

Sustainability review 2014

The single most important contribution that Pearson can make to society is to equip people with the access and skills they need to progress.

Our commitment to efficacy, is the means through which we will achieve this. Learning empowers people, and it defines our company purpose.

Acting responsibly is central to achieving this purpose and to our business strategy, and how we deliver is as important as what we achieve. It shapes the decisions we make, the culture and values we promote and sustain, the relationships we foster, and the ways we treat our planet.

Ultimately, operating responsibly helps us to better deliver outcomes for people, and to better meet the expectations of all of society.

Robin Freestone
Chief financial officer
(and board member responsible for corporate responsibility)

Strategy, governance, values and transparency

Learning empowers people and enriches lives. It defines our company purpose and is itself a social purpose. Acting responsibly is central to our business strategy, and how we deliver is as important as what we achieve.

The single most important contribution that Pearson can make to learners and to wider society is to equip people with the skills they need to progress. Our commitment to efficacy is the means through which we will demonstrate our success and this is described at <http://efficacy.pearson.com/>.

Operating responsibly and ensuring our culture and values evolve and are sustained are crucial in helping us to better deliver outcomes for the learner, shape our decision-making and meet the expectations of society.

In 2014, we reviewed and redefined our social impact strategy. We have identified three organising ideas that structure our reporting – impact, sustainable standards and social innovation.

- On impact, we plan to make a significant contribution through campaigning and programme activity with a particular focus on literacy.
- Our standards work sees us continue to invest in our people and to work hard to reduce our environmental footprint.
- Our innovation agenda will see us collaborate, innovate and partner to help find solutions to some of the biggest unmet educational needs.

For 2015, we will take a deeper look at our sustainability strategy.

We welcome feedback on this aspect of the company as we do on any other. Please e-mail peter.hughes@pearson.com with any questions or ideas you may have.

Governance and management

Sustainability cannot be separated from our business and reputation. Our Board of Directors has ultimate responsibility for considering issues of responsibility as part of setting business strategy.

The Reputation and Responsibility Committee, a formal committee of the Board provides ongoing oversight and scrutiny across the entire responsible business agenda. In addition, the Board considered a detailed review of the strategy at the June 2014 meeting.

The Pearson Executive Management Committee drives implementation of business strategy, including our response to the key issues and opportunities we face.

This year, we established a single responsible business leadership business council to oversee the development and implementation of our overarching responsible business strategy on behalf of the Board. It is chaired by our Chief Corporate Affairs Officer and comprises senior executives from across the global business.

Our 2013 commitment	Outcome
To fully review our governance structure for responsible business matters and to introduce a new structure consistent with our new operating structure and governance principles.	Pearson established the Responsible business leadership business council to oversee the development and implementation of our responsible business strategy. The council reports on progress to the Reputation and Responsibility Committee (RRC). The RRC was made a formal committee of the Board in 2014.

Values, principles and behaviour

Although the structure and culture of our company is changing, values are what define us. Our original three values - to be **brave, imaginative and decent** in everything we do – continue to be the foundation of the company. During 2014, we embarked on a major review of our values in light of both our strategic ambitions and the introduction of a new organisational structure. Critical to our approach was listening to what was and is important to our colleagues – no matter where they are and what they do in Pearson. What we found was that the attachment to our legacy values of brave, decent and imaginative was strong and that they were still as relevant as ever to achieving our enhanced ambition to deliver for learners. But the consultation also showed that we needed to add a fourth value – **accountability** – to reflect how we need to continue to shape the way that we work together. Accountability was added as a fourth value early in 2015 and has been supported by a set of behaviours to guide us all on what we can expect from each other.

Our values are underpinned not only by behaviours but also by our Code of Conduct that covers, among other things, individual conduct, learners, employees, community, the environment and society. In 2015, we introduced a completely revised and updated Code of Conduct. This codifies our global standards and provides additional guidance on how to apply the Code in our daily work.

Once a year, everyone working for Pearson is asked to read it; to confirm to the Pearson CEO that they have read and understood it; and in doing so, to provide a check that the company complies with it.

Pearson has a zero tolerance policy towards bribery and corruption. Our policy, introduced in 2011, sets out our standards; we carry out risk assessments and have a network of designated managers across the business responsible for compliance with our policy.

As Pearson has newly established a single global operating company structure focused on delivering for learners, so the expectations of us to uphold the highest ethical standards will only grow. We are committed to understanding, meeting and exceeding the expectations of our stakeholders

Stakeholders

Public and private sector customers regularly seek information from us about how we go about our business, while many consumers and employees want to understand our approach to sustainability.

Socially responsible investors and non-governmental organisations look at issues such as supply chain standards and ethics.

Our approach to responsible business is informed by the priorities and views of our many stakeholders. In 2014, we completed a stakeholder review for a number of our growth markets working with Business for Social Responsibility.

Transparency and disclosure

Underpinning our values is a corporate commitment to be open and transparent about how we operate. We believe that transparency is vital to earn and retain the trust and confidence of learners, the education community, customers, employees, shareholders and other important stakeholders.

We look at ways to increasingly share information on our business, how we operate, and the way we take decisions we take which will help our stakeholders to make informed decisions about our company and our products.

We disclose information in many ways, including our financial reporting, corporate responsibility reporting, participation in voluntary efforts such as the Carbon Disclosure Project, through the media, and through one-on-one stakeholder discussions.

We believe this is the right thing to do, but we also see that social media and the pace at which communications are shared today means that it is easier than ever before for activists and pressure groups to advocate and press for policy change. If companies are not proactive in sharing information, the absence of disclosure represents a real risk.

In this section, we describe our approach in the following areas:

- Engagement with the political process
- Charitable donations
- Tax strategy and governance
- Code of conduct
- Post retirement benefits

Engagement with the political process

Our company is not partisan. This position reflects our company values and heritage. For example, editorial integrity and independence are fundamental to the way that the Financial Times reports the news.

Political neutrality means that we do not make corporate political contributions to parties, candidates for public office or to election campaigns. The term political contribution includes loans, the advance or deposit of money or anything else of value given directly to a candidate campaign or political party. Pearson did not make any such political contribution in 2014.

Company employees can and do get involved in the political process and make contributions, but decisions to do so are personal and voluntary.

Pearson has dedicated Government Relations employees who work with Government and other stakeholders on issues where the company can contribute our insight and knowledge or which impact on our ability to do business. Members of the Government Relations team are responsible for responding to global legislative agendas, being the public face of the company with elected officials around the world and for tracking how political and legislative trends might impact on our business. In all our work, we are guided by the company purpose, which is to help people to progress in their lives through learning and by the Code of Conduct which sets out the standards of integrity and professionalism we expect of all our employees. Our purpose overrides the short-term commercial interests of a particular business product. We comply with applicable laws and public disclosure obligations.

We participate in various trade associations relevant to our business. During 2014, we contributed to education policy discussion around the world through these associations. Pearson has also made individual submissions on the issues of intellectual property, improving learner outcomes as well as the role of the private sector in contributing to improved access to quality education in low-income countries.

Oversight of this aspect of the company activity including governance and the adoption of guiding principles is to be review in 2014.

Our 2013 commitment	Outcome
In 2014, we will agree and publish our principles and systems for oversight of political corporate contributions and engagement.	Our principles and approach for oversight of political corporate contributions and engagement were incorporated into our revised Code of Conduct.

Charitable donations

Our company purpose is to help people to make progress in their lives through learning. Our commercial success provides the investment capacity for us to continue to innovate and expand into new geographic markets and to invest in developing new ways of learning.

Not-for-profit partners can help us extend our reach in ways that have a real impact on learning - especially for the most disadvantaged - and are complementary to our business objectives. We also believe that our stakeholders expect and value our efforts to work in partnership with charitable organisations.

In 2014, our worldwide charitable giving was £14.4 million or 2% of pre-tax profits. Our sections on Project Literacy and Social Innovation describe our approach in more detail.

Tax strategy and governance

During 2014, Pearson established a set of [tax principles](#) that were reviewed and approved by the Chief financial officer.

Our two overriding objectives for tax management are to protect value for our shareholders, in line with our broader fiduciary duties and to comply fully with all relevant legal and regulatory obligations, in line with the expectations of our stakeholders.

Inherent within our principles is the importance of the Pearson Code of Conduct in setting the context in which we develop our tax strategy. Our code requires all Pearson companies to comply with the laws and regulations of the countries in which we operate and this includes taxation payments to governments.

Within the group governance framework, the conduct and management of day-to-day tax affairs, strategy and risk is delegated to a team of tax professionals led by the Head of Group Tax. The chief financial officer receives regular updates from the Head of Group Tax. The chief financial officer is also the Board member responsible for corporate responsibility matters. Additionally, oversight of tax strategy is within the remit of the Audit Committee, which receives a report on this topic at least once a year. All of the Audit Committee members are independent non-executive directors.

We paid £163m in corporation tax globally in 2014 compared to £246m in 2013. The tax paid in 2013 was unusually high largely the result of the permitted deferral of 2012 US tax payments into 2013 following Hurricane Sandy. These payments were made in 2013 together with additional payments arising from settlements with tax authorities including £55m relating to prior year disposals.

We also pay significant amounts of other types of tax to local, regional and national governments; these include employer taxes, VAT, sales taxes and customs duties, as well as other local taxes.

Our 2013 commitment	Outcome
In 2014, we will adopt and disclose a formal set of principles relating to our tax strategy and governance.	Our 2014 Taxation Principles can be found on the Pearson corporate website

Human rights

During 2000, Pearson, along with other companies, signed a 'Global Compact' at the United Nations which sets out a series of principles on labour standards, human rights and the environment.

Ever since, we have monitored our performance against these principles and a set of commitments we made and report annually on our progress.

Some of the Global Compact principles concern the environment and are covered by our environmental policy. One principle relates to anti-corruption and our Code of Conduct describes the standards that we set ourselves in that area. Others refer to labour standards and human rights:

Labour standards

- Freedom of association and the right to collective bargaining.
- The elimination of all forms of compulsory labour.
- The abolition of child labour.
- The elimination of discrimination in employment and occupation.

Human rights

- To support and respect international human rights within our sphere of influence.
- To ensure that we are not complicit in human rights abuses.

You can learn more about our commitments and the progress we have made in 2013 [here](#).

Post-retirement benefits – consideration of social, environmental and ethical matters

Consideration of social, environmental and ethical matters is most relevant for defined benefit pension plans. Pearson operates a variety of pension and post-retirement plans with most of these being defined contribution plans. The Trustee of the UK Group pension plan (Pearson Group Pension) is by far the largest with a defined benefit section.

The Trustee has responsibility for the UK Group pension plan on investment including social, environmental and ethical matters. The ongoing oversight is delegated to the Investment Committee by the Trustee and it considers the following:

- To incorporate the approach to socially responsible investment into the selection process for new active investment managers and to reference that in their Investment Management Agreements
- Whether Investment Managers are signatories of the Principles for Responsible Investment. The Investment Committee encourages investment managers to become PRI signatories and requires explanations when they are not.
- Reviews the Plan's responsible investment policy at least once a year
- Reviews the responsible investment policies of its investment managers in light of developments in the market.
- Receives presentations from active investment managers at least once a year providing an opportunity to discuss overall performance and to discuss responsible investment in the context of their mandates.

Subject to the oversight described above, the policy of the Trustees is for investment managers to decide the extent to which social, environmental or ethical considerations are taken into consideration in investment decisions.

For defined contribution schemes we typically offer individual members the option to select socially responsible investment approaches. For example, in the UK, we offer the Jupiter Ecology Fund as an option for members who wish to invest in a fund focussed on environmental protection.

Plans for 2015

	2014 plans		2015 commitments
Risk management	The Reputation and Responsibility committee will report on its activities as a formal part of the Pearson Annual Report	 Achieved. The RRC report can be found on pages 78 and 79	Revise and update the Pearson Code of Conduct
Stakeholder engagement	Consult our employees on brand and culture and use to shape our values and behaviour	 Achieved. 24,000 people responded to our employee engagement survey and 13,000 employees gave us input into brand direction	Repeat our employee engagement survey and launch a consultation on improving neo, our employee collaboration platform.
Values and culture			Review and consult on Pearson values
Metrics	Review sustainability and social impact metrics in context of wider approach to minimum responsible business standards.	 Ongoing. Materiality review planned for 2015 which will inform metrics adoption	Complete a materiality review and review sustainability strategy.
Benchmarking	Maintain or improve how we are viewed in external benchmarks of corporate responsibility practice.	 Achieved. We attained bronze in the Dow Jones Sustainability Indices We scored 95% in the BITC Corporate Responsibility Index.	Maintain or improve how we are viewed in external benchmarks of corporate responsibility practice.
Economic impact	Consider learning from South Africa study and how that can inform country business priorities.	 Achieved. Reviewed the findings of our economic impact report in South Africa	

In addition, we set targets relevant to our areas of responsibility relating to people, the environment, the supply chain, our learners and the communities in which we operate.

-  Target achieved
-  Target ongoing

Learners and Customers

Each of our businesses has a precious reputation to uphold. We continue to work hard to earn the trust of the people who buy and use our products and services, most importantly through the efficacy agenda at Pearson as that is the means to ultimately demonstrate the learner outcomes from all that we do. Our section on efficacy / learning outcomes describes that commitment and the programme of activity that underpins our commitments. Read more about our work on learner outcomes at <http://efficacy.pearson.com/>

We also report on the following areas that our stakeholders have told us are important:

- Editorial independence and integrity at the FT
- Appropriateness of content
- Accessibility of content
- Data privacy
- Affordability
- Customer satisfaction
- Safeguarding and protection

Editorial independence and integrity at the FT

The opening paragraph of the FT editorial code states that *"It is fundamental to the integrity and success of the Financial Times that it upholds the highest possible professional and ethical standards of journalism, and is seen to do so."* The FT makes very clear the standards expected of its journalists.

The benchmark for the FT is set by the Code of Practice adopted by the UK's Press Complaints Commission. The FT code goes beyond the standards set by the PCC in order to ensure best possible practice. Compliance with the code is an obligation for all FT editorial staff globally. The principle of editorial independence is not new to Pearson. Pearson purchased the *Financial Times* as 'a sound, conservative investment' in 1957. As the then owners of Lazard's, a leading merchant bank, Pearson was aware that it would be open to criticism if it appeared to influence the paper's editorial policies.

Appropriateness of content

The learner is the focus of our product design and development and this extends to the appropriateness of content. Our processes and procedures ensure all new products are rigorously researched before being published. Processes include: editorial review, internal peer review, editorial review councils, external commissioning and external peer review, testing with teachers, pupils and independent academic experts.

As the world's leading learning company, a concern for the protection of children is intrinsic to how we create our products. Appropriateness of content to the age or location of students, whether in hard copy or online are reviewed within our Enterprise Risk Management review process. As our products are age and location specific, strict parental controls are largely unnecessary in our markets. Our company code of conduct lays out our responsibilities to society, including the defence of public trust in all that we do.

Accessibility of content

For Pearson, our company purpose to help people progress through learning is both global and inclusive in aspiration. It sets an internal standard against which we can judge ourselves. This standard includes the extent to which we are able to provide access to both physical and online opportunities to learn, regardless of ability.

Last year, we set out a series of plans for 2014 and we can report on the following progress:

- We set up a global governance board to provide integrated leadership on accessibility matters for Pearson.
- Embarked on an internal engagement programme to share, explain and champion the standards and platforms we have endorsed to share physical and digital content.

For 2015, we aim to:

- Expand globally the network of Accessibility Champions within Pearson. This builds on an existing network of accessibility leaders in the United States.
- Set up a virtual help desk accessible globally. This allows any Pearson employee to share accessibility questions and issues for accessibility specialists to offer advice and solutions.
- As part of a wider communications and employee engagement plan, to host a Global Accessibility Awareness Day.

Data privacy and security

Privacy issues exist wherever personally identifiable information or other sensitive information is collected and stored – in digital form or otherwise. Privacy issues are more acute in the digital world given the ease and speed at which data can be collected, stored and disseminated.

As our digital services grow, so the issues around information privacy and security become increasingly important for us. One of the critical benefits arising from digital products is the opportunities they offer to personalise learning – students and educators can get real-time feedback on how they are progressing. However, the public also have an expectation of privacy when data is collected and stored and this is reflected in different regulatory approaches around the world.

The challenge in data privacy is to share data while protecting personally identifiable information. The fields of data security and information security design and utilize software, hardware and human resources to address this issue.

For Pearson, we believe that data has a positive role to play and can be used responsibly to drive learner outcomes. Our approach is to:

1. Put in place systems and procedures to mitigate the risk of data privacy breaches and information losses. We have carried out a global audit of all our products to assess how we can continue to improve our protection.

2. Ensure appropriate oversight is in place. The Audit Committee and the Reputation and Responsibility Committee have both considered aspects of the agenda.
3. We are mapping the principles we use to govern data across the whole of Pearson, and explore options for alignment or aggregation of policies for different types of data

Affordability

We work towards making learning more accessible, more affordable and more focused on achievement. Pearson mostly provides services, assessment tools and learning services to institutions and governments that are in turn offered to learners for no or low-cost funded through taxation.

However, Pearson is growing fast in direct delivery where we offer opportunities to learn directly to learners, as well as offering services for students studying at other institutions. As we develop, we can use our scale and reach to develop new models that help students save money as well as to forge new partnerships that open new opportunities to learn.

Customer satisfaction and loyalty

Pearson has set its aspiration to become a single globally connected company. As part of this strategy, we are increasingly organising around a smaller number of global products and platforms. Focusing in this way provides an opportunity to develop a deeper understanding of customer satisfaction and loyalty. To help us do that, we are adopting the Net Promoter Score (NPS) methodology which measures the loyalty that exists between a provider and a consumer. In 2014, we piloted the use of NPS with over 30 of our products.

Safeguarding and protection

Our company purpose is inclusive and we recognise that we serve all learners. This includes:

- providing Pearson employees and contractors with appropriate guidance and support particularly when business activities bring them into contact with learners
- preventing disclosure of information regarding the personal welfare of children and vulnerable adults
- ensuring products are safe for learners to use.

As Pearson increasingly offers services direct to the learner rather than through third parties, our responsibility to ensure that the rights of learners is protected grows. Primary among learner rights is that of equality of protection and freedom from abuse, particularly for those who might be vulnerable by virtue of their age or personal circumstances.

In 2014, we completed a review on how our businesses approach their responsibilities in this area and established a single global policy that sets out minimum standards for protecting the learners we serve together with a centre of excellence to lead this work globally.

Ensuring that products are safe for customers to use is a basic responsibility shared by all companies. Our guiding principle is that everything we put on the market should not harm a person or the environment. At Pearson, product safety in our physical products means ensuring that no toxins, dangerous or prohibited chemicals are present in anything we sell. In addition, products for the very youngest children must be age appropriate and eliminate risks such as swallowing. Our global Product Safety Manual records procedural steps, legislative requirements, advice on testing and development and labelling information to help achieve this goal. The manual is regularly updated to reflect changing global requirements and developments to internal processes and due diligence procedures. We have also set up a components database which is accessible through Neo, our online global collaboration tool to provide an up to date source of information and product safety testing status of components. An international product safety council comprising experts from around the business convenes regularly to oversee this important area.

	2014 plans		2015 commitments
Accessibility	Complement the policy with a set of global accessibility guidelines	✔ Achieved. Detailed accessibility guidelines were released in 2014	Expand globally the network of Accessibility Champions within Pearson
	Roll out a communications and engagement programme to share the standards and platforms we will use to help share physical and digital content	✔ Achieved.	Host a Global Accessibility Awareness Day
Safeguarding & Protection	To adopt a global policy on safeguarding and protection	✔ Achieved	To launch guidelines, training and an incident reporting framework
Product safety	To maintain zero incidents of product recalls or enforcement notices by regulatory bodies	✔ Achieved	To maintain zero incidents of product recalls or enforcement notices by regulatory bodies
Customer satisfaction	Trial the use of NPS with around 30 global products	✔ Achieved. 38 Products assessed	Extend the use of NPS to 50 global products

- ✔ Target achieved
- 🔄 Target ongoing

People

Our company purpose is to help people make progress in their lives through learning - or to be 'always learning'. The use of 'people' in describing our purpose is deliberate in that this applies as much to the people that work at Pearson as it does to the millions of people who benefit and learn through our products and services. Pearson is also a business in transition. 2014 saw that trend continue:

- Digital and services business now account for 62% of revenue – up from 38% in 2007;
- Emerging markets. Sales revenue from our businesses in Latin America, China, India, Africa and the Middle East has tripled to \$1,311m in the last five years. Around a third of our employees are now located in these markets in readiness for further growth;
- Technology and services in education. We are increasingly a broad-based supplier of education technology and services as well as curriculum materials. We are also growing fast in direct delivery – the schools, universities and English language learning centres we operate.

These are significant changes and have long shaped how we think about the structure of our business and the types of people we employ. Pearson has always been a business built on ideas and as such relies on the minds and creativity of our people.

These trends continued in 2014 in line with our business strategy. As part of the vision for the company, Pearson is set to radically shift the pace of our focus on digital and services businesses with a special emphasis on emerging markets.

The priority People issues for us from a corporate responsibility perspective in 2014 were:

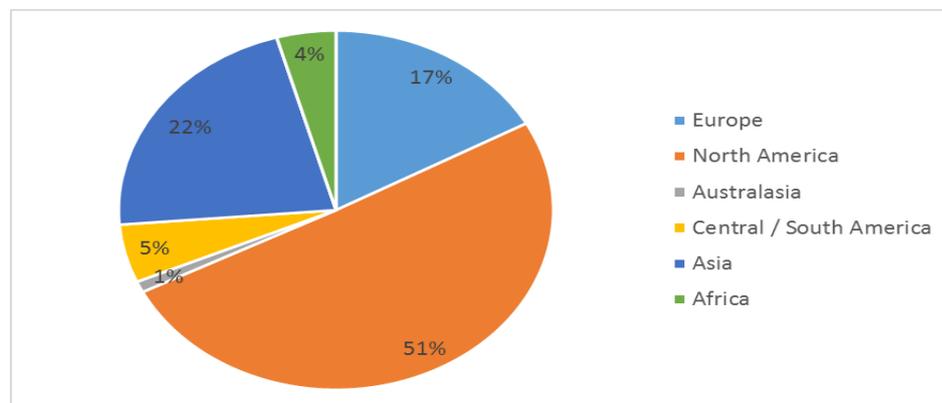
- **Building new ways of working.** Supporting our people through change.
- **People development.** Making sure that we offer the right development opportunities for all our people.
- **Data and analytics.** As we grow organically and by acquisition, we need to be able to understand how we are changing both through hard data and by reviewing what people tell us about how we are doing.
- **Collaboration and engagement.** Having an efficient way for our people to communicate is important to our business success by helping us to work differently and more efficiently.
- **Diversity and inclusion.** As we internationalise and grow, so do the people that work for us. We continue to value and benefit from the insight and experience of people from different backgrounds, perspectives and ways of thinking.
- **Health and safety.** A duty we share with all organisations is to offer a safe and healthy workplace for the people that work for us.

Building new ways of working

In 2014, our new organisational structure was put in place shifting the company from being a portfolio of businesses towards a single operating model with standard systems, clear accountability and quicker decision-making.

The business is structured around the different learner stages – school, higher education and professional - and group our markets as:

- **North America**, by some distance our biggest market today and for the foreseeable future
- **Growth**, including China, India, Brazil and South Africa and other fast-growing economies, which are new centres of gravity which can fuel Pearson's future growth
- **Core**, including the UK, Australia and Italy, where we are already strong and intend to stay that way. Additionally we have around 100 partner markets where we collaborate with others.



We recognised that change can be both inspiring and empowering but can also bring operational risks. To mitigate this, we:

- Focus on the purpose of the company to deliver for the learner.
- Explained how the new operating model would work, focusing on ways of working, better use of information, improved efficiency and cohesiveness in collaborating on strategic priorities.
- Continually tracked morale and reaction to change to inform and shape how we communicated and supported our people. Most notably, we asked colleagues to tell us how they felt about working at Pearson. Over 24,000 people completed the engagement survey. The key findings are set out in the case study below:

Case study: Pearson engagement survey

1. **Our purpose to empower human progress through learning is clear and compelling, and our focus on efficacy is improving our products and services.** Over 90% of our employees agreed that the work of Pearson to improve the lives of others was important to them. But, we could do more to be clearer about how we achieve that purpose and how it translates into every day planning and investment.
2. **Values and behaviour are critical to our success.** We responded to feedback from the survey through a global programme of focus groups and consultation with the executive team to look at our current values to be brave, imaginative and decent in light of our organisational structure. Our aim was to understand how we could help our people to apply, bring alive and extend the values as the touchstone on how we behave, act and work together.
3. **Our leaders and managers could do more to communicate more often and more clearly their expectations of working together in a more joined-up way.** We will set a performance goal for each Pearson executive member to improve on the results of the 2014 survey and will continue to support teams and support leaders to be role models for our values and behaviours as they embed new ways of working. Our performance assessment process has been identified as a means to embed our values and behaviours and help people create clear career paths.
4. **More work is needed to express how our new company structure works and to challenge that it is helping deliver for learners.** Consequently, we are doing more work on the Pearson brand to clarify who we are and how our products are effective at improving learning in ways that promote human progress.

People development

We need to be able to identify and fill skill gaps while also ensuring that all our people have the technical, personal, management and leadership skills that they need to carry out their roles.

Everyone has at least an annual appraisal and development review with their manager to agree objectives for the coming year. In 2014, we introduced for the first time a single global approach to performance assessment. This is designed to help our employees know what is expected of them and to incentivise people to act consistently with our values and business strategy. We cascaded goals from the top down with the executive team sharing their 2014 objectives with all employees. We offer a diverse and comprehensive range of learning and development opportunities around the world.

For our future leaders, we ensure each individual has a tailored development action plan to help them make progress in their careers.

Case study: Milo

Milo launched in 2013 as the single global platform for all our people to access learning and development resources and performance management. 2014 saw us consolidate the use of Milo as our single platform to deliver training, to provide access to learning and development, and to support performance assessment. This is the first time that Pearson has used a single platform for these activities. Employees completed approximately 110,000 courses, with the new 'one Pearson - Exploring how we work' being the most popular. Through Milo, we delivered a new global employee induction called 'Welcome to Pearson', popular programmes on 'Efficacy for Everyone', and a suite of management modules on performance conversations. Employees and managers also used Milo to record their individual goals, monitor their progress, and assess their performance.

Data and analytics

This year, we introduced a single system to track all people data regardless of operating business using common definitions. Data is reported and analysed by operating businesses and at global level supporting workforce planning, benchmarking and analytics.

Globally, we report gender balance and pay data as follows:

	Units	People	
		2013	2014
		39,964	40,534
All employees – (female)	%	57%	58%
Senior Managers - (female)	%	31%	35%
Board of Directors -female (2 out of 9)	%	22%	30%
Average (wages and salaries)	GBP	£43,595	£42,274

And for our US and UK businesses, we track and report:

	Units	People	
		2013	2014
		27,072	24,993
All employees – (minority)	%	17.6%	20.3%
Turnover rate	%	21.9%	23.5%

Collaboration and engagement

We have a digital space called Neo. It is designed for Pearson people to find each other, to come together to share ideas, expertise and information, and to collaborate.

Diversity and inclusion

Pearson is a pretty special place to work. We're made up of people from diverse backgrounds, perspectives and skills; our diversity makes us a better company, making us better able to respond to changing learner needs, develop products that are reflective of the markets in which we work and be more effectively engaged in the communities we serve. We are committed to building inclusive teams, creating and sustaining a workplace and culture that is reflective of our employees, customers, learners and shareholders; where every individual is respected, valued and included.

Our aim is to lead our industry for our approach to diversity and inclusion by building a workplace where differences and fairness are respected and valued. We know that creating and sustaining an inclusive work environment is critically important, offering equal opportunity from the boardroom down regardless of race, gender, gender identity or reassignment, age, disability, religion or sexual orientation.

One way we assess our progress is through external benchmarks:

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

Case study: **Gender diversity**

During 2014, we actively supported the Mentoring Programme set up by the 30% Club which provides talented mid-career women access to cross-company, cross-sector mentoring. At board level, Pearson appointed Elizabeth Corley as a non-executive director and has exceeded the target to have at least 25% female directors ahead of the 2015 timeframe set by Lord Davies. We also supplemented the diversity toolkit launch last year by launching Women in Learning and Leadership (WILL), a global employee network in Pearson. To date, over 2,000 employers have joined as members of WILL chapters around the world. The ambition of the 12 chapters established in 2014 is to proactively drive change in support of women at Pearson.

Disability forms a part of our wider commitment to equal opportunity. We work to ensure that appropriate policies, procedures, training and support are available for disabled colleagues and their managers. A recent example is a guide on how to develop corporate videos, so that all our people, including those with disabilities, can access and benefit from these films.

Health & safety

The health and safety of our people is of overriding concern to us. We believe that good safety and health practices in the workplace are a basic building block of a responsible approach.

Pearson people work in offices and in data, contact and distribution centres. We adopt a risk-based approach to health and safety paying particular attention to facilities such as distribution centres with relatively higher risk of incidents. By understanding the risks of injury, we are better equipped to prevent them from occurring:

- All our businesses in the UK are accredited against ISO 18001, the international health and safety management standard;
- Our US business has implemented a comprehensive management system for injury prevention and employee protection;
- We adopted a new consistent global health and safety policy and introduced a new set of common management and reporting procedures for our businesses globally. Progress is monitored by the Pearson Executive Management Committee and the Audit Committee.

	2014 plans		2015 commitments
People development	Launch single global performance and development process through Milo	✔ Achieved. Milo launched (working name Pearson Academy)	
Transforming our company	Launch a global employee survey	✔ Achieved.	Repeat global employee survey
Collaboration and engagement	Continue to develop and embed Neo within Pearson	✔ Achieved. Participation and engagement levels continue to grow	Continue to develop and embed Neo within Pearson
Data and analytics	Decide and commission a single global HR data collection and analytics platform	➤ Ongoing. Continued to collect and widen key data metrics globally	Introduce single global HR data platform in 2016 starting with the UK and South Africa in 2015.
Diversity and inclusion	Continue to rate our diversity progress through relevant external benchmarks	✔ Achieved	Continue to rate our diversity progress through relevant external benchmarks
	Continue to develop learning programmes and opportunities that help attract and retain talented diverse people into our business and track our progress	✔ Achieved	Continue to develop learning programmes and opportunities that help attract and retain talented diverse people into our business and track our progress
Wellbeing	Determine and launch our offer to employees	➤ Ongoing. To form part of a wider focus on our offer to employees	Determine and launch as part of a wider offer to employees
Health & safety	Continue work to develop consistent global policy and procedures	✔ Achieved. Global network and community of practitioners in place.	Continue work to develop consistent global policy and procedures.
Incentives	Determine appropriate annual and long-term incentive arrangements that support the global education strategy	➤ Ongoing. New performance assessment methodology introduced.	Determine appropriate annual and long-term incentive arrangements that support the global education strategy

- ✔ Target achieved
- Target ongoing

Supply chain

Pearson purchases goods and services valued at over £2bn each year. This total includes our investment in research and development of new digital products and services as well as advances to authors.

Pearson was a founder signatory to the UN Global Compact in 2000. We were clear from the outset that we would use our influence with our suppliers to improve standards for their employees and the communities in which they operate. Ever since, we have monitored our performance against both these principles and a set of commitments we made relating to the UN Global Compact and report annually on our progress.

The scope of the UN Global Compact covers labour standards and human rights, combatting corruption as well as environmental responsibility.

Labour standards and human rights

We have set out the standards that we expect from all our suppliers. Specific clauses relating to these standards are an integral part of our contracts for key suppliers. These standards include the rejection of forced and compulsory labour, a respect for diversity, a minimum age to work on Pearson projects and compliance with employment laws and regulations.

We have adopted a single global policy and approach which sets out our own standards as well as how we approach risk assessment, supplier visits, third party audits and management of non-compliance.

Three years ago, we introduced a global Vendor Relationship Management (VRM) online system to manage many aspects of our vendor relationships, including proof of certifications and accreditations for existing suppliers and as a condition of business for potential suppliers. The VRM system requires as a condition of doing business with Pearson agreement to uphold the broad principles set out in the Global Compact. New and most existing suppliers are registered on VRM. VRM included over 3,200 suppliers accounting for in excess of 75% of global vendor spend. In 2015, Pearson will be introducing a new online system integrated with our other systems of management information and customer relationship management.

Labour standards and environmental responsibility are fully integrated into procurement management. Our global approach will, in time, allow an easy insight into opportunities for improvement as well as areas of risk.

Our production departments continued our programme of visiting suppliers all across the world. These visits are an opportunity to reinforce our commitment to the abolition of child labour and all forms of forced and compulsory labour, as well as environmental responsibility.

We also work with industry partners on these issues. Our policy requires that suppliers based in high risk countries will undertake an independent third-party audit before they are approved as a supplier and to agree to regular review audits as an existing supplier. Our aim is that these audits also help improve the business practice of our suppliers. For 2015, we are extending our audit approach to cover suppliers assessed by Pearson as medium risk.

Environment - paper

Our books, newspapers and magazines all use paper. Although we are committed to investing in new technology to provide opportunities for learners and readers to access our content digitally, we expect that our use of paper will continue to be an important means for delivering our products. As such, paper is a priority environmental issue for us. We:

- First adopted and publicly disclosed our environmental [policy](#) with regard to paper sourcing in 2003;
- Collect and map data on the forest of origin, certification systems applicable and recycled content for the papers we purchase;
- Talk about our guidelines with our key paper suppliers when we meet and as part of our contract discussions;
- Discuss our approach to paper purchasing with customers, environmental groups, investor analysts and other interested parties;
- Retain Forest Stewardship Council (FSC®) chain of custody certification for our businesses in North America;
- Hold regular training sessions for our production teams around the world on both labour standards and environmental responsibility issues.
- Meet quarterly to discuss responsible paper sourcing issues

In addition to the standards we set ourselves through our paper purchasing guidelines, we also have a responsibility to be more efficient in how we use paper products. This delivers both environmental benefits as well as cost savings. We publish an annual report into paper purchasing which can be viewed in policies and downloads

CASE STUDY: SFI Partners in Forest Conservation

Pearson is a SFI Partner in Forest Conservation SFI Partners in Forest Conservation aims to certify ten million acres of forests across the United States and Canada by the end of 2017. To find out more about the programme and how it aims to conserve forests right across North America, visit the [SFI](#) website.

CASE STUDY

The Forest Stewardship Council is considered the gold standard around the world in responsible forest management. In the last 3 years, over 100 million Penguin, DK and Pearson books have carried the FSC logo.

Penguin in the UK is certified by Soil Association Woodmark to Forest Stewardship Council standards. Trademark License Code is FSC®-C018179

Pearson and Penguin in the United States and Canada are certified by the Rainforest Alliance. Trademark License Code is FSC®-C100141

Environment - print

Less than 0.5% of Pearson turnover in 2013 was derived from product printed at our own operations. We have one small digital print operation in the US providing short-run and print-on-demand products, typically custom client applications and in support of our testing business.

An element of the FT printing is in-house from 2013 onwards.

In addition to our general approach to supplier responsibility, we ask our printers for additional reporting in key areas. We have for a number of years maintained a printer register of environmental performance.

Environment – distribution and shipping

Our books are produced around the world, requiring shipment from the printers to our distribution centres. We outsource road distribution and shipment of our products to third party carriers. We have worked with suppliers on consolidating shipments to maximise container loads and monitor environmental performance as part of the contractual arrangements. Inventory management performance metrics covering all book businesses worldwide are in place including internal reporting process by facility.

Working with industry partners

We believe that working with industry partners in setting social and environmental standards is a responsible approach to improving global practice. This approach has many benefits including:

- Reducing the burden on the supplier - they only complete one audit instead of several, different processes. This is particularly important for smaller suppliers;
- In many of the markets where we operate, Pearson alone has insufficient influence with suppliers to enforce a set of standards;
- The sector working together helps set terms of trade and reinforce the importance of non-financial measures of performance.

Some of the most important industry initiatives for us:

- We were a founder member of the group of publishing companies in the UK that established PreLIMS - a common social accountability standard. We also recognise the International Council of Toy Industries (ICTI) Care Process;
- We are a member of the World Wildlife Fund (WWF) Forest & Trade Network and through this group, work with WWF and other company members to improve environmental standards of paper purchase;
- Helped found Publishers database for Responsible Environmental Paper Sourcing (PREPS), an industry collaboration to map the environmental characteristics of paper.
- Worked through Penguin to set up Publishing Industry Product Safety (PIPS), an industry partnership to map the safety of components in our products.

Pearson was the first company to endorse PREPS and PreLIMS globally.

Plans

	2014 plans		2015 commitments
Paper	Pearson UK to seek to secure Forest Stewardship Council (FSC) certification by 2015	🔄 Ongoing. Work started on track to complete certification by 2015	Pearson UK to seek to secure Forest Stewardship Council (FSC) certification by 2015
	Using 2013 as the baseline year, to reduce the metric tonnes of paper required to generate £1m of revenue by 25% by the end of 2018	✅ Achieved a 21% reduction against a target of 25%. We again reduced volume of paper purchased	Using 2013 as the baseline year, to reduce the metric tonnes of paper required to generate £1m of revenue by 25% by the end of 2015
Vendor relationship management	Continued roll out vendor relationship management system to existing and new suppliers and report on take-up	❌ Not achieved. New VRM under development	Continue to embed social and environmental risk management into procurement.
Printer	Embed social and environmental risk based assessment into vendor management process	🔄 Ongoing. Risk assessment tools to be reviewed in 2015	Extend the reach of our vendor assurance process to cover medium risk printers

- ❌ Not achieved
- ✅ Target achieved
- 🔄 Target ongoing

Communities

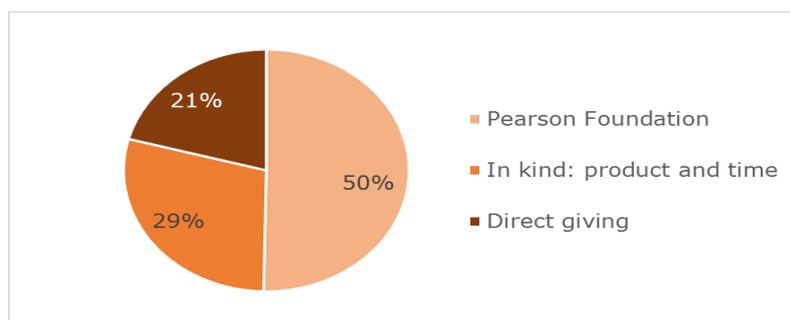
Not-for-profit partners can help us extend our reach and impact in ways that have a real impact on learning - especially for the most disadvantaged - and are complementary to our business impact. We also believe that our stakeholders expect and value our efforts to work in partnership with charitable organisations.

We therefore partner with and fund a number of charitable organisations around the world. In 2014 our worldwide charitable giving was £14.4 million or 2% of pre-tax profits.

Community spend

Our commitment	How we measure progress																
To maintain our total community investment at 1% or more of operating profit	One way we extend our reach is through partnerships with literacy and learning charities. We report on our community investment spend	<p>Community investment at Pearson in £m</p> <table border="1"> <tr> <td>2014</td> <td>14.4</td> <td>2.0%</td> </tr> <tr> <td>2013</td> <td>11.8</td> <td>1.5%</td> </tr> <tr> <td>2012</td> <td>11.4</td> <td>1.2%</td> </tr> <tr> <td>2011</td> <td>11.5</td> <td>1.2%</td> </tr> <tr> <td>2010</td> <td>13.1</td> <td>1.6%</td> </tr> </table>	2014	14.4	2.0%	2013	11.8	1.5%	2012	11.4	1.2%	2011	11.5	1.2%	2010	13.1	1.6%
2014	14.4	2.0%															
2013	11.8	1.5%															
2012	11.4	1.2%															
2011	11.5	1.2%															
2010	13.1	1.6%															

Our worldwide charitable giving breakdown for 2014 is as follows:



A new strategy for 2015

We undertook a major review of our social impact strategy in 2014 to help us answer these questions:

1. Many of our partnerships focus on book-gifting and reading for pleasure. Are these still appropriate as Penguin is now an associate company within Penguin Random House?
2. Are we making the best use of our people and assets and offering a full range of opportunities to engage and to offer their expertise in our programmes?
3. Are we being truly global in outlook and approach?

4. Do we set the same expectations to be able to demonstrate a measurable impact on learner outcomes through our social impact work as we would any other part of our business?
5. Are we making the most of our investment to help tackle inequity in access to learning?

As a result, we found:

- Literacy is critical in the fight to end poverty. As such, it remains relevant, although we can make more of an impact through a focus on raising literacy levels
- We could do more to involve our people, our product and our influence to campaign for a more literate world.
- We could do more to offer opportunities to our employees and develop partnerships across the world, particularly in China, India, Brazil and South Africa.

These findings were presented to the Pearson Board who approved increasing literacy rates worldwide as our anchor social impact campaign issue for the next five years.

Social impact: Project Literacy

The economic and social cost of illiteracy is immense – affecting as many as two billion people – and may be as high as one trillion US dollars per year. Illiteracy is a global challenge affecting both developed and emerging countries.

- Good literacy skills are the basic cornerstone essential for people to learn.
- All our businesses depend on the premise that people can read and enjoy doing so.
- Our mix of businesses means that we can make a unique contribution to tackling illiteracy.

We play a part in that:

- Our literacy programmes – both print and digital – are found in classrooms the world over.
- We partner with others to run projects and campaigns to raise reading levels and inspire reading.

During the year:

- We launched our Project Literacy campaign with a global listening and awareness raising exercise hosted on www.projectliteracy.com. We invited individuals and organisations already working to improve literacy to highlight the programmes and projects that inspire them together with their ideas on the gaps.
- We kicked off, our first new partnership under the Project Literacy banner. The partnership with Good.is.Good started by sharing literacy related stories. It will also bring together Pearson volunteers and local communities in literacy related volunteer work.

- In its 60th year, we gave a third of the million books donated to Book Aid International, the charity that supports the development of libraries in schools and communities in Sub-Saharan Africa. We were the largest book donor to Book Aid in 2014.

CASE STUDY: Read for my School (RFMS)

Read for my School is an online 10 week competition in England designed to help participating children become more confident and sustained readers. In 2014, we hit our targets to double participation with more than 200,000 pupils and their teachers taking part. Participant came from Primary Years 3 to 6 and Secondary years 7 to 8. Together, the children read 876,000 books both from the free RFMS online library provided by Pearson, Penguin and DK, as well as any other book they want to read.

In 2015, the RFMS partners, Pearson and charity Booktrust will target reaching 2 million books read and competition entries.

Book donations

In 2012, Pearson made a commitment to expand our book gifting activities based on a 2010 baseline as part of our commitment to raising literacy levels. The metric we used to assess progress was the number of books donated to schools, libraries and literacy charities. We continued to make progress on this commitment in 2014:

	2010	2011	2012	2013	2014
Total number of books donated	1.66m	1.99m	2.1m	3.4	3.6m

In 2015, this metric will be reviewed and new metrics adopted as part of the development of Project Literacy.

CASE STUDY: Book Aid International

We helped Book Aid International support the development of libraries in schools and communities across sub-Saharan Africa. We were the largest donor to the charity giving a third of the 1 million books supplied by the charity in 2014.

Pearson Foundation

As part of our charitable strategy review, we assessed our existing charity partners for their fit with our new approach. A number of these, most notably, the Pearson Charitable Foundation, no longer align with our approach. Therefore, as of 2015, Pearson advised it would no longer fund the Foundation as the primary vehicle for our philanthropic and community activities. For 2015 onwards, Project Literacy, our global campaign to increase literacy rates worldwide is our

Having been informed of this change in its funding, the Foundation board passed a resolution to wind down its operations and the charity closed at the end of 2014. Since its inception in 2003, the Pearson Foundation contributed more than \$130 million to improving learning opportunities and outcomes for young people and adults and supporting the aims of exemplary non-profit organizations.

Some examples of Pearson Foundation programmes included:

- Strong Performers and Successful Reformers in Education, developed in partnership with the Organisation for Economic Co-operation and Development (OECD) helped inform what works in education globally by providing case studies of good practice.
- BridgeIT reached over one million children and their teachers using mobile technology to deliver professional development materials and educational resources to remote and underserved classrooms in ten countries around the world.

Pearson people: giving time and money

Many businesses within Pearson also match the fundraising efforts of our people helping them support local charities by giving time and money and make donations to non-profit groups involved in learning and literacy.

CASE STUDY: FT Seasonal Appeal

The Financial Times seasonal appeal raised £1.9m for International Rescue Committee (IRC), a global charity that saves and rebuilds lives in the wake of conflict and disaster. Since 2006, FT appeals have raised £16m for charity partners.

	2014 plans		2015 commitments
Giving money	Launch new format Pearson Community Awards	✔ Achieved. New format Pearson Community Awards launched.	Launch a global opportunity for Pearson employees to invest funds for social good
Giving time	Launch global volunteering policy	✔ Achieved. New global policy launched offering up to three days paid volunteering time	Launch a challenge fund and introduce a new platform to capture time and cash given to good causes
Charitable giving Strategy	To review our approach to giving and on how we decide on areas of priority	✔ Achieved. Project literacy launched in 2014	To invest in at least three flagship partnerships aiming to make a major impact on raising literacy levels. Adopt new metrics to measure success.

- ✔ Target achieved
- Target ongoing

Environment

Against a backdrop of international concern on matters relating to climate, Pearson announced in early 2007 a commitment to become climate neutral for its then businesses, with a view to completing that globally by the end of 2009. We have achieved that goal and each year, we review, renew and refresh our climate neutral commitment. Our broad strategy remains the same and is based on three key areas:

1. **Measure.** We have an established, independently-verified process to measure our climate footprint relating to our buildings and from business travel. We also continue to work on assessing our total carbon footprint.
2. **Reduce.** We cut the CO₂e we release from our buildings and business travel. We have introduced energy-efficient design across our buildings, further invested in alternatives to business travel such as video conferencing, as well as looked at renewable energy where we can.
3. **Offset.** In 2014, whatever emissions we have not been able to reduce or avoid during that year are offset by supporting a range of projects that either save or absorb a tonne of carbon for each tonne that we emit. We have established partnerships to do this.

To find out more about our approach download our [environment](#) report.

Awards

Awards and recognition

Here is a selection of some of the awards received by Pearson in 2014.

DJSI Bronze	Dow Jones Sustainability Indices. SAM Bronze Class
FTSE4Good	Included in indices since inception
BITC Platinum	BITC Corporate responsibility index – score 95%

Environment:

Carbon Trust Standard	Pearson holds the Carbon Trust Standard. We were the second organisation ever to be accredited against the Carbon Trust Standard globally
Trucost	Pearson was named a Decoupling Leader in the Trucost Natural Capital Index.
LEED	Pearson's buildings in Centennial, Colorado and 330 Hudson Street, New York hold LEED Gold Certification
LEED	Pearson's buildings in Cedar Rapids, Iowa; Sandy, Utah, Austin, Texas and Rancho Cordova, California all hold LEED Silver Certification. Over 700,000 sq ft across these six Pearson buildings are LEED certified.
ISO14001	Pearson businesses in the UK and Australia are certified against ISO 14001, the international environmental management standard

Our people:

Human Rights Campaign	Human Rights Campaign (HRC) has given Pearson a 100% score on its Corporate Equality Index
Dave Thomas Foundation	Pearson is named in the Dave Thomas Foundation list of 100 Best Adoption-Friendly Workplaces