

Trends shaping our market

Global Learner Survey

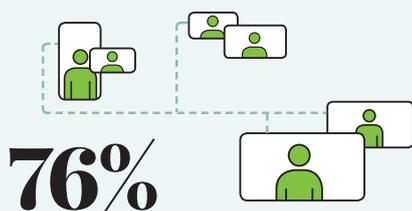
In September 2019, we released the results of our inaugural **Global Learner Survey**, the first of its kind study that gauges the opinions of learners worldwide. This new study captured the collective voice of **11,000 learners in 19 countries** to get a full picture on how people are learning. The findings show that now, more than ever, people are taking charge of their education, and technology matters.

Lifelong learning is not just a philosophy, it's the new reality

Globally, there is wide agreement that people need to keep learning throughout their career to stay up-to-date in their careers.

In the next decade, digital and virtual learning will be the new normal

Expectations of online learning



of people believe that more college students will be attending school virtually within 10 years.



believe more primary and secondary students will too.

Expectations of AI



believe that AI will have a positive impact on education.

Half of Gen Z in the US, UK and Australia think you can be successful without a traditional college education

Despite statistics showing higher lifetime earnings with a college degree...



of Gen Z learners think you can do 'ok' in life without it.



of learners think you can do just as well with an education from a vocational or trade school.

1/3

of workers in the US have found themselves in need of upskilling or retraining in the last two years.

1/4

of workers in the UK have found themselves in need of upskilling or retraining in the last two years.

China, India, Brazil and Hispano America are outpacing the US and UK in the upskilling race and defining a new global economy

More than anywhere else in the world, people in these markets believe education is driving the global economy.

2/3rds

or more of people in China, Brazil, Hispano-America and India have identified the need to upskill or retrain and are doing so.

Our strategic model

Building a digital, platform-based business centred on the learner

Our strategic advantages

Insights and capabilities

We partner with world-class authors, institutions, government and regulatory bodies, as well as employers to develop our content, assessment and service capabilities. We take a data-driven approach to product design, based on proven learning science and pedagogy. This enables huge advancements in rich content, personalised learning and effective analytics.

Investing back into our business

Pearson's strong balance sheet supports the continuing investment in our digital transformation and structural growth markets. We are investing record levels to become the winners in digital education.

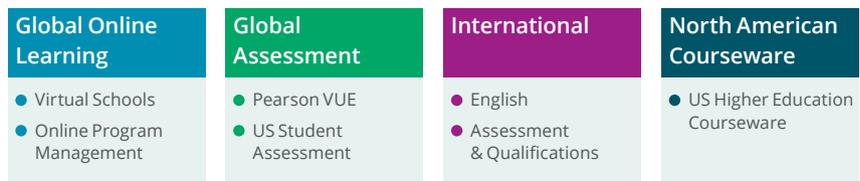
Global reach and scale

We have a truly global scale and focus. We operate in 70 markets worldwide. Our products and services benefit from being centrally developed and globally deployed, with local expertise and capabilities ensuring success.

Our new operating structure in 2020

We are refining the structure of our business to better reflect the shift towards more digital learner-centred products.

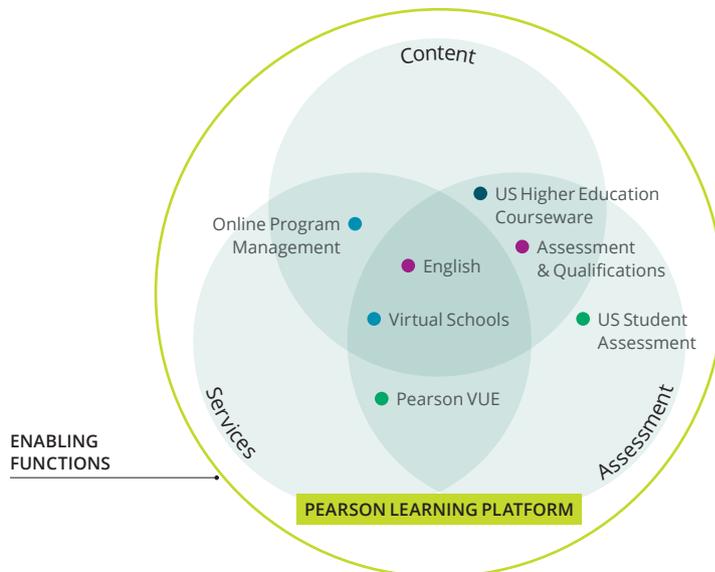
Key businesses in our new structure



Interdependencies in our key businesses across our core capabilities

We have three core capabilities – content, assessment and services.

Our key businesses share interdependencies across them, powered by the Pearson Learning Platform, all of which is supported by our Enabling Functions.



Our 2030 Sustainability Strategy



Advance equity in learning



Build skills for sustainable futures



Lead by example

Our long-term strategy

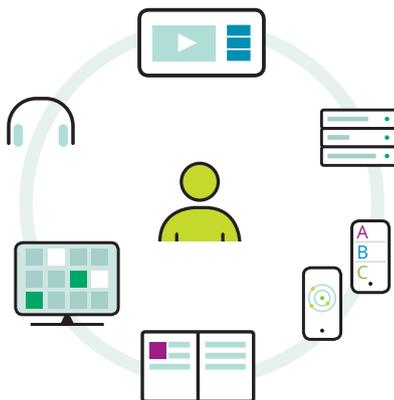
We are shifting from a product-centred approach to a learner-centred model. This means our portfolio of products can now be integrated around the learner, meeting their needs throughout their learning life.

This relentless focus on learner needs is driving a new approach to how we deliver learning. The new Pearson Learning Platform will be the platform on which the future of learning will be built. This will be an engaging, immersive learning experience that is highly personalised.

From this...



To this...



Product-centred

Individual products delivered to learners who are currently 'unknown' to us.

Learner-centred platform

An integrated, multi-product learning experience, with a 'known' customer base enabling lifelong learning, and creating lifetime value for Pearson and the learner.

Delivering long-term value for all stakeholders

Customer experience and learning outcomes

Our customers, including learners, educators, employers, governments and more, benefit from a great consumer experience with consistent focus on learning outcomes.

Supporting sustainable growth

Delivering returns for our shareholders through a long-term improvement in top-line and bottom-line growth. Over time, this helps increase the share price and maintain a progressive, sustainable dividend.

Employee engagement

Through our transformation, we are focused on supporting our people, driving equality and diversity, and helping them make progress at Pearson and in their lives.

Strengthen sustainability

Through our sustainability work, we are helping increase access to quality education for more people around the world, equip people with the technical skills, knowledge, creativity and resilience needed to achieve the UN SDGs, and consider human rights and the environment across our value chain.

Read more about the value we create for our stakeholders on p14 →

Capital allocation

- > Maintain a strong balance sheet
- > Maintain an investment grade credit rating
- > Organic investment and acquisitions
- > Return capital via a sustainable and progressive dividend
- > Return any excess capital via special returns where appropriate

Our businesses

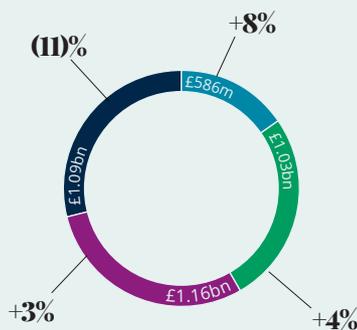
Our new reporting structure in 2020

We are changing the structure of our business to better reflect the shift towards more digital learner-centred products, with effect from 1 January 2020. Our four reporting segments with their constituent businesses are shown to the right. We will also be presenting our Enabling Functions costs, which include corporate functions.

We highlight 2019 revenue and revenue growth vs. 2018, as well as profit contribution for the year, by our new reporting structure, as follows:

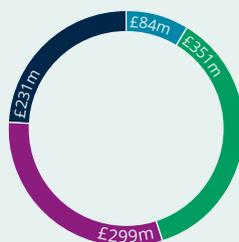
Revenue and underlying revenue growth in 2019

(by new structure)



Contribution in 2019

(by new structure)



- Global Online Learning
- Global Assessment
- International
- North American Courseware

This information is provided for illustrative purposes. It is not intended to supersede the segmental information presented in the financial review and operating performance review or in the consolidated financial statements, which reflects the way in which the business was managed, monitored and reported through 31 December 2019.

We now go into more detail on key businesses in our new structure.

Global Online Learning

Two large digital businesses, Virtual Schools and Online Program Management (OPM)

Revenue **£586m**
Contribution **£84m**

› Revenue growth of mid to high-single digits

- › Virtual Schools – global market size is c.\$2bn¹
- › OPM – global market size is \$3.5bn¹
- › Both growing 8-10%¹ and further upside in evolving markets
- › Entering the corporate learning segment

- › Increased demand for online education
- › In Virtual Schools: scale up in existing states to increase penetration; target states with high-growth potential
- › In OPM: improve conversion rates through portfolio and product innovation; optimise portfolio
- › In corporate learning: target large learner base available at corporates to upskill and retain employees

- › Flexibility, personalisation and market responsiveness
- › Pearson courseware, assessment and platform capabilities
- › Capability to match learning needs in the workplace with providers
- › Deep knowledge of education
- › Operational scale

- › Students of all ages in schools, higher education and corporate segments
- › Key partners include universities and charter school boards

- › Fully digital, scalable model
- › Invested in platform to improve learner experience

¹ Pearson estimates.

Global Assessment

The largest businesses are Pearson VUE and US Student Assessment. Also includes Clinical Assessment

Revenue **£1,031m**
Contribution **£351m**

› Revenue growth of low to mid-single digits

- › US Student Assessment – market size is c.\$1.15bn¹, stable
- › Global Certification – market size is c.\$1.8bn¹, faster growing

- › In US Student Assessment: move to fewer, smarter, digital tests with further opportunities for AI scoring; converting PARCC states to custom assessment through digital solutions
- › In Pearson VUE: increased regulation in licence to practice and demand for certification

- › In US Student Assessment: flexible model to offer print or digital-based tests and proven record of secure, reliable and accurate test administration
- › In Pearson VUE: high operational leverage, scalable model; 450+ credential partners showing strength of our brand and breadth of relationships; network of 20,000 test centres

- › In US Student Assessment: state and institutional partners, as well as other assessment players
- › In Pearson VUE: governments, academia and employers across the professional, IT and regulatory sectors

- › Digitally-enabled, scalable model with leading platforms
- › AI scoring already in use

OUTLOOK

MARKETS

GROWTH DRIVERS

COMPETITIVE ADVANTAGE

KEY CUSTOMERS

DIGITAL PROGRESS

International

Businesses including Assessment, English, Schools and Higher Education

Revenue **£1,161m**
Contribution **£299m**

OUTLOOK

- › Revenue growth of low to mid-single digits

GROWTH DRIVERS

- › English: expected growth of PTE (Pearson Test of English) after UK Home Office recognition; target recognition in other comparable markets including Canada; English Language Learning as a driver of employability
- › Assessment: opportunity to deliver national, high-stakes digital assessments at scale in emerging markets
- › Vocational qualifications: technological change, with AI driving major shifts in work; continued need for reskilling and upskilling is growing demand for the vocational and assessment market

COMPETITIVE ADVANTAGE

- › Deep knowledge of market capabilities and deep customer relationships
- › PTE Academic provides a world-class and convenient learner experience. AI scoring leads to unbiased results, with quick response time
- › Pearson VUE test centres providing breadth of network
- › Unique status – leading provider and owner of vocational qualifications and content (BTEC)

KEY CUSTOMERS

- › English: adult professionals (B2C), franchisees, schools and universities
- › Employability opportunities: national and regional governments, regional training providers, private school chains and employability partners

DIGITAL PROGRESS

- › Expanding our digital courseware
- › PTE Academic is the only English assessment of its type that combines a fully digital experience with AI scoring

North American Courseware

US Higher Education Courseware is key business with Canadian Courseware also in the segment

Revenue **£1,091m**
Contribution **£231m**

OUTLOOK

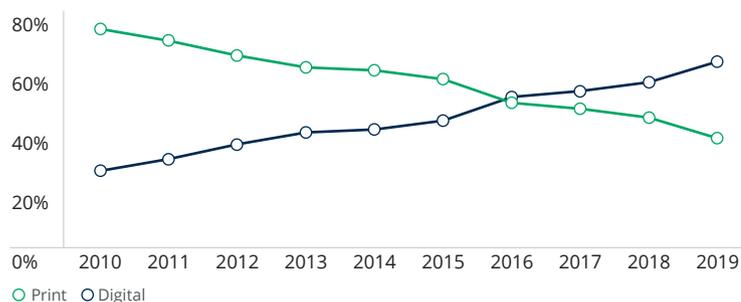
- › In US Higher Education Courseware, we expect the trends we saw in 2019 to continue, with significant declines in print partially offset by modest growth in digital, as we add more products to the Pearson Learning Platform
- › We plan to accelerate our product release schedule from the end of 2020 onwards, and digital growth will also accelerate

STRUCTURAL CHANGES

- › In 2010, Pearson had a \$2bn US Higher Education Courseware business, selling 21m textbooks a year
- › By 2022, we expect US Higher Education Courseware to be an almost completely digital business² – increasingly based on the Pearson Learning Platform.

Shift from print to digital in US Higher Education Courseware

Digital penetration + decline in print as % of revenue



DIGITAL PROGRESS

- The Pearson Learning Platform will drive digital growth through:
- › Share gains with better experiences and outcomes
 - › Expanding the platform segment with new product models
 - › Recapturing sales from the secondary market
 - › Direct-to-learner relationships

2 The core US Higher Education Courseware business is expected to be almost entirely digital. We also have an Advanced Placement business selling higher education content into US schools. This, together with several other smaller, non-college channels, comprises roughly c.\$200m of print revenue which has been broadly stable.

Creating value for our stakeholders

In a digital world, we are a driving force behind change. Our focus is on providing better access, affordability and learning outcomes

Education is evolving to meet the changing demands of today's learners. In a digital world, we are a driving force behind that change. This enables us to create long-term sustainable growth for our investors and all stakeholders of the company.

For Pearson, engaging with stakeholders always takes place through the lens of sustainability, which informs and influences our approach across our global operations. In order to ensure that our new 2030 Sustainability Strategy is focused on the areas that are most important to our stakeholders, an Engagement Strategy was a cornerstone of the process. Read more on p16 →

Read more on our interconnected approach to stakeholder engagement, and how the Board engages with our stakeholders, in the Governance report, on p62 →

STAKEHOLDER GROUP

Learners

Pearson helps tens of millions of learners across the world make progress in their lives.

88% of people globally agree that education doesn't stop at college/university and believe that you need to keep learning to stay relevant in your career

HOW WE SERVE & ENGAGE

We regularly gauge the views of learners to understand how people are incorporating learning into their lives beyond the traditional classroom. This enables us to put learners at the centre of what we do, build world-class digital products delivering amazing experiences, and help people to learn and thrive in the talent economy.

KEY CONCERNS

Our inaugural Global Learner Survey shows that around the world education is still highly valued. But, people are redefining when, how and what they learn, relying less on traditional institutions and adopting a do-it-yourself approach, learning on their own terms.

OUR RESPONSE

We are helping meet learners' needs through working with institutions, employers and governments to increase options for virtual learning, online degrees, stackable credentials for adults and on-demand learning for everyone. See the strategy section on p10 for more about how we are becoming a learner-centric business.

Employees

Our purpose-driven employees are key to the sustainable success of Pearson.

2 Employee Engagement Network meetings connecting employees with the Board

We are focused on creating a healthier company, encouraging and enabling more people to progress. We are working to develop talent, drive more diversity, ensure greater employee engagement, drive innovation, support accessibility and inclusion efforts, and improve best practice sharing across Pearson.

Our people want better tools to help them manage more effectively and develop their own careers. They want to feel more closely connected to leadership, be supported through our digital transformation and have more access to Pearson's products and services.

In 2019, we introduced a more flexible approach to performance management, developed a new behaviours framework, and launched 'Managers' Corner' to help managers guide their teams better. We created our first Employee Engagement Network and launched 'Pearson Products for Pearson People' as part of our commitment to help our employees prosper. See how this approach helps create long term value in our strategy section on p10 →

Shareholders

We have a broad range of investors who entrust their capital with us.

477 investor meetings with
284 institutions in 2019

We engage with our investors on an ongoing basis. We communicate with them regularly, including at our financial results, our AGM and at investor meetings and conferences around the globe.

Our shareholder base has a diverse range of views covering financial, environmental and ESG-related issues.

We have a positive, ongoing dialogue with our shareholder base. We aim to deliver long-term sustainable value for our investors and all our company stakeholders. We also respond to surveys and questionnaires to provide information about our ESG practices.

STAKEHOLDER GROUP

Educational Institutions & Educators

We work with teachers, instructors and educators across all stages of education.

91%

of educators in the US and UK believe technology in education gives people more freedom, flexibility, choice and convenience in their education options

We collaborate with educators and provide them with the tools they need in order to help the next generation of learners to be successful in their education and make progress in their lives.

HOW WE SERVE & ENGAGE

In a cost-conscious environment, educators are focused on delivering high-quality educational experiences that set their students on a course to a better career and life for them and their families.

KEY CONCERNS

We aim to provide more engaging ways to connect students with lifelong learning opportunities, accelerated through the move to digital. This enables more timely feedback on student progress to help set them up for success. We also continue to listen to learners to understand how we future-proof our products and services for the learning journeys of the next generation of learners.

OUR RESPONSE

Employers

Pearson works with employers, trade associations and industry bodies to meet the demands of the workforce and equip learners with the skills they need to thrive.

84%

of UK employers we surveyed plan to maintain or increase their investment in adult education and training in the year ahead

Through assessment and qualifications, micro-certification, online learning and professional badging, among other solutions, we are supporting the efforts of industry to prepare workers for the jobs of today and of the future.

Industry is looking for education systems to help drive innovation, tackle the global skills gap and contribute to long-term economic growth by ensuring learners enter the world of work better prepared to succeed in their careers.

We have listened hard to employers and are designing products that meet the needs of industry head on, whilst providing learners with the skills to succeed in the workforce.

Governments & Regulators

We partner with governments to ensure learners have access to high-quality instruction, materials and assessments linked to beneficial outcomes, including building workforce skills.

50

US states and a wide range of global markets in which Pearson works with government stakeholders

These learning opportunities address learners' needs, close skills gaps and meet workforce demands. Governments and regulators also set policy to help drive sustainable growth and ensure learners have access to affordable education.

Governments are looking for effective approaches to better connect education and training to employer needs, improving learner outcomes.

We are committed to building strong relationships with political and educational leaders. We do not make policy. Instead, we share best practices, inform the policy-making process, and forge innovative partnerships aimed at increasing learner access, affordability and success.

Business Partners

From technology providers to suppliers, channel partners to our authors, we have a broad range of partners across our global business.

c.80%

Pearson global spend derives from c.600 suppliers

We are focused on building successful business partnerships across the education ecosystem to ensure joint success and growth.

We share similar goals with our partners – from driving business transformation to developing world-class products; enhancing customer experience, adherence to data privacy and IT security processes; managing risk; developing talent and more. We expect partners to share our values.

We build relationships with world-class partners and suppliers for the benefit of all our stakeholders. We believe that working with partners who share our commitments not just to best-in-class business practices, but also best practice and international standards for human rights and environmental stewardship, strengthens our value chain and reduces our business costs and risks.

Sustainability

Talent is the world's most valuable resource – we're working to unleash it

We are pleased to announce our new 2030 Sustainability Strategy

The world is facing exciting, unprecedented opportunities and challenges. We need everyone to reach their full potential and help shape a brighter future. By leveraging our capabilities and partnering with others, we can help develop lifelong learning opportunities that enable people around the world to create better lives for themselves, their families and generations to come.

Our focus is identifying, supporting and developing people so they can reach their full potential and supporting the UN Sustainable Development Goals (SDGs) particularly goal 4 on quality education, goal 8 on decent jobs and economic growth, and goal 10 on reducing inequality.

The focus areas of our strategy are below. Later this year, we will release our targets and more detail about how we will advance these objectives.

Materiality analysis

Our new sustainability framework was developed based on a materiality analysis that considered how Pearson's business priorities and stakeholder expectations have changed and are likely to evolve. Our materiality assessment was undertaken with Forum for the Future, a well-respected sustainability charity.

As we approached this work, we have taken several key considerations into account:

- › **Engaging with our stakeholders:** we engaged with key stakeholders to understand the issues most important to them and where they expect Pearson to play a role.
- › **Identifying current and future trends:** we conducted futures research to help identify the social, environmental and economic issues that will influence learning, our ecosystem of partners and Pearson's business in the years to come.

- › **Linking to business priorities:** our process was designed to align with and support our corporate strategy and brand strategy.
- › **Supporting global goals:** we will continue our commitment to advancing the UN SDGs and leverage their targets and indicators in our goal-setting.

Active, ongoing input and engagement from internal and external stakeholders is key to ensuring the achievement of our new 2030 Sustainability Strategy. Our key stakeholder groups include:

- › employees;
- › shareholders;
- › learners;
- › educational institutions & educators;
- › employers;
- › governments & regulators;
- › business partners & suppliers; and
- › international, non-governmental & non-profit organisations.

In addition to Pearson's other stakeholders, to inform our Sustainability Strategy, we listen carefully to the insights of international, non-governmental & non-profit organisations working to improve education for vulnerable and marginalised groups, advocating for the UN SDGs and looking at the impact of business in society.

We conducted internal and external interviews, focus groups and workshops to identify high-impact issues.

To download more information about our materiality analysis, complete ESG data, our Global Reporting Initiative (GRI) and UN Global Compact Index, visit pearson.com/sustainability

Our new 2030 Sustainability Strategy

Pearson sees a world of talent

Talent is the world's most valuable resource. We want to unleash it.

Our Sustainability Strategy has three main pillars:

Advance equity in learning



We have the role and responsibility to help overcome barriers to lifelong learning, from socio-economic hurdles to equity and health challenges.

Build skills for sustainable futures



We will use our skills, assets and partnerships to equip people with the technical skills, knowledge, creativity and resilience needed to achieve the UN SDGs.

Lead by example



Our 2030 strategy will continue to focus on building the foundations for a sustainable business, such as our commitments to respect human rights and minimise environmental impacts across our value chain.

Taking stock of our 2020 Sustainability Plan

We are approaching the end of Pearson's 2020 Sustainability Plan, which is focused on three pillars: 1) reaching more learners; 2) shaping the future of learning; and 3) being a trusted partner and supporting our commitment to the UN SDGs. Pearson has made good progress across the pillars of our plan.



Reach more learners

Improve access to and affordability of products and services

We have built strong foundations to reach more learners from disadvantaged backgrounds and support them to overcome barriers through products and services. See examples on p17, 20, 36, 37 and 38 →

Collaborate to reach underserved learners

Through partnerships involving non-governmental organisations, teachers, education experts, governments and others, we are also tackling some of the biggest education challenges.

Read more about our partnership with Save the Children on p18 → and CAMFED on p18 →



Shape the future of learning

Build skills that foster employability and inclusive economic growth

We are better preparing students to progress in learning, work and life through a range of products and services. For example, 'Pearson's Career Success' programme, which has reached 135,000 learners since 2018, helps students set career goals, fill skills gaps and prepare for employment.

Promote education for sustainable development

We are increasingly integrating and promoting sustainability content and skills, including in our BTEC qualifications and US Higher Education Courseware products. We also released a white paper with Arizona State University, Business Fights Poverty and the UN Principles for Responsible Management Education on how to scale up and partner on opportunities to advance learning and skills for sustainable development. Read more on p18-19 →

Engage in multi-stakeholder research, dialogue and collective action to solve global challenges

We are active participants in multi-stakeholder, collective action initiatives that aim to strengthen global education systems, explore the role of the private sector in global education and development, and advance the UN SDGs. See organisations on p26 →



Be a trusted partner

Respect and support our people, customers and communities

We successfully achieved our goals to develop and implement an Editorial Policy to ensure content is appropriate (see p19) and report on Pearson's GB gender pay. In 2018 and 2019, we also reported on Pearson's GB gender pay and continue to take actions to further reduce the gap.

Protect our natural environment

We met our 2020 targets to reduce our operational Greenhouse Gas emissions by 50% (using 2009 as the base year) and reduce energy use in our buildings on an absolute basis by 50% (using 2013 as the base year) early. Read more on p22-23 →

Build a sustainable supply chain

We have taken a number of steps to continuously improve how we consider social and environmental issues in our supply chain and procurement. Read more on p23-25 →

Progress in 2019

Advancing equity in learning

We have built a foundation to scale how our products and services can help more under-represented learners from diverse backgrounds make better progress. Helping improve access to quality education for a broader spectrum of learners contributes to growing our business, stimulating innovation and advancing the UN SDGs. Some of the underserved and underrepresented groups we have focused on to date include adult learners without degrees, underprepared learners in US higher education, people with disabilities, women and girls, and refugees.

As one example, within the assessment business in the US, the computer-based GED allows adult learners to prepare for college, career training programmes or better-paying jobs. By supporting adults who have faced barriers completing their high school education, it is a key piece of our sustainability objective to advance equity in education.

Other examples of products that are helping learners overcome barriers include Accelerated Pathways (see p36) and BTEC qualifications (see p18 and 37) →

Accessibility

Pearson is committed to continual improvement to increase the accessibility of our products. Our Global Accessibility Steering Group drives support for people with disabilities through the intentional integration of accessibility standards into product development. Our Pearson Able Employee Resource Group has a remit to improve company practice in the support of learners and employees with diverse needs.

Pearson has joined the Valuable 500, a global movement to put disability on the business leadership agenda. As part of our membership, we have committed to publicly disclose a policy framework for product accessibility as well as to build, develop and share a market-leading approach to mentoring people with disabilities.

In 2019, the Assessment business drafted an internal policy for accessibility, provided 25 virtual accessibility training sessions for employees, and designed an external accessibility website with tools and guidance. The team also designed a three-year tactile graphics study and completed Phase 1. The study's advisory board includes representatives from the National Federation of the Blind, the Braille Authority of North America, Braille production vendors,

Sustainability

certified Braille transcribers, students, parents and teachers of the visually impaired.

In 2019, the Global Product business revised an existing internal policy on accessibility and laid the foundations to update all guidelines from Web Content Accessibility Guidelines (WCAG) 2.0 to 2.1, in line with increasingly global customer requirements. The team also signed agreements with a number of new channel partners to ensure the widest and most convenient possible access to our products.

Every Child Learning

Since 2015, Pearson has joined forces with Save the Children to deliver the multilateral Every Child Learning programme to support Syrian refugee and host community girls and boys in Jordan, aged 9–12 years, in Grades 4, 5 and 6. The programme helps improve their learning and build their resilience, whilst making their learning environments safer.

To achieve this ambition, the partnership has focused on researching and integrating new programmatic and digital educational solutions – including the creation of the innovative classroom mobile learning tool, the ‘Space Hero’ (Batl Al Fada’a) maths app.

The programme was successfully expanded from three to 19 schools during the academic year 2018–19, working collaboratively with children, parents, teachers, school leadership and the Jordanian Ministry of Education. Over 10,000 children used the Space Hero app through the programme, and over 2,000 participated in Arabic remedial classes to help them catch up with their peers through the programme.

To support educators, we developed and tested a user dashboard complementing the ‘Space Hero’ app, which includes features to help teachers follow up on their students’ progress and tailor future classes. The partners published ‘The Space Hero Manual’ and distributed it to maths teachers in schools. In addition, over 300 school staff members were trained on academic subjects and providing psychosocial support.

CAMFED

Since 2013, Pearson has partnered with international NGO CAMFED (Campaign for Female Education) to help girls from low-income communities in sub-Saharan Africa stay in school, learn and develop key skills for life and work. The project is funded by the UK Department for International Development’s Girls’ Education Challenge, and supported by national Ministries of Education. Together, we developed a life skills curriculum and learning resources used by young women ‘Learner Guides’ in supporting vulnerable children studying in rural schools. We also created a customised BTEC qualification to recognise the skills, experience and achievements of Learner Guides and enhance their employability prospects. As of December 2019, we have awarded 2,880 BTECs to young women from marginalised backgrounds in Zimbabwe, Tanzania, Ghana and Malawi, against a target of 5,000.

In 2019, Pearson and CAMFED adapted the BTEC qualification to make it accessible to all the young women acting as volunteer guides in CAMFED’s programme: not just guides working in schools but also those supporting girls as they graduate from school, and those mentoring young women to set up and grow local enterprises. The revisions also reflect a greater emphasis on employability skills, and new content has been introduced on topics such as sexual and reproductive health and information technology. The revised BTEC qualification was launched in Zimbabwe, Tanzania and Zambia during 2019 and is projected to reach a further 4,500 candidates over the next three years.

Pearson Ventures

Pearson Ventures invests in companies building new market opportunities using innovative business models, future technologies and new educational experiences. In December 2019, the initiative made investments in its first two startups, Springboard and Knowledge to Practice (K2P), which are focused on lifelong learning and employability. The investments total \$4.2m with Springboard at \$2.2m and K2P at \$2m.

Volunteering

Pearson sponsored a 2019 North America Volunteer Day to support the philanthropic interests of its employees and make a difference in communities across the US and Canada. Over 500 colleagues participated in a variety of impactful activities including book drives, reading to classrooms, food drives, Habitat for Humanity, mentoring at the Boys & Girls Club, park clean-ups and trips to local animal shelters.

Building skills for sustainable futures

We want our learners to be 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.

In response to our customers, we have developed content, courses, qualifications and other services that help students learn about sustainability. By integrating sustainability-related content into our products, we can explore new market opportunities while making a direct contribution to the UN SDGs and inspiring the next generation to improve their world.

Supporting Syrian refugee and host community girls and boys





We work with a number of authors and professors who have made sustainability part of the materials they create for Pearson. We have also developed a number of sustainability qualifications, and have embedded sustainability within BTEC qualifications across sectors, including engineering, warehouse operations, animal management, science and IT.

Leading by example

We are committed to being the best partner we can be to learners, educators, suppliers and communities: living our values through how we do business, treat people and protect the environment.

Human rights

Our goal is to respect and promote human rights, including the right to education, throughout our operations and with our customers, employees, contractors and supply chain. Our approach is guided by the Universal Declaration of Human Rights, the International Labour Organization's declarations on fundamental principles and rights at work, the UN Guiding Principles on Business and Human Rights, and the UN Global Compact Principles. We are a founding signatory to the UN Global Compact, and we are a member of the Global Compact's UK Local Network.

We respect the rights of our employees to freedom of association and representation through trade unions, works councils or any other appropriate forum wherever local laws allow. We work to prevent discriminatory, illegal and inhumane labour practices including child labour, forced labour, slavery and human trafficking. We use our influence with our suppliers to improve standards

for their employees. Read more about supporting our suppliers and our work to prevent modern slavery in the supply chain on p23-25 →

Our Human Rights Statement outlines the priority human rights risks and opportunities for Pearson that our programme is taking steps to address. Our approach to human rights covers five areas: learners, content, employees, partnerships (see responsible sourcing, p23-25), and privacy and data (see risk section, p47-48) →

Learners

Through our human rights impact assessment, we determined that Pearson's greatest opportunity to advance human rights is supporting underserved and vulnerable learners through its products and services. On p17 we describe our approach and examples of products that are helping learners overcome barriers, such as the GED (see p17), Accelerated Pathways (see p36) and BTEC qualifications (see p18 and 37) →

To protect learners from harm, we are committed to safeguarding wherever we operate, and particularly in schools, training and learning centres, and teaching facilities. More detail on our approach appears on p45. We have undertaken work to strengthen our processes for learners to raise concerns about harassment or abuse, including by integrating recommendations from the UN Guiding Principles on Business and Human Rights into relevant safeguarding risk assessment frameworks. We have completed a gap analysis of current processes and identified areas of improvement to take forward in 2020.

Content: Pearson's Editorial Policy

To ensure that the content within our products is aligned to Pearson's values, and to prevent inappropriate content from being published, our Global Editorial Policy acts as a guide for content developers to create products that are relevant, appropriate and inclusive.

Our policy is based on principles in the following areas:

1. Respecting human rights including freedom from discrimination and bias
2. Creating content that embeds an awareness for and the promotion of Diversity & Inclusion
3. Demonstrating support for learning that is based on evidence and facts
4. Aligning with legal and ethical obligations of content creation and production
5. Ensuring content respects regional laws and is not locally inappropriate or offensive

The policy is applied across all markets and business units, and is overseen by a cross-regional and functional steering committee, chaired by a member of our Executive team. A network of 35 policy champions are responsible for implementation and act as a point of escalation for queries in our businesses and markets around the world.

In 2019, we incorporated the Policy into Pearson's Code of Conduct. An online learning module is automatically assigned to new starters in content-facing and support functions and, for external providers, as part of our vendor onboarding process. To date, over 6,000 employees and 1,500 external providers have completed our Global Editorial Policy training. Policy checkpoints are included in our product development processes, and a Policy review of published titles has also been established in some business units.

In our Global Product unit, key D&I discipline leads have completed training on content review, and we have released internal guidelines to integrate best practices and escalate issues. Moving into 2020, we will launch additional training and certification on reviewing content for D&I and scale up our efforts in this area.



“I want the female African perspective to be heard and film is a powerful tool to express my ideas. **I want to be a director who makes a change.**”

Josephine Kiaga,
BTEC Student of the Year 2019

CASE STUDY BTEC

Creative and inspirational

BTEC Student of the Year 2019, Josephine Kiaga, is both a creative and an inspirational voice for her peers and the wider community.

She took a BTEC Subsidiary Diploma in Creative Media Production (Film and Television), as well as a BTEC Diploma in Performing Arts (Acting) at Braeburn International School Arusha in Tanzania, to support her ambitions to become a director.

Josephine sets her sights high: “I want the female African perspective to be heard and film is a powerful tool to express my ideas. I want to be a director who makes a change and who creates with a purpose.”

Josephine is a powerful leader. She was an ambassador of human rights at the East African Model United Nations (EAMUN) conference and she co-organised a ‘Girls’ Empowerment’ day for local girls in the community where they ran workshops regarding entrepreneurship, female hygiene and more. She has also achieved distinctions in public speaking enabling her to teach London Academy of Music and Dramatic Art (LAMDA) classes assisting fellow students.

As BTEC Student of the Year, Josephine is a future creative leader and a powerful advocate for women and her country. Her energy and passion for the creative arts will take her far.

About Pearson’s BTEC qualifications

Over 1m learners every year choose a BTEC course through c.6,000 approved BTEC

centres in 60 countries around the globe. Learners choose BTECs because they are high-quality, hands-on qualifications grounded in the real world of work.

Students learn by doing, and develop valuable employability skills that they will use throughout their future career or for progression into university and to make a positive impact on the world. We know that this has a positive effect on students: research from the UK Department for Education shows that, for pupils in state-funded mainstream schools, taking a Technical Award, such as a BTEC Tech Award, is associated with pupils having lower absence rates, lower permanent exclusion rates and lower fixed exclusion rates, when compared with similar pupils who did not take a Technical Award.

Our priority growth markets are China, ASEAN, Middle East, Central/Eastern Europe and North Africa. The key strategic industry sectors that we are focused on to address the skills demand are engineering, construction, digital/tech, travel and tourism, as well as health and care.

This is an example of how we are designing products to have an impact on key learning outcomes such as employability skills and promoting education to advance the UN SDGs as part of our 2030 Sustainability Strategy.

Learn more about Efficacy on p27 →

Learn more in our Sustainability section on p16 →

Employees

Our employees are key to helping us fulfill our vision of helping far more people prosper throughout a lifetime of learning. As such, we play a crucial role in creating a working environment that enables our employees to grow, develop and succeed. This strategic report describes the various ways in which the company engages with, invests in and rewards its employees. The remuneration report also describes the remuneration philosophy which applies to the company as a whole.

Employee engagement

This year, we have enabled engagement with a range of opportunities for employees at all levels of the organisation.

On the back of our successful Innovation Jam in 2018, we formed Tiger Teams to support implementing ideas and solutions. The Tiger Teams have been directly involved with introducing a more flexible approach to performance management, including a new behaviours framework, and they have been instrumental in shaping our learning strategy for 2020.

We launched the 'Managers' Corner' community in January 2019 to streamline communications for our managers. The purpose is to help our managers understand what they need to know, need to do and need to talk about with their teams. This is a critical channel for ensuring all employees are aware of key matters of concern, including financial and economic factors affecting our business. Our 'We are Pearson' campaign launched in October 2019 with the celebration of Pearson's 175th birthday. The activity was focused on reinvigorating the hearts and minds of our employees across the globe virtually and through 59 in-person local birthday celebrations in 25 countries.

In response to the UK Corporate Governance Code, we are excited to take part in strengthening the voice of our workforce with the creation of our Employee Engagement Network (read more on p64) →

Investing in and supporting our talent

This year, we launched 'Pearson Products for Pearson People', as part of our commitment to help our employees prosper. We introduced GEDWorks™, an opportunity for regular employees and their families in the US to earn a GED credential for free (read more about the GED on p17), and free access to Pearson's eText titles through the VitalSource Bookshelf.

We implemented changes to our performance management approach to shift our focus from an annual backward-looking conversation to regular conversations over the year, giving employees the opportunity to continuously learn, grow and improve performance. The relationship between pay and performance has not changed, to ensure that employees are rewarded for their contribution and impact. Managers have more flexibility to differentiate their reward decisions.

We offer benefit programmes that make our employees' lives easier, simpler and more rewarding. Our programmes vary globally and include health insurance, disability coverage, retirement savings matching, employee share purchase options, commuter benefits, tuition reimbursement, and programmes that support wellbeing and work-life balance.

This year, we implemented US policy changes designed to give our employees more time with family when needed. Maternity leave and Parental & Serious Illness in the Family Leave (PSIL) were extended and the Financial Aid for Adoption Policy was modified to expand reimbursement benefits to offset surrogacy expenses.

Pearson maintains its accreditation by the Living Wage Foundation and has committed to paying employees and regularly contracted staff working in our buildings across the UK and in London the real Living Wage.

Labour practices

We respect the right of our employees to freedom of association and representation through trade unions, works councils or any other appropriate forum wherever local laws allow. We have policies and processes in place to prevent discriminatory, illegal or inhumane labour practices, including child labour, forced labour, slavery and human trafficking, in our places of business, as well as to address violations when they occur. Representation takes many forms. We support the right to unionise in the UK.

Employee learning and development

Our culture is centred around helping people unlock their futures through learning and a range of diverse work experiences.

To become a digital-first company, we recognise the importance of helping our employees build their own digital skills. 'Digital Learning Live' launched this year as an interactive webinar series to provide all employees with practical digital skills that can be used across Pearson. The Help Me kNow hub provides a large library of videos, activities and lessons to help our employees feel more comfortable with the new digital tools introduced company-wide this year.

We are introducing a Senior Vice President (SVP)–Employee Experience role which will bring together our HR Centres of Expertise to integrate our approach from recruitment to retirement in a more meaningful way for employees.

Managing organisational changes

Pearson experienced continued change this year, through consolidation and headcount reduction, as we work to achieve our digital-first strategy. We continue to support our employees with regular communication. In the UK, we follow a legally prescribed consultation process and undertake a minimum period of 45 days.

We are also in the early stages of implementing predictive analytics to help us identify variations in employee turnover globally. As we mature in this space, we will be better positioned to develop targeted strategies that increase retention.

In 2019, the Pearson Alumni Network supported a community of past and current engagement with employees through quarterly newsletters, a 'Leaders in Learning' podcast, the 'Career Coach' to share job opportunities from around the sector, and the 'Alumni Learning Series'.

Sustainability

Key performance indicators: women in Pearson

Among our seven D&I priorities is a goal to improve gender representation at the top two levels of the company. At Board level, 33% of our members were female as at the end of 2019. As a founding member of the 30% Club, we have endorsed and committed to work towards the target of a minimum of 33% representation of women on the Board and in our Senior Leadership Group by 2020. The table below sets out our female representation over the past three years. The final column on the right represents actual numbers.

	2018	2019	2019
Board of Directors	30%	33%	4
Senior leadership ¹	31%	34%	34
All employees ²	62%	59%	13,022

1 Two reporting lines from the Chief Executive.

2 Total employee figures for female composition of workforce are based on a snapshot of employees as at 31 December 2019. Average annual figures for 2019 are used elsewhere in this report and differ due to including seasonal employees at peak periods in our assessment businesses, as well as those who may no longer be employed by the Group at 31 December 2019 due to the simplification programme.

Key performance indicators: global Greenhouse Gas emissions data

Metric tonnes of CO ₂ e	2009 ¹	2018	2019
Combustion of fuel and operation of facilities (GHG Protocol Scope 1)	44,649	13,057	13,251
Electricity (GHG Protocol Scope 2 – location based)	130,395	49,920	47,384
Electricity (GHG Protocol Scope 2 – market based) ²	–	4,583	418
Emissions relating to air and rail travel, electricity transmission, waste and water (GHG Protocol Scope 3)	35,262	30,022 ³	19,786
Total – location based	210,306	92,999	80,421
Total – market based		39,312	33,454
	2013 ¹	2018	2019
Total energy used in buildings (MWh)	285,590	127,083	129,717
Intensity ratios			
tCO ₂ e per employee (scope 1, 2 & 3)	6.8	3.48	3.57
tCO ₂ e/sales revenue (scope 1, 2 & 3)		20.50	20.79

1 2009 is a baseline year for carbon reduction and 2013 is a baseline year for energy reduction.

2 For nine of our key markets we buy renewable energy through green energy tariffs or renewable energy certificates (RECs) in the country of consumption. This accounts for 97% of our electricity use. We buy RECs regionally for the remaining 3% in those markets where we have a small presence.

3 A new, enhanced data source was employed in 2019. We have updated and rebased our estimated emissions as a result.

Methodology: We have reported on all of the emission sources required under the Companies Act 2006. The method we have used to calculate GHG emissions is the GHG Protocol Corporate Accounting and Reporting Standard (revised edition), using the Scope 2 dual reporting methodology, together with the latest emission factors from recognised public sources, including, but not limited to, the UK Department for Business, Energy & Industrial Strategy, the International Energy Agency, the US Energy Information Administration, the US Environmental Protection Agency and the Intergovernmental Panel on Climate Change. The data in the table above has been independently verified by Corporate Citizenship.

Diversity & Inclusion

Every person is unique, whether that be in terms of age, gender, identity, race, ethnicity, religion, disability, sexual orientation, education, learning style, national origin, personality type, as well as across a range of other factors – as set out in our Diversity & Inclusion Statement. At Pearson, we value a diverse workforce and a workplace which reflects our learners – the customers we serve around the world.

Last year, Pearson designed and adopted a new strategic framework for diversity and inclusion practice. Our charter is to capitalise on different perspectives and leverage diversity to spur innovation and growth through an inclusive culture and working environment. Our approach includes:

- › a Global Diversity & Inclusion (D&I) Council led by the CEO to provide strategic oversight and to extend our work into many more markets and countries. The Council includes business leaders, allies and advocates as well as representatives from our Employee Resource Groups.
- › a set of seven priorities which guide our action planning and major initiatives.
- › a global network of D&I Advocates who provide support to advance our practice in their businesses and geographic locations.
- › a plan to help our ten employee resource groups at Pearson evolve and mature. The networks are for women, women in technology, parents, veterans, Latinos, the LGBT+ community, generational differences, people with disabilities, employees of black and/or African ancestry, and a group representing black, Asian and minority ethnic people.
- › a D&I dashboard review and goal-setting session held with each business and function leadership team. This was a new introduction in 2019.

Disability is an important part of our wider commitment to Diversity & Inclusion. We work to ensure that appropriate procedures, training and support are in place for people with disabilities to ensure fair access to career and progression opportunities. Our Pearson ABLE employee resource group helps improve practice by bringing together people with disabilities in Pearson and accessibility advocates.

What goes into our products?

Direct



Paper



Print



Transportation



Content

Indirect



Consultancy services



Human Resources



Marketing



Information Technology



Facilities

In 2019, Pearson received a number of D&I awards (see p26) and was recognised as fostering an inclusive culture through our leaders. The Managing Director of Pearson Canada was named on the 2019 HERoes Women Role Model Executives list, which celebrates women driving change to increase gender diversity in the workplace. Also, our SVP-BTEC and Apprenticeships has been recognised in the 2019 EMpower list of the top 100 ethnic minority business leaders.

Pearson continues to report on GB gender pay in line with UK regulations. Our work to extend our reporting on gender pay to cover our global operations by 2020 continues and is on track.

Our environmental impact

We are committed to reducing our impact on the environment. Responsible environmental stewardship helps to create a healthy and sustainable planet for our learners and all of society. Our biggest direct impacts are carbon emissions from our use of energy, so we need to ensure we manage our own operations responsibly.

We continue to do our part to address the global challenges of climate change. In 2019, we calculated our Scope 3 GHG emissions and developed a proposal for the Science Based Target Initiative to establish our new long-term goal for carbon emissions in 2020.

We met our 2020 GHG and energy reduction targets achieving:

- > 62% reduction in total (location based) GHG emissions (vs target of 50% reduction against 2009 baseline).
- > 55% reduction in energy use in our buildings (vs target of 50% vs 2013 baseline).

In 2019, we installed LED lighting in three of our UK properties.

- > We maintained our commitment to using 100% renewable electricity and offset our emissions from our energy and fuel consumption and business travel (through an Indonesian forestry conservation project and an Indian renewable energy project, both of which are certified to the VCS standard).

In 2019, we maintained our ISO 14001 certification, the environmental management standard in the UK and Australia. This standard incorporates both internal and external audits.

Responsible sourcing

At Pearson, we believe in doing business with partners who share our commitment to human rights and the environment – strengthening our supply chain through shared values and commitments.

In 2019, Pearson purchased over £2.35bn of goods and services from third parties, from large multinationals to smaller specialist companies and sole traders. Around 80% of Pearson’s global spend is represented by 605 suppliers.

The majority of products and services Pearson purchases are sourced from suppliers in OECD countries, predominantly in North America and Europe. Our relationships with suppliers are guided by our commitments to international standards for human rights and environmental responsibility. We are committed to the UN Global Compact and other human rights standards including the Universal Declaration of Human Rights, the International Labour Organization’s declarations on fundamental principles and rights at work, and the UN Guiding Principles on Business and Human Rights (see p19 for more on our commitments). The UK Modern Slavery Act also guides our approach, and our Modern Slavery Statement is available at: <https://www.pearson.com/legal-information/our-policies/modern-day-slavery.html>

We are a founding member of the Book Chain Project, a partnership between publishers to enhance industry standards relating to labour standards and human rights, product safety, and paper sourcing.

Sourcing policies

Our policies help ensure Pearson’s values are reflected and shared with everyone we do business with. The Business Partner Code of Conduct (Partner Code) clarifies the responsibilities and expectations we have of our business partners (which includes joint venture partners, vendors, franchisees, distributors, suppliers, contractors, consultants and agents) for ethical and responsible business practices.

Sustainability

The Partner Code sets out our support for environmental stewardship, universal human rights (including equal employment, freedom of speech and of association, and cultural, economic and social wellbeing), good labour practices, and decent working conditions. It also sets out expectations that our supply partners, and their subcontractors, oppose discriminatory, illegal, or inhumane labour practices, including slavery and human trafficking. The Partner Code is present in new contracts and is included when contracts are renewed or updated. Compliance with the principles in our code is a minimum standard of behaviour outlined in contracts.

Our Business Terms of Reference, specific to Pearson supply chain contracts, set out the terms and conditions for purchase of goods and services, and are agreed prior to engaging suppliers. This provides Pearson with the power of audit and right to terminate a relationship if we find issues of non-compliance, ensuring our responsible purchasing principles are contractually enforceable.

When working with schools and campuses, suppliers must have an acceptable safeguarding policy which meets or exceeds Pearson's own (see p45 for more on safeguarding). Suppliers are also subject to Pearson's Anti-Bribery and Corruption Policy (see p49 and p77) and Gifts and Hospitality Policy.

Direct supply chain

While we have a growing technology-enabled supply chain reflecting our increasing shift to digital, our traditional paper-based products continue to be a key area of focus. Our Supply Chain function manages our purchases of paper for books, as well as our contracts with printers and works with distributors and shippers who bring our products to market.

“ We are committed to reducing our impact on the environment.”



US Higher Education Courseware supply chain

Pearson does not directly manage paper procurement, print manufacturing, warehousing and distribution operations for our US Higher Education Courseware business. These activities are outsourced to LSC Communications, which is subject to our Business Partner Code of Conduct.

Paper sourcing

Pearson has a longstanding Responsible Paper Sourcing Policy that sets out our approach to managing risks related to human rights and environmental practices in our direct supply chain. This policy sets out our preference for paper suppliers which hold Forest Stewardship Council (FSC) certification, and we also recognise the Programme for the Endorsement of Forest Certification (PEFC) system of certification.

In 2019, we purchased over 100,000 tonnes of paper globally. To help to reduce our impact, we have retained Chain of Custody accreditation from the FSC in the UK, which enables Pearson products to carry the FSC logo. Of the more than 12,000 tonnes of paper we purchased in the UK, 86% was certified to an environmental standard, such as FSC or PEFC.

Print production

We rely on third-party suppliers to print our textbooks and course materials. Globally, we have over 200 print suppliers representing approximately £200m in spend.

In the UK, we require suppliers rated as high risk and with spend of over £100,000 to undertake an independent third-party audit before being approved as a supplier, and to agree to regular review audits at least once every two years. We rate suppliers as medium or high risk based on a Book Chain tool designed specifically to help publishers identify labour and environmental risks in the supply chain. The audits are carried out by third-party auditors and shared via the Book Chain platform.

Our due diligence process also includes visiting suppliers around the world to assess compliance with our standards, and to ensure suppliers address non-compliance. These visits provide a valuable opportunity to reinforce our commitments to eliminating all forms of child, forced and compulsory labour, as well as promoting environmental stewardship.

In our UK business, we had £26m in spend with 46 suppliers in total. Of these, we have identified four suppliers, representing £6.6m in spend, as high-risk based on country of operation (China and Malaysia), guidance from the Book Chain Project and meeting our £100,000 materiality threshold. All four were visited in 2019 and have a valid audit in place.

Indirect procurement

Following deployment of systems in the UK, US and Canada, new supplier requests are tracked and pass through audited approval actions before being confirmed for onboarding into Pearson systems. Suppliers submit information directly and securely through our platform, governed by SOX control standards, where risk assessment concerns are tested across: conflict of interest, trade sanctions, sanctioned countries, sustainability, physical security, diversity, and business continuity.

Our 2020 supplier risk initiatives will focus on: a reduction in the number of 'active' suppliers available for the business users to purchase against (therefore reducing our risk landscape); risk assessment of incumbent suppliers; and improvement of Pearson's supplier risk assessment enabled by technology and partnerships.

Contingent workers

Allegis Global Solutions (AGS) is the major partner supporting Pearson's relationships with our contingent workforce population. Our contingent workers frequently fill roles such as engineers, developers, exam graders and project managers.

AGS, and our other partners, help Pearson ensure our contingent workers receive detailed information outlining how Pearson's people policies apply to them, and help to hold contingent worker agencies accountable for ensuring that workers are informed of these policies.

Supplier diversity

Our supplier diversity programme focuses on local, small, diverse businesses – such as underutilised, or women-, minority-, LGBT- or veteran-owned. Building close partnerships with diverse suppliers helps make us more competitive and drive innovation. In 2019, the Global Supplier Diversity team contributed to 37 proposals with supplier diversity requirements, whose total potential contract value exceeds ~£400m.

A roadmap for the future

In 2019, we undertook a project with sustainability advisers, BSR, to assess our existing approach to human rights in our supply chain, ensure we meet global standards and stakeholder expectations, identify any gaps, and develop a roadmap to improve our approach. Based on the project's findings, Pearson plans to improve spend data, facilitate better measurement and reporting of KPIs, and continue to inform both buyers and suppliers on human rights issues to Pearson's standards.

Through our Procurement Function, Pearson will continue to contribute to our corporate social responsibility and sustainability targets by influencing our sourcing methodologies to promote spend with qualifying suppliers. We are putting processes in place to: increase our diverse spend; include supplier diversity language in our requests for proposals; and work with non-diverse suppliers to incorporate supplier diversity goals into their procurement process.

Governance

Our strong governance structures and internal systems are key to managing risks and embedding sustainability, responsibility and ethics across our business. Key areas include our organisational risk management (see p40–50), compliance and anti-bribery process (see p49), public policy (see p45) and tax (see p47) →

Sustainability governance

The Reputation & Responsibility Committee, a formal committee of the Board, provides ongoing oversight, scrutiny and challenge on matters relating to our Sustainability Strategy and our corporate reputation. Learn more on p72 →

The Pearson Executive oversees implementation of business and sustainability strategy. The Responsible Business Leadership Council drives implementation of the strategy on behalf of the Board. It is chaired by our Chief Corporate Affairs Officer and comprises leaders from across the business. We updated the membership and terms of reference in 2019 to oversee and support the integration of our updated sustainable business priorities.

Code of Conduct

The Pearson Code of Conduct underpins our values by setting out the global ethical, social and environmental standards of behaviour we expect from employees, and we have a companion code for business partners.

Our Code of Conduct was revised and refreshed in 2019, and the course included a focus on raising concerns, a certification to the Code and an overview of our Global Conflicts of Interest Policy and disclosure process. We make sure all Pearson employees are aware of our Code and confirm they understand and will comply with it. In 2019, we achieved our target of 100% employee completion and acknowledgement of the Code by all employees. The Code is also assigned as part of the onboarding process for all new Pearson employees.

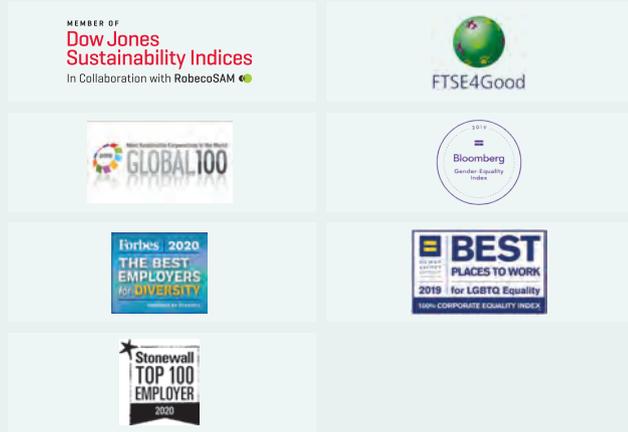
Raising concerns

We operate a free, confidential telephone helpline and website for anyone who wants to raise a concern, and we have a clear Raising Concerns and Anti-Retaliation Policy in place to encourage honesty and openness. Cases that pose significant risks to our business are reported to the Pearson Audit Committee with ultimate ownership by the Board.

Sustainability

Recognition and multi-stakeholder engagement

Awards



Initiatives



Non-financial information statement & more information

The following table outlines where the key contents requirements of the non-financial information statement (as required by sections 414CA and 414CB of the Companies Act 2006) can be found in this document.

Please visit our website for a complete set of our environmental, social and governance performance data and information about how we are aligning with the UN Global Compact principles, Global Reporting Initiative and Carbon Disclosure Project.

Reporting requirement	Pearson policies and procedures	Section of annual report
Environmental matters	Environmental Policy Paper Purchasing Policy	Our environmental impact, p22-23
Employees	Code of Conduct Human Rights Statement Raising Concerns and Anti-Retaliation Policy Health & Safety Statement Diversity & Inclusion Statement	Our employees, p21-22
Human rights	Human Rights Statement Editorial Policy Modern Slavery Statement Safeguarding Principles	Human rights, p19 Editorial Policy, p19 Our employees, p21-22
Social matters	Human Rights Statement	Our 2030 strategy, p6 Advance equity in learning, p17 Build skills for sustainable futures, p18-19
Anti-corruption and bribery	Code of Conduct Anti-Bribery and Corruption (ABC) Policy Raising Concerns and Anti-Retaliation Policy	Legal and compliance, p48-49
Policy embedding, due diligence and outcomes		Organisational risk management, p40-50 Sustainability, p16-26
Description of principal risks and impact of business activity		Organisational risk management, p40-50
Description of business model		Our strategic model, p10-11
Non-financial key performance indicators		Sustainability, p16-26

Publicly available policies in the list above can be found at:
www.pearson.com/corporate/our-policies.html

Efficacy

Efficacy is the science behind how Pearson designs learning experiences to impact learning

In 2013, we made a commitment to measuring our impact on some of the outcomes that matter most to learners, such as achievement in exams. The next generation of efficacy takes what we have learned and evolves our approach by putting a stronger focus on designing products to have a measurable impact on delivering employability and lifelong learning outcomes as well.

Although our approach is rigorous, the concept underlying it is simple: we use evidence and research to design products and solutions to help learners achieve the outcomes that matter to them. Then, we measure the impact the use of our products has, publicly and transparently report on that impact, and use what we learn to help learners and ourselves continuously improve.

We aspire in our commitment to efficacy to give learners a reason to believe in Pearson, as the trusted guide to lifelong learning, as they navigate a changing world of work. The era of one job or career for life is gone. The talent economy is now driving the need for a lifetime of learning. Automation is changing the world of work, STEM jobs are on the rise and in many places, jobs outnumber workers for the first time in decades. Skills that are

hard to automate, like personal and social capabilities such as communication and critical thinking, are becoming more important than ever. To equip themselves to make the most of this new world of work, people must continuously grow, demonstrate their skills and adapt their talents.

In this talent-driven world, to support people to make the necessary progress, we must also refocus and redesign learning to support the development of key skills needed to thrive in the future of work.

First, we must help people to understand what it means to be employable. Based on research with c.14,000 employers, educators, and learners across the world into the outcomes that matter most, we have identified the range of competencies and skills that go into making an individual employable. This includes the foundations, such as learning to learn, to securing levels of achievement in core academic areas like the STEM disciplines, to the skills needed to continuously learn throughout life in order to remain successful over a whole career. These are the skills needed for jobs that don't even exist yet. The skills fall into four broad categories as visualised below.

Reflecting this, our aspiration to be a trusted guide is built on demonstrating to learners we can help them grow, show and continuously evolve their talents through a lifetime of learning.

Our ongoing commitment to demonstrating our impact via transparent, publicly audited efficacy reporting sets us apart from our competitors. Two of the efficacy reports we are releasing this spring focus on products designed to support individuals to be successful in their careers:

- › Watson-Glaser assesses critical thinking for higher education placement and employee hiring and success.

- › BTEC Level 3 Health and Social Care equips students with the specialist knowledge, practical skills and understanding they need to progress along their chosen learning and career path.

Learn more about BTEC on p20 →

Additional reports will be released later in 2020 on our Virtual Schools business, and on our US Higher Education Courseware products. All of our reports are accessible at: www.pearson.com/corporate/efficacy-and-research.html

As pioneers in applying efficacy in education, we are committed to keeping on pushing the boundaries of the returns learners deserve from learning experiences: guiding learners through a lifetime of learning and, in doing so, building public trust in the business of learning.

Designing innovations for impact

Aida is the world's first AI-enabled mobile calculus tutor designed to support students to pass calculus and in doing so contribute to increasing STEM retention rates.

To achieve this outcome, the design was informed by our learning science and design expertise. Aida analyses learners' paper-based calculations, identifying incorrect steps, gives feedback and uses authentic examples to more actively engage learners and improve motivation.

No matter how advanced the technology is, our focus on efficacy keeps our product development grounded in design, based on decades of evidence of what works to enable learning, measure impact and continuously improve.

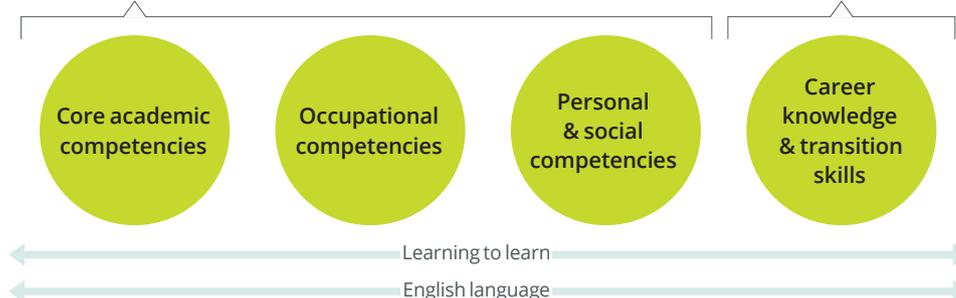
Learn more about Aida on p35 →

Productivity competencies

Skills, knowledge and attributes that make individuals productive in the workplace

Transitional competencies

Enable individuals to secure employment and make progress in employment



Directors' duties statement

The Directors of Pearson plc – and those of all UK companies – must act in accordance with a set of general duties. These duties are detailed in the Companies Act 2006 and include in Section 172 a duty to promote the success of the company (see inset, right).

As part of their induction at Pearson, the Directors are briefed on their duties and they can access professional advice on these – either through the company or, if they judge it necessary, from an independent provider. Typically, in large and complex businesses such as Pearson, the Directors fulfil their duties partly through a governance framework that delegates day-to-day decision-making to employees of the Group.

The Board recognises that such delegation needs to be much more than a simple financial authority and, throughout this document, we have summarised: our governance framework; the values and behaviours expected of our employees and business partners, including the standards to which they must adhere; how we engage with stakeholders, including to understand and take into account their views and concerns; and how the Board looks to ensure that we have a robust system of control and assurance processes in place.

In this annual report, we provide examples of how the Directors take into account the likely consequences of decisions in the long term, build relationships with stakeholders, engage with employees, understand the impact of Pearson's operations on communities and the environment, and attribute importance to behaving as an ethical and responsible business. In particular, you are encouraged to read the following sections of this report which illustrate how the Directors, with the support of the wider business, consider these matters in the course of their duties, although this is not intended to be an exhaustive list as such matters are integrated throughout this report:

- › Creating value for our stakeholders (p14), which summarises our stakeholder groups, how we serve and engage with them, their key concerns and our response.

- › The Board's disclosure, Engagement with stakeholders (p62), which summarises:

- how Directors have engaged with employees and had regard to employees' interests; and

- how Directors have had regard to the need to foster the company's business relationships with suppliers, customers and others. Pearson considers its key customer groups to be Learners, Educators and Educational Institutions, and describes its suppliers as Business Partners – we have categorised our engagement with these groups accordingly.

- › Sustainability (p16), which describes:

- how stakeholders were consulted in the development of our new 2030 Sustainability Strategy, which is ongoing and is overseen by our Reputation & Responsibility Committee;

- the ways in which we engage in respect of the social, environmental and economic issues that will influence learning;

- initiatives through which we strive to improve access to quality education for underserved and underrepresented groups;

- the ways in which Pearson strives to be the best partner we can be to customers such as learners and educators, suppliers and communities: living our values through how we do business, treat people and protect the environment.

A continued understanding of the key issues affecting stakeholders is an integral part of the Board's decision-making process and the insights which the Board gains through engagement mechanisms form an important part of the context for all of the Board's discussions and decision-making processes. The case study on Pearson's recent acquisition of Lumerit Education (p61) provides an illustrative example of how the Board takes stakeholder views, and the impact on stakeholders, into account in its decision-making.

Section 172 of the Companies Act

In summary, as required by Section 172 of the Companies Act 2006, a director of a company must act in the way he considers, in good faith, would most likely promote the success of the company for the benefit of its shareholders. In doing this, the director must have regard, amongst other matters, to:

- › the likely consequences of any decisions in the long term;
- › the interests of the company's employees;
- › the need to foster the company's business relationships with suppliers, customers and others;
- › the impact of the company's operations on the community and environment;
- › the company's reputation for high standards of business conduct; and
- › the need to act fairly as between members of the company.