentials that verify the skills and learning they need.

14.9m summative tests delivered through a network of 8,000+ test centers



Services

We partner with universities on three continents to design, develop, and manage courses and programs and help improve recruiting, retention, and academic progress.

Sales £1,088m/\$1,447m* (22%)

Online program management

We collaborate with colleges and universities to extend the reach of their degree programs by scaling online.

45+ global partnerships

Virtual schools

Connections Academy is an accredited, online education program offering students everything they need to reach their full potential.

72,958 full-time equivalent students in 2016



* Pearson plc reports in £. For this report, we have converted our figures from £ into \$, using the average £/\$ rate prevailing in 2016, which was 1.33.

Learning stages

Our products and services help learners across all stages of the education journey.

School

Children and youth in primary and secondary education.

Higher education

Youth and young adults in tertiary education.

Professional

Adult learners and professionals in continuing education.

Our strategy & sustainability plan

Our business model and 2020 Sustainability Plan support each other to advance a set of economic, social, and environmental objectives that create value for stakeholders by growing our business and contributing to the Sustainable Development Goals.

Strategic alignment

Strategic growth drivers

1 Develop digital products and services

2 Build our market presence

3 Deliver measurable outcomes

2020 Sustainability Plan



Be a trusted partner



Reach more learners



Shape the future of learning

Our impacts

Economic

- › Revenue and earnings
- › Jobs and income
- › Investor returns
- › Inclusive economic growth

Social

- › High-quality education
- › Accessible and affordable learning
- › Employability and 21st century skills
- › Labor practices and working conditions
- › Diversity and equality
- › Social inclusion and peace

Environmental

- › Global GHG emissions
- › Forest conservation
- › Sustainable production and consumption

➔ Read more about our business model in our [Annual report 2016](#), p12-13.

Where we operate

We operate in 70 countries providing educational products and services to institutions, governments, professional bodies, and individual learners. Our key markets include:

North America

Our largest market includes all 50 US states and Canada.

Sales	£2,981m/\$3,965m*
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Employees	16,841
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Core markets

Our international business in established and mature education markets, including the UK, Australia, and Italy.

Sales	£803m/\$1,068m*
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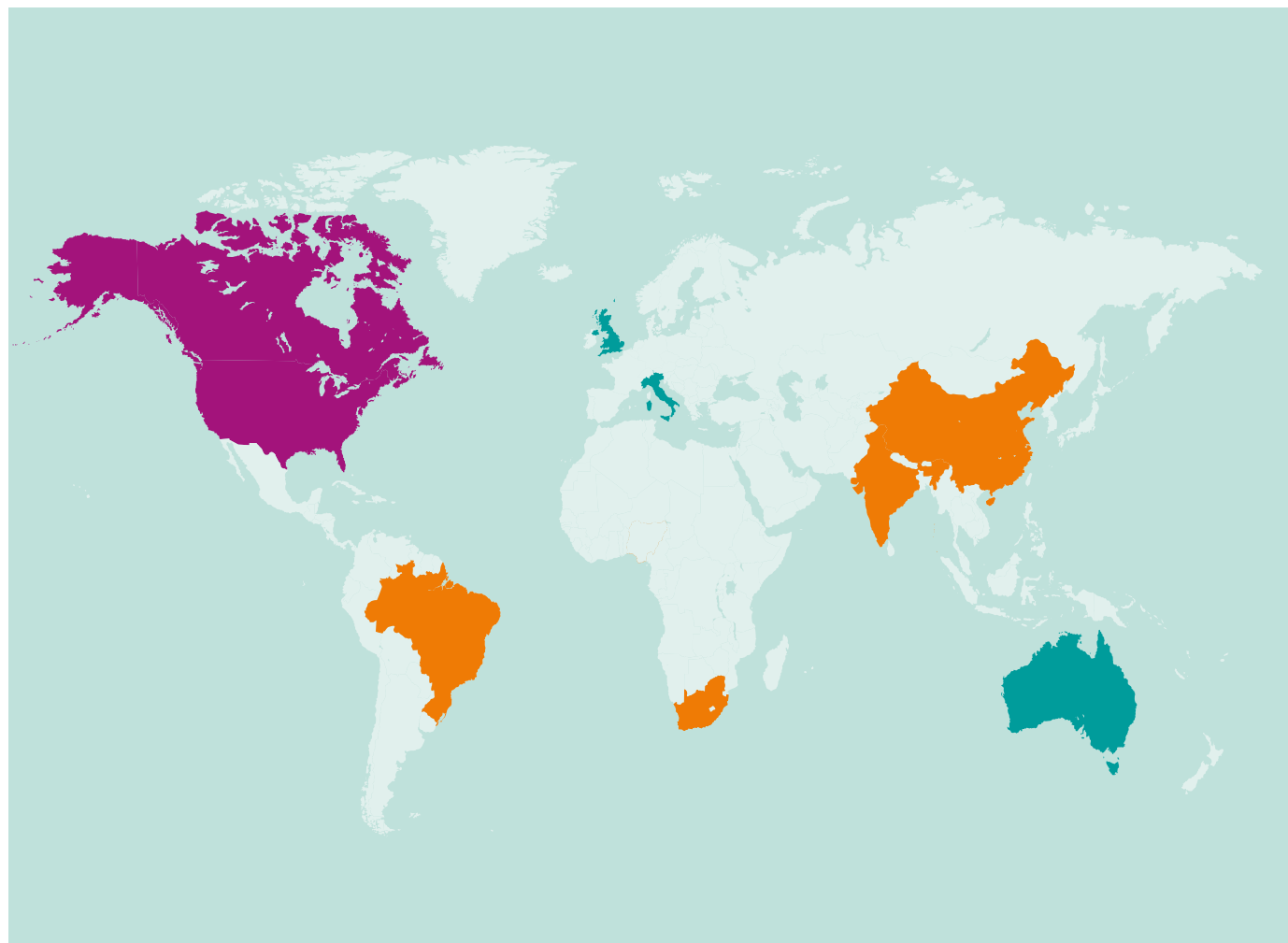
Employees	5,664
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Growth markets

Our growth markets in emerging and developing economies, with investment priorities in Brazil, China, India, and South Africa.

Sales	£768m/\$1,021m*
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Employees	9,868
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* Pearson plc reports in £. For this report, we have converted our figures from £ into \$, using the average £/\$ rate prevailing in 2016, which was 1.33.

SUSTAINABILITY IN ACTION

Bug Club Helping disadvantaged students

Designed to engage today's young learners who are used to reading and playing online, Bug Club brings together more than 350 books for different reading levels, in print and online, with supplementary games and quizzes that make reading fun. Bug Club is used in more than 5,000 primary schools in the UK by learners from ages 4-11.

Our research found that Bug Club had a significant positive impact on learners' reading progress in schools with a high proportion of disadvantaged learners, defined as those who qualify for free school meals or other financial support from the UK government.



Consulting our stakeholders

Many different people inside and outside of Pearson have a stake in our business. Everyone from students and teachers to investors and employees are impacted by the actions we take.

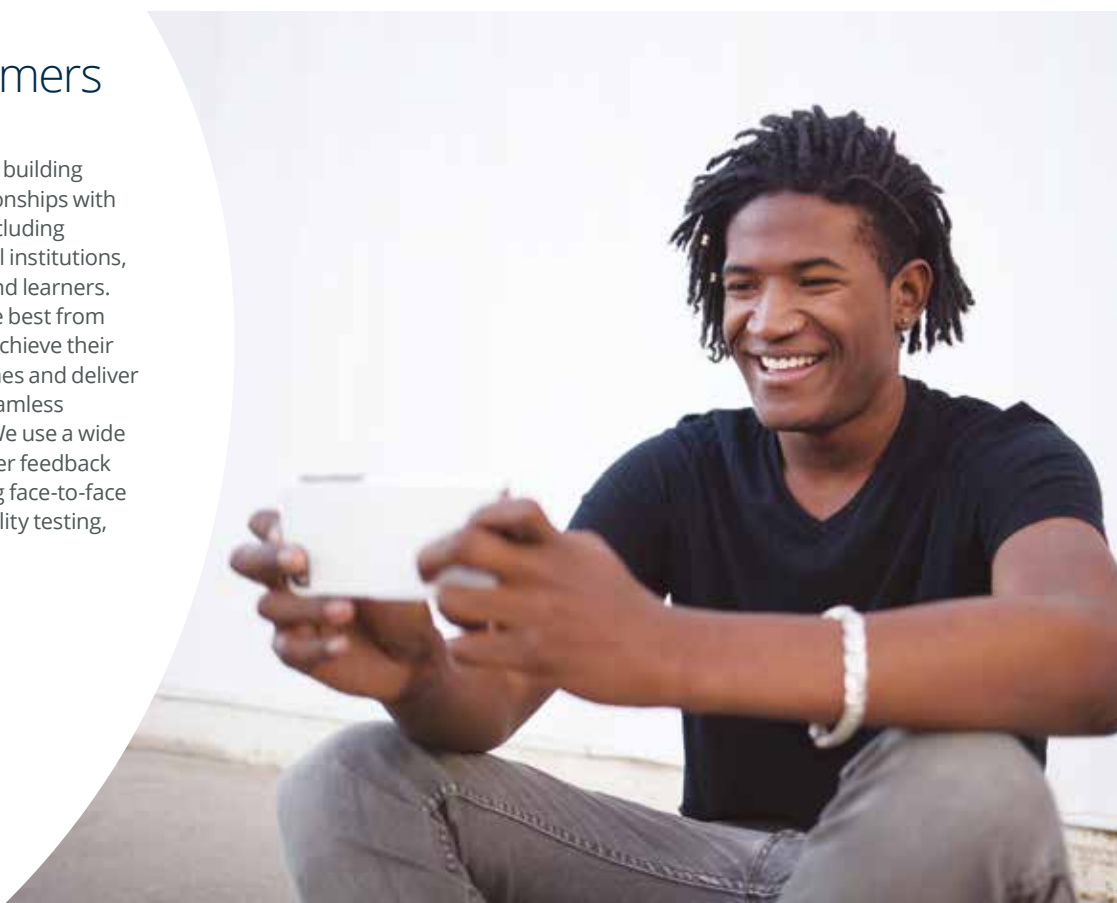
We are committed to listening to our stakeholders and responding to their needs. We believe their perspectives offer valuable insights for improving our business, implementing our Sustainability Plan, and meeting our goal to help provide access to high-quality education to learners from all backgrounds.

We worked with a leading sustainability organization to identify and prioritize our key stakeholders, and we continue to strive to find the most effective channels for interacting with each of these groups. We participate in a number of multi-stakeholder initiatives that provide valuable opportunities to engage and collaborate with stakeholders across sectors (see p72).



Customers

Our business depends on building strong, long-lasting relationships with a variety of customers, including governments, educational institutions, and individual teachers and learners. Our customers expect the best from our products – that they achieve their intended learning outcomes and deliver reliable, engaging, and seamless interactive experiences. We use a wide range of methods to gather feedback from customers, including face-to-face interviews, surveys, usability testing, and efficacy research.





Learners

Our learners are in school, higher education, vocational training, and continuing professional education. They come from different nationalities and backgrounds. They all learn in different ways. To understand and address their needs, we interact with students in a variety of formal and informal ways. For example, we seek input on product development from our Pearson Student Ambassadors and Student Insiders.

"It's so difficult in my district to find employment."

I had no qualifications beyond my high school certificate and no prospect of getting any either. When I heard about the Learner Guide Program I jumped at the chance."

Zuhura Camfed alumna and learner guide, Tanzania

➔ Learn more about our partnership with Camfed to empower African women and girls through education on p57-58.



"Quick Start absolutely prepared me for college coursework."

Without the Transitions Lab, I would have shied away from college and gone back to construction. Earning a place on the Dean's List made me more determined than ever to achieve my goals."

Student Southeast Community College in Lincoln, NE, US using Pearson's MyLab

➔ Learn more about our work to help learners build skills that foster employability and inclusive economic growth on p68.



Teachers & educators

Our products and services help teachers to be more effective. We value input from educators who are working with students of all abilities and at all stages in the learning journey. We seek to understand what they need to help learners make progress, which interventions work best, and how we can develop new products or refine existing ones to keep up with a changing industry.

"The Global Learning Programme provides a wider context for improving standards in core subjects. Children become passionate and engaged, and you, as a teacher, rediscover that spark that drove you to become a teacher in the first place."

Teacher Global Learning Programme school

➔ Find out more about the Global Learning Programme on p72-73.



Governments & other education agenda-setters

Governments are setting education policy and agendas around the world. We engage with national and local governments, representative groups, and other education influencers to understand needs and develop relevant and effective solutions in the markets where we operate.



International, non-governmental, & non-profit organizations

We listen carefully to the insights of organizations working to improve education for vulnerable and marginalized groups. In addition to maintaining bilateral relationships with key organizations, we participate in a number of multi-stakeholder initiatives that aim to strengthen global education systems. These relationships allow us to share experiences, capabilities, and perspectives; respond quickly to opportunities and criticisms; and help shape the global education debate (see p77).



Media

The media and journalists play an important role in analyzing and reporting on business and corporate behavior, education, and sustainability. They also help us to raise awareness about our business, share our stories, and engage other stakeholders. We work to help the media understand who we are as a company and how we are working to improve lives through learning and advance the Sustainable Development Goals.



Suppliers

Our business is supported by thousands of suppliers, from paper producers and printers to digital device manufacturers and software developers. We believe that working with suppliers who share our commitments to international standards for human rights and environmental stewardship strengthens our supply chain and reduces our business costs and risks.

➔ Learn more about our work to build a sustainable supply chain on p37.



Shareholders & investors

We are accountable and report quarterly to our shareholders, which include institutional and retail investors in the UK, US, and many other countries. Investors increasingly seek better information and more reliable data about how companies are addressing sustainability. We are working to meet these needs by providing more relevant information and key performance indicators (KPIs). We respond to requests for environmental, social, and governance information from investors and raters, including the Dow Jones Sustainability Index (DJSI) and FTSE4Good. Additional information about engaging shareholders can be found in our Annual Report.



Business partners

We work with a variety of commercial partners, ranging from large technology companies to education start-ups. Our business partnerships strive to leverage and make the most of each organization's unique resources and capabilities.

➔ For example, see p67 for more about our partnership with IBM Watson.



Employees

All employees have a voice. We seek to create a work environment that is both safe and welcoming and encourages innovation and risk-taking. We prioritize diversity and inclusion (see p32) and programs to engage, develop, and listen to our employees (see p30-31). Employees are encouraged to have an open dialogue and challenge leadership through small group discussions and virtual town halls with senior leaders, our annual employee engagement survey, webinars, and a regular call hosted by our chief executive. Our employees also exchange ideas, expertise, and information through our online collaboration tool, Neo.

➔ Learn more about Tomorrow's Markets Incubator on p55.

"It's wonderful how Pearson invests in us as the employee and trusts us and our ideas to take this company forward!"

Employee participant
Pearson's Tomorrow's
Markets Incubator



Reporting on our material issues

With our 2020 Sustainability Plan and approach to reporting, we focus on the issues that matter most to our business, our learners, and all of our stakeholders (see p14-17 for more about our stakeholders).

We undertook a comprehensive materiality assessment in 2015, following best practice outlined by the international reporting standard, the Global Reporting Initiative (GRI).

Based on consultation and an analysis of the areas that are most important to our stakeholders, 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.

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; and
- › The relative impact of the issues on maintaining or building our reputation and business success.

Following the 2015 process, we made minor adjustments to our material issues in 2016 to reflect input from our stakeholders. We continuously evaluate the relevance of our material issues and we refresh our analysis when appropriate.

Our material issues are broken into four categories:

Corporate functions

Competitiveness of digital products

The potential impact on the business and learners if digital products are not perceived to be, or experienced as, leading in applicability, convenience, price, or other elements of overall competitiveness and functionality.

Data privacy and security

Ensuring personal information about our customers and learners is kept safe and secure, with appropriate systems and procedures in place to prevent privacy breaches and information loss.

Security, health, and safety

Ensuring the safety and security of all employees, learners, and suppliers (including through policies and practice, training, monitoring, and disclosure).

Corporate governance

Establishing a framework and set of processes promoting ethical conduct, transparency, and accountability to our stakeholders.

Societal issues

Economic empowerment

Education is an important source of economic growth. Providing a quality education helps increase learners' earning potential, allowing them to improve their standard of living, and providing an economic value that extends to future generations.

Education industry

Access

Ensuring equitable access to our products for all learners, including those with disabilities and special needs.

Affordability

Offering products and services that are affordable to different income groups.

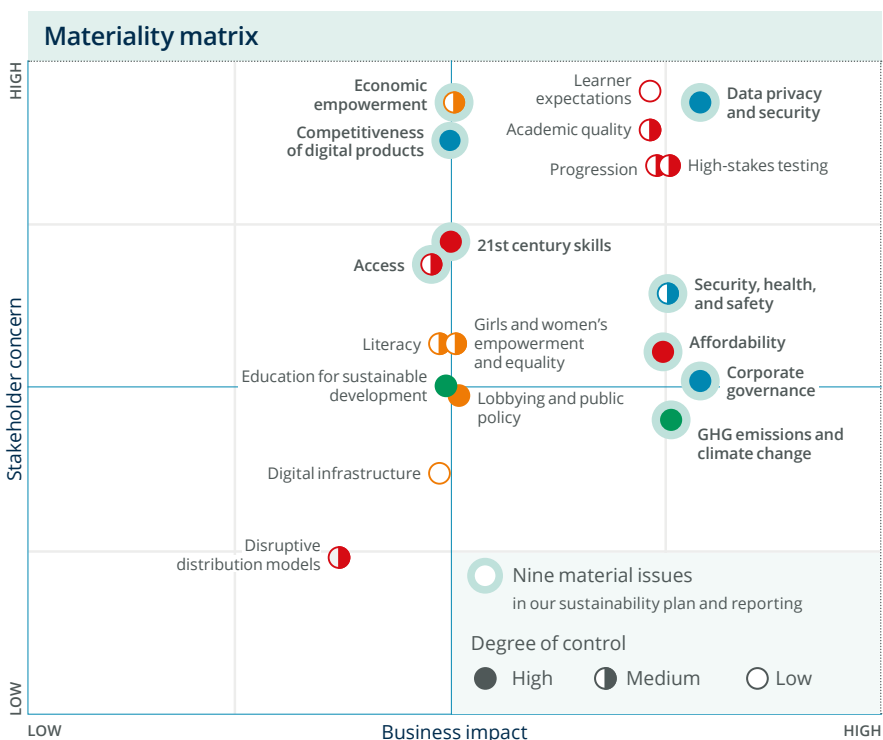
21st century skills

Providing products and services that equip learners with the skills and competencies – such as creativity, entrepreneurship, and critical thinking – needed for success in the 21st century.

Environmental issues

GHG emissions and climate change

Managing and mitigating our greenhouse gas and climate emissions throughout our value chain.



SUSTAINABILITY IN ACTION

The Parent Toolkit Engaging families

The Parent Toolkit is a free resource to help parents navigate a student's educational journey from pre-kindergarten through high school and beyond. The Webby Award-winning website and application is available in both English and Spanish, and takes a "whole child" development approach, with content that spans academics, health and wellness, social and emotional development, and college and career preparation.

Sponsored by Pearson and produced by NBC News, the Parent Toolkit was created in response to the needs of parents. During a series of focus groups with different demographic audiences around the country, parents voiced a desire to help their children progress in school, but emphasized confusion over changes in educational policy and curriculum.

In response to parent feedback and usage data, we collaborated with NBC News to continuously evolve the toolkit in order to make it more accessible to families, teachers, and learners of all backgrounds and academic levels. For example, when we learned that parents with lower literacy levels were not able to read the Parent Toolkit content, we created a video series to bring some of the written content to life in both English and Spanish. We launched a website redesign in the spring of 2017 that makes the Parent Toolkit more accessible from mobile devices.

➔ Visit the Parent Toolkit at: www.parenttoolkit.com



40%

increase in unique visitors
from 2015 to 2016

60.2m

in potential reach through
campaigns, Twitter chats,
and an NBC news special





Be a trusted partner

"Our ambition is to develop world-class products that leverage technology and enable educators globally."

We are transitioning from a company that sells inputs to one that delivers outcomes for our customers. Our efficacy and research programs measure and improve outcomes for every one of our products so that more learners learn more."

Amar Kumar SVP, Efficacy & research, Pearson

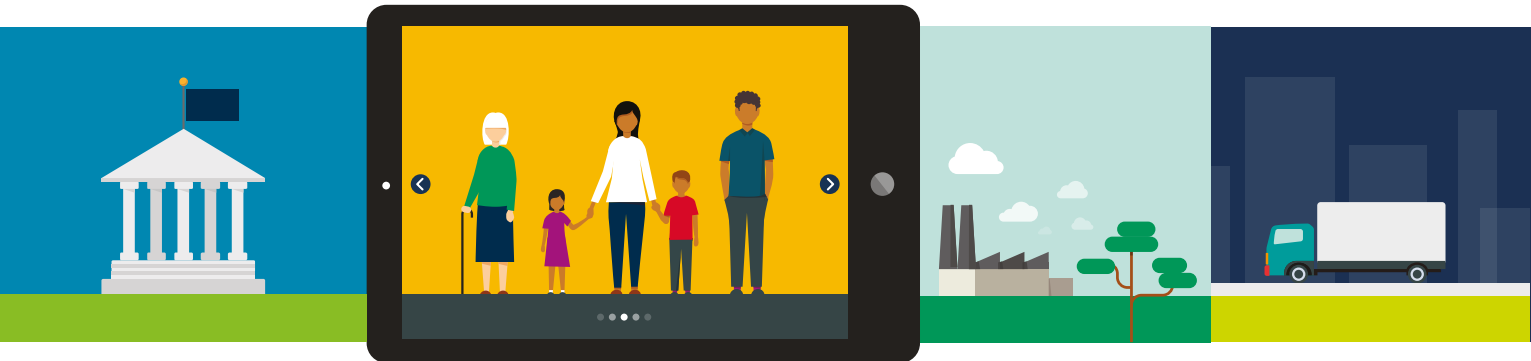
Our commitments:

1	Deliver high-quality products and services	4	Protect our natural environment
2	Respect human rights	5	Build a sustainable supply chain
3	Develop our people and communities	6	Ensure strong governance

We are one small part of a much bigger world. We collaborate with teachers, parents, governments, non-governmental organizations, and many others to help people make progress in their lives through learning.

Our business strategy depends on partnerships and trust at every level. The best solutions come from working together, listening to different perspectives, and leveraging one another's strengths.

We strive to meet our stakeholders' expectations by operating responsibly, ethically, and transparently in everything we do. We put our values into practice in how we develop and deliver our products and services, how we treat people, and how we protect our natural resources.



Deliver high-quality products and services

An important part of being a trusted partner is making sure that our products and services help learners and teachers – by being relevant, easy-to-use, effective, appropriate, and safe. To ensure we deliver high-quality products and services, we engage with thousands of educators and students during product development, testing, and feedback. We are in daily contact with more educators than any other commercial organization in the world.

As we become a digital-first company, we are working to address the opportunities and challenges that come with embracing new technologies, for example by simplifying and streamlining our technology to improve customer experience and reliability.

Partner with teachers and students

We know that teachers make the biggest difference in improving students' success and learning. Our product and marketing teams travel to college campuses and schools around the world to meet with teachers and understand how we can help them achieve their goals. Through digital offerings such as Revel and MyLab & Mastering, we aim to help educators reach every student in a way that adapts to their individual needs.

Similarly, our experts work closely with teachers and faculties to research, design, and deliver high-quality and fair assessments. Pearson understands that concerns around the role of assessments are varied and real. We believe that quality assessments are useful to the learning experience, but they are just one measure of the knowledge and skills that learners need. They do not, and will never, completely define the sum total of what a good education should provide.

Developing Revel with input from teachers and students

By listening to faculty and students, Pearson developed Revel, an online learning environment that includes written narrative, media, and assessment. The digital product takes the place of a traditional textbook and enables students to read, practice, and study in one continuous experience. To develop Revel, we worked with more than 23,000 educators and students over the course of several years, and all of Revel's key aspects were guided by interactions and testing with our customers.



Assessments help teachers and educational leaders make informed decisions about how well their curriculum and instructional practices are working, and what needs to improve. For parents, tests can help them make informed decisions about their child's education. And for policymakers, testing can help gauge the effectiveness of public schools and how well they are serving the needs of their students.

Strengthen our digital infrastructure

We are focused on operating as one company with one streamlined technology infrastructure platform for our products and our operations. Through standard, global processes, we will make our products and services more resilient and affordable, and our business more efficient as employees work together more effectively.

Some key elements of our digital strategy include:

- › Creating a global architecture that sets the blueprint for how we design, build, and operate our products and services, ensuring everything works together;
- › Making our products more stable and reliable;
- › Implementing comprehensive security controls and metrics to ensure the privacy and security of learners' and customers' data (see p26-27 for more); and
- › Continuously improving our operational and product release processes.

We faced challenges in early 2016, particularly in our North American market, where a handful of unplanned system slowdowns and application failures impacted the customer experience we aim to provide. Since then we focused on making significant improvements.

As a result, we took the following actions by the year's end:

- › Transparently and proactively alerted customers to any technology problems as soon as they arose;
- › Established processes to mobilize and quickly resolve any significant incidents;
- › Implemented more robust monitoring to identify potential technology issues before customers are impacted;
- › Strengthened the internal review and sign-off processes that happen before products are released; and
- › Introduced new features for our major MyLab & Mastering and Revel and other products.

Through May 2017 we have reduced major incidents by 48% compared to the same time last year. Increased stability and product improvement initiatives have reduced the frequency of customer incidents, and we achieved positive, improved Net Promoter Scores (see below) for our MyLab & Mastering and Revel products.

Going forward, we will continue to invest in infrastructure and security improvements to minimize service disruptions.

Improve customer experiences

Our business depends on building strong, long-lasting relationships with our customers. We are working to ensure every interaction a customer has with a Pearson product, website, salesperson, or service agent is engaging, seamless, and positive.

We use a variety of methods to gather feedback from customers, including face-to-face interviews, surveys, product testing, and efficacy research. To better understand our customers' experiences, we measured the Net Promoter Score (NPS) across the business in 2016. Through the NPS feedback system, customers rate us on various interactions across touchpoints and products. Pearson proactively follows up on feedback and uses it to identify continuous opportunities for improvement. The measure itself is an index score of how likely a customer is to recommend Pearson, ranging from -100 to +100.

In 2016, we formed a cross-functional coalition of senior leaders to define a common company-wide framework for incorporating customer feedback into our processes, with clear accountability and governance structures.

We have also undertaken work to streamline Pearson's web properties into one **pearson.com**. The initiative will upgrade our global web presence and e-commerce capability to support the discovery and sales of products and services. It will create a user-centered, globally consistent – yet localized – web experience for Pearson's customers and learners wherever they are.

In 2017, we will:

- › Launch the Global Customer Experience Measurement Program, tracking NPS and how we are delivering against our Customer Experience Principles; and
- › Integrate the company-wide framework established in 2016 into our core business units.

Focus on efficacy and learner outcomes

We are committed to selling products that deliver value for our customers. To make sure our products and services deliver learning outcomes, we conduct in-depth efficacy research on individual products.

We refer to "efficacy" as a set of principles and practices that are rooted in product development and the way we interact with our customers. These include defining intended learner outcomes, using research and analytics to design and improve products, and measuring the impact of those products.

We are committed to transparently sharing the results of our impact measurement efforts with our stakeholders to enable our customers to make more informed purchasing decisions.

➔ [Read more about how we share our efficacy work on p75-76.](#)

Improving reading outcomes in South Africa with Vuma



In 2016 we conducted a number of efficacy studies to assess the learning outcomes of our new South African reading instruction program Vuma. The program will be available in five local languages and our initial studies focused on English. The results show strong indications of the positive role that Vuma can play in addressing reading challenges.

Literacy is a major challenge in South Africa. While considerable resources have been allocated to providing quality education in schools, South Africa still performs below most other African countries in comparable reading tests. English is a particular challenge because even though most learners are not native English speakers, they are expected to learn

all of their subjects in English beginning in Grade 4. As a result, English as an additional language has become a more formal part of the curriculum in Grade 1. The need for a good English reading instruction program for young learners is clear.

Working with a local non-profit partner, we undertook efficacy research to look at the impact of using Vuma, together with a Pearson employee volunteer program. The research found that learners achieved better results when using Vuma and participating in weekly sessions where Pearson volunteers read Vuma books with small groups. Finding a volunteer model, which is both sustainable in the corporate environment and has a positive impact on learning, is potentially powerful for employee engagement.

In another study, our research found that learners in classrooms using Vuma significantly outperformed learners in classrooms where Vuma was not used. We received very positive feedback from teachers, including that Vuma's stories and characters engage learners and that the series helps learners to read better.

➔ Learn more at: <https://schools.pearson.co.za/products-and-services/books-for-schools/vuma/>

Efficacy reports in 2016

12

efficacy reports published

- › Connections Academy
- › Bug Club
- › AimswebPlus
- › CTI and Pearson Institute of Higher Education
- › MasteringChemistry
- › MyLab Math
- › Revel
- › Wall Street English
- › GED Testing Service
- › NAME Sistema
- › MyFoundationsLab
- › WISC-V

➔ Read our efficacy reports online at efficacy.pearson.com



Deliver relevant, appropriate, and inclusive content

Learners trust and depend on Pearson to provide course materials that are not only relevant but also appropriate and inclusive. We create our products with children and youth in mind and think specifically about the culture, background, and age of the learners that will access our content.

Our processes include editorial reviews and councils, internal and external peer reviews, and external commissioning. We also conduct testing with teachers, pupils, and independent academic experts. Where necessary, we enable parental controls for relevant digital products.

Despite our best efforts, we sometimes make mistakes. In 2016, for example, inappropriate content was found in one of our textbooks in South Africa. We have worked closely with teachers from the local communities who highlighted this problem to amend the language, ensuring the updated content met with their approval and the approval of relevant government entities. Read more at: www.pearson.com/corporate/getthefacts.html.

To help prevent these types of situations, we took steps to re-evaluate our processes and best practices from across our business with the goal to develop a common set of values-based editorial principles for global implementation.

The principles will apply to all of Pearson's content and will help product development teams to deal with difficult editorial issues, meet client expectations, and produce distinctive and challenging content aligned to the highest ethical and editorial standards.

NEW TARGET

By 2020, we will establish and roll out Global Content Principles to ensure Pearson content is appropriate, effective, and relevant for all learners, for the 21st Century and beyond.

Ensure product safety

Pearson takes measures to ensure the safety of our users. Our products for young children are age-appropriate and properly labeled with relevant choking-hazard warnings.

Our product safety manual sets out procedural and legislative requirements for product testing, development, and labeling, and is regularly updated to reflect any new developments. We carry out risk assessments based on learners' age, product use, and materials, and use third parties to test and certify compliance with product safety standards.

We collaborate with industry partners to maintain a current database of all chemicals that are used to make our products and classify them according to relevant safety legislation. For more information, visit: bookchainproject.com/home.

In 2016, we:

- › Focused on monitoring and addressing relevant regulations and industry trends (including US Consumer Product Safety Commission (CPSC), ASTM toy standard activities and updates, and EU General Product Safety Directive, UK TSI, EN 71 Part 1, 2, 3); and
- › Represented Pearson at the PIPS (Publishing Industry Product Safety) Forum, a bookchain project, in UK, where trade and academic publishers in the UK come together to share best practices and keep abreast of legislative and chemical updates. We continued to work with core suppliers on adding vendors to the PIPS database.

Going forward, we will:

- › Maintain our ongoing target of zero product safety incidents or recalls; and
- › Provide training on vendors in the PIPS database.



Respect human rights

Respecting the human rights and dignity of all people is the only way for our society and business to prosper. Our approach to human rights is guided by international standards for universal human rights, good labor practices, and decent working conditions. We work to ensure the privacy, security, and health and safety of everyone our business impacts.

We have a corporate responsibility to respect human rights, and we are committed to follow the Universal Declaration of Human Rights, the International Labour Organization's declarations on fundamental principles and rights at work, and the UN Guiding Principles on Business and Human Rights. As a founding signatory to the UN Global Compact, we are committed to its human rights and labor principles, and we are a member of the Global Compact's UK Local Network.

We respect the right of our employees to freedom of association and representation through trade unions, works councils, or any other appropriate forum wherever local laws allow. 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. We work to prevent discriminatory, illegal, or inhumane labor practices, including child labor, forced labor, slavery, and human trafficking. We are committed to using our influence with our suppliers to improve standards for their employees. Read more about supporting our suppliers on p37-38.

Recent events have drawn internal and external attention to the importance of human rights to our business and relationships with key stakeholders. During 2017, we will undertake a human rights review to better understand, prioritize, and address the human rights risks within our sphere of influence and inform the development of our human rights strategy and a new human rights policy.

Education is a human right, and we are taking steps to improve access to education. As part of the human rights review, we seek to identify even more ways to support quality education and the positive impacts it can bring about. For example, we aim to determine how our products, services, and sustainability initiatives can expand economic opportunities for vulnerable groups and at the same time grow new markets for our business.

NEW TARGET

Conduct a human rights assessment and implement a new human rights policy by 2018.

Respect the right to privacy and ensure data security

We strive to protect the rights, freedoms, and dignity of all of the people who entrust us with their personal information, including learners, customers, and employees. We recognize our responsibility to keep their personal information safe and secure.

Keeping important information private and secure is a matter of trust and reflects our values of decency and accountability. We have robust protocols to inform all stakeholders about how the company collects and uses their data.

We have annual training for all employees on information security and data privacy. As part of this training, employees read and sign a new Acceptable Use Policy. All Pearson employees who deal with US student information are required to take additional training on protecting educational data.



Pearson's chief information security officer oversees the information security program, and our chief privacy officer manages our data privacy program. Both are accountable to the executive leadership team. The security and privacy frameworks are linked to ensure a holistic approach and provide aligned guidance on product and technology development processes, policies, training, and vendor management.

Our risk management process is based on recognized international standards (ISO 31000) for assessing and ranking data privacy and information security risks. We regularly test and evaluate our data security procedures and controls through internal and third-party reviews.

We comply with relevant legislation and contractual requirements and monitor regulatory changes to assess their impact on our processes and programs. To help inform our approach, we are members of the International Association of Privacy Professionals, Software & Information Industry Association, Future of Privacy Forum, and Centre for Information Policy Leadership in Europe.

Our internal audit team regularly reviews our data privacy and security programs. In 2016, they suggested further improvements to our privacy program to meet the increased obligations under the European General Data Protection Regulation (GDPR). We plan to implement these during 2017 before the GDPR goes into effect from May 2018.

In 2016, we made significant improvements to our data privacy and information security processes:

- › We instituted an in-depth privacy and security assessment of our key products to ensure their functionality is updated for current requirements, and developed plans to mitigate identified areas of risk;
- › We established a detailed GDPR plan to ensure we are focused on the various activities required to adapt our program to meet the changes due to come into effect in May 2018;

- › We developed our vendor management processes and expanded our use of privacy impact assessments to encompass vendors and new programs;
- › We developed targeted training and policies for particular business areas and teams to address their key risks; and
- › We established a set of product privacy requirements, which have been implemented into the product development process to support privacy by design.

Safeguard and protect learners

We are committed to safeguarding and protecting learners wherever we operate schools, training and learning centers, and teaching facilities. Our primary concerns focus on ensuring children's safety and providing safe, age-appropriate learning environments for all in both physical and virtual classroom settings.

Safeguarding has been identified as a principal risk under our enterprise risk management system and is subject to regular reporting to the audit committee, a board-level committee.

In 2017, we will:

- › Continue to embed our governance processes;
- › Complement our existing training for all employees with targeted workshops for senior leaders and communications leads on their roles and responsibilities in incident management; and
- › Adopt a global policy and supporting procedures on sexual harassment in adult learning centers operated by Pearson.

Safeguarding priorities in 2016



Strengthen safeguarding governance processes

We established a global safeguarding committee of senior leaders to review business challenges, progress, and performance data. We also commissioned an external review of our approach to safeguarding and reported its findings and recommendations to the Pearson executive team.



Address safeguarding risks in our direct delivery businesses

We carry out risk assessments in all our majority-owned direct delivery businesses outside of China, where the focus on adult learning reduces risk. In 2016, we implemented improvements at Pearson Schools India, conducted risk assessments on the Pearson Affordable Learning Fund portfolio of businesses (see p55-56 for more on PALF), and began engaging our businesses in China.



Deliver training that helps foster an understanding and positive culture around safeguarding

We implemented an online training module and are working to overcome technological barriers that limit adoption. We are also continuing to work with Pearson Schools India to develop and model a program for improving our safeguarding practices.

"Safeguarding is a priority issue for Pearson. As chair of the safeguarding committee, my responsibility is to champion and challenge our businesses to continuously improve practice."

Bob Whelan President, Pearson assessments

Improve health and safety

Our people work in many different facilities around the world, including schools, colleges, test centers, offices, data centers, call centers, print sites, and warehouses. Simply put, we cannot be a sustainable company and a trusted partner unless we ensure the safety and wellbeing of our people, our learners, and all who come into contact with our operations.

We are working to firmly establish, and continuously improve, an effective health and safety (H&S) management system across our business. We have made good progress, but recognize more needs to be done, especially given the continuing evolution of our company.

The global risk management team develops, maintains, and supports our H&S policy, and the board's audit committee oversees H&S performance. We consider printing and warehousing to be our high-risk activities.

Our H&S audit program is essential for ensuring we are actively identifying hazards, regulatory compliance concerns, and non-conformance with the policy. A global network of nearly 200 "H&S coordinators" work to ensure the H&S management system is implemented in their business locations.

Pearson Management Services, the company in the UK that manages our head office, is certified against BS (OHSAS) 18001, an internationally recognized H&S management standard. In June 2016, Pearson secured the Royal Society for the Prevention of Accidents (RoSPA) Silver Award for H&S performance for our global operations, which followed a Bronze Award in 2015.

In 2017, we plan to update our strategy and refine our policy and standards to reflect our evolving business, risk, and desire for continuous improvement.

Going forward, we will:

- › Publish a 2018-20 H&S strategy to recognize our H&S maturity and reach beyond compliance;
- › Publish and communicate a revised, fully-endorsed H&S policy and standards;
- › Continue the implementation of our global H&S assurance program. Establish more robust global processes for injury, illness, and other incident reporting to enable more effective and transparent reporting;
- › Develop targets and metrics consistent with GRI standards (see p78 for more about GRI); and
- › Establish regular senior management reviews in relevant businesses and geographies to ensure awareness of and accountability for H&S performance.

Health & safety by the numbers

150+ audits

In the past three years, we conducted more than 150 audits and implemented over 700 improvement actions.

81%

81% of open action items from H&S audits open as of 1 January 2016 were successfully resolved, exceeding our 70% target.



As further evidence of our H&S systems continuing to take hold, 42% of audits resulted in "satisfactory" opinions (the highest rating possible) in 2016, compared with 16% in 2015 when the program and implementation was in its infancy. We also saw significant decreases in audits that resulted in "needs significant improvement" opinions.

In addition, global implementation of our H&S standards improved by 36% in 2016, exceeding our 30% target, and 81% of open action items from H&S audits open as of 1 January 2016 were successfully resolved, exceeding our 70% target.

Total incident rates, including very minor and near-miss, continued to trend down, partially due to the outsourcing of some higher risk warehouse locations, as well as continued focus on injury prevention in direct delivery locations and sites with large employee populations. The number of injuries and work-related illness cases moved up slightly over 2015. There were no work-related fatalities.

Ensure corporate security and business resilience

We live in an increasingly complex world with new and emerging security challenges – geopolitical threats, terrorism, crime, and natural disasters, for example. Unfortunately, high-profile security incidents are occurring on a daily basis and act as a harsh reminder of an ever-present threat.

Pearson has a responsibility to help minimize and manage these risks, and our goal is zero harm.

As part of our global efforts to strengthen policies and procedures, and increase our level of preparedness, the corporate security lead and business continuity team were brought together. This team provides security and resilience solutions, designed to protect our people and assets while supporting business growth.

As a global company, international travel plays an important role in how we do business. We have improved our risk and threat monitoring in partnership with our travel management provider, Anvil, which has launched an improved security platform. We have also hired additional staff to analyze, collate, and report developing risks.

To minimize risks for our business travelers, our Travel ASSIST app provides live updates and advice in the event of a security situation.

In 2017, we will release an eLearning traveler training module on Pearson U.

"I feel a strong sense of responsibility towards employees and everyone that works on behalf of Pearson."

"My team works to do everything in our power to keep people safe from global threats. I'm proud to work at Pearson because I believe education has the power to prevent so many of our world's biggest challenges."

Adrian Firth Director of corporate security & business resilience, Pearson

Engaging students in health & safety in India

In 2016, Pearson's global risk management team worked closely with Pearson Schools India to make health, safety, and safeguarding a cornerstone of its operations. As part of the strategy, a number of student health, safety, and safeguarding captains and vice captains were appointed. They agreed to a set of responsibilities and are now considered an important part of the school H&S team.

The captains are part of inspection, risk assessment, fire safety management, audit, and committee activities. They help communicate important H&S issues to other students through a wide variety of campaigns, including posters with slogans like "No Safety – Know Pain. Know Safety – No Pain" and "H&S is as simple as ABC – Always Be Careful". They also lead targeted assemblies, hand washing workshops and traffic safety events.

When the global risk team engaged with these students during a 2016 round of H&S audits, they displayed an impressive range of knowledge, understanding, and enthusiasm when providing induction briefings to the audit team.



Develop our people and communities

We will only succeed if our employees have opportunities to develop grow, and stay engaged.

In 2016, we focused on navigating our business transformation, listening to our employees, creating new employee learning programs, and supporting a more diverse and inclusive workplace.

We maintained our commitment to investing in local communities and offered opportunities for our employees to volunteer and give.

Create a strong culture

Our values define who we are and how we behave as a company and as employees. Our values and behaviors are guided and reinforced by our code of conduct. We make sure everyone is aware of the code and include it in the onboarding process for all new employees. See p40 for more on the code.

Navigate our business transformation

We undertook a difficult restructuring process in 2016 as part of our ongoing efforts to navigate considerable changes both within and outside our business. The restructuring reduced the total Pearson employee base by around 10%. Our leaders explained the industry trends and business reasons behind the decisions that were made, and maintained regular communication with affected teams. Pearson provided consultation and support for colleagues leaving the company, including access to an external career management and talent organization to help employees transition into new external roles.

Encourage listening, engagement, and collaboration

Learning, listening, and collaborating are vital to empowering our people, navigating challenging times, and supporting our transition to a digital business. We encourage employees to share their views with management and one another through a variety of channels, including our internal online forum, Neo. We also hold regular dialogue events with our executives both in person and via global webcasts.

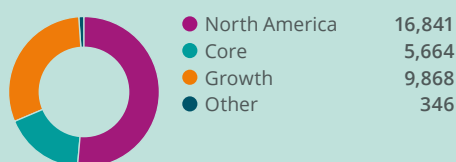
We launched Discovery Day events in 2016 to help employees better connect with our products and services and enhance the understanding of business changes across the company. We also extended our LinkedIn Elevate partnership, which engages employees in sharing insightful content about education.

About our employees

32,719

total average number of employees in 2016

Employees by region



Employee gender diversity



30%

Board positions held by women

32%

Senior leadership positions held by women*

* two reporting lines from the chief executive

Our values and behaviors



Brave

- › Show determination and courage in the face of obstacles and setbacks
- › Offer ideas or opinions without fear of criticism or professional risk
- › Set high standards for own and others' performance



Imaginative

- › Assess complex issues from multiple angles and addresses problems that don't have clear solutions or outcomes
- › Offer creative ideas and innovative solutions to solve problems and address opportunities
- › Takes a broad perspective to identify opportunities and solutions



Decent

- › Be honest, transparent, and straightforward when working with others
- › Build trusting relationships with a broad range of people inside and outside Pearson
- › Look for and includes diverse viewpoints and talents of others



Accountable

- › Take ownership of own work and drive to successful completion and closure
- › Identify and involve others to accomplish individual and group outcomes
- › Follow through on commitments

Empower people through learning and development

Learning is as important to us internally as it is externally. Our talent strategy focuses on creating a positive personal growth experience across the employee lifecycle.

We focus on:

- › Empowering and enabling our people to actively manage their own development and careers by providing opportunities and tools to grow and stretch in a healthy, inclusive workplace; and
- › Providing our business with forward-thinking, agile, and engaged employees, who are able to do their best work to deliver on our business strategy, by encouraging innovation and risk-taking.

In 2016, we took steps to re-energize our learning culture with the implementation of a new learning portal, Pearson U, including a Technology Academy, which provides structured skills assessment, development activities, and transparent information on career progression. We also developed a Learning Volunteers community comprising employees who test and trial learning collateral, shared materials, and ideas. These programs are aligned with our performance management process and help to equip managers with tools that support their teams to develop the skills needed in a changing business environment.

We focused on our current employees by applying a common set of leadership competencies to develop and grow a pipeline of leaders who are ready to take on new challenges. As part of this effort, we launched a new talent database to identify

candidates for open roles and updated our performance management framework.

Going forward, we will:

- › Focus on gender diversity in succession planning to improve our pipeline of emerging leaders, emphasizing high-potential minority groups and employee peer-to-peer mentoring;
- › Underpin our digital transformation by scoping skill needs and gaps for future talent at specific locations;
- › Retain and develop our talent by increasing internal mobility;
- › Help employees learn and grow by understanding their own capability gaps and developing key skills through Pearson U and other learning opportunities; and
- › Improve employee relations by leveraging insights from our annual employee engagement surveys.

Employee engagement



Employee engagement survey

62%

of employees responded to the 2016 Engagement Survey



Our employees:

- › Are inspired by our purpose
- › Feel a strong sense of accomplishment
- › Want to better understand our strategy
- › Want clearer and more career growth and development
- › Need executives to foster trust through their communications

Foster an inclusive and diverse workplace

We believe we are at our best when we harness the unique skills, perspectives, and backgrounds of every employee to foster innovation and create the most effective solutions for learners around the world. We are committed to ensuring that diversity and inclusion are embedded in everything we do. We foster a work environment that is inclusive as well as diverse, where we reflect our customers and learners, and where our people can be themselves.

Diversity and Inclusion (D&I) is a business strategy. Our global D&I program aims to build trust with some of our most important stakeholders – employees, learners, and the communities we serve. Though we still have work to do, we are taking steps to recruit, promote, and retain diverse employees.

In 2016, women made up 32% of our senior leadership team, including the two levels of managers reporting to the chief executive. Our executive management team included two women during 2016, and our board was 30% female. We have also embedded unconscious bias and gender intelligence practices in our annual talent review process.

In 2017, we will:

- › Launch a new ERG to promote collaboration across generations; and
- › Host our fourth annual Global Inclusion Week to offer learning opportunities for employees across the globe.

We are committed to provide equal opportunity for all genders in our talent and pay practices, to ensure our employees reach the maximum of their potential, are rewarded fairly based on performance, and have the flexibility to pursue a positive work-life balance.

NEW TARGET

We will publish gender pay details for our UK businesses by 2018 and extend our reporting to cover our global operations by 2020. This gender pay data will inform how we develop our pay and career progression strategies.

Diversity & inclusion in 2016:

1

single global D&I team was created.



1,200+

employees attended D&I learning sessions.



30

D&I Advocates mobilized across US, the UK, India, and Canada to lead initiatives to embed D&I across all lines of business.

12.1m

people were reached through our #DiscussDiversity Twitter chat series.



25

events and panels were held during our Global D&I Week.



4th

For the 4th straight year, we received a perfect score in the Human Rights Campaign Corporate Equality Index.

Employee resource groups

Our employee resource groups (ERGs) play a key role in advancing diversity and inclusion across our business. ERGs are grassroots, employee-driven groups that organize around shared interests and provide platforms for professional networking and development, addressing business challenges, and celebrating diversity.



5,000

employees worldwide participate in our global ERGs

Our global ERGs:

- › PearsonABLE for colleagues with disabilities and their advocates
- › Pearson Bold for colleagues of black and/or African ancestry
- › Pearson Latino Network
- › Pearson Parents
- › Pearson Spectrum for LGBT colleagues and allies
- › Pearson Veterans
- › Women in Learning & Leadership (WILL)

"The Veterans' ERG is an integral component in unlocking the full potential of the veteran workforce."

This ERG provides a unifying environment to realize the unique skills and spirit of this community."

Wilfred Sa-onoy

Manager, technology shared services, global business operations

Support our people in and out of the workplace

We are committed to offering benefit programs that make our employees' lives easier, simpler, and more rewarding. Our programs vary globally and include benefits such as health insurance, disability coverage, retirement savings matching, employee stock purchase options, commuter benefits, tuition reimbursement, and programs that support wellbeing and work-life balance. Helping our employees outside of the office leads to higher levels of employee engagement and productivity at work and improves individual wellbeing.

Looking ahead, we are working to establish an integrated benefits strategy that can be applied globally, with the flexibility to be customized to fit local business practices, market trends, and rules.

Our global strategy will be designed to:

- › Provide the flexibility that enables employees to customize benefits offerings to their own needs and circumstances;
- › Offer "personalized" online communications as an alternative to "one-size-fits-all" mass communications; and
- › Provide a simple, efficient and user-friendly employee experience, with an emphasis on websites, tools, and materials that are easy-to-find and informative.

Invest in our global and local communities

Educational opportunities and outcomes are closely linked to the prosperity of local communities and global development. In 2016, we directed 1.2% of our pre-tax profits to community activities, maintaining our ongoing commitment to invest at least 1% annually. We are an active member of the London Benchmarking Group, a global standard for measuring corporate community investment, which allows us to track and report on our in kind and cash contributions to community causes (see <http://www.lbg-online.net/> for more information).

As part of our commitment, we provide employees with a variety of opportunities for volunteering and giving. These programs also help to engage, attract, and retain people who are passionate about our mission to improve lives through learning

and our commitment to advance the Sustainable Development Goals.

We have a global network of over 200 social impact champions that lead our efforts to partner with local non-profits and enable volunteering and giving opportunities in the US, Canada, the UK, South Africa, Brazil, Australia, Italy, Sri Lanka, and other countries.

Volunteering

All global employees can use up to three paid volunteer days a year for charitable work. We also offer company-organized volunteering opportunities with non-profits that align with our company's mission. More than 75% of employee volunteering hours in 2016 were dedicated to education-related non-profit organizations and causes.

"I had a great experience volunteering at Career Collaborative.

We spent the morning conducting practice interviews with people who were underemployed but eager to find full-time jobs... The work of Career Collaborative really resonates with Pearson's commitment to employability and upward mobility."

Bill Triant VP, Strategic partnerships and investments, North America, Pearson

Employee volunteering in Brazil

In Brazil, our social impact champion team introduced the NGO Cidadão Pró-Mundo to Pearson Brazil employees and invited them to become Volunteachers (voluntary teachers) one Saturday per month. CPM promotes equal opportunities and social integration through English teaching to nearly 1,500 low-income students.

"Being a volunteacher has been an amazing experience!

It's priceless to see the students' feedback about our work. It takes just a few hours a month to prepare a class and teach the students. I would recommend it to all my colleagues!"

Thierry Alves Sales representative, English Language Teaching, Pearson

"We could see that, despite their fear of speaking in a different language,

the students are very excited and committed to the classes. It was rewarding to help them realize the talent they have and help them face their fears."

Luisa Modesto Publishing administrator, Pearson



"I made an impACT"

We launched the "I made an impACT" campaign in 2016 to spotlight those employees who are demonstrating our values and culture through their volunteering and giving activity, reminding colleagues that social impact lies at the heart of our business and mission.

35.5%

Employee volunteer hours increased by 35.5% as a result of the campaign.

58.5%

58.8% of employees actively used our internal social impact platform.

200+

Over 200 stories were submitted by employees, earning them each an impACT badge and points on our internal platform.

Giving

Through our giving programs, employees have the chance to get involved in specific charitable partnerships. We also organize fundraisers to help employees provide relief to victims of natural disasters and support other important causes.

We offer matching programs for charitable donations for all UK and US employees and a payroll giving program in the UK. In the UK, we partner with Charities Aid Foundation and its "Give as you Earn" scheme. Pearson matches tax-deductible donations by employees – up to £600 per annum. In 2016, we had over 265 employees participate in the program, and we matched over £60,000 in donations to organizations, including WWF UK, Cancer Research UK, Friends of the Earth Trust, Oxfam, British Heart Foundation, and more.

Local publishing facilities also donate books domestically as appropriate. These donations are coordinated locally, as we no longer manage the process centrally for legal reasons.

Going forward, we will:

- › Increase volunteering hours by over 40% to reach more than 20,000 volunteer hours during 2017. To help meet this goal, we held our first-ever national North America volunteer day, with a view to building to a global Pearson service day by 2020.
- › Grow our involvement and participation in skills-based volunteering opportunities; and
- › Improve how we measure and understand the links between participation in our programs and employee engagement, retention, and development.

NEW TARGET

Increase volunteering hours by over 40% to reach more than 20,000 volunteer hours during 2017.

Partnering with Kiva to support global entrepreneurship

kiva

In May 2015, we launched a three-year partnership with Kiva, the world's first online lending platform with a mission to connect people through lending to alleviate poverty.

In 2016, Pearson employees made \$1.3m in loans to over 31,000 Kiva borrowers in 78 countries.

\$1.3m

in loans

31,000+

Kiva borrowers

78

countries

40%

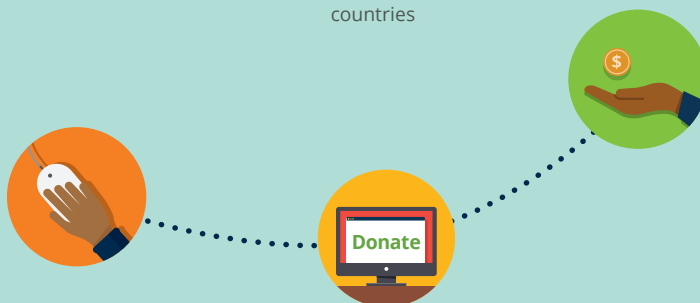
40% of our employees participated.

25%+

Over 25% of our loans support education by giving disadvantaged students the opportunity to attend a vocational training program, university, or other higher education institution.

2nd highest

Of all companies on the Kiva platform, we have second highest number of loans and most new users.



Protect our natural environment

The earth's resources are vital for learning, jobs, people, and businesses everywhere. We recognize our duty to contribute to a healthy and sustainable planet that enables human progress and sustainable development. We also value the benefits that responsible environmental stewardship brings to our business by reducing costs and managing risks.

Pearson's long track record of investing in green initiatives focuses on taking action to address the big, interconnected environmental challenges of climate change and deforestation. Through our climate neutral strategy, we continue to shrink our footprint and save money by conserving energy, only purchasing electricity from renewable energy sources. By 2016, we achieved a cumulative reduction of 40% in our global climate emissions against our 2009 baseline.

We collect and map data on the country of origin of the paper we purchase in order to ensure we do not contribute to deforestation and illegal logging. We retained Chain-of-Custody accreditation by the Forest Stewardship Council in the UK and supported the WWF Save Forests campaign.

Our climate vision is shared by others in the world of education and many of the institutions we serve are environmental leaders both in thought and practice.






Advance our climate neutral strategy

Our commitment to climate neutrality is driven by the goal to reduce our carbon footprint and to play our part to help mitigate climate change. Two flagship targets guide our climate strategy: 1) 50% absolute reduction in the Greenhouse Gas (GHG) emissions of our global operations by 2020; and 2) 50% absolute reduction in energy use in our buildings by 2020. See p36 for more about these targets.

Our climate strategy is built on three key areas: Measure, Reduce, Offset.

- › We have an established, independently verified process to **measure** the climate footprint of our buildings and business travel;
- › We have a number of initiatives to **reduce** the GHG emissions from our buildings and business travel; and
- › We **offset** any emissions we have not been able to reduce or avoid each year by supporting a range of forest-based conservation projects.

Priority environmental focus areas

	Priority introduced in 2015	Progress in 2016
 Suppliers	Investigate whether our third-party data centers can be supplied by clean energy	Presented to global procurement; work to start in 2017
 Carbon footprinting	Look beyond direct emissions to capture impacts across the digital and physical value chain	Introduced bookcarbon – an initiative that allows us to calculate our physical impact from forest to distribution center Mapped our first education product – Bug Club
 Low-carbon economy	Continue to invest in energy efficiency and renewable energy in order to remain carbon neutral	Maintained record of purchasing all our electricity from renewable sources and our commitment to energy efficiency investment is ongoing
 "Mindprint"	Establish targets, key initiatives, and/or partnerships to create products and services that enable learning and skills development linked to specific sustainability challenges	Started to take stock of product portfolio and met key partners such as the US Green Building Council, which we are working with to develop course materials (see p74)
 Circular economy	Close the loop on products and services by 2020 (zero waste to landfill)	Piloting a new textbook rental model, which means that textbooks can be re-used, reducing waste

Measuring our carbon footprint

We began measuring and reporting on the carbon footprints of our products and services in 2015. This year, we completed a product footprint for Bug Club.

Reducing energy use and advancing renewables

To save energy and protect our climate, we have introduced energy-efficient building design, invested in alternatives to business travel, and committed to using renewable energy to meet our global electricity needs.

We have also embraced LEED, the green buildings standard in the US. We currently have four buildings certified under the LEED standard, which together account for over 800,000 square feet of space. We have established an internal team of certified LEED assessors and started working to secure our fifth LEED certification in 2016.

We recognize the key role that renewable energy plays in mitigating climate change and have purchased 100% renewable electricity since 2012. We have also invested in renewable energy generation at six sites and have 2.6 kilowatts of wind and solar assets installed.

Offsetting our impacts through forest conservation

We are addressing the links between the environmental challenges of climate change and deforestation by offsetting our carbon emissions through forest-based conservation projects.

"Forests are vital for people and wildlife – we need them, and they need us to act. Pearson is a longstanding member of the WWF UK Forest & Trade Network and is a corporate signatory to the Save Forests campaign."

WWF UK

We support a range of projects that save or absorb a metric ton of carbon for each metric ton that we emit, including:

- › Children's Tropical Forests UK: We continued our commitment to our primary offset partner in 2016 by agreeing to purchase and protect rainforests in Colombia, adding to our existing commitment to protect rainforests in both Colombia and Costa Rica;
- › Algoma Highlands Conservancy in North America: We provide the anchor funding for this biologically rich and diverse conservation area covering close to 50,000 acres in Ontario, Canada. Algoma Highlands protects a wide variety of plants and animal species that are iconic to the Canadian wilderness, including moose, bear, timber wolves, otters, woodpeckers, and loons; and
- › Woodland Trust in the UK: We support Woodland Carbon, the first scheme to meet the UK's voluntary standard for woodland creation projects, which capture and store carbon from the atmosphere in an effort to mitigate climate change.

Since 2009, our climate neutral program has helped to protect over 1,450 hectares of forest.

In 2016, we saw:

13.7%

absolute reduction in our climate footprint to 126,385 metric tons of CO₂e and lowered our energy spend by £3.5m; and

77,579

metric tons of CO₂e avoided by purchasing renewable energy and offset the remaining 48,807 metric tons.

Factors behind this performance include:

- › Our accelerating investment in digital content and related transition away from physical infrastructure for distributing books, which have been sold or outsourced;
- › New technology that allows for more flexible work and reduces our employees' commuting and business travel;
- › Our Green Fund for stimulating investment and innovation, including our portfolio of renewable energy generation projects across six Pearson buildings; and
- › Other progress in continuing operational efficiencies; including changes in the size of our business.

➔ More environmental data, including information on waste and water, can be found in our annual environmental review at <https://www.pearson.com/corporate/sustainability/reporting-policies.html>.

Global climate targets

	Baseline year	2015	2016	Progress to date
-50% To reduce our absolute GHG emissions by 50% by the end of 2020 using 2009 as the base year.	210,306 MT CO ₂ e	146,493 MT CO ₂ e	126,385 MT CO ₂ e	-40%
-50% To reduce energy use in our buildings on an absolute basis by 50% by the end of 2020 using 2013 as the base year.	285,590 MWh	243,614 MWh	201,040 MWh	-30%

Supporting renewable electricity

During the 2015 United Nations Climate Change Conference (COP 21) in Paris in September 2015, Pearson signed up to RE100, joining the then 50 companies that are helping to build the market for renewable electricity.

RE 100

➔ For more information, visit www.there100.org.

Manage, measure, and report environmental information

Pearson first introduced its environmental policy in 1992, and we were the second organization ever to be certified against the Carbon Trust Standard. We use a global online data collection system for utilities, waste, water, and business travel. Our reporting system has been reviewed by Deloitte. See p44-45 for our data.

External reporting and assurance

In addition to this report and our annual environmental review, we also publicly disclose our performance on carbon management, water, and forest management to the Carbon Disclosure Project (CDP).

Our 2016 environmental data has been verified by the specialist consultant, Corporate Citizenship. The assurance statement (available at: <https://www.pearson.com/corporate/sustainability/reporting-policies/reports-benchmarks.html>) covers the methodology, data collection, and accuracy of data reported.

Build a sustainable supply chain

Pearson is a major purchaser of paper for books, and we have contracts with printers as well as with distributors and shippers that bring our products to market.

Our business is changing, and the shift to digital products and services is rapidly reshaping our supply chain and environmental footprint. At the same time, our traditional paper-based products still account for our most significant supply chain impacts.

Doing business with partners who share our commitments to human rights and the environment strengthens our supply chain and reduces costs and risks. Our relationships with suppliers are guided by our commitments to international standards, including the UN Global Compact principles, and our business partner code of conduct, which forms an integral part of our contracts with key suppliers. These contracts include our commitments to universal human rights, good labor practices, decent

working conditions, and environmental stewardship. Our contracts require our suppliers to avoid any involvement in forced labor or human trafficking; respect diversity; meet our minimum working age requirements; and comply with all applicable employment laws and regulations.

We recognize the importance of working with industry partners to improve sustainability in our supply chain. We are a founding member and sit on the steering group of Bookchain, a collaboration between publishers to enhance industry standards related to labor and human rights, product safety (see p25), and paper sourcing.



Manage our supply chain

Paper supply for textbooks and printed courseware

The shift to digital and other business changes, including the sale of the Financial Times Group, have greatly reduced our direct paper purchases, from an average of about 300,000 metric tons each year to around 50,000 metric tons in 2016 – equivalent to more than 5 million trees.

Nevertheless, paper production is still directly linked to a number of important environmental issues, including climate change, deforestation, and illegal logging. The loss of natural forest cover is one of the biggest global sources of greenhouse gases. Innovations in fiber testing have made it easier to identify and prevent illegal logging by linking book papers to tree species, a process we use as part of rating our paper risk.

In addition to reducing our purchases of paper, we have taken the following measures to help address these issues:

- › Retained Chain-of-Custody accreditation from the Forest Stewardship Council in the UK, which enables Pearson products to carry the Forest Stewardship Council logo; and
- › Doubled the relative volume of paper purchases carrying the highest sustainability rating (Forest Stewardship Council or equivalent certified) to around 45% of the total compared with 2014 levels.

Print supply chain

We rely on third-party suppliers for printing our textbooks and course materials.

We have a single global policy and approach for managing risk in our print supply chain that covers supplier risk assessments and visits, third-party audits, and remediation of compliance issues. Our print production departments visit suppliers around the world to assess compliance with our standards and ensure suppliers address issues with non-compliance. These visits provide a valuable opportunity to reinforce our commitments to eliminating all forms of child, forced and compulsory labor, and promoting environmental stewardship. We also intend for them to help improve suppliers' business practices.

We require suppliers rated medium- and high-risk over a threshold spend of \$100,000 to undertake an independent third-party audit before they are approved as a supplier and to agree to regular review audits as an existing supplier. We have also developed a remediation process for suppliers that do not meet our standards. In 2016, we expanded the scope of our independent audit program to include medium-risk print suppliers.

We maintain a printer register to monitor the environmental performance of suppliers that includes over 90% of our printers by value.

We survey our global printers every two years to assess their:

- › Use of a recognized environmental management system; and
- › Measurement and reduction policies for water, ink, solvents, alcohol, energy, and waste.

We continue to be concerned that the release of Volatile Organic Compounds (VOCs) present in inks and solvents is managed effectively and reduced. We encourage our printers and operating companies to monitor reduction targets for VOCs.

Distribution and shipping

We outsource road distribution and shipping to third-party carriers and work with suppliers to consolidate shipments to maximize container loads.

Other developments

In 2016, we established a single integrated procurement team for all areas of purchasing outside of the manufacturing supply chain. We also created a working group to develop a new global process to assess, manage, and mitigate risk across the supply chain. Specific areas include labor standards, health and safety, product accessibility, and data security.

We introduced a common contract template for franchise agreements governing our responsibilities on health and safety, labor standards, anti-bribery and corruption, safeguarding, and the environment. We will review implementation of this process in 2017.

We also published our first modern slavery statement as our response to the UK's Modern Slavery Act, available at: www.pearson.com/corporate/about-pearson/our-position-on/modern-day-slavery.html. This legislation requires companies to specify the steps they have taken to ensure their business and supply chains are slavery free.

Ensure strong governance

Strong governance is the foundation of our commitment to sustainability. Our board and senior executives, governance structures, and internal systems all play key roles in advancing and embedding sustainability, responsibility, and ethics across our business.

Our chief executive and our board are ultimately accountable for everything we do as a company, and the board's reputation and responsibility committee provides important oversight of our Sustainability Plan. Our responsible business leadership council, comprising senior executives from across the business, helps to integrate sustainability throughout the company. See diagram on p40.

The board is deeply engaged in developing and measuring the company's long-term strategy, performance, and value. In 2016, the board oversaw a strategic review of Pearson's business portfolio, leading to our decision to simplify the business, including a reduction in our exposure to large-scale direct delivery businesses.

In keeping with best practice, we continuously assess and refresh the board to ensure we maintain an appropriate balance and diversity of skills and experience. Our chief executive and chief financial officer are both members of the board. See p30 and p32 for more information about gender diversity on our board and executive management. More details about governance at Pearson can be found on our website and in our Annual Report.

Manage sustainability

Reputation and responsibility committee (RRC)

The RRC is a formal committee of the board providing ongoing oversight and scrutiny across all of our responsible business activities, including communication strategies and policies and processes related to reputational issues and people.

Key activities overseen by the committee in 2016 included:

- › Overview of reputational risk approach in growth and US markets;
- › Safeguarding deep dive;
- › Impact of US presidential election;
- › 2020 Sustainability Plan and sustainability reporting;
- › Efficacy and research – spotlight on 2018 external efficacy reporting;
- › Efficacy growth and impact goals;
- › Modern Slavery Act – implications and statement;
- › Consideration of ethical issues in the wider context of reputational risk identification;
- › Social innovation and impact venturing strategy, including Tomorrow's Markets Incubator for employee intrapreneurs;
- › Pearson Affordable Learning Fund review;
- › Project Literacy campaigns;
- › Product accessibility deep dive; and
- › Environmental strategy update.

In 2017, the committee will continue to oversee Pearson's progress in embedding sustainability and social impact into our strategy and business model, including implementation of our Sustainability Plan, target setting, and reporting.

Responsible business leadership council (RBLC)

The RBLC is an internal governance group of senior executives from across the business. Led by the chief corporate affairs and global marketing officer, the RBLC meets in line with the RRC to provide guidance and input on sustainability strategy and activities.

Key activities in 2016 included advising on:

- › Sustainability strategy and reporting;
- › Global standards and policies;
- › Risks and opportunities related to the efficacy agenda;
- › Values and culture; and
- › Initiatives including Project Literacy and Every Child Learning.

In 2017, the committee plans to discuss issues including sustainability goals and targets, access to education and reputation management, as well as social impact programming.

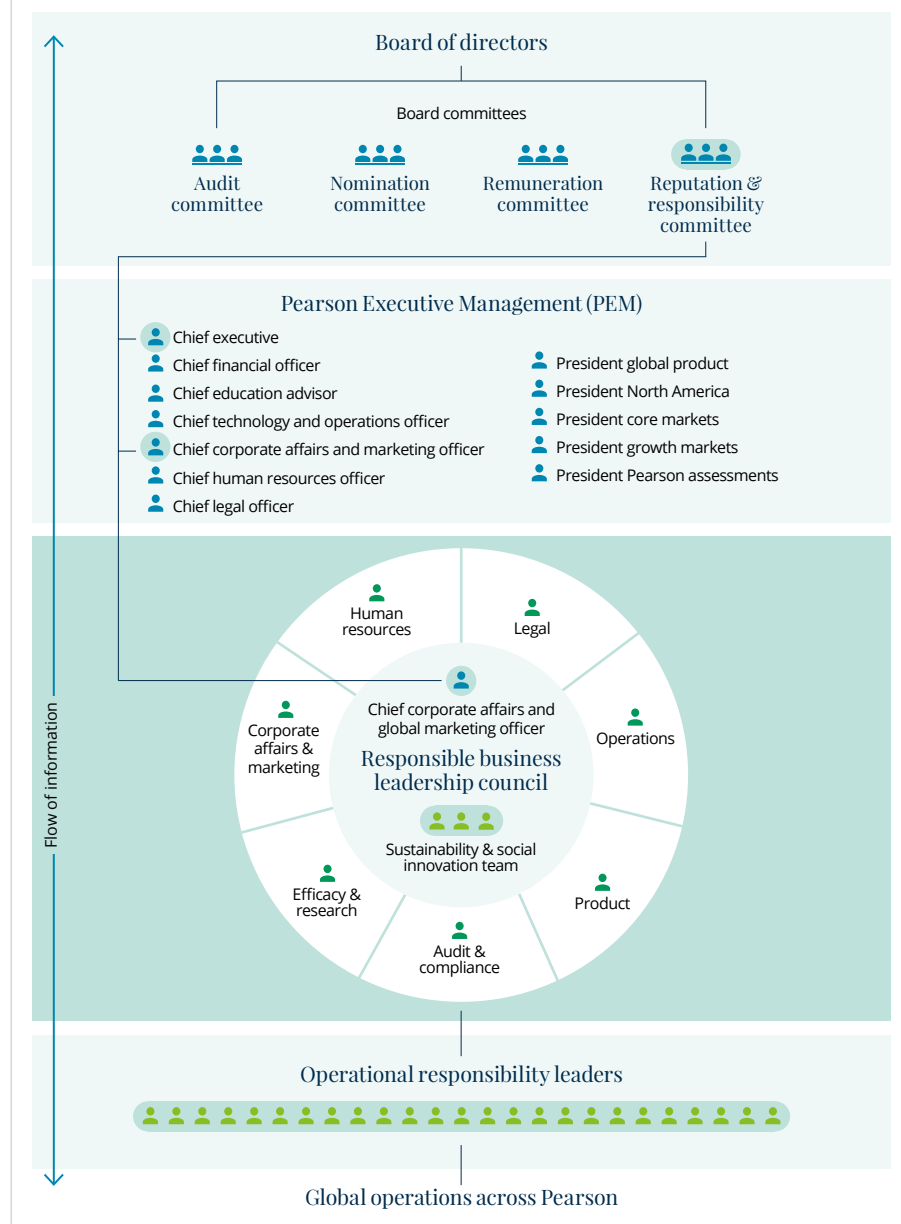
Manage risk

Pearson has a structured enterprise risk management (ERM) framework that aligns with international standards. The framework and supporting process guide the identification and effective management of risks to meet our strategic and operational objectives.

The board oversees our ERM program and the audit committee reviews risk identification, assessment, and mitigation status at least twice a year. Pearson executives are accountable for risks relevant to their respective areas of responsibility.

We consistently applied the risk framework to identify, monitor, and review our most significant and emerging risks. In addition to monitoring enterprise risks, we focused our efforts in 2016 on improving how we embed risk management across the wider organization and implementing best practices.

Sustainability governance at Pearson



Our most material risks are reported as principal risks in Pearson's Annual Report. We define these material risks as those which have a higher probability and significant impact on strategy, reputation, or operations, or a financial impact greater than £50 million.

The principal risks that relate to the material issues in Pearson's 2020 Sustainability Plan include products and services, testing failure, political and regulatory risk, data privacy, information security, customer digital experience, and safety and corporate security. A table mapping our material issues with principal risks can be found on p89.

A case study illustrating how our risk governance and assessment approach supported business decision making and created value in 2016 is provided on page 45 of our 2016 Annual Report at: www.pearson.com/corporate/ar2016.html.

Manage global policies

In February 2016, Pearson's compliance council approved the formation of a working group to improve global policy management. The charge was to create a framework for global policies that established a systematic process and governance structure for the development,

approval, revision, promotion, and retirement of global corporate policies across Pearson. The framework covers policies that are: applicable company-wide to most or all employees across various geographies, businesses, functions, and roles; are either legally or legislatively required or aspirational; and support our good corporate citizenship.

By the end of 2016 the group had approved a framework as well as established a global policy oversight committee that would provide governance in conjunction with the Compliance Council.

In 2017, we will:

- › Communicate and promote the Global Policy Framework (GPF);
- › Provide guidelines to the businesses for approving policies;
- › Hold workshops with groups wanting to create or revise global policies;
- › Support the launch and implementation of new global policies as well as support recently launched ones; and
- › Establish schedule for reviewing or revising global policies.

The GPF and the oversight committee will become key tools for compliance and risk mitigation across Pearson.

Follow our code of conduct

The code of conduct sets out global standards for our day-to-day work and is supported by a suite of global policies and principles that are publicly available on our website. We developed a new training course in 2016 to reinforce key elements of the code. Employees provided strong positive feedback and highlighted new insights and learnings from the course.

In 2017, we will:

- › Revise and update the code of conduct and a related training course;
- › Roll out a certification for all employees; and
- › Introduce a "code of conduct and raising concerns" awareness campaign following the certification process.

Raise concerns

We operate a free, confidential telephone helpline and website for anyone who wants to raise a concern, and we have a clear non-retaliation policy in place to encourage honesty and openness. Cases that pose significant risks to our business are reported to the Pearson audit committee.

In 2016, 107 concerns (119 in 2015) were raised and investigated. Sixty-four concerns (60%) related to human resources matters and 43 concerns (40%) related to financial irregularities or violations of our policies – none were classed in our highest risk category. We took appropriate steps to resolve these issues, mainly through employee training, policy improvements, or disciplinary action. In 2016, there were 20 terminations and separations of employees as a result of these investigations.

Implement an anti-bribery and corruption program

As part of our commitment to conducting business fairly, honestly, and lawfully, we have a zero-tolerance policy towards bribery and corruption of any kind. This includes compliance with all applicable anti-bribery and corruption laws, including the US Foreign Corrupt Practices Act and the UK Bribery Act 2010, as well as local ethics and bribery laws. We aim to work and partner only with those who share this commitment.

Over the past several years, Pearson has steadily committed greater resources to strengthening and improving our global compliance office and our anti-bribery and corruption (ABC) program. In 2016, we introduced the greatest overhaul of our global ABC program since its introduction in 2011. We launched a new ABC policy – providing clearer, more helpful guidance and instruction on how to identify and avoid bribery and corruption.

We also established a new network of local compliance officers in our geographies and businesses to advise and guide business partners on conducting business fairly, honestly, and lawfully and establish appropriate internal controls. We introduced and rolled out to many of our geographies and businesses a new system and tool automating the request and approval process for gifts and hospitality.

We continued our core commitment to training in 2016 by delivering ABC training to numerous employees, including a significant number of our sales organization and senior leaders.

We also began to conduct third party due diligence on our “high-risk” third parties, a project which was expanded in 2017 to additional third parties.

In 2017, we will continue to:

- › Provide training and raise awareness of our revised anti-bribery and corruption policy for higher risk countries and activities;
- › Conduct ABC risk assessments of our businesses around the world; and
- › Further establish an ABC third-party due diligence program.

Engage with public policy

Government officials around the world make daily policy decisions that have a direct impact on education and our business, and our government relations teams are responsible for tracking how political and legislative trends might affect us. The teams develop and maintain relationships with key government representatives, associations, membership organizations, and third-party institutions to ensure that we have a voice in policy discussions. These relationships ensure that we are able to work in partnership on shared agenda items; that our company is well-positioned and represented; and that our work is fairly and accurately conveyed in global legislative deliberations.

In all our engagements with government, we act in accordance with multi-national, national, state, and local laws and regulations, and are guided by our corporate values and code of conduct. In 2016, Pearson did not make any corporate contributions to political parties, candidates for public office, election campaigns, or political action committees.

During 2016, we contributed to policy discussions on issues including intellectual property, the Sustainable Development Goals, refugee education, education and technology, teacher development, and improving learning outcomes. For more information on how we engage in the global dialogue on education, see p75-77. Public policy activities are overseen by the board’s reputation and responsibility committee.

Disclose our approach to taxation

All companies have a responsibility to maintain and strengthen public trust in the corporate tax system, and companies should take steps to help improve public understanding and awareness of their position and payment of tax as well as to support international tax reforms.

Pearson has already disclosed tax principles see <https://www.pearson.com/corporate/sustainability/reporting-policies/policies.html>, which include our commitments:

- › To comply with the laws and regulations of the countries in which we operate;
- › To pay tax according to where value is created through the normal course of commercial activity; and
- › To have an open working relationship with tax authorities and consult on the interpretation of tax law as situations arise.

The board has delegated responsibility for the oversight and monitoring of tax strategy and risk to the audit committee. The tax department reports to the chief financial officer and formally reports at least annually to the audit committee. Tax updates also form part of monthly briefings to members of the board provided by the chief financial officer.

Pearson paid corporation taxes of £45 million in 2016 compared with £232 million in 2015. 2015 taxes paid included £103 million of tax payable on business disposals. In addition to corporation tax, we also collect and pay a range of employee and sales taxes.

In 2017, we plan to review, refresh, and disclose our tax principles, and explore expanding disclosure through a standalone global tax report covering tax strategy, principles, and approach.

Pillar 1 performance data

Governance and ethics	2014	2015	2016
Total number of concerns raised & investigated	112	119	107
Human resources matters	75 (67%)	77 (65%)	61 (57%)
Financial irregularities or violations of our policies	37 (33%)	42 (35%)	46 (43%)
Terminations & separations	4	26	20
Labor practices and decent work	2014	2015	2016
Our employees			
Total average for the year	40,876	37,265	32,719
Turnover rate (US and UK only), total average for the year	23.5%	27%	26.27%
Employee gender diversity			
Male	42%	41%	40%
Female	58%	59%	60%
Board positions held by women ¹	30%	33%	30%
Women in senior leadership ²	35%	34%	32%
Employees by geography			
North America		19,951	16,841
Core Markets (including Australia and Europe)		5,936	5,664
Growth Economies (including China, India, Brazil, and South Africa)		11,114	9,868
Other		264	346
Health & safety			
Percentage of H&S standards implemented across all locations ³	36%	49%	67%
Number of H&S audits ⁴	49	53	45
Percentage closure of open action audit findings as of January 1	— ⁵	— ⁵	81%
Number of improvement follow-up actions from audits implemented ⁸	300	354	76 ⁶
Number of injuries ⁷	288	103	156
Number of work-related illness cases ⁸	305	147	124
Number of serious incidents ⁹	44	30	37
Number of work-related fatalities	0	0	0
Total incident rate per 100 employees ¹⁰	1.56	1.36	1.01
Injury & illness rate per 100 employees ¹¹	0.67	0.24	0.38
Serious incident ratio ¹²		5%	9%
Workplace inspections reported	— ¹³	990	2287

¹ 30% of our board members are female, a higher percentage than the 25% target set by Lord Davies in 2015. We are a founding member of the 30% Club and also participate in its cross-company mentoring programme which helps the development of talented mid-career women.

² Two reporting lines from the chief executive.

³ Primary metric for implementation of our H&S management system.

⁴ Audits conducted by Global Risk Management staff to provide assurance of local compliance with H&S law and policy.

⁵ New metric created in 2016, tracking closure of audit follow-up actions from previous audits as of Jan 1, 2017.

⁶ As of Jan 1, 2017.

⁷ Total injuries requiring medical treatment or lost time due to injury. Does not include minor/first aid cases.

⁸ Includes musculoskeletal disorders, work-related stress, and other illness cases related to work.

⁹ Internal metric defined as any work-related injury or illness resulting in more than 3 days away from work.

¹⁰ Rate of all incidents (including minor) per 100 employees.

¹¹ Rate of injuries/illness related to work, not including minor/first aid incidents.

¹² New internal metric designed to measure prevention of serious incidents and active reporting of minor incidents.

¹³ Capture of worksite inspection data initiated in 2015.

Labor practices and decent work continued	2014	2015	2016
Employee training			
Total hours by all employees		146,587	144,561
Average hours per year per employee		3.49	4.07
Employee benefits – all numbers US only			
<i>Health and wellness benefits</i>			
Percentage of employees participating in Pearson medical programs		84%	83%
Average percentage of health insurance costs for employees paid by Pearson		80%	80%
Average percentage of health insurance costs for employees, spouses, and dependants paid by Pearson		80%	80%
<i>Financial benefits</i>			
Percentage of eligible employees participating in Pearson's 401(k) Plan		92%	91%
Percentage of employees participating in the Employee Stock Purchase Plan		25%	22%
<i>Work/life balance and lifestyle programs</i>			
Number of employees using commuter benefits		1,007	692
Number of employees using Pearson's Employee Assistance Plan		486	452
Number of interactions with Pearson's lifestyle programs		12,231	14,169
Society			
Community investment			
Community investment in GBP (£m) ¹	14.4	10.7	6.8
Community investment as % of pre-tax profits ¹	2%	1.5%	1.2%
Kiva Partnership			
Lending		\$600k	\$1.3m
Number of employees participating		10,400	13,600
Percentage of employees participating		26%	40%
Volunteering			
Employee volunteer hours		10,390	14,085

¹ This data has been independently assured against London Benchmarking Group Principles.

Managing key safeguarding issues	KPI	2016 outturn vs target
To manage safeguarding risk, our risk assessment process identifies opportunities to strengthen practice.	Complete 70% of actions identified	85% were completed
We are working to extend the reach of the training program in our direct delivery businesses, which includes 4,000 employees.	Complete 75% of training	Reached 85% of the target

Environment ¹	2014	2015	2016
Greenhouse gas (GHG) (carbon dioxide equivalent) emissions overview (metric tons CO2e)			
Scope 1			
Gas, fleet and refrigerant loss	25,027	22,343	19,093
Scope 2			
Electricity	104,715	88,381	77,579
Scope 3			
Other	1,724	1,044	1,359
Business travel	22,740	26,255	22,708
Electricity transmission	8,204	8,345	5,647
Total scope 3	32,668	35,644	29,714
Total	162,410	146,368	126,386
Total GHG/FTE metric tons (CO2e/FTE)	3.97	3.93	3.86
GHG emissions from Pearson businesses (metric tons CO2e)			
US	94,348	79,872	64,590
UK	21,599	20,251	17,167
China	19,960	17,655	18,478
Rest of the World	26,503	28,715	26,150
Total	162,410	146,492	126,385
Percent decrease from year to year (for Scope 1 to 3)	14%	10%	13.7%
Renewable energy (kW)			
Total solar	2,570	2,575	2,475
Total wind	95	95	95
Total	2,665	2,670	2,570
Environmental reporting measures (Units)			
Net internal area of reporting offices (m2)	1,393,954	1,208,954	858,237
Energy consumption measure (Units MWh/year)			
% electricity from renewable sources	100%	100%	100%
Total electricity consumption from renewable sources only	186,356	162,916	154,910
Total gas consumption	57,144	48,760	45,855
Total fuel oil consumption	114	3,500	276
Total energy consumption	243,614	215,176	201,041
MWh/employee	6.0	5.8	6.1

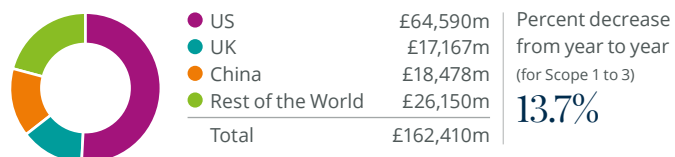
¹ All environmental data has been independently assured (except data for legal compliance and renewable energy). For more information see p78.

Environment continued ¹	2014	2015	2016
Business travel measure			
Air passenger (km)	193,259,356	207,822,988	163,722,174
Rail passenger (km)	937,647	4,374,643	7,496,013
Road (distance) (MWh/year)	6,356,549	1,447,092	64,318,474
Road (fuel use) (litres)	5,312,226	4,894,843	0
Road (derived energy) (MWh)		43,899	45,071
Total GHG emissions from business travel (metric tons/CO ₂ e)	22,740	26,255	22,708
Paper			
Paper used (MT)	152,181	132,551	43,027
Waste			
Total waste to landfill (MT)	2,005	1,112	1,249
Total waste to landfill (MT/FTE)	49	30	38
Water			
Total water consumption (m3)	1,474,077	1,014,268	526,297
Total water consumption (m3/FTE)	36	27	16
Legal compliance			
Reported environmental prosecutions	nil	nil	nil

¹ All environmental data has been independently assured (except data for legal compliance and renewable energy). For more information see p78.

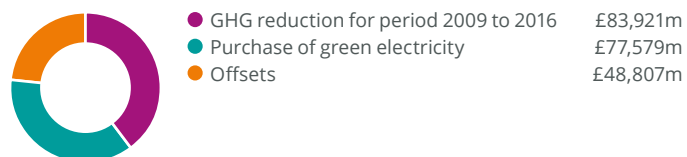
GHG emissions from Pearson businesses (metric tons CO₂e)

2016



Climate neutrality

2016





Reach more learners

"I am getting better in Arabic and in Math, I did not know what $10+10$ was, now I know that $10+10=20$ and I can list all the alphabet.

I do not skip a day at the center, but I have to go back to school soon to finish grade three and then finish school."

Rasha* A Syrian refugee who attends a learning center in Jordan that is part of the Every Child Learning partnership.

* Name changed to protect identity

➔ See p59-60 for more about Rasha and Pearson's Every Child Learning partnership with Save the Children.

Our commitments:

1 Improve access to and affordability of products and services

We believe everyone has the right to a high-quality education. We are committed to expanding access to education and making learning more affordable for people everywhere.

We want our products and services to help more learners make progress – regardless of their income level, the way they learn, or their background. Reaching more learners helps us to grow our business and supports our commitment to quality education for all, decent jobs, and equality in line with the Sustainable Development Goals.

2 Collaborate to reach underserved learners

New technologies can play a key role in bringing education and opportunities to more people in more places. Through partnerships involving non-governmental organizations, teachers, education experts, governments, and others, we are also tackling some of the biggest education challenges related to gender inequality, conflicts and emergencies, and illiteracy.



Improve access to and affordability of products and services

The demand for accessible, affordable, and effective education is greater than ever. Meanwhile the costs of learning continue to rise, governments find it harder than ever to deliver high-quality education to all, and nearly half of employers struggle to find the qualified candidates they need.

Digital technology is changing where and how learning takes place and making learning easier and more effective. We are taking steps to better understand and respond to dramatic changes in learning and education around the world, as well as the unique needs of the diverse set of learners that we serve.

Helping improve access to quality education for a broader spectrum of learners, including those from disadvantaged backgrounds, also contributes to stimulating innovation, developing new markets, and strengthening our performance. The potential to change our world and business for the better is clear.

Expand access

Around the world, many people are being left out or left behind by today's education systems or lack access to adequate learning and job opportunities. Barriers to access may include geographic, cultural, or socioeconomic obstacles, or personal constraints, such as the need to balance education with work and family responsibilities.

We are taking steps to tackle some of these barriers and ensure our products and services can better meet the needs of underserved learners. For example, we strive to improve product accessibility for people with disabilities (see p52-53); develop new products to reach low-income learners (see p55); and partner with non-profit and other organizations to extend our reach to vulnerable communities (see p56-63).



Technology also offers the potential to make learning more accessible, flexible, personal, and affordable for those who need it the most. Increasing our digital reach is necessary to reach more learners globally, and is therefore a key element of our business strategy.

Online and mobile learning solutions – such as virtual schools, online classes, and adaptive learning products – allow students to access courses and learning resources wherever they are and in ways that better suit their lifestyles, responsibilities, and career needs. This can greatly benefit learners who live far from schools, require flexibility in their studies, or simply learn differently.

Higher education

Our higher education business helps colleges and universities expand access to education and opportunities for more learners by developing and supporting a wide variety of online education programs. We collaborate with partner institutions to develop new programs and approaches to reaching prospective students and guiding them through enrollment. In many cases, we provide ongoing student support and retention services, from registration to graduation. We also support faculty by helping to design online course curricula and providing specialized training to create and deliver successful online courses.

We have partnered with 40+ institutions in the US and launched partnerships in markets such as Australia and the UK. In 2016, our individual course enrollments for online programs reached almost 315,000 – up from over 265,000 in 2015.

“We’re able to help students in zip codes with no access to best-in-class learning.”

Dan Viele Dean, School of Adult and Online Education, Maryville University in St. Louis

Maryville University partners with Pearson to deliver online degree programs to nearly 3,000 students across the US.

Our digital products also contribute to expanding access to college courses and online degree programs. For example, products like Pearson Revel help students learn in smaller, bite-sized chunks and shorter time periods, so they are able to carve out a few minutes from their busy days or make use of transition times like commuting when they would not otherwise be able to study.

Personalized, adaptive solutions can help students who are behind catch up and stay on track to complete their degree. Our MyLab & Mastering online homework, tutorial, and assessment products adjust to the level and needs of individual learners and help them better absorb course material, understand difficult concepts, keep pace in their courses, and achieve their goals.

Instructors are using MyLab to help address some key educational challenges for learners, institutions, and society. Close to half of post-secondary students in the US enter higher education unprepared for college-level courses. Many students do not complete their degree on time or at all. At Laredo Community College in South Texas, educators used Pearson’s MyFoundationsLab to develop a bootcamp that improved college readiness and enabled students to bypass developmental education courses and substantially reduce their tuition costs.

65%

of all jobs in the US economy will require post secondary education and training beyond high school by 2020.¹



1/2

About half of post-secondary students in the US need remedial-level instruction when entering college.²



40%

of students in four-year public universities do not complete their courses on time, and many of these do not complete their degree at all.³



Returning to school through online learning

“Life keeps going, and ways to get an education are changing.”

I am a 37-year-old husband, father of special needs children, employee, and student. While I love to learn, juggling and balancing these roles leave few realistic options for me to continue my education. The ability to take classes now, and interact with them online during the little time I have for myself has been very therapeutic.”

Shadi Rum Student at Saint Petersburg College

Inspired by the bravery he witnessed on September 11th, Shadi enlisted in the United States Navy and became a hospital corpsman. After his enlistment, he returned to school, which he balances with his family life, and appreciates the flexibility and ease of the online learning components of his coursework, including use of Pearson’s Revel.

¹ Georgetown University, *Recovery: Job Growth and Education Requirements through 2020*, June 2013.

² McKinsey & Company, *Why US education is ready for investment*, August 2015.

³ National Center for Education Statistics, *US Graduation Rate*, September 2016.

Improving performance and saving money with MyFoundationsLab

Laredo Community College in South Texas is a proud Hispanic Serving Institution with a student population that is over 95% Hispanic. The school serves a total of 9,000 students each year through a variety of affordable academic programs, technical and vocational programs, non-credit community interest courses, and adult education courses.

Dean Marissa Longoria and her team of instructors designed an intensive, week-long boot camp that adopted a version of Pearson's MyFoundationsLab customized to meet the needs of English language learners and objectives covered in the Texas Success Initiative Assessment (TSIA). The successful bootcamp helped students significantly improve their TSIA scores and college readiness, bypass one or more developmental education courses, and save an average \$1,242 tuition (in-district) per student.



"We want to engage students and their families from the very beginning,

to share information and strategies that will help students make a successful transition to higher education.

Parents care deeply about the cost/time savings realized when students are able to bypass developmental courses. Students are receptive as well, but we find that students don't fully understand the benefits until they complete the program and receive concrete proof of the course(s) they tested out of."

Marissa Longoria Dean, Laredo Community College

Pearson study on adult learners

Pearson recently surveyed more than 1,500 adult learners to understand why they returned to school and what barriers they have faced along the way.

For the majority of adult learners, flexibility in how they take classes is key to their success. Over two-thirds of adult learners enrolled and working toward a degree today are using online-only programs or some combination of online and in-person classes.

When Lia Machado graduated from high school in 2009, she wanted to go straight to college to pursue a degree. But her status as a Colombian political refugee meant that dream had to be put on hold. Combining online with on-campus classes allows Lia to continue working as she goes to school, making enough money to pay her rent and other expenses. Eventually, Lia became an American citizen and will finish her associate's degree in marketing from Georgia State Perimeter College in December.

40%

More than 40% of college students were over the age of 25 in 2014 in the US¹.



"I always wanted to go to college and I couldn't before, but the drive to earn a degree never wore off."

Lia Machado Adult learner

¹ National Centre for Education Statistics, [Back to School Statistics](#).

Primary and secondary education

We are helping more students progress in primary and secondary education and earn degrees that enable them to continue their education and get better jobs. We are also showing how our products and services can help improve progress for students who thrive in different learning environments, need more support, or come from disadvantaged backgrounds.

Pearson's Connections Academy is a tuition-free, fully-accredited online public school for students in grades K-12. The program offers an inclusive, collaborative learning experience that meets the unique needs of learners with a wide variety of backgrounds and abilities. In addition to advanced learners, some Connections Academy students need extra help, have health issues, have been bullied, or feel out of place in classroom settings.

"Linæ started kindergarten at the local bricks-and-mortar school, and within two weeks we enrolled her in Connections Academy.

As a result of a revision to her bricks-and-mortar school's health policy, influenced by H1N1, Linæ would have missed as much school as she attended. Connections Academy allows Linæ to achieve her potential without having to choose between her education and her health."

Connections Academy parent

Our Bug Club reading and phonics program is used in more than 5,000 primary schools in the UK by learners from ages 4-11. Bug Club brings together over 350 books from different reading levels in print and online, with supplementary games and quizzes that make reading fun.

Our research found that Bug Club had a significant positive impact on learners' reading progress in schools with a high proportion of disadvantaged learners, defined as those who qualify for free school meals or other financial support from the UK government.

By helping disadvantaged students, we have an opportunity to make a difference in the lives of low-income learners and better serve our customers.

Clinical assessment

Our clinical division provides assessments and solutions for professionals working with people facing barriers such as learning, developmental, neurological, and mental health difficulties whether in school or in the workplace. Through assessments, we hope to help identify people facing these challenges, so that they can gain access to the tools they need to succeed.

We have focused on topics like dyslexia, attention deficit/hyperactivity disorder (ADHD), and dementia, and we have recently formed partnerships with Dybuster Calcularis, a mathematics learning software tool, and RehaCom, a digital cognitive intervention tool for people with brain injuries.

We translate and adapt our assessment tools to meet the cultural and language needs of different populations. For example, we are publishing the latest edition of the Wechsler Intelligence Scale for Children across the US, Canada, Australia, Benelux, France, Germany, Scandinavia, Spain, and the UK.

Identifying difficulties

Gabriella is 8 years old. She loves school and learning about new things. However, in class she finds it really hard to pay attention and her learning is suffering as a result. Through assessment, her difficulties can be defined and a classroom management program could be put in place so she can concentrate better and progress in learning.

Expanding opportunities through the GED program

The Organisation for Economic Cooperation and Development (OECD) reports that over 30 million adults between the ages of 16 and 65 did not have at least a high school diploma or GED credential as of 2012. The GED program aims to give adults without a high school diploma another chance to go to college or get a good job with higher wages – and to produce better long-term outcomes. The GED program leads in innovative test development, promotes partnerships across education and labor, and champions the voice of adult learners.

"When I applied for a job, they would look over me because I was 19 without a GED. I [saw] the importance of a high school diploma, and how you get overlooked without it."

Recent GED graduate



Enhance accessibility for people with disabilities

We are committed to the goal that all learners with disabilities and special needs can access and benefit from our products. Digital technology is making educational courseware and assessment materials increasingly available in a wide variety of formats. However, just because a product is digital does not mean students with disabilities automatically benefit. Digital products can be made with varying levels of accessibility, and users with disabilities often face obstacles to reliable access.

We are working to ensure that all of our new digital products will be designed, coded, and produced to meet or exceed accepted technical standards for accessibility, as well as our own internal accessibility guidelines. As part of this initiative, we will account for accessibility at each step of product development, testing, marketing, and distribution.

Our efforts are guided by widely adopted international standards such as the Web Content Accessibility Guidelines of the World Wide Web Consortium. We are in the process of integrating these standards into all of our platforms, products, and services.

Our Accessibility Guidelines combine our own standards, which have been developed over many years to support the wide variety of learners' needs across our portfolio of courseware and services, with a core set of well-established international standards. We update and improve our guidelines as technology, user needs, and standards evolve.

To meet the shift to digital in our markets, we reorganized our central accessibility team in 2016 and embedded support and compliance for standards, processes, and quality assurance into our global product organization. The team supports the accessibility experts already driving work within our core businesses.

Supporting learners with disabilities

Fully accessible digital learning products provide more effective experiences for all learners. Examples include:

- › Intuitive navigation;
- › Image descriptions that offer more context;
- › Searchable video transcripts for studying; and
- › Content that appears and operates in predictable ways.



Developing the Accessible Equation Editor

As we began to tackle the long-standing problem of access to math for blind students, our team met Edgar Lozano and Su Park. Both of these students are computer science majors and Pearson interns – and just happen to be totally blind.

When Sam Dooley, the developer of Pearson's Accessible Equation Editor, visited classrooms to inform his work, he met Su who explained that "getting access to high-quality braille materials is one of the most challenging obstacles faced by blind students, especially for mathematical content."

Even in 2017, most blind students are producing their math on manual braille writers. Since their sighted teachers do not typically read braille, their braille has to be translated and returned to their teachers for feedback – a process that can take days. By the time they get feedback, the class has moved on to other concepts.

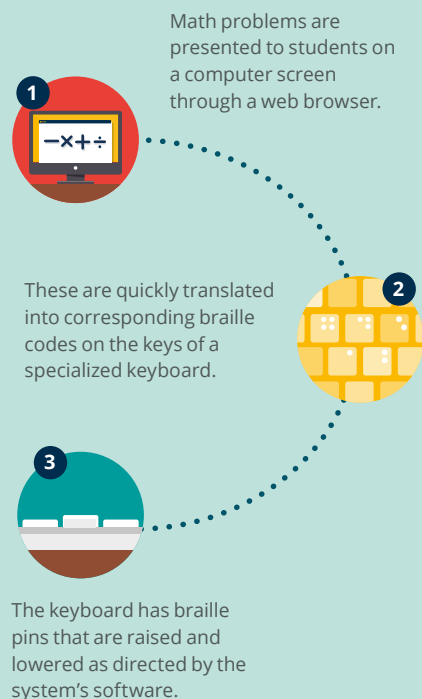
When Edgar was in high school, he addressed this obstacle by teaching himself a technical programming language so that he could read his own work and provide a timely printed copy to his sighted teachers. While Edgar is clearly gifted, the majority of students, blind or sighted, would not be able to do what he did to learn math.

With the Accessible Equation Editor, students using electronic braille devices will be able to interact with math on a computer in the same way as sighted students.

"Accessibility is made by people...who tackle challenges and endeavor to fix them in ways no one has ever tried before."

Su Park Pearson intern and blind student

How it works



Across our broad range of products and services, no one size fits all. We are working with key user groups within each core product area on issues like usability and suitability for purpose.

We continued our outreach to accessibility advocacy groups in 2016 and were active in accessibility events such as the International Technology and Persons with Disabilities Conference and the National Federation of the Blind Annual Convention. We received positive feedback on our Accessible Equation Editor (see p52) as well as our ongoing efforts around user interface (UI) and user experience (UX) testing for disabled populations.

Our results:

- › A cross-functional accessibility team put together an accessibility investment plan for our higher education business that received broad support from our leadership;
- › We secured funding to integrate accessibility into our major platforms in higher education as well as a commitment for accessibility to be a core requirement of all products development going forward;
- › We established a global accessibility steering committee comprising our accessibility leads from across our core product areas, as well as experts from our legal, marketing, operations, and corporate affairs function; and
- › We presented at numerous events and conferences to showcase our challenges and progress regarding accessibility.

Going forward, we will:

- › Launch a global accessibility policy in 2017 that will enable us to deliver on our goal to reach more learners by including users with disabilities;
- › Establish a UK accessibility committee;
- › Work with our growth markets to support their capacity to develop accessible products that fit the needs of users; and
- › Enrich our marketing, communication, and customer support around accessibility so learners have a better understanding of the capabilities of our products and services as well as avenues to get information and help as needed.

NEW TARGET

Make 100% of our digital portfolio accessible for people with disabilities around the world by 2020.



Improve affordability

While often small in relation to overall higher education costs, the cost of course materials can have a significant impact on students' ability to prepare for and successfully complete courses. Courseware costs can also make up a larger share of expenses in cases where tuition and other costs are subsidized by governments or special programs.

We endeavor to ensure that our product costs do not interfere with access to high-quality education. We regularly review our product prices to assess affordability, and continue to evolve our efforts to account for different customer income levels and market types in our pricing.

Digital products also contribute to making education more affordable. As we are transition to a platform-based approach to develop our products, we are creating internal efficiencies that will lead to lower prices for customers and learners.

In the US, we are working to make higher education courseware more affordable through a rental model and our Digital Direct Access (DDA) program. Through DDA, students access all of their course materials through an online platform that is available

to them on the first day of class. In the US, university costs are at an all-time high and growing and approximately 30% of students can not afford to purchase textbooks or course materials for their classes. Total US student debt hit a record \$1.31 trillion last year, the 18th consecutive year Americans' education debt rose, according to the Federal Reserve Bank of New York.

Our DDA model enables institutions to deliver high-quality digital course materials, including eBooks, MyLab & Mastering, and Revel, at savings of up to 75%. With access to course materials from day one, students have more time to prepare for class, keep up with their assignments, and achieve their academic goals. Educators also gain valuable insights into students' learning activity through access to data that enables them to continuously track and assess students' progress.

We currently work with more than 190 colleges and universities of all sizes to implement DDA programs.

We are also reducing prices on our e-book rentals and have announced a new rental pilot program for print textbooks. Students will save up to 80% on more than 2,000 e-book titles and will still be able to rent them through trusted online retailers.

For print textbooks, the rental pilot program will offer 50 popular titles at savings of up to 60%, available for fall 2017 classes through many of the same retailers currently renting our books. We hope this will help students save time and money by getting high-quality course materials without spending hours searching the internet or campus bookstores for the best price.

NEW TARGET

Enable 3 million students to access more affordable digital course materials from the first day of class by 2019.

While we believe these are important steps to making education more affordable, we realize there is much more work to be done. We continue to evaluate alternative pricing methods and business models to reduce the cost of our products and services. We also recognize the need to consider and contribute to bigger affordability issues in education that go well beyond our existing products and services. We are addressing some of these issues through our Tomorrow's Markets Incubator initiative (p55) and the Pearson Affordable Learning Fund (see below).

Improving outcomes with MyMathLab DDA

Cleveland State University uses Pearson's MyMathLab for homework and exam preparation. In the past, students experienced difficulty accessing the course materials as they waited for financial aid to arrive and also found the cost of the print textbook, in addition to the online access, prohibitive.

DDA with MyLabsPlus offered a solution to both challenges, and following the adoption of DDA, a Pearson study found that:

- › Overall student pass rates in all courses have increased 4%;
- › Pass rates in developmental mathematics have increased nearly 8%; and
- › Students, faculty, and administrators have benefited from immediate, more streamlined, and more cost-effective student access to course materials.

"Digital direct access enables all students to access MyMathLab on day one."

We can address potential issues with student familiarity with the program right away by requiring them to do introductory exercises on the first day of class."

Jason Stone Course coordinator at Cleveland State University



“The Incubator is giving us the unique opportunity

to determine how to serve low-income markets while generating revenue for Pearson.”

Participant in Tomorrow's Markets Incubator



Tomorrow's Markets Incubator

Today, many of our products and services do not reach the more than 4 billion, low-income and emerging middle-class consumers across the globe – a rapidly growing market segment estimated to be worth more than \$5 trillion.

We launched the Tomorrow's Markets Incubator in 2016, with the goal of developing new products and services, as well as overall business models, to bring high-quality education to learners in low-income and underserved communities.

Through an initial £1.2 million investment, the Incubator provides an innovation platform that enables Pearson employees to develop and test their ideas for new products and business models, while also helping them build and broaden their capabilities. In addition to seed funding, participating employees receive coaching from external thought leaders and access to trained researchers who specialize in venture creation for low-income markets.

The response from employees has far exceeded expectations. A total of 167 teams submitted an original short idea, and around half were invited to submit a more detailed funding application. Out of 74 funding applications, 17 global teams were selected to receive funding and coaching to further explore their ideas.

These ideas represent a diverse, exciting portfolio of digital and blended learning solutions. They span a variety of focus areas, including workforce training for prison inmates in the US; language learning for refugees in Germany; and math skills development for low-income students in South Africa.

Going forward, we will:

- › Select and fund four to five teams to advance from the “Explore” to “Validate” phase of our product lifecycle process;
- › Invest in and guide these teams through the “Validate” phase, with the ultimate goal of creating successful pilots in market;
- › Socialize the venture innovation approach with business partners and integrate learning from the ventures into Pearson's strategy for new markets;

- › Refine the model and launch a second call for new venture ideas to incubate; and
- › Capture our learnings and share them with the broader community of public, private, and non-profit sector practitioners.

Pearson Affordable Learning Fund (PALF)

To help reach low-income learners that lack access to high-quality education options, we launched the PALF in 2012.

PALF is focused on making significant minority equity investments in fast-growing companies that deliver low-cost, high-quality education products and services. In addition to funding, Pearson brings expertise in education, efficacy, management, and business models to enable and accelerate the success of our portfolio companies.

The conditions for our continued investment include demonstrating an improvement in learning outcomes, and generating financial returns. PALF so far has invested in innovative education start-ups in South Africa, Nigeria, Ghana, India, Indonesia, and the Philippines.

Some of our stakeholders have expressed concern about low-cost private schools in parts of Africa and Asia, and in 2016 a global federation of teachers unions criticized legal proceedings between Bridge International Academies (BIA) and a Kenyan teachers union. PALF is not an investor in BIA. While Pearson is an investor in Learn Capital, a Silicon Valley venture fund that is a minority investor in BIA, we are not a voting member of the BIA board, nor are we involved in day-to-day management of BIA.

We continue to strongly support the human right to education and the free government provision of education for every child across the world. However, 61 million¹ children still do not have access to school or basic primary education and many more are not learning enough in school. The challenge is complex and global, and we believe in the need to look at all opportunities to improve access and the quality of education. Low-fee private schools can serve as one approach to improving access and quality.

PALF achievements in 2016



Reached over 450,000 learners in 7 countries in 2016



Demonstrated efficacy through third-party executed assessments for several portfolio companies



Average revenue growth of 140% in \$ across the portfolio in 2016



Secured follow-on investments for further growth for several portfolio companies



Partnered with government education systems in Liberia, South Africa, India, and the Philippines

Collaborate to reach underserved learners

We are committed to bringing high-quality education and learning opportunities to vulnerable and underserved learners. We want everyone – from women and girls to migrants and refugees – to have access to the education and opportunities they deserve.

No single organization, or sector, can tackle the global education challenges alone. We rely on the expertise, insights and support of others to help make learning more accessible and affordable. We partner with international non-governmental organizations, governments, and local organizations to expand access to high-quality education and learning around the world.

Empower girls and women

Girls' and women's empowerment is one of the most powerful drivers of equitable growth and development. It helps lift families and communities out of poverty, creates jobs and income, and increases demand for products and services.

Pearson products and services are used by millions of girls and women every day around the world, providing a unique opportunity and responsibility for us to help them thrive.

Our approach to women's empowerment spans partnerships that help women and girls overcome barriers to education and employment (see our work with Camfed on p57-58) to internal efforts to develop, support, and advance female employees at Pearson (see Diversity & Inclusion on p32).

The impact of educating girls and women



An extra year of primary school boosts girls' future wages by 10-20%, and an extra year of secondary school increases them by 15-25%.³



If women participated in the economy at the level of men, it would add \$28 trillion, or 26%, to annual global GDP in 2025.²



An educated woman will re-invest 90% of her overall income back into her smaller and healthier family.⁴

¹ UNESCO, *Reducing global poverty through universal primary and secondary education*, June 2017.

² McKinsey Global Institute, *How advancing women's equality can add \$12 trillion to global growth*, September 2015.

³ UNICEF: https://www.unicef.org/media/media_58417.html.

⁴ Harvard Business Review, *Banking on Women and Girls: Key to Global Poverty Alleviation*, March 2011.

The Camfed Learner Guide Program Empowering women and girls in Africa

Pearson has partnered* with Camfed on a project supported by the UK Department for International Development (DFID) and the relevant national Ministries of Education to help girls from low-income communities in Zimbabwe and Tanzania stay in school, learn, and develop key skills for life and work.

120,000+

secondary school children reached by Learner Guides with weekly sessions in 2016

60,744

vulnerable girls enrolled in secondary school*

£581,250

contributed to Camfed over 2016 and 2017 to enable Camfed to extend the Learner Guide program

Over 400,000

girls and boys in 1,172 rural secondary schools empowered to improve their educational experience and learning outcomes

3,696

young women trained as Learner Guides working in 1,172 secondary schools across Tanzania and Zimbabwe

* between 2013 and 2017

[➔ Read more on p58.](#)

"It's so difficult in my district to find employment.

I had no qualifications beyond my high school certificate and no prospect of getting any either. When I heard about the Learner Guide Program I jumped at the chance."

Zuhara Camfed alumna and Learner Guide, Tanzania



In 2016, a cross-functional steering committee at Pearson undertook a six-month review of how we empower girls and women across our value chain. We considered risks and opportunities in our workplace, marketplace, and supply chain; social investments and philanthropy; and public policy and advocacy activities. The review included consulting stakeholders, assessing current practices, benchmarking, and identifying barriers to girls' and women's education and employability. We ultimately developed a set of strategic priorities to increase women's empowerment by promoting access to high-quality education, skills and training, and decent employment.

Priorities identified include:

- › Research and promote the benefits of equal access to high-quality education and training that leads to decent work for girls and women among learners, teachers, employers, and policy makers – ultimately contributing to greater women's empowerment;
- › Deepen our commitment to gender equality in our workplace;
- › In growth markets with substantial gender inequalities, seek to ensure products and services are developed with the needs of girl and women learners in mind; and
- › Work with partners to create a policy environment that supports girls and women in their lifelong journey of personal and professional development.

Our partnership with Camfed to support girls and women in East Africa

In rural East Africa, poverty forces many children to leave school. Their parents cannot afford the fees, supplies, food, uniforms, or transport needed for their children's education. Instead, these children often end up having to work and earn money to support their families. This story is repeated around the world.

Since 2013, Pearson has partnered with international non-governmental organization Camfed on a project supported by DFID and the relevant national Ministries of Education to help girls from low-income communities in Zimbabwe and Tanzania stay in school, learn, and develop key skills for life and work.

Developing unique resources and the Learner Guide Program

As part of the project, young women can train to become mentors, or "Learner Guides." Learner Guides deliver a curriculum called "My Better World," working with vulnerable children in rural schools. We co-created the My Better World life skills curriculum with Camfed and young people in rural Africa to ensure it is relevant, gender-sensitive, and effective at improving students' future employability prospects.

Creating a BTEC qualification for Learner Guides

In 2014, we committed to develop a BTEC qualification for 5,000 Learner Guides to recognize and certify their achievements. This qualification is designed to help more girls enter formal higher education, teacher training, and the workforce by improving their employability potential (see p70 for more about BTEC).

During 2016, Pearson teams worked on developing this new BTEC qualification to meet the needs of Camfed's Learner Guides. Camfed was approved as an accredited BTEC Center in April 2016, and BTEC training has been delivered to the Camfed offices in the UK, Zimbabwe, Tanzania, and Ghana. At the end of 2016, we awarded the first 567 Learner Guides in Zimbabwe their BTEC qualifications and Pearson's BTEC team is continuing to work with Camfed to award the remaining ones.

567

BTEC certifications awarded in 2016



Going forward, we will:

- › Certify 5,000 Learner Guides with BTEC qualifications by end of 2019; and
- › Enable Camfed to extend the Learner Guide program in Tanzania in 2017 by:
 - › Supporting an additional 6,400 children in 80 schools;
 - › Training 236 young women as Learner Guides in four rural districts of Tanzania;
 - › Distributing 32,000 books to 80 schools in rural Tanzania; and
 - › Enabling Learner Guides to reach over 10,800 additional children on a weekly basis with targeted life skills sessions.

Improve education for people affected by emergencies

Millions of people around the world have been displaced by conflict and emergencies, with disastrous consequences for education. The Syrian crisis alone has forced 2.8 million¹ children out of school. We support efforts to ensure that the next generation has access to education and learning that is critical for getting jobs, improving lives, and building stable, inclusive economies.

¹ Nguyen, Katie, *Syria conflict keeps 2.8 million children out of school*, Reuters, September 2014.

Every Child Learning

Supporting education for children affected by conflict

Like most Syrian refugee families, Rasha's family had to leave their home back in Aleppo's suburbs and travel for two days to reach the Jordanian borders. After living in Za'atari Refugee Camp for almost two months, Rasha's father was able to move them to Hay Nazzal area in Amman.

Through our Every Child Learning partnership with Save the Children, we are working to deliver high-quality education to Syrian refugees and vulnerable children in Jordan. Our partnership involves raising awareness of education in emergencies, providing financial support for Save the Children's work, and innovating new solutions that are designed to address the unique needs of children affected by conflict.

£1.7m+

invested in R&D of new education solutions, supporting two Save the Children Learning Centers, and joint advocacy.

£3.4m

committed in 2016, doubling our initial investment and extending the partnership from 2017-2019.

"We stayed in Jordan for a year and I did not go to school because our situation was bad.

My dad signed me up at this center two months ago."

Rasha* attends one of the Every Child Learning Centers in Jordan.

* Name has been changed to protect identity.



Our Every Child Learning partnership with Save the Children

Through our Every Child Learning partnership with Save the Children, we are working to deliver high-quality education to Syrian refugees and vulnerable children in Jordan.

Our collaboration aims to raise awareness of the importance of education in emergencies, provide financial support for Save the Children's work, and design innovative new education solutions that address the unique needs of children affected by conflict. In September 2016, we committed to extending Every Child Learning for another three years, doubling our initial investment of £1.7m to £3.4m.

Supporting immediate needs in Jordan through education centers

With an initial donation, we helped Save the Children set up two education centers in Amman, Jordan that have provided early childhood care, development, and psychosocial support services for hundreds of children (age 5-13) and their parents. The centers provide both a safe space for children and a place where their parents can learn about positive discipline practices and feel a sense of community in a new country. The hope is that this work will enable these children to integrate into Jordan's formal education system.

Investing in innovative education solutions

The cornerstone of our partnership is researching and developing new education solutions, drawing on the expertise and assets of both organizations. We invested over £1 million towards this goal in 2015 and 2016, including with our work to develop an initial pilot project set to launch in Q3 of 2017.



In 2015, we carried out research on the ground in Jordan with a team of ethnographers and local researchers who worked with Syrian and Jordanian families to understand their children's educational challenges and how they use technology and educational materials. Informed by these findings, our researchers, Save the Children, Pearson curriculum experts, and learning and user experience (UX) designers worked together in 2016 to develop the pilot blended learning project aimed at improving learning outcomes, retention rates, and the overall learning environment for Syrian and Jordanian children.

Ultimately, the aim is to scale our solutions to other conflict-affected countries with similar education challenges. We will be able to draw on the insights we have gathered about this unique population – for example, the need for providing accelerated learning opportunities, better equipping teachers, helping to reduce violence in schools, and improving psychosocial support. We will also monitor and evaluate the efficacy of the pilot to develop a proof-of-concept model that can be adapted and integrated into the national education system in Jordan, in collaboration with the Ministry of Education and other actors.

Advocating for improving education in emergencies and conflict

A key element of our partnership is raising awareness of education in emergencies with our employees and the public. In 2016, we made a £100,000 donation to kick-start The Sunday Times' Christmas Appeal in the UK, which then raised over £1 million for Save the Children's Children in War Appeal from other major donors and the general public. We also partnered with Save the Children at the World Humanitarian Summit to draw attention to this issue with political leaders and influencers from the international community.

Partner to address education challenges

Project Literacy

Project Literacy is Pearson's flagship social impact campaign. The initiative has one overarching ambition: to make significant and sustainable advances in the fight against illiteracy by 2030 so that all people – regardless of geography, language, race, class, or gender – have the opportunity to fulfill their potential through the power of words.

Partnerships are essential to achieving this ambition. Project Literacy convenes partners across business, civil society, and government with a broad range of experience and expertise, from economists and healthcare practitioners to gender activists and teachers. We have teamed up with more than 90 partners to date, including Room to Read, Doctors of the World, The Hunger Project, Microsoft, The Unreasonable Group, and UNESCO. Together, we are working to raise awareness and mobilize action; advance best practices; and innovate for new solutions.

Key activities and accomplishments for 2016

- › We more than doubled the size of the Project Literacy network to over 90 partner organizations and held workshops throughout the year to foster peer-to-peer learning and collaboration.
- › We launched Project Literacy to the general public with the Alphabet of Illiteracy. This award-winning campaign challenged consumers to view literacy through a different lens by connecting literacy to other major global development challenges.
- › Pearson, on behalf of Project Literacy, was invited to join UNESCO's Global Alliance for Literacy to develop an implementation strategy on literacy in line with the Sustainable Development Goals.

› We continued supporting 10 partnerships to expand evidence-based literacy programs, enrich the body of knowledge on literacy, and develop innovative approaches to closing the literacy gap.

› We co-developed two new cross-sector partnerships to support vulnerable and marginalized communities through 1) an adult literacy pilot in the US with university, private-sector, and non-profit partners and 2) a multi-project collaboration in India and South Africa with non-profit, government, and multilateral partners.

In 2017, we plan to deepen and expand Project Literacy through an intensified focus on consumer marketing and innovation while securing the long-term sustainability of the campaign through strategic partnerships.

Raising awareness and mobilizing action through Project Literacy

\$8.7m

contributed in funding for solutions, with a primary focus on the US, UK, Brazil, and India

20,000

volunteer referrals to partner organizations

2.25bn

people reached through broadcast, print, and online media in 2015



adults, parents, and children are estimated to benefit through 12 programmatic partnerships are estimated over the lifetime of the program

partners, doubling the size of our community since last year



individual advocates

media stories generated

Project Literacy Lab

Pearson and The Unreasonable Group are supporting entrepreneurship to close the global literacy gap.

The Unreasonable Group works with entrepreneurs to address challenges such as poverty and social injustice, providing world-class mentors, funders, and partners to help grow their impact. Our partnership with Unreasonable provides an accelerator in key markets that supports rapid-growth enterprises. The first accelerator program featured 16 companies across 32 countries, reaching a total of 11 million people worldwide. These ventures have raised a total of \$68.5 million in funding, and 80% have seen increased or equal results in their impact performance since the accelerator launched.



Australian Indigenous Literacy Foundation partnership

Illiteracy is a major challenge for Indigenous Australians in remote parts of the country. The Australian Indigenous Literacy Foundation (ILF) has found that “indigenous children living in remote locations are being outperformed by non-Indigenous children” and that their school attendance rates are as low as 14%. Between 2008 and 2014, the proportion of Indigenous Australian students at or above the National Minimum Standards in reading and numeracy has shown no statistically significant improvement nationally.

With funding from Pearson, employees in Australia have partnered with the ILF and Penguin Random House UK to develop and pilot “The Early Literacy Project”. The project aims to develop an app-based digital product that will help develop literacy and IT skills for Indigenous Australian students age 5 and younger. The app is being produced specifically for an early childhood center in the remote Western Australian community of Warburton and leverages existing ILF materials. Because ILF’s research has proven that children learn to read best in the language spoken at home, the app incorporates the Indigenous first language, Ngaaytjarra, along with interactive content and audio.

Pearson volunteers are facilitating, project managing, and contributing expertise to project, including through a field visit to Warburton. The app is being made in-house by a Penguin Random House digital team.

The pilot launched in May 2017 and outcomes will be evaluated going forward. The project is designed to be scalable and could potentially be expanded to more remote communities in the future.



America's Promise: GradNation

In 2015, we started a three-year collaboration with America's Promise Alliance that aims to increase the US high school graduation rate to 90%. Our \$3 million investment in the GradNation State Activation Initiative will help more learners to prosper by encouraging states to collaborate, replicate each other's best practices, and develop successful models that all states can implement.

To launch this initiative, we awarded three \$200,000 grants to state-level organizations with innovative – and different – approaches to increase US graduation rates. The awards went to initiatives in Arizona, Massachusetts, and Minnesota that facilitate cross-sector collaboration, leverage state assets, communicate progress and best practice, and develop programs that can be replicated and scaled.

Through these grants, America's Promise Alliance has helped convene 15 mayors in Arizona to focus on improving graduation rates. One program, called Steps to Success, began in Tucson, Arizona to bring disconnected youth back into school through high-touch outreach. Counselors or other caring adults knock on the students' doors, in some cases with basketball stars from the University of Arizona, and encourage them to return to school. In Tucson, the mayor has also been actively involved. As of January 2017, the program reached 135 disconnected youth with the help of 111 volunteers, including Pearson employees. Our grant has increased the state's capacity to replicate this program through training and support.

"Despite gains in the national graduation rate, nearly all states are graduating significantly lower percentages of students from low-income families, students of color, and students with disabilities. We see an opportunity – through these grants – to support collaborative models at the state level that can unify communities and produce real results."

John Gomperts President & CEO,
America's Promise

In addition, our online GradNation Activation Community provides a hub for sharing strategies and successful practices, asking questions, and facilitating conversations. Its 283 members from 206 organizations and 38 states plus the District of Columbia are working to increase statewide graduation rates.

In 2017, we are enriching our efforts with the release of a research report, "I Came Here to Learn," which takes a deep look at how students whose first language is not English can best be successful in their learning.





Shape the future of learning

"Our goal is to build a global platform ecosystem and set of operational processes that will transform

how we deliver content and services to customers and learners, and how our company works."

Albert Hitchcock Chief technology and operations officer, Pearson



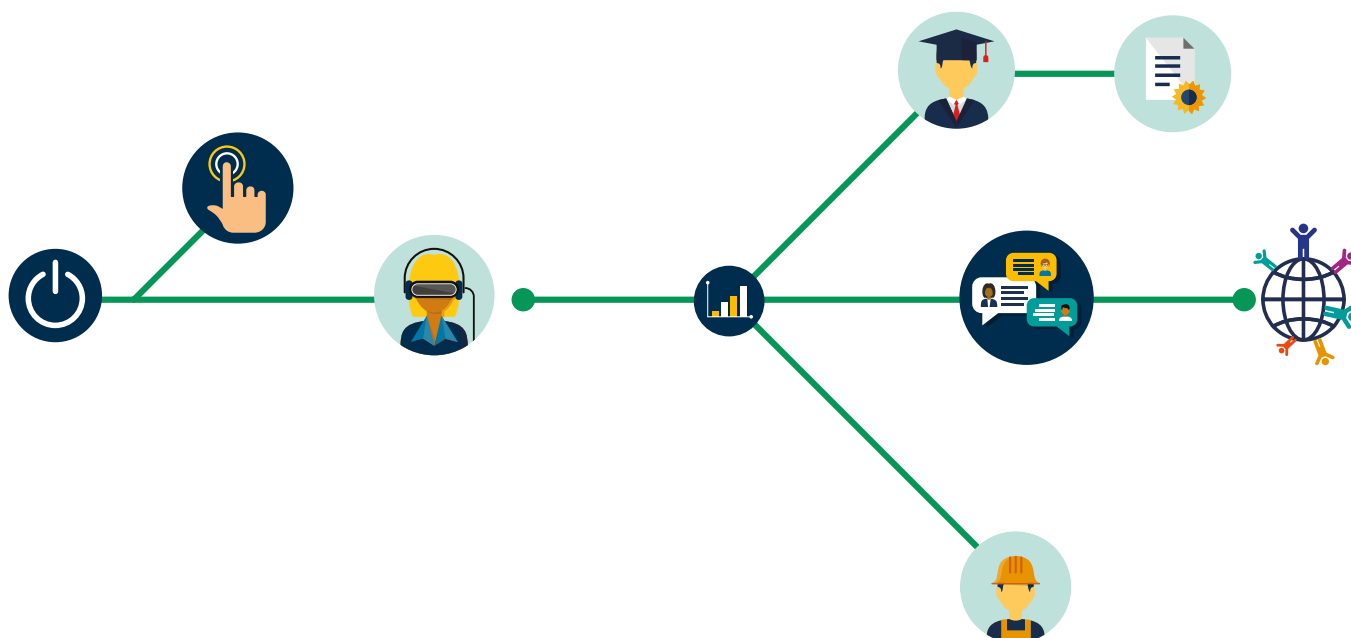
Our commitments:

- | | |
|---|--|
| 1 Leverage technology for equitable learning outcomes | 3 Promote education for sustainable development |
| 2 Build skills that foster employability and inclusive economic growth | 4 Contribute to global research, dialogue, and collective action on quality education |

The pace of change in education is faster than ever before. We aspire to shape a future where learning creates more inclusive and equitable societies and economies.

We will do this by ensuring our learners are equipped with the skills and capabilities they need to build careers and communities, navigate uncertainty, address the world's biggest sustainable development challenges, and thrive in the 21st century and beyond. Cutting-edge technology, insights, and partnerships will help us deliver on our aspiration.

We contribute to a growing body of research and participate in multi-stakeholder fora so that we can pool our insights with others to help global education systems better serve the next generation of students.



Leverage technology for equitable learning outcomes

The global digital revolution is changing how students learn and the way our business operates. It has pushed us to integrate technology into all aspects of our business, from products and services to internal operations.

We have a unique opportunity to make a mark on the future of education using technology to create and deliver content in new ways, improve the learning experience, and help all learners progress to new levels.

Ensure the digital transition helps create a better future for all

Today, Pearson's product portfolio includes blended and fully digital solutions, and we offer courseware that can adapt to the ways our customers want to use them.

As we look towards the future, we are determined to use technology to help grow our ability to deliver learning solutions that will help an even wider group of learners – including many of those who are still underserved – achieve better outcomes than they do today.

Transform products and content

We are transforming the way we create, manage, and deliver content by building a global technology platform that will unite our products and courseware, and improve how we bring our digital learning products to markets. The platform allows product teams across Pearson to deliver new, innovative learning experiences on a global scale.

Technology presents us with exciting opportunities to make learning more effective, personalized, and adaptive. Products will improve learning by tailoring content to meet the individual needs of students in real time as they study and prepare for class. Over time, this can help us to better target learners of all levels and abilities.

Adaptive learning can improve outcomes related to everything from basic literacy and numeracy to job skills. Digital learning can help us to equip and re-equip learners with the skills and knowledge required for success in a changing economy. For example, our work to improve employability (see p68) and prepare learners for careers in specific sectors (see p70) will be vastly improved through new technologies.

As we continue to integrate new technologies and capabilities into our products and services, we will work closely to ensure we are meeting the needs of learners and educators as effectively as possible.

Drive change with data and insights

The speed with which we can gain meaningful insight from data is rapidly increasing. Our data and analytics platforms help instructors better understand and track students' performance so they can take action early to address any issues and help students be more successful. This approach to personalized learning is integral to our goal to reach more learners and empower educators to help students reach their full potential.

Leveraging data with learning analytics services

Building on our industry-leading MyLab & Mastering courseware products, we are developing customizable dashboards and analytics for critical courses to help instructors and advisors identify and support struggling

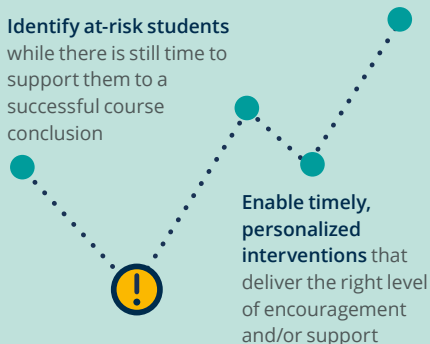
students. Over time, we will work together with our customers to analyze and improve the effectiveness of these early warnings and proactive interventions.



Inform and improve course designs to facilitate the early identification of struggling students

Identify at-risk students

while there is still time to support them to a successful course conclusion



Enable timely, personalized interventions that deliver the right level of encouragement and/or support

Reach actionable data via one-click access from your learning management system or Pearson courseware



Optimize courseware usage so instructors benefit from embedded tools demonstrated to improve the student experience

Customize dashboards to see only what they want and so that only appropriate warnings are triggered at each institution



Creating a virtual tutor for millions of students

Pearson and IBM are joining forces to create a virtual tutor that will transform learning and teaching for millions of college students and professors around the world. The new global education partnership relies on the power of IBM's Watson – a cutting-edge artificial intelligence technology.

Now in a pilot phase, the project combines IBM's cognitive capabilities with Pearson's digital learning products to give college students a more immersive learning experience and an easy way to get help and insights on demand. All they'll have to do is ask questions just like they would with another student or professor.

For example, a student studying for a biology course can ask Watson questions about difficult topics or problems. Acting as a digital tutor, Watson can assess the student's responses and guide them with hints, feedback, and explanations. It will help identify common misconceptions and work with the student at their own pace until they master the topic. Instructors will also get valuable insights about how well students are learning, allowing them to better manage their courses and flag up students who need additional help.

"Our partnership will use the power of Watson to help students stay engaged and deepen their learning, complete their degree, and be better equipped for their careers."

Tim Bozik President global product, Pearson



Build skills that foster employability and inclusive economic growth

Education drives social mobility, helping more people play a part in society and enter into the job market so they can build better lives for themselves and their families. Good jobs and careers transform individual lives, bring stability to communities, and help economies flourish.

We focus on developing products and services that foster the knowledge, skills, and values that learners will need in life and to secure jobs – one of our key efforts to advance UN Sustainable Development Goal 8 on economic growth and decent jobs and Goal 10 on reducing inequality.

Foster 21st century skills

We are facing a global skills gap. Some 290 million young people are out of work, while at the same time, almost 40% of employers tell us they cannot fill their vacancies. Learners starting primary school this year will graduate into a job market very different from what we see today. To understand the skills needed for the 21st century, we strive to listen to employers and help educators respond to their needs.

To better prepare students for life and for professional environments, Pearson has focused on carefully and systematically guiding students toward their career aspirations and equipping them with crucial workplace skills, like

communication, leadership, collaboration, and critical thinking. We help learners with the skills they need to enter specific careers – whether through delivering vocational training, providing industry-focused qualifications and assessments, or teaching skills such as science, technology, engineering, and math (STEM), or English. We also aim to help students strengthen the digital, financial, and entrepreneurial skills they will need in the 21st century.

Career Success Program

Pearson's Career Success Program (CSP) aims to meet the needs of both colleges and employers by providing a digital suite of assessments, learning modules, and tools that help students identify career goals and the gaps in their academic and

career skills that they need to fill. The CSP also includes assessments to help students understand their level of GRIT; tools to help them demonstrate their skills on LinkedIn; labor market intelligence; and a special research-based program of Personal and Social Capabilities (see below) that enables students to demonstrate the essential career-related knowledge and skills they are gaining with credentials and badges.

Importantly, the instruments used in the CSP, the Conley Readiness Index and GRIT™ Gauge, do not attempt to exclude students from college and career tracks. Rather, they help students identify necessary steps for academic growth and career readiness, enabling all to succeed by equipping them with clear, personalized plans for acquiring the skills and knowledge they need.

The Personal and Social Capabilities framework provides clear definitions of the professional skills that students identify through the CSP. It was informed by dozens of frameworks from educational and career organizations and institutions, and teams across Pearson have worked together to conduct research based on academic literature, as well as surveys and focus groups with faculty, administrators, and employers.

Going forward, we will:

- › Grow users of the Career Success Program steadily with the goal of reaching 100,000 students by 2020: and
- › Co-publish a series of rigorously researched and developed White Papers with the Partnership for 21st Century Skills, which will lay out research supporting the practical value of the skills, illustrate how these skills have been successfully taught, and provide guidance on how teachers might structure and assess how students develop them.

Pearson Personal and Social Capabilities Framework

Productivity competencies

skills, knowledge, and attributes that make individuals productive in the workspace



Core academic competencies



Occupational competencies



Personal & social capabilities

Traditional competencies

enable individuals to secure and make progress in employment



Career knowledge & transition skills

Lone Star College-Tomball Infusing GRIT into curriculum

To counteract declining enrollments and unsatisfactory academic performance, Lone Star College-Tomball (LSC-T) adopted a strategic focus around equipping students with Growth, Resilience, Instinct, and Tenacity (GRIT) to better prepare students to pursue their academic, career, and life aspirations.

GRIT is a component of the Career Success Program that LSC-T determined was critical to explore further. All students were invited to take Pearson's GRIT Gauge at the start and end of a semester. A randomly selected group participated in courses where the faculty purposely incorporated GRIT into curricula. Students in the GRIT program, compared with students in the control (no GRIT); courses had higher rates of successful course completion based on initial data. At the same time, individual educators reported improvements in engagement, persistence, and achievement.

*"My students
quickly came to see
the value of GRIT."*

They began to engage and perform at a significantly higher level than I had seen before. I was frankly wowed by the results. I had the best retention ever for an online class."

Faculty member LSC-T

*"GRIT helped me understand
how to perform tasks*

*and how to manage my time effectively
and become a much better college student
considering it is my first time back in school
since I graduated in 2008."*

Student LSC-T



Prepare students for careers in specific sectors

Pearson's BTECs are qualifications that provide specialist, work-related learning across a range of sectors, in nearly 40 subjects at three different levels. Delivering the knowledge, skills, and understanding students need to prepare for their chosen career, BTECs can support progression to higher or further education or into employment. Pearson also offers apprenticeships across a wide range of career paths.

Pearson VUE helps individuals prepare for their next educational or career opportunity through credentials that verify the skills and learning required for a specific job or educational program.

Pearson VUE serves test owners and test takers in nearly every industry, including:

- › Academia and admissions
- › Financial and related services
- › Government
- › Healthcare
- › Information technology (IT)
- › Military
- › Transport
- › US licensing and global regulatory

In the UK, Pearson VUE administered 67,000 tests on behalf of the Construction Industry Training Board – all of which included major components on both health & safety and the environment.

14m

tests delivered each year

5,000+

test centers

180

countries

450

global clients

Science, technology, engineering, and math (STEM) education

In the US, jobs in STEM are expected to increase to more than 9 million by 2022. We seek to provide resources that help increase achievement in STEM preparing students – including women and minorities – for STEM-related careers.

Experiential learning increases students' interest in STEM by engaging them in activities to solve real-world problems. We are embarking on a strategic partnership with littleBits, an award-winning startup that has developed electronic building blocks which empower students to create inventions. Pearson's new Elevate Science program will feature exclusive littleBits projects, augmenting instruction by allowing students to apply science and engineering concepts. This partnership supports the market's growing interest in the "Maker Movement", which integrates the engineering design process into science education.

Pearson and STEM

9m

In the US, jobs in STEM are expected to increase to more than 9 million by 2022.¹



1/3



By the time students reach fourth grade, 1/3 of boys and girls have lost interest in science.²

Pearson has a number of products that support education:

digits is a digital learning tool that combines a comprehensive math curriculum, best practices in teaching, and technology so teachers can deliver personalized instruction effectively and save valuable time.

Project STEM focuses on integrating STEM into teachers' current elementary or middle grades science program curricula through hands-on, real-world, project-based activities.

Interactive Science teaches, practices, and applies the key skills of inquiry on a daily basis for both teachers and students while providing extensions to project-based learning designed to enrich and enhance learning.

¹ US Bureau of Labor Statistics, *STEM 101: Intro to tomorrow's jobs*, 2014.

² Murphy, Tom, "STEM Education--It's Elementary," US News and World Report, 2011.

Partnering with Microsoft to pioneer "mixed reality" learning

Pearson is collaborating with Microsoft to explore how "mixed reality" – a combination of virtual and augmented reality – can solve challenges in areas of learning, ranging from online tutoring and nursing education to engineering and construction training. With Microsoft HoloLens, the world's first self-contained holographic computer, Pearson is developing and piloting mixed reality content at colleges, universities, and secondary schools in the US and around the world.

For example, Texas Tech University Health Sciences Center in Lubbock and San Diego State University are both part of a Pearson pilot. Pearson will use Microsoft's holographic video capture capability, filming actors to simulate patients with various health concerns and then transferring that video into holograms for the student nurses to experience in a clinical setting. When student nurses participate in the simulations using HoloLens, they will have a real world experience diagnosing patients, building the confidence and competence that they will need in their careers.



Providing job training through Pearson IndiaCan

Over the next decade, India's working-age population is projected to expand by a staggering 120 million. India also has the world's youngest population, and by 2020 the average age in the country will be approximately 29. It is critical that these young people get good jobs.

Indian government studies have found that 75% of jobs in the country's high-growth industries – for example, automobiles, logistics, tourism, entertainment, and healthcare – require sector-specific skills. At the same time, the World Bank has estimated only 6-10% of the Indian workforce has received any form of vocational training. According to the Institute of Advanced Management and Research, between 249 and 290 million people in India need to be trained by 2022.

102,000+

youth trained through 210+ centers in 15 states of India since inception in 2008

60,000+

youth linked to employment



Pearson IndiaCan, a fully-owned subsidiary of Pearson, is on track to become the largest provider of vocational education and training programs in India.

Through IndiaCan, we provide young, unemployed youth from rural and marginalized communities with relevant skills so that they can secure full-time employment upon graduation. The government pays for the course fees, and industry partners assist with curriculum development. Local and regional NGOs reach out to communities and garner support for the program.

In addition to helping young people find employment, the training programs have also helped them to build self-esteem and confidence, transforming them into agents of change who are taking steps to break the cycle of poverty for their families and communities.

17,000+

youth trained in 2016



55

training centers across 7 states in 2016



"No one in my village and family ever thought I had the potential of earning a salary and supporting my family through a financial crisis."

Today I am a role model in my village and all local girls come and consult with me."

Kabita Participant in IndiaCan's program in Odisha



English

As demand for English language learning continues to grow, an estimated 2 billion people will be learning English worldwide by 2020. A number of factors are driving this growth in learners. There is increased demand from governments and parents who are looking to introduce English as a foreign language in earlier stages of school education. Many universities are now offering subject-area courses in English, in addition to teaching English as a subject in its own right, and competence in English continues to offer people better career opportunities and progression.

English language learning represents an important part of our company's portfolio. To improve the English language skills of our learners, we offer differentiated products with sound pedagogy and demonstrable progression. Our English products are supported by technology that helps learners of all ages and levels of proficiency advance their English language skills.

Going forward, all new English products will be aligned to and underpinned by the Global Scale of English, which measures skill levels in English reading, writing, listening, and speaking. The Global Scale of English supports personalization, efficacy, and pedagogy in blended and virtual courseware and assessment products. In 2016, we launched the Pearson Global Scale of English Teacher Toolkit. This comprehensive online tool supports teachers in applying the Global Scale of English and is designed to save teachers time by quickly signposting what learning objectives, grammar, and vocabulary students should be learning at each Global Scale of English level.

We also develop English products intended to reach underserved learners. Examples include:

- › In the US, we are developing English language products for adults, including migrants and learners from lower socioeconomic backgrounds, which are designed to help them balance learning with busy work schedules and prepare them for future education or career opportunities.

› Globally, we are considering special needs in our English materials. One example is our media-rich English language course "Today!", which has a workbook created specifically for mixed ability classes, and assessment materials that provide for special educational needs. Throughout the product, there is a particular focus on helping teachers to support learners with dyslexia and dyspraxia.

In 2017 and beyond, with an increased investment in technology, Pearson will deliver a suite of products to meet the needs of the next generation of English language learners and increase our reach. We will also continue to grow our English Assessment portfolio to assist more learners in demonstrating progress and proving their language capabilities.

Promote education for sustainable development

Today's learners will be the architects of tomorrow's world. It is imperative that we foster a generation of informed global citizens who understand global issues such as poverty, inequality, and climate change, and think about their role in making society more sustainable. A better understanding of these issues can drive lifestyle and career choices that impact future generations to come.

There is rising demand from educators for the integration of sustainable development topics into content, courses, and curricula. By integrating sustainability-related content into our products, we can explore new market opportunities while making a direct contribution to Sustainable Development Goal 4.7 (to promote sustainable development education) and inspiring the next generation to create the world they want.

Sustainable development in our products and services

Tomorrow's leaders will need to understand the connection between societal issues and value creation, to adapt rapidly to global challenges, and to collaborate with people and colleagues around the world. We have a role to play in preparing students with the skills they need for future careers.

Green jobs now collectively represent 4-4.5 million jobs in the US, up from 3.4 million in 2011.¹ Pearson is already a market leader in the higher education environmental science textbook market with a 40% share. We offer Mastering Environmental Science, a collection of online homework, tutorials, and assessment tools. Around 29,000 students are registered for the product.

As part of a wider suite of qualifications on sustainability skills, a BTEC in Environmental Sustainability has been offered since September 2011. This offers learners aged 16 to 19 clear progression pathways into employment or into higher, specialist, and professional courses focused on sustainability.

¹ Environmental Defense Fund, *Now Hiring: The Growth of America's Clean Energy & Sustainability Jobs*, 2017.

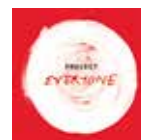
UN-backed initiatives to engage students on the Sustainable Development Goals

At the end of 2016, Pearson joined forces with the UN-supported Principles for Responsible Management Education (PRME) on a new platform to engage the next generation of business leaders as the world embarks on implementing the Sustainable Development Goals.

PRME's mission is to inspire and champion responsible management education, research, and thought leadership globally. Over 650 higher education institutions from 85 countries have become signatories to the six Principles for Responsible Management Education with the initiative.

PRME has identified a number of opportunities to empower students to support and advance the Sustainable Development Goals by proactively identifying, analyzing, and sharing the achievements of companies' activities related to the goals.

We are also a founding partner of Project Everyone, which aims to communicate the Sustainable Development Goals with everyone around the world, to help ensure they are met.



Global Learning Programme

We are helping to integrate sustainable development into schools in England through the Global Learning Programme (GLP). The GLP helps children aged 8 to 14 make sense of the world they live in and understand their role in a global society by teaching them to critically examine global issues, such as poverty, sustainability, and development. It focuses on equipping students with the knowledge, skills, and values to make a positive contribution to a globalized world. The GLP is funded by the UK government and delivered by a consortium of partner organizations, led by Pearson.



"The GLP provides a wider context for improving standards in core subjects.

Children become passionate and engaged, and you, as a teacher, rediscover that spark that drove you to become a teacher in the first place."

Teacher Global Learning Programme school

The GLP focuses on building teacher confidence in teaching students about global issues. Through a continuing professional development model of delivery, teachers in lead schools, "expert centers", are supported to share best practices with schools in their network, and all registered schools also receive funding for additional relevant training.

The GLP co-facilitated and presented on education about the Sustainable Development Goals at the first UK Stakeholders for Sustainable Development

conference in the spring, where case studies from several schools (see below) were showcased. As awareness of the Sustainable Development Goals increases in schools across the UK, the GLP has produced a summary of some of the many resources and opportunities currently available to schools.

In 2016, the GLP reached 6,000 schools across the whole of England, in a wide range of contexts, both rural and urban. Over half (54%) of the schools that completed a survey at the beginning of the GLP said that they had not actively engaged in global learning before.

Research and data gathered over the life of the GLP so far demonstrate positive impacts on teachers' and school leaders' understanding of the value of global learning and how it makes pupils more able to navigate complex global issues.

Global Learning at St Mary's C of E Primary School, Folkestone, England

St Mary's C of E Primary school has been actively involved in the GLP as an expert center. The staff and pupils at St Mary's were inspired by the international adoption of the Sustainable Development Goals. They decided to focus on helping students understand what the goals meant and devise creative ideas for solving some of the key global challenges.

They began by discussing which of the Sustainable Development Goals they felt were most important. Quality education, clean water, climate action, gender equality, life below water, and life on land were prioritized, and the

pupils came up with potential solutions. For example, they designed plastic machines or filters to clear plastic from the sea and clean dirty water. A Year 6 teacher said, "The lessons on the Global Goals led to a stronger understanding of world issues and some unexpected solutions from the pupils."

St Mary's is linked to Seethadevi Girls' School in Kandy, Sri Lanka, and a teacher from Sri Lanka observed the lessons when she visited St Mary's. When St Mary's teachers visited the school in Sri Lanka a month later, they taught a lesson on the Sustainable Development Goals with a class of more than 50 girls. There was strong engagement around quality education and

gender equality, and the Sri Lankan teachers continued to incorporate the Sustainable Development Goals into their curriculum.

Through the GLP, St Mary's also shares its global learning experiences with its partner schools in England.



Pearson and Everglades University prepare learners for careers in green building

In June 2016, Pearson announced a new partnership with Everglades University to develop an Introduction to Sustainability digital course. With a customized curriculum, including US Green Building Council (USGBC) aligned content, the course is designed to put students on the path to high-demand careers in green energy and building design.

Through a combination of online and hands-on learning, the course improves students' preparation for Leadership in Energy and Environmental Design (LEED) certifications in growing fields such as construction management; alternative and renewable energy management; environmental policy and management; land and energy management; and crisis and disaster management. Upon completion of the course, students earn certificates that can be featured in the form of digital badges and added to their résumés, demonstrating their education in and commitment to sustainability.

The course was initially offered in March 2016 and is a required course for undergraduate students in all degree programs. Ultimately, this partnership will benefit thousands of students, dozens of university staff and faculty members, and the community at large surrounding Everglades University's four geographic locations throughout the state of Florida.



"Through our partnership with the USGBC and Pearson, we are improving the quality of our course offerings and student learning outcomes,

thereby further educating, training, and certifying the future leaders in these growing fields."

Kristi Mollis President and chief executive officer,
Everglades University

Contribute to global research, dialogue, and collective action on quality education

As a global learning company, we have a responsibility and capability to play an active role in helping shape and inform the global debate around education and learning.

We are undertaking research on the effectiveness of our products, and we are working together with experts to explore key education topics where our business has expertise. We want to share these findings widely in hopes that they will help educators everywhere.

We are active participants in multi-stakeholder, collective action initiatives that aim to strengthen global education systems, explore the role of the private sector in global education and development, and advance the Sustainable Development Goals.

Spread the word about our efficacy research

Our approach to product design, development, and improvement is firmly rooted in the concept of efficacy – the extent to which our products and services make a measurable improvement to people's lives through learning. Through our efficacy agenda, we are rigorously examining what works in education, in order to better serve our current and future learners and contribute towards meeting the ambitious Sustainable Development Goals.

Our focus on efficacy aims to ensure that our products and services are designed with the latest educational research in mind and continuously improved using cutting-edge analytics. We measure the extent to which our products and services are delivering their defined outcomes (see p23-24), and we publish the results of these studies online as “efficacy reports” for anyone and everyone to access. In the interest of openness and transparency, we have committed to having our efficacy reports externally audited in 2018.

Our efficacy agenda will contribute to shaping the future of education by positively influencing the global education system. By publishing our efficacy reports, we hope that our competitors will follow suit and transparently publish their own results. With greater insight into the outcomes of competing products, our customers will be able to make more informed decisions and have greater confidence in the outcomes that our products help learners to achieve.

2016 was also our first year of tracking our progress towards our Efficacy Growth and Impact Goals. You can read more about our external reports on p23-24 and view our published reports on our website.

Pearson efficacy growth and impact goals

By 2025...



We will help 10 million primary and secondary learners access high-quality education annually.



We will help 2 million post-secondary learners access high-quality education annually.



We will help increase the literacy and/or numeracy levels of 50 million learners annually.



We will help 50 million learners gain the knowledge and skills required for study and employment annually.



We will help improve the English language skills of 75 million learners annually.



We will help 25 million learners transition into the workforce after higher or further education annually.



We will help 20 million learners improve their career prospects annually.

Evaluating the impact of education innovation projects

In 2016, we worked with one of Mexico's leading universities, Tecnológico de Monterrey (TdM), to develop an evaluation framework to assess the impact of educational innovation projects. The collaboration was unique for Pearson in Mexico because it focused on education services, rather than content, and leveraged our expertise in efficacy and research. A global Pearson team created a framework, validated it with stakeholders, built an IT platform to support it, and trained TdM staff to use it. The project helped TdM to make well-informed and evidence-based decisions to evaluate more than 400 projects that were underway at 32 TdM campuses.

Understanding the future of jobs

By 2030, the average age in the US and the UK will be higher. Emerging technologies like the Internet of Things or 3D printing may have revolutionized supply chains and manufacturing, and more of us are predicted to live and work in cities. Trends such as these have implications for the jobs, and skills, that will be in demand in 2030. Pearson is working with Nesta and Michael Osborne of the Oxford Martin School to generate quantified predictions of this future, and then to explore the implications for learning.

➔ Learn more at: www.pearson.com/corporate/about-pearson/what-we-do/innovation/future-jobs.html

Sharing our insights through Open Ideas

Our Open Ideas series looks to surface the best ideas in education and explore the biggest unanswered questions, no matter where they come from. We work with some of the best minds in education – from teachers and technologists to researchers and big thinkers – to bring their ideas and insights on education's big questions to a wider audience.



➔ Learn more at: www.pearson.com/corporate/about-pearson/what-we-do/innovation/open-ideas-at-pearson.html

Engage with multi-stakeholder groups and governments to shape best practices and policies

Pearson is active in helping shape and inform the global debate around education and learning. We maintain bilateral relationships with key organizations and participate in multi-stakeholder forums and partnerships that aim to strengthen global education systems, explore the role of the private sector in global education, and advance the Sustainable Development Goals. This allows us to share our experiences, capabilities, and insights, learn from others, and respond quickly to opportunities and criticisms. We also make sure that we actively listen to other organizations working to improve education around the world, especially for underserved and marginalized groups.

Helping to strengthen education systems



- › Global Partnership for Education (board member)
The partnership brings together over 50 developing countries, donor governments, international organizations, the private sector, teachers, and civil society groups to support developing countries with their education sector plans through financial assistance and technical expertise.

The private sector's role in global education and development



- › World Economic Forum (member)
The Forum engages the foremost political, business, and other leaders of society to shape global, regional, and industry agendas.



- › Global Business Coalition for Education (founding member)
The coalition brings the business community together to accelerate progress in delivering quality education for all of the world's children and youth.



- › Business Fights Poverty (sponsor)
BfP is the largest global network of professionals passionate about fighting poverty through business. We sponsor the Education Zone, highlighting news and information about business in education, and sponsor research and events on related issues in collaboration with other BfP partners. We are also supporting four of their new "challenges" which aim to identify and address specific, strategic questions about how to harness and scale the positive impact of business on people or the planet.

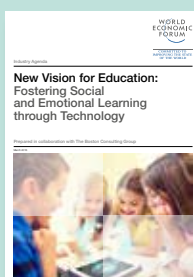
- › UN Global Compact (participant)
We are signatories to the Ten Principles of the UN Global Compact, the UN's main initiative for engaging responsible businesses. We have committed to operate responsibly, take action in support of UN goals, such as the Sustainable Development Goals, and report on our progress. This report represents our UN Global Compact Communication on Progress (COP). See p78 and 90-98 for more information.

Raising awareness of and advancing the Sustainable Development Goals agenda



- › Business & Sustainable Development Commission (commissioner)
In 2016, the Commission investigated how the private sector could realize significant long-term economic rewards and help to achieve the Sustainable Development Goals by 2030 that informed the launch of the *Better Business Better World* report. We have been involved since 2015 in initial agenda-setting meetings, and John Fallon, our CEO, is a commissioner helping to guide the Commission's work.

Recent publications we supported



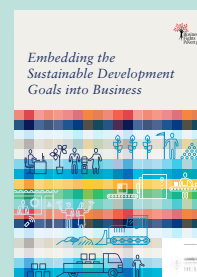
New Vision for Education: Fostering Social and Emotional Learning through Technology

Download at:
http://www3.weforum.org/docs/WEF_New_Vision_for_Education.pdf



Better Business, Better World

Download at:
http://report.businesscommission.org/uploads/BetterBiz-BetterWorld_170215_012417.pdf



Embedding the SDGs into business

Download at:
<http://community.businessfightspovetry.org/profiles/blogs/richard-gilbert-matt-gitsham-and-ashridge-centre-embedding-the>

About our reporting

This section provides more information about several reporting and related topics, including assurance, external recognition, certifications, targets, and material issues.

It also shows how we have applied relevant international reporting standards and frameworks, including the Global Reporting Initiative (GRI) guidelines, UN Global Compact (UNGC) Ten Principles, UN Sustainable Development Goals (SDGs), and the UNGC/ UNICEF/Save the Children Children's Rights and Business Principles (CRBP).

Our 2016 Sustainability Report covers data from 1 January to 31 December 2016, and it was released on 12 July 2017.

Our reporting framework

This report has been developed in accordance with the GRI G4 Core guidelines, including the media sector supplement.

A list of material issues and their relevance to GRI G4 is on p87-89 and our GRI table is on p90.

➔ [Read more about GRI G4 at globalreporting.org](http://globalreporting.org).

Pearson's 2016 Annual Report includes a summary of the issues covered in this report and, as required by 2013 amendments to the UK Companies Act, comprises a separate strategic report with disclosures on human rights, gender diversity, and greenhouse gas emissions.

Pearson was a founding signatory to the UN Global Compact in 2000, and considers its ten principles in our reporting process. Our report serves as our Communication on Progress and outlines our contribution to the SDGs (see p90).

Assurance

Our environmental data (p35-36 and p44-45), and our data on community investment (p33 and p43) were assured by independent external assurance providers Corporate Citizenship. Statements are available for download at:

<https://www.pearson.com/sustainability>.

We recognize the importance of assurance for building credibility and driving performance. As in previous years, we will aim to address the recommendations made for improvement, and to report on our progress in next year's environment report.

Contact us

This report has been prepared by Pearson's sustainability and social innovation team in consultation with other key departments within Pearson. We welcome your thoughts and feedback. Please email sustainability@pearson.com with any questions or comments.

Visit <https://www.pearson.com/sustainability> to view this report online, along with our environment and other key reporting policies and downloads.



➔ [Learn more about sustainability at Pearson and read this report online at: www.pearson.com/sustainability.](https://www.pearson.com/sustainability)



This is our Communication on Progress
in implementing the principles of the
United Nations Global Compact and
supporting broader UN goals.

We welcome feedback on its contents.

➔ [Read more about the UN Global Compact at unglobalcompact.org](http://unglobalcompact.org).

Awards and recognition

Sustainability

Corporate Knights



Pearson has been included in a ranking of the Global 100 Most Sustainable Corporations in the World for a third year. Pearson was ranked 33rd. The 2017 list is drawn from over 4,000 companies with a market capitalization in excess of \$2 billion. The assessment covers social impact, environmental performance, and corporate governance.

DJSI World Index



Pearson has been included in the Dow Jones Sustainability Index for over a decade. We currently hold the Silver Class. Only 10% of global listed companies are included in the World index based on their sustainability leadership. Our company score for 2016 was 76 (up from 75 in 2015) compared to 77 for the industry leader.

FTSE4Good



FTSE4Good

Pearson has been included in the FTSE4Good indices since their inception in 2000.

Business in the Community



Pearson has participated in BITC's Corporate Responsibility Index benchmark every year since its launch. In 2016, our CR Index Score and Performance Star Rating were as follows:

> CR Index Score: 94% (2015: 94%)

> CR Index Star Rating: 3.5

2016 was the final year of the CR Index.

Employees

ISO18001



Pearson Management Services, the company in the UK that manages our head office, is certified against ISO 18001, the international health and safety management standard.

The Royal Society for the Prevention of Accidents



In 2016, Pearson secured the RoSPA Silver Award for health and safety performance for our global operations.

Human Rights Campaign












Pearson received a perfect score in HRC's Corporate Equality Index for lesbian, gay, bisexual, and transgender (LGBT) workplace equality in the US for four consecutive years, making our company a designated Best Place to Work for LGBT colleagues.

Dave Thomas Foundation



Named as one of the 100 Best Adoption Friendly Workplaces in the US by the Dave Thomas Foundation for Adoption.

Awards and recognitions *continued*

<p>Stonewall</p> 	Participated in the Stonewall Workplace Equality Index, and members of the Stonewall Diversity Champions program.
<p>WorldatWork</p> 	Awarded the WorldatWork Work Life Seal of Distinction, which recognizes employers who demonstrate leadership in creating a culture that supports employees at work and at home.
<h3>Environment</h3>	
<p>Carbon Trust Standard</p> 	Pearson retains global certification against the Carbon Trust Standard. We were the second organization ever to secure the Carbon Trust Standard globally, which recognizes leadership in measuring, managing, and reducing year-on-year carbon emissions.
<p>Leadership in Energy and Environmental Design</p> 	Pearson's buildings in the US — Centennial, CO, Cedar Rapids, IA, Hoboken, NJ, and our building at 330 Hudson Street, NY hold LEED Gold Certification. Together, these four LEED-certified buildings represent over 800,000 square feet of space.
<p>ISO14001</p> 	Pearson businesses in the UK and Australia are certified against ISO 14001, the international environmental management standard.
<p>ISO50001</p> 	Pearson in the UK is certified against ISO 50001, the international energy management standard.
<p>CDP Carbon</p> 	Pearson voluntarily discloses data and information on carbon management to the Carbon Disclosure Project. Pearson was rated in the B performance band in 2016 as taking coordinated action on climate change issues.
<p>CDP Forests</p> 	Pearson voluntarily discloses data and information on forest management to CDP. Pearson was rated in the B performance band in 2016 as having assessed the risks related to deforestation and is measuring and managing the impacts.
<p>CDP Water</p> 	Pearson voluntarily discloses data and information on water management to the CDP. Pearson was rated in the C performance band in 2016 as being aware of water issues and for providing a comprehensive disclosure on water issues. We do not consider water risk as material for Pearson.

Progress on 2016 targets

Area of focus	2016 Target	Status	Reference
Managing sustainability			
Sustainability strategy	Continue to embed our five-year Sustainability Plan, including by: <ul style="list-style-type: none"> › Refining our strategy; › Setting measurable targets and KPIs; › Improving how we capture and analyze data; › Formalizing our stakeholder engagement processes; › Increasing employee engagement with our sustainability activities; and › Increasing transparency in our reporting. 	→	This report shows progress across each of these areas.
Awards and recognition	Maintain or improve how we are viewed in external benchmarks of sustainability and corporate responsibility practice.	✓	p79-80
Pillar 1: Be a trusted partner			
Ethical conduct	Provide training and raise awareness of our revised anti-bribery and corruption policy for higher risk countries and activities.	✓	p41
Human rights	Develop an overarching human rights policy.	→	See p26 about the human rights review, which will lead to a new policy.
	Review and report against the UN Global Compact/UNICEF/Save the Children Children's Rights and Business Principles (CRBP).	✓	See p90-98 reporting against the CRBP.
	Prepare to publish in 2017 our first statement in response to the UK's Modern Slavery Act.	✓	View our Modern Slavery Act statement at: https://www.pearson.com/corporate/about-pearson/our-position-on/modern-day-slavery.html
Safeguarding and protecting learners	Strengthen safeguarding governance processes, address safeguarding risks, and increase training in our direct delivery business.	✓	p27; p43
Product safety	Maintain zero incidents of product recalls or enforcement notices by regulatory bodies.	✓	p25
Data privacy and information security	Begin implementing our two-year data privacy and information security improvement program.	✓	p26-27
Supply chain	Continue to embed social and environmental risk management into our procurement practices.	✓	p37-38
	Complete the process of introducing a common contract template for all our franchise partners.	✓	p37-38
Customer experience	Extend our insight gathering practices and develop a cross-Pearson framework for incorporating customer feedback into our processes, with clear accountability and governance structures.	✓	p23

Progress on 2016 targets *continued*

Area of focus	2016 Target	Status	Reference
People data and analytics	Continue to roll out our HR portal, MyHR, and Fusion HR system by country.	→	We are still in the process of rolling out new HR systems.
	Conduct our annual employee engagement survey, and commit to action plans as appropriate.	✓	See p31 for our employee engagement survey.
Talent management and development	Review and update our performance assessment practices based on employee and management feedback, launch Role of Manager program, and improve learning offerings.	→	p31
Equality, diversity, and inclusion	Create a single global diversity and inclusion team to join up diversity and inclusion programs around the world.	✓	p32
	Expand Pearson's employee resource groups.	✓	p32
	Embed diversity and inclusion programs in talent management cycle.	✓	p31-32
Health and safety	Continue to execute our three-year strategy to fully integrate our health and safety program into our global business.	✓	p28; p42
Corporate security	Strengthen corporate security policies, procedures, and standards.	✓	p29
	Establish a robust threat monitoring and risk assessment process.	→	p29
	Develop an eLearning travel safety module.	→	p29
Wellbeing	Complete and review our wellbeing pilot in the UK.	✗	This was put on hold due to changes in the company and will be revisited in 2017.
Community investment	Maintain our total community investment at 1% or more of operating profit.	✓	p33; p43
Giving	Reach \$1m in Kiva loans.	✓	p34
Volunteering	Launch a global campaign to increase volunteering activity.	✓	p34
Carbon footprint	Pilot total carbon footprint reporting.	✓	p35
Greenhouse gas emissions	To reduce our absolute GHG emissions by 50% by the end of 2020 using 2009 as the base year.	→	p35-37
Travel emissions	Maintain air travel average (passenger km per employee) at the same level.	✓	p45
	Target 450 hybrid vehicles for the Pearson fleet in 2016.	✗	We have 409 hybrid vehicles, and the overall fleet size is down 5%.
Green energy	Maintain our commitment to purchase green electricity in 2016.	✓	p35-36; p44
Facilities	Reduce energy use in our buildings on an absolute basis by 50% by the end of 2020 using 2009 as the base year.	→	p35-36; p44
	Develop a global facilities management handbook.	✗	On hold in light of changes to the company structure.

Progress on 2016 targets *continued*

Area of focus	2016 Target	Status	Reference
Paper	Continue our drive for independently verified certification for the papers we use.	✓	p38; p45
Waste	Maintain our reuse/recycle rate for all unsold books in excess of 95%.	✓	Our reuse/recycle rate is 98.6%
Water	Using 2014 as our new base year, our stretch target is to reduce absolute water use across the company by 30% per square meter of occupied space by the end of 2018.	✓	p45. We reduced water use 42% per square meter in 2016 based on our 2014 baseline.
Environmental employee engagement	Review green team strategy in 2017.	➔	
Pillar 2: Reach more learners			
Accessibility	Establish a high-level executive committee to oversee our accessibility activities.	✓	p52-53
	Set measurable targets and objectives for the accessibility of our products.	✓	p52-53
	Increase internal awareness of accessibility issues and requirements.	✓	p52-53
Empowering girls and women	Complete our review of Pearson activities related to girls and women, with the goal of informing a more strategic approach to empowering girls and women around the world, and begin to implement some of the recommendations.	✓	p58
Pillar 3: Shape the future of learning			
Efficacy	Collect evidence and publish efficacy reports on a wider range of products.	➔	p23-24; p75-76
	Deepen the relationship between our efficacy framework and other internal processes including product improvement, acquisitions, and strategic planning.	➔	p23-24; p75-76
	Lead a global conversation about the impact of our efficacy work, demonstrating how effective education products and services deliver enhanced learner outcomes.	➔	p23-24; p75-76
21st century research	Support research and dialogue on 21st century skills and competencies.	✓	p68-76
Research publications	Release papers on critical topics such as adaptive learning, artificial intelligence in education, and building efficacy into learning technologies.	✓	p75-76
Participate in a global conversation	Maintain leadership and participation in multi-stakeholder initiatives and partnerships that promote quality education and lifelong learning.	✓	p77

Targets for 2017 and beyond

Area of focus	Target
Managing sustainability	
Sustainability strategy	<p>Continue to embed our five-year Sustainability Plan, including by:</p> <ul style="list-style-type: none"> › Refining our strategy; › Setting measurable targets and KPIs; › Improving how we capture and analyze data; › Formalizing our stakeholder engagement processes; › Increasing employee engagement with our sustainability activities; and › Increasing transparency in our reporting.
Awards and recognition	Maintain or improve how we are viewed in external benchmarks of sustainability and corporate responsibility practice.
Pillar 1: Be a trusted partner	
Deliver high-quality products and services	
Digital infrastructure	<p>Continuously improve the availability, reliability, and security of our products.</p> <p>Invest in infrastructure and security improvements to minimize service disruptions.</p>
Customer experience	<p>Launch the Global Customer Experience Measurement Program, tracking NPS and how we are delivering against our Customer Experience Principles.</p> <p>Integrate the company-wide framework established in 2016 into our core business units.</p>
Deliver relevant, appropriate, and inclusive content	Establish and roll out Global Content Principles by 2020 to ensure Pearson content is appropriate, effective, and relevant for all learners, for the 21st century and beyond.
Product safety	<p>Maintain our ongoing target of zero product safety incidents or recalls.</p> <p>Provide training on vendors in the PIPS database.</p>
Respect human rights	
Human rights	Undertake human rights review and develop a human rights policy.
Safeguarding	<p>Continue to embed our governance processes.</p> <p>Complement our existing training for all employees with targeted workshops for senior leaders and communications leads on their roles and responsibilities in incident management.</p> <p>Adopt a global policy and supporting procedures on sexual harassment in adult learning centers operated by Pearson.</p>
Health & safety	<p>Publish a 2018-20 H&S strategy to recognize our H&S maturity and reach beyond compliance.</p> <p>Publish and communicate a revised, fully-endorsed H&S policy and standards.</p> <p>Continue the implementation of our global H&S assurance program. Establish more robust global processes for injury, illness, and other incident reporting to enable more effective and transparent reporting.</p> <p>Develop targets and metrics consistent with GRI.</p> <p>Establish regular senior management reviews in relevant businesses and geographies to ensure awareness of and accountability for H&S performance.</p>

Targets for 2017 and beyond *continued*

Area of focus	Target
Corporate security	Release an eLearning traveler training module on Pearson U.
Develop our people and communities	
Learning and development	Focus on gender diversity in succession planning to improve our pipeline of emerging leaders, emphasizing high-potential minority groups and employee peer-to-peer mentoring.
	Scope skill needs and gaps for future talent at specific locations to support digital transformation.
	Retain and develop our talent by increasing internal mobility, helping employees understand their capability gaps, and developing key skills through Pearson U and other learning opportunities.
	Improve employee relations by leveraging insights from our annual employee engagement surveys.
Diversity and inclusion	Publish gender pay details for our UK business by 2018 and extend our reporting on gender pay to cover our global operations by 2020.
	Launch a new employee resource group (ERG) to promote collaboration across generations.
	Host our fourth annual Global Inclusion Week to offer learning opportunities for employees across the globe.
Volunteering & giving	Increase volunteering hours by over 40% to reach more than 20,000 volunteer hours during 2017.
	Grow our involvement and participation in skills-based volunteering opportunities.
	Improve how we measure and understand the links between participation in our programs and employee engagement, retention, and development.
Protect our natural environment	
GHG emissions	Achieve 50% absolute reduction in the GHG emissions of our global operations by 2020.
Energy	Achieve 50% absolute reduction in energy use in our buildings by 2020.
Green supply chain	Investigate whether our third-party data centers can be supplied by clean energy by 2018.
Carbon footprinting	Look beyond direct emissions to capture impacts across the digital and physical value chain.
Low-carbon economy	Continue to invest in energy efficiency and renewable energy in order to remain carbon neutral.
Build a sustainable supply chain	
Supply chain	Introduce new approach to supplier risk due diligence, incorporating a review of a range of sustainability and human rights issues.
Ensure strong governance	
Code of Conduct	Revise and update the Pearson code of conduct, and a related training course, and roll out a certification for all employees.
	Introduce a "code of conduct and raising concerns" awareness campaign following our certification process.
Anti-bribery & corruption	Provide training and raise awareness of our revised anti-bribery and corruption policy for higher risk countries and activities.
	Conduct anti-bribery and corruption risk assessments of our businesses around the world.
	Further establish an anti-bribery and corruption third-party due diligence program.

Targets for 2017 and beyond *continued*

Area of focus	Target
Tax	Review, refresh and disclose our tax principles. Explore expanding disclosure through a standalone global tax report covering tax strategy, principles and approach.
Pillar 2: Reach more learners	
Improve access and affordability of products and services	
Accessibility	Make 100% of our digital portfolio accessible for people with disabilities around the world by 2020.
	Launch a global accessibility policy in 2017 that will enable us to deliver on our goal to reach more learners by including users with disabilities.
	Establish a UK accessibility committee.
	Work with our growth markets to support their capacity to develop accessible products that fit the needs of users.
	Enrich our marketing, communication, and customer support around accessibility so learners have a better understanding of the capabilities of our products and services as well as avenues to get information and help as needed.
Affordability	Enable 3 million students to access more affordable digital course materials from the first day of class by 2019.
Affordability	Through Tomorrow's Market Incubator, we will: <ul style="list-style-type: none"> › Select and fund up to five teams to advance from the "Explore" to "Validate" phase in our product lifecycle; › Invest in and guide these teams through the "Validate" phase, with the ultimate goal of creating successful pilots in market; › Socialize the venture innovation approach with business partners and integrate learning from the ventures into Pearson's strategy for new markets; › Refine the model and launch a second call for new venture ideas to incubate; and › Capture our learnings and share them with the broader community of public, private and non-profit sector practitioners.
Collaborate to reach underserved learners	Certify 5,000 women with BTEC qualifications through our partnership with Camfed by the end of 2019.
	Enable Camfed to extend the Learner Guide program in Tanzania in 2017 by: <ul style="list-style-type: none"> › Supporting an additional 6,400 children in 80 schools; › Training 236 young women as Learner Guides in four rural districts of Tanzania; › Distributing 32,000 books to 80 schools in rural Tanzania; and › Enabling Learner Guides to reach over 10,800 additional children on a weekly basis with targeted life skills sessions.
Pillar 3: Shape the future of learning	
Employability	Grow users of the Career Success Program steadily to reach 100,000 students by 2020.
Efficacy	Report publicly and transparently on the impacts of our products on outcomes for learners.
	Have efficacy reports externally audited by 2018.
Research papers	Support external research on topics including refugee education, innovation in education, role of business in sustainable development, and employability.
Engage with multi-stakeholder groups	Maintain leadership and participation in multi-stakeholder initiatives and partnerships that promote quality education and lifelong learning.

Material issues

We applied the Global Reporting Initiative G4 principles to help define the content of our report. The GRI G4 reporting framework considers material issues in the context of their impact within and outside the business and also the ability of an organization to directly or indirectly affect the material issue identified.

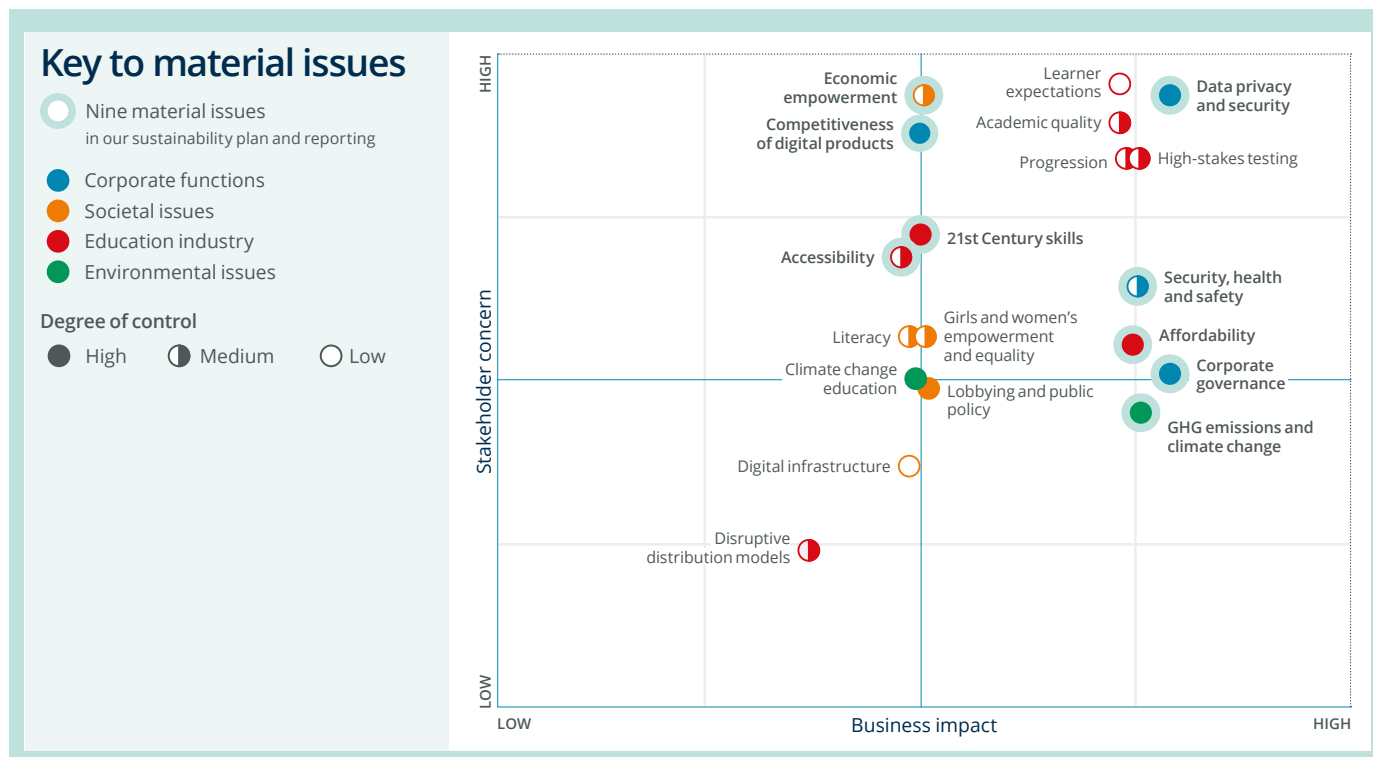
The following table provides further detail on how we define our material sustainability issues, where the impact of these issues occurs (inside or outside the organization, or both), and the key stakeholders impacted by the issues.

Description of material issue	Boundary	Key stakeholders	Relevant GRI G4 aspects
Data privacy and information security			
Ensuring personal information about our customers and learners is kept safe and secure, with appropriate systems and procedures in place to prevent privacy breaches and information loss.	Impact occurs primarily outside Pearson – failure to protect privacy and security of data could significantly affect our learners and customers.	Employees Learners Customers Business partners Suppliers International, non- governmental, and non-profit organizations Governments and other education agenda-setters Regulators	Customer privacy
Competitiveness of digital products			
The potential impact on the business and learners if digital products are not perceived to be, or experienced as, leading in applicability, convenience, price, or other elements of overall competitiveness and functionality.	Impact occurs primarily within Pearson as this affects the company's economic performance. However, stakeholders outside the organization, including learners, customers, and suppliers, could indirectly be affected through the lack of supply of products.	Employees Learners Customers Suppliers Business partners Shareholders and investors	Content creation
Security, health, and safety			
Ensuring the safety and security of all employees, learners, and suppliers (including through policies and practice, training, monitoring, and disclosure).	Impact occurs both within and outside Pearson. Our ability to retain and attract the best people, maintain supply chain effectiveness, and protect our reputation could be affected if we fail in these areas.	Employees Suppliers Learners Customers Governments Regulators	Occupational health and safety Training and education
Corporate governance			
Establishing a framework and set of processes promoting ethical conduct, transparency, and accountability to our stakeholders.	The impact occurs both within and outside our business since the way we conduct our business affects all our stakeholders – those who work for us, do business with us, and use our products and services.	All our stakeholders	Anti-corruption
Economic empowerment			
Education is an important source of economic growth. Providing a quality education helps increase learners' earning potential, allowing them to improve their standard of living, and providing an economic value that extends to future generations.	Impact occurs primarily outside the company, both on the lives of learners who are able to improve their standard of living, and on the prosperity of communities and countries.	Learners Customers Governments and other education agenda-setters International, non-governmental, and non-profit organizations	Indirect economic impacts Diversity and equal opportunity

Material issues *continued*

Description of material issue	Boundary	Key stakeholders	Relevant GRI G4 aspects
Accessibility			
Ensuring equitable access to our products for all learners, including those with disabilities and special needs.	Impact occurs primarily outside Pearson.	Learners Customers International, non-governmental, and non-profit organizations	Content dissemination
Affordability			
Offering products and services that are affordable for several income groups.	Impact occurs primarily outside the company. The transition to more digital products and services makes education opportunities more affordable for many learners.	Learners Customers Governments International, non-governmental, and non-profit organizations	Content creation
21st century skills			
Providing products and services that equip learners with the skills and competencies – such as creativity, entrepreneurship, and critical thinking – needed for success in the 21st century.	Impact occurs primarily outside the company. We want to help learners gain the skills they need for success in life and work through our products and services.	Learners Customers Governments and education agenda-setters International, non-governmental, and non-profit organizations	Media literacy
GHG emissions and climate change			
Managing and mitigating our greenhouse gas and climate emissions throughout our value chain.	Impact occurs both within the business and outside through our employee activities and in our supply chain. Our primary areas of impact are business travel and energy consumption in our offices.	All our stakeholders	Energy Emissions Transport Supplier environmental assessment

Material issues *continued*



Alignment of material issues to principal and other Pearson risks

Sustainability report 2015
Material issues

Annual report 2016
Principal risk

Group risk

Business area risk monitoring

Disruptive distribution models	Products and services	YES	> Global Product > Core > Growth	> North America > Social, Environmental and Ethical (SEE)
Competitiveness of digital products	Products and services			
Affordability	Products and services			
Learner expectations	Products and services			
Academic quality	Products and services			
High-stakes testing	Testing failure	YES	> Assessment	> Core
Lobbying and public policy	Political and regulatory risk	YES	> Core > Growth	> North America > Assessment
Data privacy and security	Data privacy and information security	YES	> Core > Growth > North America	> Assessment > Global Product > Legal > Tech & Ops
Digital infrastructure	Customer digital experience	YES	> North America	> Global Product > Tech & Ops
Security, health, and safety	Safety and corporate security	YES	> Core > Growth	> HR > SEE > Assessment*
Accessibility	-	-	> Assessment*	> Legal* > SEE
GHG emissions and climate change	-	-	> SEE	

As part of our risk management process, Group risks are tracked across all business areas, geographies, and functions. See p47 in *Pearson's Annual Report*.

* Emerging risk

GRI/UNGC/SDGs/CRBP index

General standard disclosures			Reference		Notes / Omissions	UNGC	SDGs	CRBP
Indicator	Description	Coverage	SR 2016	AR 2016				
Strategy and analysis								
G4-1	Statement from the most senior decision-maker of the organization about the relevance of sustainability to the organization and the organization's strategy for addressing sustainability	●	p4-5			Statement of commitment to the ten principles from chief executive		
G4-2	Description of key impacts, risks, and opportunities	●	p10-12; p18; p42-45; p87-89	p22 (material issues & other Pearson risks); p44-55 (risk sections)		1-10	4, 8, 10	1, 2, 3, 4, 5, 7
Organizational profile								
G4-3	Name of the organization	●	p1	p1				
G4-4	Primary brands, products, and services	●	p10-12	p2-3				
G4-5	Location of organization's headquarters	●		p128				
G4-6	Number of countries where the organization operates and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report	●	p12	p2; p38-43; p188-189				
G4-7	Nature of ownership and legal form	●		p107; p173				
G4-8	Markets served	●	p12	p135-139; p188-189				
G4-9	Scale of reporting organization	●	p10-12; p42-43	p122-125; p137-138; p143-145				
G4-10	Employee makeup	◐	p10-12; p42-43	p25 (gender diversity); p141 (employees by region)	We report the total number of employees by region and gender.			
G4-11	Percentage of employees covered by collective bargaining agreements	◐	p26		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.			
G4-12	Description of the organization's supply chain	●	p37-38	p23				
G4-13	Significant changes during the reporting period regarding size, structure, ownership, or supply chain	●		p35, p139				
G4-14	Precautionary approach or principle addressed by the organization	●	p35-37	p22; p44-55	Pearson has carried out a robust assessment of the principal risks facing the company. We have also analyzed our environmental impacts and taken precautionary action by reducing our greenhouse gas emissions and other environmental impacts.	7	6, 7, 13, 14, 15	7
G4-15	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or to which it endorses	●	p8-9, p26, p36, p37, p76					
G4-16	Memberships of associations (such as industry associations) and national and international advocacy organizations	◐	p76		This section provides a list of sustainability and education associations.		17	10

GRI/UNGC/SDGs/CRBP index

General standard disclosures <i>continued</i>			Reference		Notes / Omissions	UNGC	SDGs	CRBP
Indicator	Description	Coverage	SR 2016	AR 2016				
Identified material aspects and boundaries								
G4-17	Entities in consolidated financial statements	<div></div>		p135; p122-125				
G4-18	Process for defining the report content and Aspect Boundaries	<div></div>	p18; p87-89	p21-22				
G4-19	Material Aspects	<div></div>	p18; p87-89	p21-22				
G4-20	Internal Aspect Boundary	<div></div>	p87-89					
G4-21	External Aspect Boundary	<div></div>	p87-89					
G4-22	Effect of restatement information	<div></div>			No effect			
G4-23	Report significant changes in the Scope and Aspect Boundaries	<div></div>			No changes			
Stakeholder engagement								
G4-24	List of stakeholders engaged	<div></div>	p14-17; p72; p77	p80-81				
G4-25	Basis for identifying stakeholders to engage	<div></div>	p14-17; p18; p77; p87-89		We plan to continue our focus to engage with our stakeholders in the future.			
G4-26	Approach to stakeholder engagement	<div></div>	p14-17; p77; p87-89					
G4-27	Key topics of concern raised by stakeholders	<div></div>	p14-17; p18; p77; p87-89					
Report profile								
G4-28	Reporting period	<div></div>	p78					
G4-29	Date of most recent report	<div></div>	p78					
G4-30	Reporting cycle	<div></div>	p78					
G4-31	Contact point for questions	<div></div>	p78					
G4-32	“In accordance with” option	<div></div>	p78					
G4-33	External assurance for report	<div></div>	p78		Our environmental data and data on community investment were assured by independent external assurance providers.			

GRI/UNGC/SDGs/CRBP index

General standard disclosures <i>continued</i>			Reference		Notes / Omissions	UNGC	SDGs	CRBP
Indicator	Description	Coverage	SR 2016	AR 2016				
Governance								
G4-34	Governance structure		p39-40	p58-59; p63; p56-112				
G4-38	Composition of the highest governance body and its committees	●	p32; p39-40	p60-62				
G4-39	Whether the Chair of the highest governance body is also an executive officer	●		p60-62				
G4-42	Highest governance body's and senior executives' roles in the development, approval, and updating of the organization's purpose, value or mission statements, strategies, policies, and goals related to economic, environmental, and social impacts.	●	p39-40	p78-79				
G4-48	Highest committee or position that formally reviews and approves the organization's sustainability report and ensures that all material Aspects are covered.	●	p39-40	p78-79				
Ethics and integrity								
G4-56	Organization's values, principles, and standards	●	p31; p40; p77	p24	Company policies are posted on the sustainability section of our website (https://www.pearson.com/corporate/sustainability/reporting-and-policy-downloads/policies.html).	1-10		
G4-58	Internal and external mechanisms for reporting concerns about unethical or unlawful behavior, and matters related to organizational integrity, such as escalation through line management, whistleblowing mechanisms or hotlines.	●	p41; p42	p24				

GRI/UNGC/SDGs/CRBP index

Specific standard disclosures

The specific standard disclosures are organized by Pearson's material topics, and within topics, by GRI aspects

Indicator	Description	Coverage	Reference		Notes / Omissions	UNGC	SDGs	CRBP
			SR 2016	AR 2016				
Economic performance								
DMA	Economic performance	<div></div>	p1; p4-5; p8; p11; p18	p12-13				
EC1	Direct economic value generated and distributed	<div></div>	p10-12	inside front cover-p3; p30-37; p122-125		1	1, 8, 10	
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	<div></div>	p35-38	p22, p25		7, 8, 9	6, 7, 13, 14, 15	7
EC7	Development and impact of infrastructure investments and services supported	<div></div>	p 23; p26; p33-34; p46-63; p66-67	p14-15			4, 8, 10	
EC8	Significant indirect economic impacts, including the extent of impacts (i.e. economic development, availability for products and services for those with low incomes, enhancing skills and knowledge)	<div></div>	p46-63; p65-77				4, 8, 10	
Environmental – energy								
DMA	Energy	<div></div>	p35-37		See Pearson environment review at: https://www.pearson.com/corporate/sustainability/reporting-policies/reports-benchmarks.html	7, 8, 9	7, 13	7
EN3	Energy consumption within the organization	<div></div>	p35-37; p44-45		See Pearson environment review at: https://www.pearson.com/corporate/sustainability/reporting-policies/reports-benchmarks.html	7, 8, 9	7, 13	7
EN6	Reduction of energy consumption	<div></div>	p35-37; p44-45		See Pearson environment review at: https://www.pearson.com/corporate/sustainability/reporting-policies/reports-benchmarks.html	7, 8, 9	7, 13	7
Environmental – emissions								
DMA	Emissions	<div></div>	p35-37; p44-45		See Pearson environment review at: https://www.pearson.com/corporate/sustainability/reporting-policies/reports-benchmarks.html	7, 8, 9	7, 13, 14, 15	7
EN15	Direct GHG emissions (Scope 1)	<div></div>	p35-37; p44-45	p25	See Pearson environment review at: https://www.pearson.com/corporate/sustainability/reporting-policies/reports-benchmarks.html	7, 8, 9	7, 13, 14, 15	7
EN16	Energy indirect GHG emissions (Scope 2)	<div></div>	p35-37; p44-45	p25	See Pearson environment review at: https://www.pearson.com/corporate/sustainability/reporting-policies/reports-benchmarks.html	7, 8, 9	7, 13, 14, 15	7
EN17	Other indirect GHG emissions (Scope 3)	<div></div>	p35-37; p44-45	p25	See Pearson environment review at: https://www.pearson.com/corporate/sustainability/reporting-policies/reports-benchmarks.html	7, 8, 9	7, 13, 14, 15	7
EN18	GHG emissions intensity	<div></div>	p35-37; p44-45	p25	See Pearson environment review at: https://www.pearson.com/corporate/sustainability/reporting-policies/reports-benchmarks.html	7, 8, 9	7, 13, 14, 15	7
EN19	Reduction of GHG emissions	<div></div>	p35-37; p44-45	p25	See Pearson environment review at: https://www.pearson.com/corporate/sustainability/reporting-policies/reports-benchmarks.html	7, 8, 9	7, 13, 14, 15	7

GRI/UNGC/SDGs/CRBP index

Specific standard disclosures <i>continued</i>			Reference		Notes / Omissions	UNGC	SDGs	CRBP
Indicator	Description	Coverage	SR 2016	AR 2016				
Environmental – products and services								
DMA	Products and services	<div></div>	p35-37			7, 8, 9	7, 13, 14, 15	7
EN27	Extent of impact mitigation of environmental impacts of products and services	<div></div>	p35		A priority area going forward is looking beyond direct emissions to capture impacts across the digital and physical value chain. In 2016, we introduced book carbon – an initiative that allows us to calculate our physical impact from forest to distribution center, and mapped the impact of our first product	7, 8, 9	7, 13, 14, 15	7
Environmental – transport								
DMA	Transport	<div></div>	p35-37			7, 8, 9	7, 13, 14, 15	7
EN30	Significant environmental impacts relating to transporting products and other goods and materials for the organization's operations, and transporting members of the workforce	<div></div>	p35-37; p44-45	p25	We do not yet disclose product distribution data.	7, 8, 9	7, 13, 14, 15	7
Environmental – supplier environmental assessment								
DMA	Supplier environmental assessment	<div></div>	p37-38			7, 8, 9	7, 13, 14, 15	7
EN32	Percentage of new suppliers screened using environmental criteria	<div></div>	p37-38		We assess new supplier relationships based on external and internal environmental standards, including our commitment to the UN Global Compact principles and business partner code of conduct, which forms an integral part of our contracts with key suppliers.	7, 8, 9	6, 7, 13, 14, 15	7
EN33	Significant actual and potential negative environmental impacts in the supply chain and actions taken	<div></div>	p37-38		No significant issues were brought to our attention.			
Labor practices and decent work – employment								
DMA	Employment	<div></div>	p9; p17; p26-29; p30-34 p23-24			1, 2, 3, 4, 5, 6	8, 10	3
LA1	Total number and rates of new employee hires and employee turnover by age group, gender, and region	<div></div>	p42		We report on turnover on the US and UK. We are implementing a new HR platform that is expected to enhance our ability to analyze and report on employee data.	6	5, 8, 10	3
LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	<div></div>	p33; p43		We currently report on the US only and plan to include additional country data next year.		8, 10	3
Labor practices and decent work – occupational health and safety								
DMA	Occupational health and safety	<div></div>	p26-29	p23-24	We are enhancing our tracking system to support rigor and transparency in our reporting.	1, 2	8, 10	3
LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	<div></div>	p26-29; p42		We do not report this information by region or gender.	1, 2	8, 10	3

GRI/UNGC/SDGs/CRBP index

Specific standard disclosures <i>continued</i>			Reference					
Indicator	Description	Coverage	SR 2016	AR 2016	Notes / Omissions	UNGC	SDGs	CRBP
Labor practices and decent work – training and education								
DMA	Training and education	●	p31	p23-24		1	4, 8, 10	
LA9	Average hours of training per year per employee by gender, and by employee category	●	p43		We report average hours of training per year per employee.		4, 8, 10	
LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	●	p30-31	p23-24			4, 8, 10	
LA11	Percentage of employees receiving regular performance and career development, by gender and by employee category	●	p31		All full-time employees receive performance reviews.		4, 8, 10	
Labor practices and decent work – diversity and equal opportunity								
DMA	Diversity and equal opportunity	●	p31-32	p24		1, 2, 5, 6	8, 10	
LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	●	p32; p42	p24-25	We report on gender but not other indicators of diversity.	1, 2, 5, 6	8, 10	
Human rights – investment								
G4-DMA	Human rights - investment	●	p26; p37-38			1, 2	8	
HR1	Total number and percentage of significant investment agreements and contracts that include human rights screening	●	p26; p37-38		We do not report a number or percentage but plan to for 2017. Our business partner code of conduct forms an integral part of our contracts with key suppliers.	1, 2	8	3
HR2	Total hours of employee training on human rights policies or procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	●	p27; p40-41	p24; p46	We provided training on the code of conduct, data privacy, safeguarding, D&I, and anti-corruption but have not reported the number of hours.	1, 2, 10	8, 16	3
Human rights – freedom of association and collective bargaining								
G4-DMA	Freedom of association and collective bargaining	●	p26; p37					
HR4	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights	●	p26; p37		We do not report on specific operations or suppliers. We have committed to international standards for human rights that apply to our operations and supply chain, including the UN Global Compact principles. Our business partner code of conduct forms an integral part of contracts with key suppliers, and we have a process for indentifying and addressing potential issues at medium- and high-risk suppliers.	3	8	3








GRI/UNGC/SDGs/CRBP index

Specific standard disclosures <i>continued</i>			Reference		Notes / Omissions	UNGC	SDGs	CRBP
Indicator	Description	Coverage	SR 2016	AR 2016				
Human rights – child labor								
DMA	Child labor	<div><div></div></div>	p26; p37					
HR5	Operations and suppliers identified as having significant risk of child labor	<div><div></div></div>	p26; p37		We do not report on specific operations or suppliers. We have committed to international standards for human rights that apply to our operations and supply chain, including the UN Global Compact principles. Our business partner code of conduct forms an integral part of contracts with key suppliers, and we have a process for indentifying and addressing potential issues at medium- and high-risk suppliers.	5	8	2, 3
Human rights – forced labor								
DMA	Forced labor	<div><div></div></div>	p26; p37					
HR6	Operations and suppliers identified as having significant risk of incidents of forced or compulsory labor	<div><div></div></div>	p26; p37		We do not report on specific operations or suppliers. We have committed to international standards for human rights that apply to our operations and supply chain, including the UN Global Compact principles. Our business partner code of conduct forms an integral part of contracts with key suppliers, and we have a process for indentifying and addressing potential issues at medium- and high-risk suppliers.	4	8	3
Human rights – supplier human rights assessment								
DMA	Supplier human rights assessment	<div><div></div></div>	p26; p37-38			1, 2, 3, 4, 5, 6	8	2, 3
HR9	Total number and percentage of operations that have been subject to human rights assessments or impact assessments	<div><div></div></div>	p26; p37-38		100% of medium- and high-risk direct manufacturing suppliers are assessed.			
HR10	Percentage of new suppliers that were screened using human rights criteria	<div><div></div></div>	p26; p37-38		We do not report a number or percentage screened. Our relationships with suppliers are guided by our commitments to international standards, including the UN Global Compact principles, and our business partner code of conduct, which forms an integral part of our contracts with key suppliers. These contracts include our commitments to universal human rights, good labor practices and decent working conditions, and environmental stewardship. We have a process for indentifying and addressing potential issues at medium- and high-risk suppliers.	1, 2, 3, 4, 5, 6		2, 3
Society – local communities								
DMA	Local communities	<div><div></div></div>	p33-34; p47-63				1, 4, 8, 10	
SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs	<div><div></div></div>	p33-34; p47-63		We do not report a percentage. We engage communities through core business efforts to expand access and affordability and through employee volunteering and giving.		1, 4, 8, 10	

GRI/UNGC/SDGs/CRBP index

Specific standard disclosures <i>continued</i>			Reference		Notes / Omissions	UNGC	SDGs	CRBP
Indicator	Description	Coverage	SR 2016	AR 2016				
Society – anti-corruption								
DMA	Anti-corruption	<div></div>	p40-41	p24; p54		10	16	
SO3	Total number and percentage or operations assessed for risks related to corruption and the significant risks identified	<div></div>	p41	p24; p54	We conduct due diligence on high-risk and other third parties.	10	16	
SO4	Communications and training on anti-corruption policies and procedures	<div></div>	p41	p24; p54		10	16	
Society – public policy								
DMA	Public policy	<div></div>	p41					
SO6	Total value of political contributions by country and beneficiary	<div></div>	p41					
Society – supplier assessment for impacts on society								
DMA	Supplier assessment for impacts on society	<div></div>	p37-38			1-10	13, 14	
SO9	Percentage of new suppliers that were screened using criteria for impacts on society	<div></div>	p37-38		We do not report a percentage. Our relationships with suppliers are guided by our commitments to international standards, including the UN Global Compact principles, and our business partner code of conduct, which forms an integral part of our contracts with key suppliers. These contracts include our commitments to universal human rights, good labor practices and decent working conditions, and environmental stewardship.	1-10	13, 14	
Customer health and safety								
DMA	Customer health and safety	<div></div>	p25; p26-27			1, 2		1, 4, 5
PR1	"Percentage of significant product and service categories for which health and safety impacts are assessed for improvement	<div></div>	p25; p27		We carry out risk assessments in all our majority-owned direct delivery businesses outside of China.	1, 2		1, 4, 5
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes	<div></div>	p25; p26-27			1, 2		1, 4, 5
Product and service labeling								
DMA	Product and service labeling	<div></div>	p25			1, 2		1, 4, 5
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling and outcomes	<div></div>	p25			1, 2		1, 4, 5
PR5	Results of surveys measuring customer satisfaction	<div></div>	p23					
Customer privacy								
DMA	Customer privacy	<div></div>	p26-27	p53; p71		1, 2		1, 4, 5
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	<div></div>	p26-27	p53; p71	We do not report a number of substantiated complaints but have a process in place to address the risk.	1, 2		1, 4, 5

GRI/UNGC/SDGs/CRBP index

Specific standard disclosures <i>continued</i>			Reference		Notes / Omissions	UNGC	SDGs	CRBP
Indicator	Description	Coverage	SR 2016	AR 2016				
Content creation								
DMA	Content creation		p23-24; p25; p47-63; p72-74			1	4, 10	5
M2	Methodology for assessing and monitoring adherence to content creation values		p23-24; p25; p47-63; p72-74		By 2020, we will establish and roll out Global Content Principles to ensure Pearson content is appropriate, effective, and relevant for all learners, for the 21st century and beyond.	1	4, 10	5
M3	Actions taken to improve adherence to content creation value, and results obtained		p23-24; p25; p47-63; p72-74			1	4, 10	5
DMA	Content dissemination		p25; p47-63; p72-74	p26; p79		1	4, 10	5
M4	Actions taken to improve performance in relation to content dissemination issues (accessibility and protection of vulnerable audiences and informed decision-making) and results obtained		p25; p47-63; p72-74	p26; p79		1	4, 10	5, 9
Audience interaction								
DMA	Audience interaction		p14-17; p22-23; p47-63; p72; p77				10	
M6	Methods to interact with audience and results		p14-17; p22-23; p47-63; p72; p77				10	

Photography

P6: Save the Children

P7: <http://www.pearsoned.com/degrees/issue-5/an-hour-with-catherine-medrano/>

P13: Patrice Jones

P14: Ben Ward

P15 (top): Eliza Powell/Camfed

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P33: Duval Guimarães

P37: Sharon Bathily

P46: Save the Children

P50: Allison Jones

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