



Pearson

A better future for all

Pearson
Sustainability report 2016
Summary report

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.

Leading from the top 	04	Supporting the UN Sustainable Development Goals 	08	Integrating with our business 	11	Consulting our stakeholders 	14	Reporting on our material issues 	18
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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

24

Improve access to and affordability of products and services

Collaborate to reach underserved learners



Shape the future of learning

28

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

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 in the full report



Fostered employee learning and advancement

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

➔ p31 in the full report

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 in the full report

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 in the full report

Reduced our environmental impact

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

➔ p35-36 in the full report



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 in the full report

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 in the full report



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 in the full report

Fostered innovation

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

➔ p55 in the full report

Fought illiteracy

Doubled our Project Literacy network to 90 partners

➔ p61 in the full report

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 in the full report



Pillar 3: Shape the future of learning



Supported innovation in education

Contributed to World Economic Forum research on innovation in education

➔ p77 in the full report



Partnered for adaptive learning

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

➔ p67 in the full report



Promoted the UN Sustainable Development Goals

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

➔ p77 in the full report



Advanced collective action for education

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

➔ p77 in the full report



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.

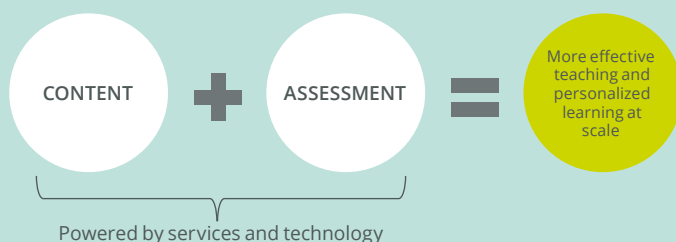
Our transition to digital is making our business more efficient and more effective. It's allowing us to simplify our operations and supply chain, reduce our costs, and shrink our environmental footprint. Technology will also play a key part in our efforts to expand access and improve affordability for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

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 in the full report.

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

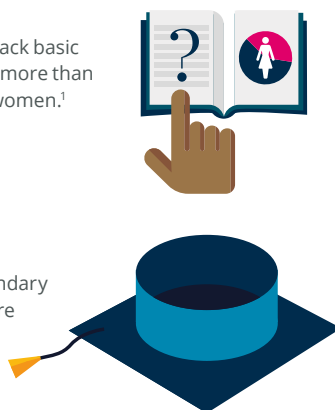
children, adolescents, and youth are out of school.³

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

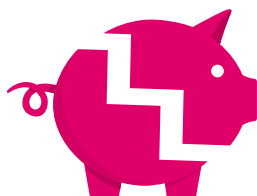
Why it is significant to us

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 in the full report), and we ask our suppliers to do the same (see p37-38 in the full report). Respecting labor rights within our business and our supply chain is emphasized in our code of conduct (see p40 in the full report) and in line with our commitment to international standards for human rights and labor (see p26 in the full report).

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



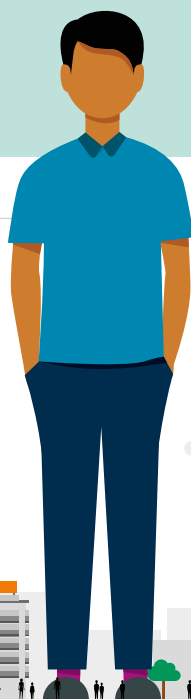
Reduce inequality within and among countries

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

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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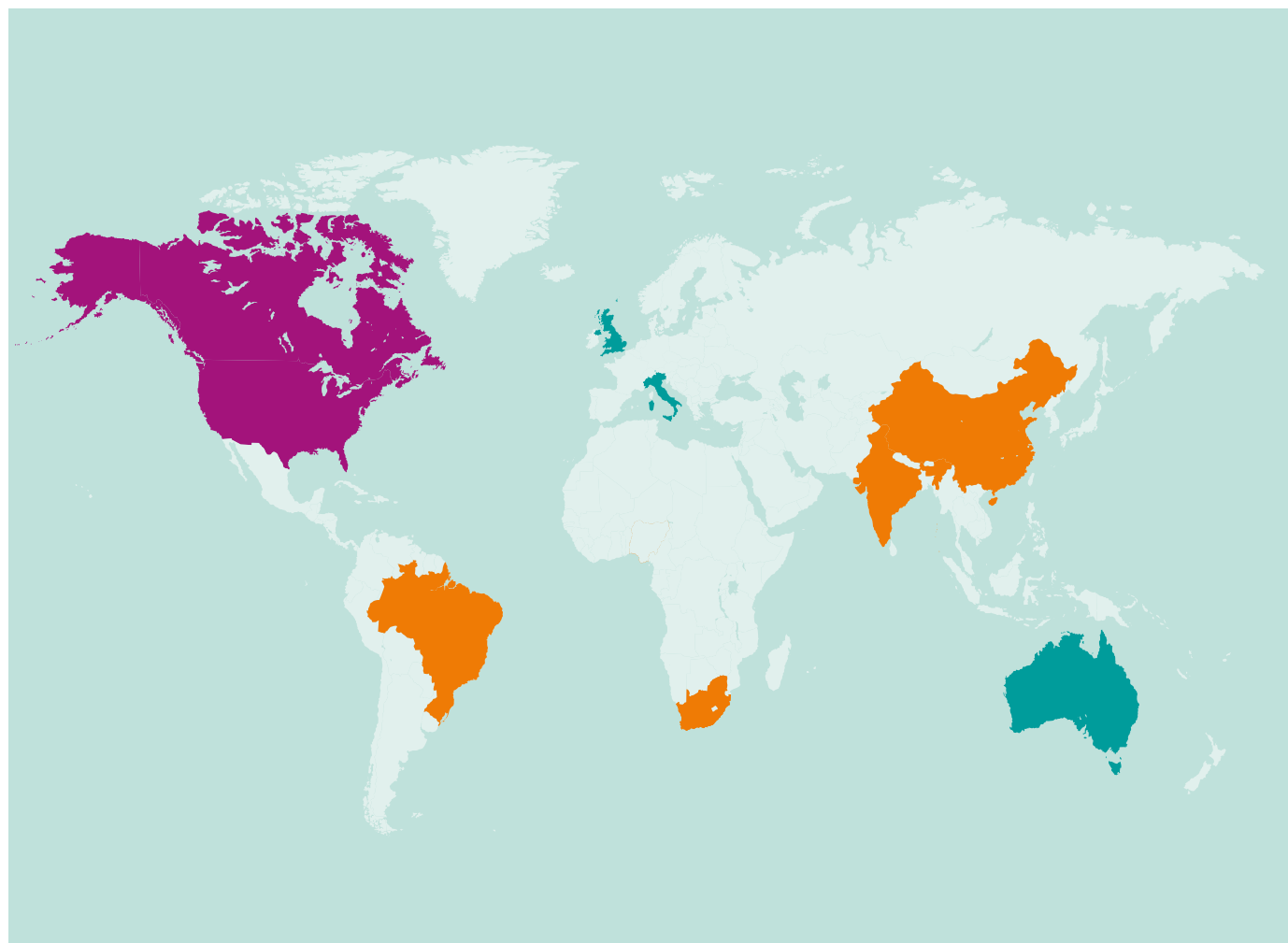
Employees	5,664
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Growth markets

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 and p77 in the full report).



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 in the full report.



"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 in the full report.



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 in the full report.



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 in the full report).



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 in the full report.



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 in the full report 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 in the full report) and programs to engage, develop, and listen to our employees (see p30-31 in the full report). 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 in the full report.

"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 in the full report 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.

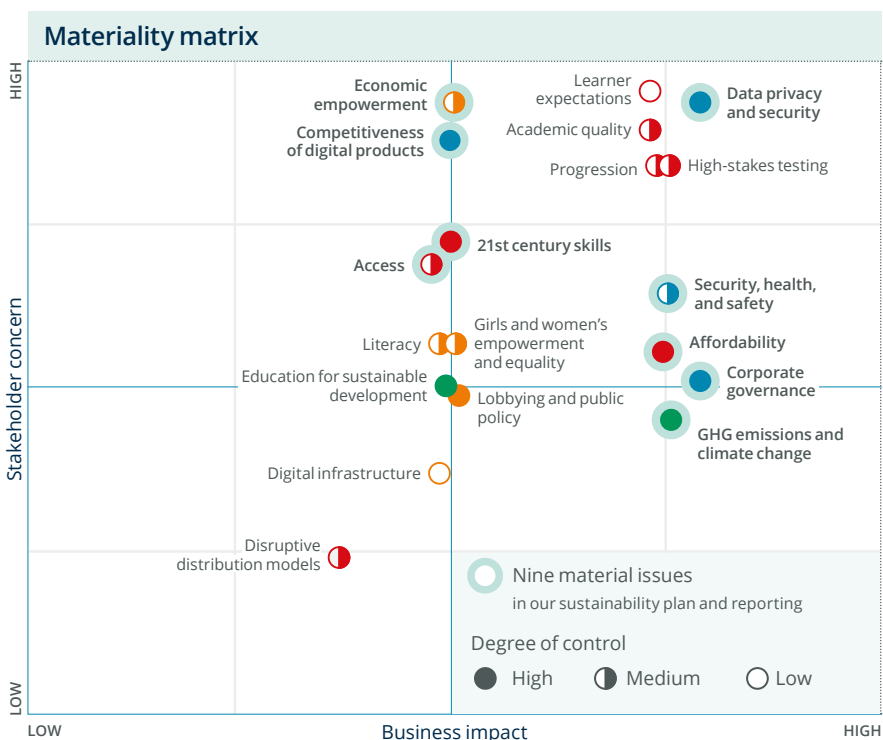
21st century skills

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

2 Respect human rights

3 Develop our people and communities

4 Protect our natural environment

5 Build a sustainable supply chain

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.

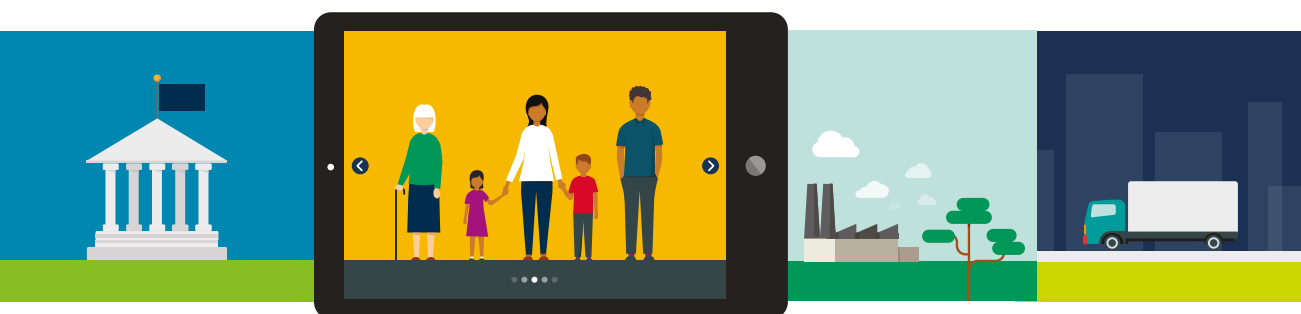
1 Deliver high-quality products and services

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. We engage with thousands of educators and students during product development, testing, and feedback. As we move to 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.

Through our efficacy agenda, we evaluate our products and services to make sure they deliver on our mission to improve learning outcomes. We are also reviewing and improving our editorial practices to ensure our content is relevant and appropriate for all learners.

2 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 are undertaking a comprehensive review to better understand and take action to address our human rights risks and expand economic opportunities for underserved learners.



3 Develop our people and communities

We will only succeed if all of our employees have opportunities to develop and adapt to the rapid changes in education and our business. We are taking steps to promote more innovation, disruption, and risk-taking. In 2016, we focused on navigating our business transformation, listening to our employees, creating new learning programs, such as Pearson U and the Technology Academy, and supporting a more diverse and inclusive workplace. We are engaging and empowering our people through Employee Resource Groups, Discovery Days, and opportunities to volunteer in their communities and give back.

4 Protect our natural environment

The earth's resources are vital for learning, jobs, people, and business everywhere. We are helping to protect them by taking on big environmental challenges such as climate change and deforestation. Through our climate neutral strategy, we are shrinking our carbon footprint and saving money (~£18m since 2013) by conserving energy and committing to renewable electricity. The paper used in Pearson textbooks increasingly comes from well-managed forests certified by the Forest Stewardship Council (FSC), and we support sustainable forests initiatives by the WWF, the environment organization, and other partners. We are also working on mapping our digital footprint.

5 Build a sustainable supply chain

Doing business with partners who share our commitments to human rights and the environment strengthens our supply chain and reduces costs and risks. We assess suppliers' labor and environmental practices, and visit suppliers to monitor their operations and help address any issues. We use our influence with suppliers and business partners to improve social and environmental conditions for their employees and the communities where they operate. Working with suppliers plays a part in our commitments to Sustainable Development Goals 8 and 10 by helping to promote good jobs and decent work, and reduce economic and social inequality.

6 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. We also have processes in place to manage risk, prevent corruption and bribery, raise concerns, engage in public policy, and provide disclosure on taxation.

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 at Pearson Schools India, they displayed an impressive range of knowledge, understanding, and enthusiasm when providing briefings to the audit team.





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.





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 with Save the Children.

* Name changed to protect identity

➔ See p59-60 in the full report 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**2** Collaborate to reach underserved learners

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.

New technologies can play a key role in bringing education and opportunities to more people in more places. Through partnerships involving NGOs, 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.

1 Improve access to and affordability of products and services

The demand for access to high-quality, affordable education is greater than ever. Many children, youth, and adults from low-income populations have limited access to quality education and opportunities for learning. 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.

We are working to better understand and respond to these challenges and meet the diverse needs of more learners. By helping to improve access to quality education for a broader spectrum of learners, we can stimulate innovation, develop new markets, and strengthen our performance. The potential to change our world and business for the better is clear.

Our digital strategy plays a key role in expanding access to more effective and affordable learning solutions. Our partnerships for online education and virtual schools, such as Connections Academy and our online program management services, are providing more options across the learning journey. The adaptive, personalized learning technology in our MyLab & Mastering and Revel products is empowering teachers and helping learners from all backgrounds to reach their goals.



At the same time, we recognize the need to address barriers to learning that technology alone cannot overcome. We are committed to supporting learners with disabilities and special needs and achieving the target we set in 2016 to ensure that 100% of our digital products are accessible to them by 2020. This commitment includes fully accounting for accessibility throughout our product development, testing, marketing, and distribution processes.

We are working to reduce the costs of our higher education products and services through our Digital Direct Access (DDA) program and rental programs for e-books and textbooks. DDA makes course materials available to all students at partner institutions from the first day of class at up to 75% savings. Still, we have more work to do and continue to actively pursue alternative pricing structures and business model innovations.

2 Collaborate to reach underserved learners

We are committed to helping women and girls, migrants and refugees, and other low-income and vulnerable learners get access to the education and opportunities they deserve.

No single organization, or sector, can tackle global education challenges alone. We rely on the expertise, insights, and support of governments, international non-governmental organizations, and local organizations around the world in our work to help make learning more accessible and affordable.

We are partnering with Save the Children to bring new learning solutions to Syrian refugees and vulnerable children in Jordan. Through our partnership with international NGO Camfed, women and girls in Africa are mentoring one another, learning life skills, and earning valuable education credentials. And our Project Literacy campaign has helped mobilize over 90 organizations to take action in the global fight to end illiteracy.

Raising awareness and mobilizing action through Project Literacy

Our Project Literacy campaign 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.

Project Literacy convenes a network of over 90 partners across business, civil society, and government with a broad range of experience and expertise, 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 to close the literacy gap.

Overall, we estimate 700,000 adults, parents, and children will benefit from Pearson's support 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



Innovating new products with 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 to innovate new products and services that help meet the need for access to high-quality education and learning in low-income and underserved communities.

The response far exceeded expectations. A total of 167 teams of Pearson employees submitted an original idea for a new product or service. Seventeen teams were picked to receive product development funding and coaching and present their business ideas to senior leadership.

Their ideas represent a diverse, exciting portfolio of digital and blended learning solutions, 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.

We are excited to see how the top ideas go forward in 2017.

"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



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

2 Build skills that foster employability and inclusive economic growth

3 Promote education for sustainable development

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.

1 Leverage technology for equitable learning outcomes

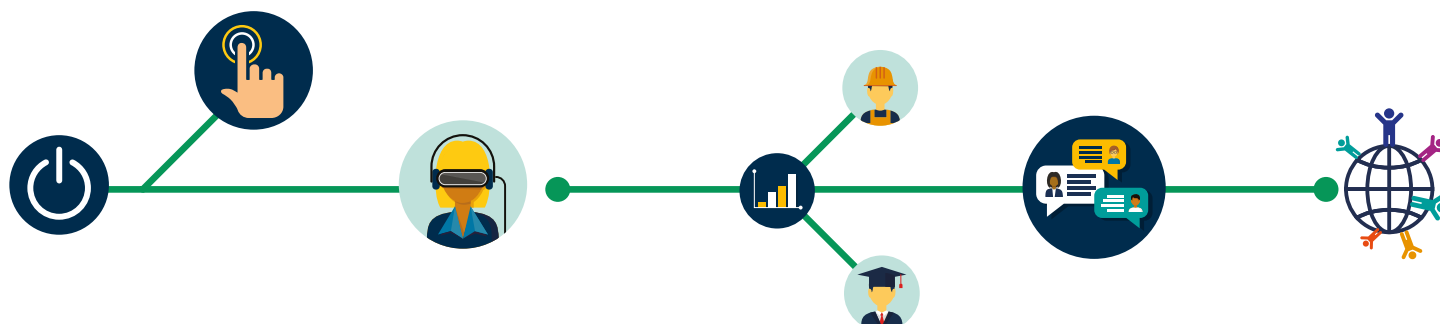
The global digital transformation is reshaping how students learn and the way our business operates. We have a unique opportunity to make a mark on the future of education using technology to create and deliver content in new ways, improving the way that learning happens and identifying ways to help all learners progress to new levels.

We are exploring ways 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. We will do this by transforming how we produce content and by leveraging data and insights to empower educators and improve learners' performance.

2 Build skills that foster employability and inclusive economic growth

Education drives social mobility, helping more people play a part in society and enter 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 Sustainable Development Goal 8 on economic growth and decent jobs and Goal 10 on reducing inequality.



To better prepare students for professional environments, Pearson has developed a soft skills framework and training focused on communication, problem solving, conflict resolution, and critical observation. We are also helping to equip learners with the specialized skills they need to enter specific careers – whether through providing vocational training, delivering industry-focused qualifications and assessments, or teaching skills such as science, technology, engineering, and math (STEM) or English.

3 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.

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

As the world's learning company, we have a responsibility to play an active role in helping shape and inform the global debate around education and learning. We are undertaking important research about the effectiveness of our products and working together with experts to measure and publish the results. We want to share these "efficacy reports" 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 global goals. The World Economic Forum, Global Business Coalition on Education, United Nations Global Compact, and Business & Sustainable Development Commission all provide valuable opportunities to engage with and learn from others.

Pearson partners with IBM Watson Education to create 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 will 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 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



“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



Partnering with Everglades University to 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.

Explore sustainability at Pearson



Visit www.pearson.com/sustainability to learn more about our 2020 Sustainability Plan and read our full 2016 Sustainability report.

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

P15 (bottom): Thinkstock

P16: Thinkstock

P17: Pearson/Lindsay France

P19: Thinkstock

P20: Alan Bennett

P22 (left): Cambridge Public School, Bangalore (Pearson Schools India)

P22 (right): Abhishek Maji

P23: Caroline McClelland

P24: Save the Children

P27: Pearson/Lindsay France

P28: Ben Ward

P31: Lu Yi

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