



Pearson

Annual Sustainability Report 2018



About Pearson

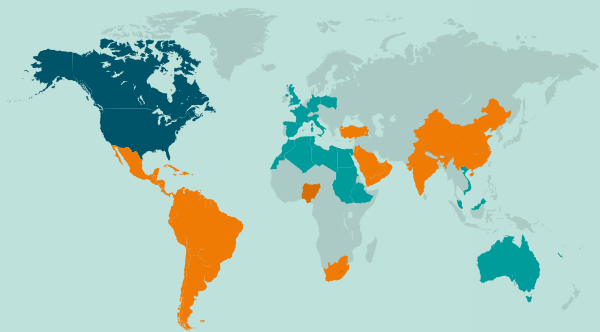
We are the world's learning company with more than 24,000 employees operating in 70 countries, with a focus on those below. We report by geography because this is how we run the company.

We provide content, assessment, and digital services to schools, colleges, and universities, as well as professional and vocational education to learners to help increase their skills and employability prospects. Increasingly, we do this through partnership models where we bring investment, expertise, and scale to help deliver better learning outcomes.

Sales by geography



- North America £2,784m
- Core markets £806m
- Growth markets £539m



We believe that quality education is the key to shaping a better tomorrow.

By enabling better learning and helping to remove barriers to a quality education, we empower learners to build a better life for themselves and those around them.



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“Our 2020 Sustainability Plan guides us to create value for both our business and our world. We have made good progress this year to improve access to education, strengthen our human rights program, and reduce our environmental footprint.”

Linda Lorimer, Chair of the Reputation & Responsibility Committee of the Board



Introduction from our Chief Executive

Delivering value through sustainability



2018 was a year of progress for Pearson. We have a lot still to do, but are increasingly well placed to guide our customers through a lifetime of learning and help our partners shape the future of education. To achieve our vision of having a direct relationship with millions of learners and to link education to the way people aspire to live and work every day, we are focused on three priorities: growing market share through our digital transformation; investing in growing market opportunities; and becoming a simpler, more efficient, and sustainable company.

In this report, we demonstrate how these priorities and our 2020 Sustainability Plan support each other to achieve economic, social, and environmental impact, creating value for shareholders while simultaneously having a positive impact on society. Whether it's offering qualifications that help people get better jobs or providing products and services for learners who are struggling, our Sustainability Plan drives us to improve quality access to education, innovate in new ways, and reduce our environmental footprint.

Sustainability is important to our company and to our stakeholders. Learners and educators expect our business to help improve access through our products and services. Our employees seek purpose in their jobs, and working toward sustainability objectives can help them find it. Our investors are increasingly interested in environmental, social, and governance (ESG) data. Many of our customers, business partners, and suppliers share our commitment to responsible business and want to understand our practices.

As we look toward the future, social and environmental issues will be increasingly important. We need to consider these factors in everything we do – in line with our commitment to the United Nations Sustainable Development Goals and UN Global Compact principles on human rights, labor, the environment, and anti-corruption.

By becoming a more sustainable company, I'm confident that we will be able to have a positive impact on learners and our world – and continue to deliver value for many years to come.

John Fallon
Chief Executive

Business priorities

2020 Sustainability Plan

Impacts

Economic

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

Social

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

Environmental

- > Global greenhouse gas emissions reductions
- > Forest conservation
- > Sustainable production and consumption

Welcome from our Chief Corporate Affairs Officer

Putting our sustainability plan in action



When I joined Pearson in January, I was delighted to become part of a company that has social impact at the heart of its mission. I have enjoyed learning about how our sustainability work is making an impact on the people who need education the most. From our innovations to reach underserved groups and our qualifications preparing learners for jobs, we are working hard to help change lives.

Our 2020 Sustainability Plan drives our commitment to integrating social and environmental issues into every aspect of our business and advance the UN Sustainable Development Goals. I'm proud of our progress toward its objectives this year.

We published our first human rights statement and took action to address gaps and opportunities identified through our human rights review. We also conducted research on supporting underserved learners and advancing education about sustainability, which will shape our work from 2019 and beyond.

In the social innovation space, the Tomorrow's Markets Incubator identified a second cohort of employees to develop new ventures that support low-income learners. Our Every Child Learning partnership with Save the Children has expanded and is now advancing education for Syrian refugees and Jordanian children in 19 schools.

We strengthened our reporting in line with the Global Reporting Initiative (GRI) Standards and were included in the Dow Jones Sustainability Index, FTSE4Good, Bloomberg Gender Equality Index, and the Workforce Disclosure Initiative in 2018.

We know there is more to do, and I look forward to working with colleagues across Pearson to help our business have an even greater impact on society.

Deirdre Latour
Chief Corporate Affairs Officer

2020 Sustainability Plan

1 Reach more learners



- › Improve access to and affordability of products and services
- › Collaborate to reach underserved learners

2 Shape the future of learning



- › Build skills that foster employability and inclusive economic growth
- › Promote education for sustainable development
- › Engage in multi-stakeholder research, dialogue, and collective action to solve global challenges

3 Be a trusted partner



- › Respect and support our people, customers, and communities
- › Protect our natural environment
- › Build a sustainable supply chain

UN Sustainable Development Goals

SDG 4:
Quality education

SDG 8:
Decent work and economic growth

SDG 10:
Reduce inequalities

Our impact on education

225+

institutions, including community colleges, use the **GED College Ready score** level to help students progress to the next level of their education sometimes without placement tests or developmental courses

p11



100+

ideas received & 9 teams selected to develop new business models that support underserved learners through **Tomorrow's Markets Incubator**

p16



28,000

new users downloaded our **Space Hero math app**, designed in collaboration with refugee children as part of our Every Child Learning partnership



p17



3.8m

Nearly 700 two- and four-year colleges and universities with 3.8m course enrollments have access to more affordable materials through our **Inclusive Access model**

p9



31%

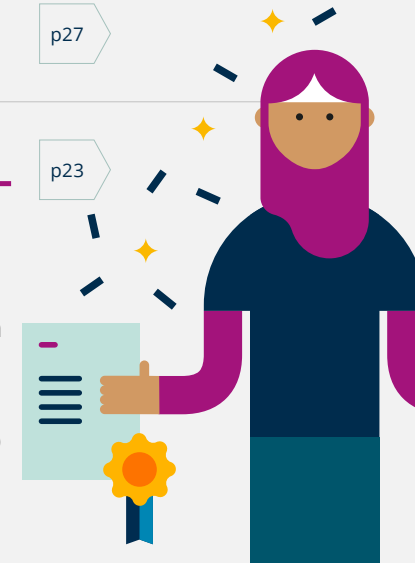
of **BTEC qualifications** include content about sustainability

p27

1,800+

BTEC qualifications awarded to young women in Ghana, Malawi, Tanzania, and Zimbabwe as part of our partnership with CAMFED

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Our impact as a responsible business

Selected awards & recognition



1st
human rights statement

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5,000
employees trained on our **editorial policy** for inclusive and appropriate content

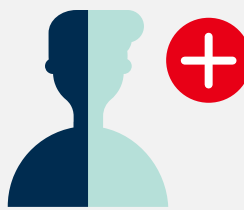
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£5.7m
social contributions



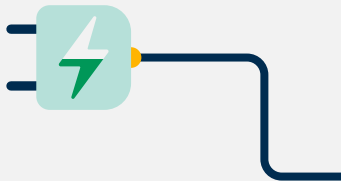
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57%
of employees participated in the **Organizational Health Survey**



p38

-56%
reduction in energy consumption from our 2009 baseline, through both the rationalization of our portfolio and energy efficiency



p46



Since we began publishing reports to demonstrate the efficacy of our products, we have released reports on products that impact the lives of

18.5m
learners

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MEMBER OF
Dow Jones Sustainability Indices
In Collaboration with RobecoSAM



Corporate Knights
Global 100 Most Sustainable Corporations in the World



FTSE4Good



for our tax reporting



Reach more learners

Everyone deserves to be their best self. We work to identify and remove barriers to education for those most in need, both through our core business and our partnerships, to enable learners to reach their full potential. Our efforts are making an impact toward reaching UN Sustainable Development Goal 4 on quality education and 10 on reducing inequality.

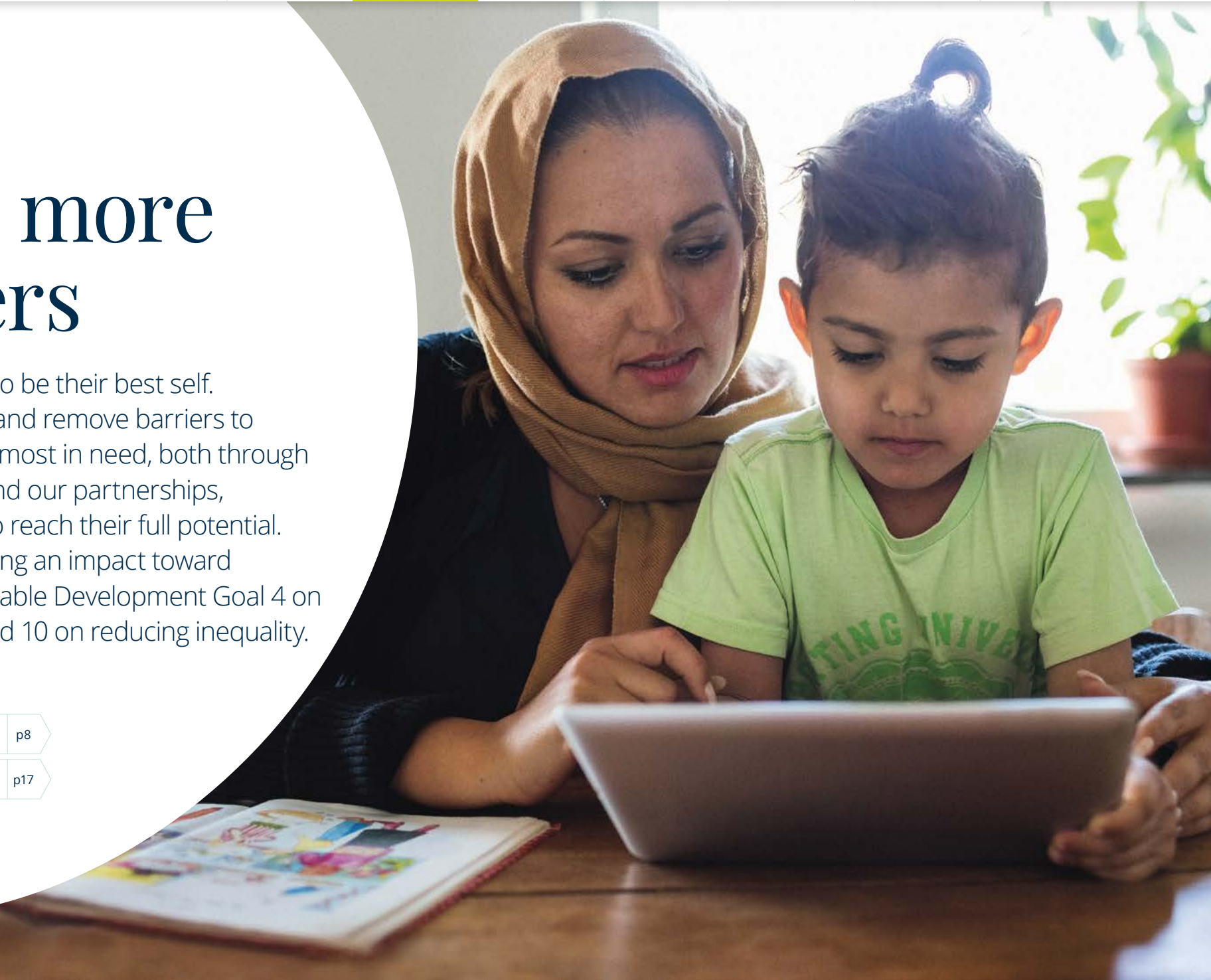
Our commitments:

Improve access to and affordability of products and services

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Collaborate to reach underserved learners

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Improve access to and affordability of products and services

In 2018, we continued to advance our commitment to improve access and affordability for underserved groups through our products and services. Some of these underserved groups include low-income learners, rural learners, first-generation college students, students who do not speak the dominant language, people with disabilities, underrepresented minorities, and adult learners and others facing personal constraints, such as the need to balance education with work and family responsibilities. Supporting these groups is central to advancing SDG 4 on education and SDG 10 on reducing inequality.

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Research on underserved groups

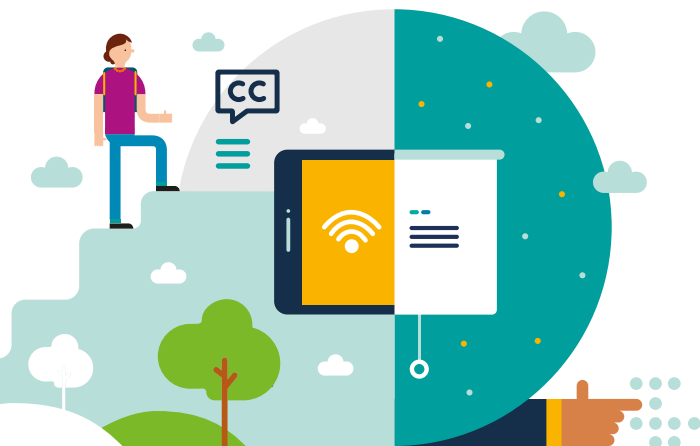
US classrooms have changed markedly in the last decade, with underserved learners comprising a large and growing base of today's students. These students often come from disadvantaged backgrounds.

60% of community college campuses use Pearson products

Based on an estimation model developed by SRI using 2016 data.

In 2018, we did extensive research in the US, one of our largest markets, to understand the needs of this diverse group of students: challenges and barriers to learning; attitudes and behaviors toward education; and learning methods and technologies that are most likely to ensure their success. We explored how needs differed between recent high school graduates and those looking to continue their education as adults. Among other insights, we found that underserved learners could benefit from more use of flexible, guided, and personalized learning formats. Building this knowledge allows us to better support underserved learners throughout their lifelong learning journey.

In 2019, we will deepen our understanding of these learners through continued research on the lifelong learner, engaging the broader ecosystem of educators, employers, and policymakers with this work.



Improve access to and affordability of products and services

College readiness products

Preparing learners for success in higher education

Many students and underserved learners arrive each term without the essential math or English skills they need to succeed in college-level courses. Programs are undergoing considerable change as educators explore innovative ways to increase student success and retention. Institutions are looking for ways to redesign the learning experience – particularly in developmental, foundational, and gateway courses. We partner with faculty from a variety of institutions to develop products and solutions that support course redesign, promote active learning, and enhance classroom experiences. We are working with schools across the country to deliver accelerated learning and remediation on core skills, like math and English, that play a key role in student success.

Our developmental products are designed to support students who have not yet achieved the levels of math and writing proficiency needed to take full-credit university courses.

To help students refresh and strengthen their skills, we have a suite of developmental math and developmental English products that include both digital and print content. We also offer MyLab Foundational Skills, which is often used outside of regular courses, such as in bootcamps before school starts, to help students avoid taking remedial courses.

Our website includes a results library with implementation case studies from partner institutions and educators who have used Pearson products to improve college readiness and student success.

See our results library at:

www.pearsonmylabandmastering.com/northamerica/educators/results/results-library.php



Inclusive Access

Making learning more affordable

Pearson Inclusive Access provides students with access to affordable, high-quality digital course materials and tools on the first day of class, better preparing them for each term and saving them up to 70% over new print materials.

With access to course materials such as eBooks, MyLab & Mastering, and Revel from the first day of class, students have more time to prepare, keep up with their assignments, and achieve their academic goals. Educators also gain valuable insights into learning activity through access to data that enables them to track and assess student progress.

In 2018, more than 100 schools began using the Inclusive Access program. Now nearly 700 two- and four-year colleges and universities with 3.8m course enrollments have adopted Inclusive Access, reaching more than 1.4m students. Inclusive Access is helping these institutions to provide timely access to course materials and drive down the overall cost of a college degree. Impact studies with our Inclusive Access partners document measurable increases in student outcomes because they have fast access to course materials and can start their studies right away. As just one example, at Copiah-Lincoln Community College in Mississippi, a comparative analysis of traditional textbook package prices and Inclusive Access costs indicates that students save an average of 68% off traditional prices when using Inclusive Access course materials.

Learn more about Inclusive Access at Copiah-Lincoln Community College:

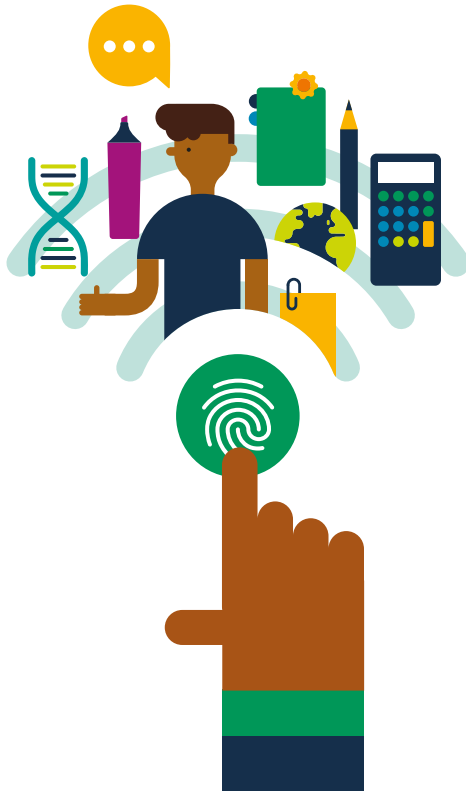
www.pearsoned.com/results/inclusive-access-copiah-lincoln-community-college/



Improve access to and affordability of products and services

Case study:

On-demand personalized expertise and support



“Research shows that if you close equity gaps, everyone in the entire ecosystem benefits.”

Lauren Gill, Solutions Portfolio Manager,
North America Higher Education Services

Smarthinking is a 24/7 online tutoring service that provides on-demand, personalized expertise and support to suit every learner’s needs, especially underserved and first-generation learners. Accessible to students whenever and wherever learning moments occur, Smarthinking helps to provide ‘wraparound’ education support and fosters learning beyond the classroom. It provides tools and resources to those who might not be familiar with how to navigate the traditional higher education system or who might be reluctant to ask for help, ensuring high-quality education is available and accessible to all.

“Research shows that if you close equity gaps, everyone in the entire ecosystem benefits,” said Lauren Gill. A recent study conducted at Morgan State University looked at the impact of Smarthinking on academic performance. The study found that writing skills, confidence, and work quality improved as a result of student interaction with Smarthinking tutors. By helping to build learning behaviors, Smarthinking is building a stronger foundation for students’ journey of lifelong learning.



Smarthinking is a 24/7 online tutoring service that provides on-demand, personalized expertise and support to suit every learner’s needs.

Improve access to and affordability of products and services

GED

Supporting high school equivalency and career readiness

With the computer-based GED, adult learners can prepare for college, career training programs, or better-paying jobs. The test measures critical-thinking and problem-solving skills, and it is the only high school equivalency test fully aligned to state and national college- and career-readiness standards.

225+ institutions, including community colleges, use the GED College Ready score level to help students progress to the next level of their education sometimes without placement tests or developmental courses

The enhanced GED test program offers a variety of online study tools and guides, opportunities to explore college and career options, and convenient, flexible online registration and scoring.



These students were recognized as 2018 GED Graduates of the Year for displaying exceptional dedication and scholarship during the preparation and testing process.

The GED test has two college-related performance levels, GED College Ready and GED College Ready + Credit, backed by the American Council on Education's College Credit Recommendation Service. By meeting certain score thresholds, students may be eligible to bypass a placement test and developmental education courses, and in some cases be eligible for credit hours.

These programs save GED graduates time and money as they move more quickly into and through college programs. Nationally, GED graduates who score at the College Ready levels or higher are equivalent to the top 27% of graduating high school seniors. GED graduates are significantly more likely to be prepared for, enroll in, and persist in college and career training programs according to data since 2014.

In 2018, we launched a new professional development track to address the specific needs of educators teaching and administering the GED test in correctional facilities. This is a focus area where we see the positive impact that education and workforce training has in reducing recidivism. Next year, we will continue to design study tools and instructional resources for this student population.

The GEDWorks program grew throughout 2018 as new employers began offering free GED preparation, advising, and testing to employees. Research has shown that GEDWorks students are 38.5% more likely to earn their diplomas than those studying and paying on their own. The program was created specifically for working adults, and we expect more employers to offer it in place of classic tuition reimbursement models.

Online Program Management

Delivering courses and degree programs

We help institutions expand their educational reach through effective Online Program Management solutions. By delivering online degree programs or extending the reach of existing online programs, students have the opportunity to excel at school and at work. We currently support more than 40 academic partners and run nearly 350 global programs with 400,000+ course registrations in 2018.

350 global programs run through our Online Program Management service

AcceleratED Pathways

Continuing education for working adults

Many working adults lack access to affordable, meaningful pathways to learn new skills or take their careers to the next level. This can be especially true for staff whose roles interact with customers, like retail sales or restaurant waitstaff, as well as those working behind the scenes, like in cleaning or food preparation.

AcceleratED Pathways partners with employers to help them offer workers the opportunity to obtain foundational education skills (including reading, writing, and English), study for the GED, or pursue online degrees and certificates. We deliver these programs to employees, consistent with their companies' mission, financial requirements, and corporate goals.

Improve access to and affordability of products and services

The program addresses many of the unique challenges that adult learners face. Education programs are delivered online and optimized for mobile devices, so employees can learn anytime and anywhere. A mix of funding sources, including employer contributions, grants, and school discounts, can reduce or remove the cost barrier for participation.

An important element of the program is that learners have access to bilingual coaches, enrollment advisers, and tutors, who help them develop a personalized learning plan that meets their needs. In addition, prior work experience, course credits, and other credentials can be applied toward degrees, shortening the path to educational attainment.



“We already work for a company that has the drive to make our lives better. To see that they are taking additional steps to help us achieve a more purposeful life is amazing.”

Katie McGee, Assistant Manager at Chili's

The AcceleratED Pathways team works with employers to redesign a traditional tuition reimbursement plan into a strategic education benefit that can alleviate the cost and access burden for an employee, driving participation and persistence, while improving employee engagement and morale.

We are implementing programs with Starbucks, Brinker International, and the American Hotel & Lodging Association (AHLA) and ten participating hotel brands. In the past 12 months, our program with Brinker International received interest from team members in 41 states. In 2018, 359 team members were actively enrolled and participating in Best You EDU™, including 43 graduates from the GED and foundational education programs. Along with their peers, several went on to apply to college and started their first semester. Hundreds more are in the college application and enrollment process, or are working towards their GED and foundational education credentials.

Connections Academy

Providing solutions through virtual schools

Connections Academy schools are tuition-free, fully accredited, US-based online public schools for students in grades K-12. The program offers an inclusive, collaborative learning experience that meets the unique needs of learners with a wide variety of backgrounds and abilities.

An alternative to brick-and-mortar public schools, Connections Academy provides a valuable option for students who are not finding success in the traditional classroom, or who require additional flexibility or support. Students with serious health issues, who have been bullied, or are struggling or excelling academically can benefit from attending an online school. Our research has found that Connections Academy students perform just as well in math and reading on state tests as students at traditional schools, and that Connections Academy students statistically outperform students at other virtual schools in reading proficiency on state assessments.

51% of Connections Academy middle/high schoolers say that a benefit of online school is a safe environment

Source: 2018 student satisfaction survey that reflects the average of all Connections Academy schools.

Improve access to and affordability of products and services

Case study:

Staying connected to school through challenging times

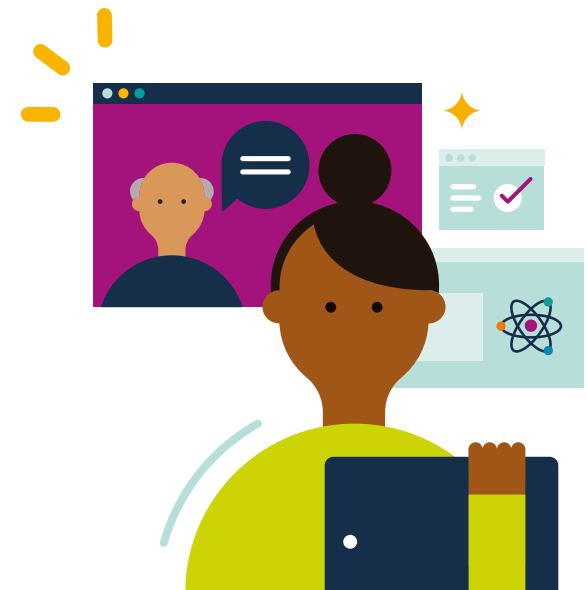


“She felt a sense of belonging and had a family outside the walls of her own home.”

Connections Academy teacher

A seventh-grade student with congestive heart failure often missed school and regular peer interaction due to constant visits to the doctor. Attending California Connections Academy for the last two years of her life allowed her to continue her education online and restore a sense of normalcy during a time of great personal stress.

In her two short years at the school, she made a lasting impact and developed relationships with a number of teachers, including many who came to visit her at her home. As one of her Connections teachers explained, “She felt a sense of belonging and had a family outside the walls of her own home.” Her parents have since created a recognition award for eight grade California Connections students in her honor.



Improve access to and affordability of products and services

Accessibility for people with disabilities

We continue to make good progress in accessibility across Pearson. As members of the World Wide Web Consortium (W3C) and contributors to efforts related to the W3C's Web Accessibility Initiative, we use the W3C's internationally recognized Web Content Accessibility Guidelines (WCAG) as our foremost accessibility standard. We continue our outreach to key leaders, associations, and institutions, who partner with us on our accessibility work across Pearson globally.

A highlight of 2018 was the formation of a Global Accessibility Steering Group with executive leadership. This group brings together experts from across Pearson's diverse businesses, with the goal to systematically improve accessibility in our digital products and support materials.

In 2016, a target was published to make 100% of our higher education courseware digital portfolio accessible for people with disabilities around the world by 2020. Although there has been good progress, we have faced challenges and learned a great deal in the process. We will adjust our target going forward.

In 2019, the new global steering group will redefine how we measure our success in accessibility and will provide pathways to leverage internal and external accessibility expertise, to ensure continuous improvement in this area. Through the leadership of this group our digital learning and assessment platforms will show measured growth in how we support the needs of all learners through inclusive, accessible design.

Pearson will also develop and publish a Global Accessibility Policy in 2019.

Global Product

In our Global Product business, all new platform development includes rigorous testing against WCAG 2.0 AA standards. Fresh content is vetted by independent third parties and will not be integrated into our products unless it aligns with these standards. The accessibility competence of all third-party partners and tool providers is verified before any contract is signed or renewed. We expect our partners to place the same emphasis on accessibility that we do.

While we continue to pivot toward a future state where products are born accessible, our existing assets get equal attention. For example, Mastering, our market-leading science assessment product, has resolved the majority of its known accessibility defects. We have undertaken massive content remediation of our existing assets and we have updated or replaced the third-party tools that are incorporated into the platform. Where appropriate solutions do not exist in the market, we now look to develop our own.

Assessment

The accessibility team in our Assessment business provides guidance on the production of braille and American Sign Language assets, leads usability testing with people with disabilities, and completes rigorous accessibility conformance testing with native users of assistive technologies.

In 2018, Assessment partnered with Higher Education Courseware on a study of equation editors for math and science to identify best-in-class features and to gather data on the most effective inclusive design practices for math and science content.

Because progress in accessibility depends on our product team's level of expertise, we conduct an annual Summer Accessibility Institute, providing three days of intensive training on disability and accessibility topics. In 2018, we offered 20 sessions with participation from 1,028 team members. We are also actively involved in accessibility standards work and serve on five working groups within the World Wide Web Consortium's Web Accessibility Initiative.

Learn more about the World Wide Web Consortium's Web Accessibility Initiative at: www.w3.org/WAI



Improve access to and affordability of products and services

Case study:

Using venture innovation to reach more learners



As the Tomorrow's Market Incubator supports employees to design, test, and ultimately launch new products, services, and business models for underserved learners, it is also delivering value for Pearson in other ways. It offers professional development opportunities, identifies commercially compelling investments, and embeds an innovation mindset within the company.

Running since 2016, the incubator relies on a unique venture innovation methodology and process that includes in-market research, extensive financial and operational modeling, and market testing to ensure that each new business responds to the needs

"Incubator ventures inform how we think about improving what Pearson delivers today and shape where we might go with our learners tomorrow."

Teodora Berkova, Director of Social Innovation

of individual markets. The ventures are focused on developing solutions suited to all stages of learners' journeys, opening doors for future employment that may not have been attainable otherwise, and supporting Pearson's lifelong learning focus.

The forthcoming business models, products, and services have the potential to grow revenue and reach underserved learners in previously untapped markets. By providing a better understanding of local markets and new customer segments, as well as pushing the boundaries of technology to meet the needs of those markets, the incubator is helping Pearson uncover new and sustainable opportunities.

Improve access to and affordability of products and services

Tomorrow's Markets Incubator

Innovating for underserved learners

The Tomorrow's Markets Incubator supports Pearson 'intrapreneurs' to develop new products, services, and business models for low-income and underserved market segments. To be part of the incubator, employee-led teams must demonstrate a compelling, feasible commercial solution that will improve learner outcomes and deliver social impact. Teams are selected by an investment committee comprising Pearson executives to receive seed funding and access to innovation coaches, who support them to develop professional skills and capabilities in venture creation for new markets.

From the incubator's first call for ideas, we have funded and launched three pilots in market as of 2018: an employability platform in South Africa, a distance learning program for Technical and Vocational Education and Training (TVET) colleges in South Africa, and an educational math gaming system complete with real-time teacher dashboard in Australia and the US.

In June 2018, we launched our second call to action, which generated over 100 ideas. Of these, nine were selected to develop their venture concepts and pitch them to the investment committee. Three teams were then funded to move forward into the next phase of prototyping and piloting, which began in early 2019.

For the rest of 2019, the incubator will be focused on: prototyping and testing three new venture solutions in market, designing in-market pilots for successful prototypes, and continuing support for the more mature ventures.

Pearson Affordable Learning Fund

Investing in 'edupreneurs'

The Pearson Affordable Learning Fund (PALF) invests 'patient capital' – investments with a long time horizon for returns – in independently run, for-profit, education start-ups using innovative approaches to improving learning outcomes and increasing access to education at scale. By investing in new educational ventures, we help to increase the quality of education for millions of learners, identify what's next in the world's highest-growth markets, and generate attractive financial returns.

PALF has invested nearly \$25m into a portfolio of eight companies across six countries. PALF's last investment in low-cost private school chains was in 2014, and while it continues to actively support existing portfolio companies, it has focused new investments on asset-light models that provide content and curriculum, often digitally enabled.

Learn more about Pearson's position on low-cost private schools at:
<https://www.pearson.com/corporate/about-pearson/our-position-on/low-cost-private-schools.html>



Pearson Ventures

Investing in the future of education and employment

Building on PALF's success, our future investment work will shift to a new approach to align more closely with Pearson's five-year strategy, especially our focus on lifelong learning and employability. In April 2019, we launched Pearson Ventures, a fund to invest in growth stage start-ups that are building the future of education and employment. With an initial capital commitment of \$50m over three years, Pearson Ventures will invest in companies building new market opportunities using innovative business models, future technologies, and new educational experiences. While Pearson Ventures will pursue competitive financial returns, equally important is its ability to collect shareable insights and drive organizational learning to help future-proof the company.

Collaborate to reach underserved learners

No single organization, or sector, can tackle global education challenges alone. We work in partnership with international non-governmental organizations (NGOs), governments, and local organizations to expand access to high-quality education for learners struggling to overcome barriers. By working together, we can make even more progress toward the UN Sustainable Development Goals.

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Every Child Learning

Supporting education in emergencies

Since 2015, Pearson has been working with Save the Children on Every Child Learning, a partnership to deliver high-quality education to Syrian refugee and host community children in Jordan. Working with children, parents, teachers, school leadership, and the Ministry of Education, the partnership aims to secure measurable improvements in overall academic performance, build resilience, and strengthen child wellbeing.

Pearson has committed £4.5m to support an in-school program, led by Save the Children, that focuses on after-school learning, psycho-social support, teacher professional development, and school-community relations. We also developed a math learning app called Space Hero, which is deployed through the program.

The in-school program was piloted in three schools during the 2017/18 school year, reaching 1,336 Jordanian and Syrian boys through access to supplementary math and remedial Arabic, working with 45 parent-teacher association members, and engaging 166 student council members to strengthen the link between communities and schools. In 2019, we expanded the program to an additional 16 schools.



Collaborate to reach underserved learners

Space Hero (Batlalfada) is a fun and engaging math learning app, designed by Pearson in collaboration with refugee and Jordanian children, aged 9–12, to strengthen their math skills. In addition to being used in the in-school program, it is available to the public to download for free on Google Play. In 2018, the app had over 28,000 new users and over 4,000 weekly average users regularly playing the game. It is Pearson's highest rated app in the Google Play Store.

To facilitate better understanding of how to integrate the app in schools, Pearson's Pedagogy and Improvement team conducted trainings for over 50 math teachers who will be testing the app with their students. For most teachers, this will be the first time leveraging a digital tool for learning.



28,000 new users of Space Hero, which is Pearson's highest rated app in the Google Play Store

With the program now in 19 schools, we aim to impact over 25,000 learners in the following ways:

- ▶ 9,500 children will take part in a blended learning program using the math app in schools
- ▶ 2,280 children will take part in remedial Arabic to help them catch up with their peers
- ▶ 14,700 children will take part in sports for development classes, helping them to develop effective communication skills, build peer-to-peer relationships and gain a sense of belonging. This will be achieved through the provision of training, toolkits, and technical support to 38 physical education teachers
- ▶ 360 teachers will receive subject-based training in addition to child protection and psychosocial support training, aiming to provide more effective lessons in a safe and supportive learning environment.

Project Literacy

Raising awareness and building partnerships

Project Literacy is a global movement to make significant and sustainable advances in the fight against illiteracy so that all people have the opportunity to fulfill their potential through the power of words.

In 2018, we partnered with Results for Development to enhance the impact of Project Literacy's 100+ partner network by developing its potential as a community of practice. The partner community, divided into teams,



Fourth-and-fifth-grade students in Wadi Al-Seer school in Amman, Jordan play the Space Hero app together during a math lesson

focused on technology, communications, parent engagement, teacher training, and measuring impact. At the end of their eight-month collaboration, the groups will be releasing tools, papers, and inventories to support global efforts in the fight for literacy access for all.

Learn more about the partner community at: www.r4d.org/projects/convening-in-country-practitioners-to-collaboratively-tackle-literacy-challenges/

Collaborate to reach underserved learners

Project Literacy teamed up with our global partner network and actor Idris Elba to imagine IlliteraCity, a fictional representation of a world inhabited by people unable to read and write, demonstrating the personal and societal impact of illiteracy.

After running two Project Literacy Lab accelerator programs supporting 29 ventures, in 2018 we connected the best-performing companies with investors and Pearson mentors. We also tested a Literacy Prototyping Fund, through which four Lab companies received grants to develop collaborations that will help them to scale their reach and impact.

Meet the Lab companies: www.projectliteracy.com/lab/

Unreasonable FUTURE

A global movement to ensure future generations thrive in the new economy

In March 2019, we announced a multi-year initiative – Unreasonable FUTURE - with Accenture, Fossil Foundation, and Unreasonable Group that brings together disruptive innovators and entrepreneurs to design a future in which people and technology work side-by-side to solve workplace challenges and unlock our human potential. As an initiative of our global strategy office, Unreasonable FUTURE supports both our core business and societal impact by fostering an open innovation ecosystem around the future of work, in line with our five-year plan's focus on employability.

Over the next three years, we will support a portfolio of 45+ high-growth ventures – companies that are already shaping the jobs of tomorrow – to build a more inclusive future of work for underserved youth and at-risk workers. Every year of the partnership, we will select a cohort of at least 15 ventures to participate in a two-week accelerator program along with senior leaders, subject matter experts, and entrepreneurs from Pearson.

Learn more at: www.unreasonablefuture.com



America's Promise Alliance: GradNation

Improving high school graduation rates

A high school diploma is key to achieving a better life in the US. Recent data, however, shows that the US graduation rate for the class of 2018 is only 84.6%. This is why Pearson joined the national movement of partners supporting America's Promise Alliance and its goal to increase the high school graduation rate to 90%.

In 2015, we made a multi-year \$3m commitment to launch the GradNation State Activation initiative. With purposeful investment at the state level, Pearson helped fund three \$200,000 grants to state-level organizations in Arizona, Massachusetts, and Minnesota to encourage statewide collaboration, share knowledge to accelerate adoption of proven strategies, and develop successful models to replicate and scale. The research conducted in these three states was done in partnership with America's Promise Alliance and the Center for Promise.

Our work as part of the GradNation initiative has fueled a national movement among education, non-profit, local, and state communities. In 2018, research in Minnesota highlighted how to change exclusionary school disciplinary policies, such as suspension and expulsion, to help more students graduate. The report focused on youth perceptions and provided policy and practice foundation for legislators, education policymakers, and practitioners to use to move toward non-exclusionary practices. In the year ahead, research in Arizona will uncover the barriers students face when they strive to re-engage with their education after time away from the classroom.



Shape the future of learning

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.

Our commitments:

Build skills that foster employability and inclusive economic growth	p21
Promote education for sustainable development	p26
Engage in multi-stakeholder research, dialogue, and collective action to solve global challenges	p30



Build skills that foster employability and inclusive economic growth

Education drives social mobility, helping more people play a part in society and enter into the job market so they can build better lives for themselves and their families. Good jobs and careers transform individual lives, bring stability to communities, and help economies flourish – contributing to UN Sustainable Development Goal 4’s targets on vocational and technical skills, as well as SDG 8 on economic growth and decent jobs, and SDG 10 on reducing inequality.

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Research and thought leadership

We are committed to helping learners navigate the changes brought on by trends like automation, globalization, and an aging population. Our recent research with Nesta and Oxford Martin, *The Future of Skills: Employment in 2030*, provides insight into the future of work and its implications for education. We predict that the future of work will be brighter than some studies suggest, with many of the jobs we recognize today remaining in demand in 2030 and beyond. However, the skills required for success are likely to change, and the findings make it clear that lifelong learning will become an imperative.

In 2018, we partnered with Jobs for the Future to publish *Demand-Driven Education: Merging work and learning to develop the human skills that matter*. Together, we identified emerging practices and employers who are working to provide diverse opportunities to employees for a lifetime of work and learning. One such offering is Best You EDU™, a partnership between Pearson and the restaurant group Brinker, which allows employees to earn foundational, GED, and associate degree credits at no cost (see p12).

Future research in this space will include exploration of how learners, aged 14–70, experience and interact with education, as well as work on how we begin to turn lifelong learning from an imperative to a reality.



Build skills that foster employability and inclusive economic growth

Profiling STEM role models



Nevertheless is a podcast and platform launched by Pearson which tells the story of the relationship between technology and the women working to make the world a better place. In 2018, we commissioned a set of STEM Role Models posters from across the world. These posters are created by independent female artists and offered under a Creative Commons license.

Personal and Social Capabilities Framework

Integrating key skills in our products

The Personal and Social Capabilities Framework provides clear definitions of professional skills that students need for success, including critical thinking, collaboration, communication, self-management,

leadership, and social responsibility. It was informed by dozens of frameworks from educational and career organizations and institutions, academic literature, as well as primary surveys and focus groups conducted by Pearson teams with faculty, administrators, and employers.

In 2018, we reviewed our products to understand the extent to which they integrate the skills outlined in the Personal and Social Capabilities Framework and the top skills identified in our Future of Skills research. While we found that many of our products implicitly help students develop these skills, fewer products explicitly teach them.

In 2019, we will support the authors of Pearson content to integrate explicit instruction in Personal and Social Capabilities.

Pearson Career Success

A digital platform to prepare students for work

Pearson Career Success (CS) aims to meet the needs of both colleges and employers by providing a digital suite of assessments, learning modules, and tools that help students discover career goals, identify and fill their skills gaps, and effectively present themselves and evidence of their competencies to employers.

CS assessments help students to understand their level of college and career readiness, identify their personal strengths, preferences, and aspirations that lead to improved likely career goals, and measure Growth, Resilience, Instinct, and Tenacity (GRIT). CS also includes a variety of tools to help students

demonstrate their skills on LinkedIn and through ePortfolios.

100,000 We have achieved our initial goal of enrolling 100,000 students

Students earn digital credentials or 'badges' that can be displayed publicly allowing employers to better understand their skills and experience. A first tier of badges covers knowledge of key professional skills, and a second tier enables students to create and showcase concrete projects that demonstrate their ability to apply these skills. We will introduce additional badges in 2019.

Studies¹ have shown that the students most in need of and willing to take advantage of such extra career guidance are often students of color, first-generation students, and those starting college or career training later in life. CS aims to support all students, regardless of their backgrounds, to gain access to greater levels of employability and more satisfying careers.

We have already achieved our goal of enrolling 100,000 students in CS by 2020, and plan to reach 150,000 enrollees by 2020. Forty-eight institutions have adopted CS to date.

At the end of 2020, we plan to publish quantitative data showing the correlation between the use of CS and increased interviews and employment offers, as well as qualitative feedback from local employers on CS-prepared job candidates.

¹ Strada-Gallup 2017 College Student Survey, <https://news.gallup.com/reports/225161/2017-strada-gallup-collegestudent-survey.aspx>.

Build skills that foster employability and inclusive economic growth

BTEC qualifications

Providing high-quality vocational education

Pearson BTECs are qualifications that provide specialist, work-related learning across a range of sectors, in nearly 40 subjects. Delivering the knowledge, skills, and understanding students need to prepare for their chosen career, BTECs can support progression to higher or further education, apprenticeships, or directly into employment. In 2018, nearly 1m learners signed up to BTEC qualifications with the intention of progressing into employment or higher education.

BTEC qualifications can also improve social mobility. On average, 40% of individuals from the lowest four socio-economic groups (as defined by the UK Office for National Statistics) progressed to higher education related to their BTEC compared with 20% of those students who completed A Levels. 35% of students studying BTECs from the BAME (Black, Asian, and minority ethnic) groups progressed to higher education compared with 24% of BAME students with A Levels. With more individuals having access to further and higher education via their BTEC qualifications, we are helping to contribute to a more qualified workforce that will continue to improve economic growth.

40% of individuals from the lowest four socio-economic groups (as defined by the UK Office for National Statistics) progressed to higher education related to their BTEC

We are committed to increasing the number of BTEC registrations outside the UK, particularly in markets where vocational education is developing. As part of our financing arrangements, the interest rate payable on the Group's bank facility is linked to progress in increasing the number of registrations outside the UK.

In 2017, the Group had 30,510 registrations which increased to 32,106 registrations in 2018 (an increase of 5.2%).

We will ensure that the design of BTECs will support the transition for post-16 learners as a result of the recent skills review carried out by the UK Department for Education and other governmental departments. The review seeks to ensure that future technical education is as robust and as recognized as academic education, and that learners have an equal chance of progressing to higher education or employment with technical qualifications.

CAMFED partnership

Empowering girls and young women in Africa

Since 2013, Pearson has partnered with international NGO CAMFED (Campaign for Female Education) on a project funded by the UK Department for International Development's (DFID) Girls' Education Challenge, and supported by relevant national Ministries of 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 partnership developed relevant learning resources and a professional development program that helps young women train to become mentors, or 'Learner Guides', who teach a curriculum we co-developed with vulnerable children in rural schools. We also created a customized BTEC qualification to recognize the achievements of the Learner Guides. This qualification is designed to help more girls enter formal higher education, teacher training, and the workforce by improving their employability potential. Our goal is to award 5,000 BTEC certifications to Learner Guides. As of March 2019, we have awarded 1,802 BTECs in Ghana, Malawi, Tanzania, and Zimbabwe.

In 2018, the Women's University in Zimbabwe agreed to recognize the BTEC for entry to some teacher training courses. In some parts of the target countries where there are limited opportunities for further education, the BTEC is in itself a qualifier for some teaching roles, and is considered by employers and local government in hiring decisions.

Pearson and CAMFED are continuing to work together under the Girls' Education Challenge to deliver adapted learning resources for secondary schools in Zambia and Zimbabwe, and to review and adapt the BTEC qualification in order to reach a broader range of young women who have left school.

Build skills that foster employability and inclusive economic growth

Case study:

Empowering future female leaders with BTEC & CAMFED



“Riding a bicycle miles away to follow up on a drop out student was worth it. I can’t think of a better way to change girls’ lives than for them to get an education.”

Tatu, BTEC learner



Tatu is a 26-year-old BTEC graduate and student from Kilosa District, Tanzania. Earning a BTEC certification has helped her garner the respect of her peers, who see her as a key influencer at her college.

To gain her BTEC certification, Tatu demonstrated competency in: classroom management; facilitating meetings and study groups; filing and documenting; and conducting community outreach. She also conducted home visits to encourage children who were not attending or had dropped out of school to return to their classrooms.

Community outreach was just one component of the assessment process, but it had a lasting impact on Tatu’s future as a leader. “Riding a bicycle miles away to follow up on a drop out student was worth it. I can’t think of a better way to change girls’ lives than for them to get an education,” Tatu shared. Through her BTEC certification, Tatu is empowered to help other women bring transformative change to their communities.

Build skills that foster employability and inclusive economic growth

Pearson VUE

Global leader in developing and delivering high-stakes assessments

Delivering more than 16 million high-stakes exams every year. Pearson VUE helps individuals advance in their careers through professional credentials and licensing that verify the skills and knowledge required for a specific job or educational program. A pioneer in computer-based testing, Pearson VUE collaborates with leading test owners to develop and deliver assessments in every industry from academia and admissions to IT and healthcare, enabling learners to reach their potential while expanding the global reach of our clients across the globe.

The process for certifying professionals protects the integrity of critical fields like medicine, nursing, firefighting, technology services, and more. For example, in North America alone, we provide the certification and licensing exams for 95 medical and nursing specialities. Through these partnerships with our clients, we work to preserve the safety, wellbeing, and continued advancement of our global communities.

English language learning

English is becoming the language for global and business communication, and English language skills are now a key contributor to individual opportunities and socio-economic growth in many countries. As a result, governments, companies, parents, and individuals continue to prioritize high-quality English language learning programs within and outside of the education system, across ages and stages. English language learning and assessment represents one of the greatest growth opportunities for Pearson to make a difference to and impact on learners around the world.

Our English language courseware portfolio offers opportunities for individuals to learn English through a range of print and digital materials. Products support learners in their academic and professional endeavors at any level of proficiency and styles that are suitable for ages ranging from pre-primary to adult. We support teachers to deliver this learning through a suite of professional development opportunities and materials. Our English language assessment portfolio of products provide valuable diagnostics and insights for

governments, institutions, parents, and learners. They span low- to high-stakes assessments, including PTE Academic, our computer-based fast, flexible, fair, and secure test of English for migration and visa purposes.

To support our learners, the courseware and assessment products we create rely on well-researched pedagogy and clearly demonstrate progression. Our English products are supported by technology that helps learners of all ages and levels of proficiency advance their English language skills. All new English products are aligned to and underpinned by the Pearson-developed Global Scale of English (GSE), which measures skill levels in English reading, writing, listening, and speaking. This alignment to the GSE supports personalization, efficacy, and pedagogy in our blended and virtual courseware and assessment products. Learners are provided with valid evidence of their English proficiency, as a score on the Global Scale of English, and our vision is for this to be accepted by schools, universities, workplaces and businesses, and government authorities worldwide.

Promote education for sustainable development

In order to shape a better tomorrow for people and the planet, today's learners must be informed global citizens who not only understand global issues, such as poverty, inequality, and climate change, but are also equipped with the skills needed to take on these challenges. By promoting sustainability education, we can explore new opportunities while making a direct contribution to the UN Sustainable Development Goals and inspiring the next generation to create a better world.

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Education for sustainable development strategy

As part of our 2020 Sustainability Plan, we have committed to advocating for UN SDG 4, target 7 to promote education for sustainable development (ESD) and global citizenship education. ESD is a holistic learning approach that includes acquiring knowledge about sustainability, and developing skills and capabilities required to advance sustainability. It is supported by a teaching approach that enables exploratory, action-oriented, and transformative learning.

In 2018, we completed a review to determine how Pearson can more strategically advance ESD. Our research and interviews found that interest in education and skills training on different aspects of sustainability is increasing among students, employers, and employees. As a result, there is also an increased demand for relevant teaching materials and guidance.

We developed a strategy focused on advocating for ESD, including through thought leadership (see p29); better leveraging existing or creating new products to advance ESD; and ensuring our employees understand sustainable development issues relevant to their jobs.



Promote education for sustainable development

Sustainability in our content and assessments

Higher education

Across our disciplines in the higher education textbook market, we work with a number of authors and professors who are experts in various sustainability topics and have made it part of the materials they develop for Pearson.

Sustainability-related topics are central to our geosciences, environmental science, engineering, and personal health titles, where they are integrated throughout the main presentations, boxed features, and digital assets. For example, we offer Mastering Environmental Science, a collection of online homework, tutorials, and assessment tools, which is a market leader.



BTECs

Sustainability is embedded within 31% of BTEC qualifications across sectors, including engineering, warehouse operations, construction, health, health and social care, science, and IT.

Engineering qualifications are about solving problems and improving productivity and efficiency, including by reducing waste and cost through environmentally friendly methods of production. These changes will assist organizations to meet their own sustainability targets and stimulate new employees to think about their environmental impacts at work.

In health qualifications, we explore using technology to create sustainable health and care systems and develop skills for a sustainable workforce. We also teach our BTEC students in Health and Social Care about promoting health in society. Our science certifications include a unit on contemporary issues in science, focusing on the ethical, social, economic, and environmental factors that learners must consider in their careers.

We were recently awarded a contract by the UK Department for Education and Institute for Apprenticeships and Technical Education (IFA&TE) to develop new qualifications in the digital and construction sectors. These new technical qualifications will be co-designed by employers who have emphasized the role of sustainability skills for employment within specific occupations.

Pearson College London

Pearson College London, Pearson's higher education institution providing a range of undergraduate and postgraduate degrees, apprenticeships, and short courses, offers a dedicated sustainability module and includes sustainability as part of degree programs in accountancy, law, and business. Students visit different companies as part of an experiential learning curriculum, many of which have a focus on sustainability. In addition, students also undertake self-managed learning and research projects, which often focus on sustainability-related topics.

Promote education for sustainable development

Case study:

Using video to bring complex social issues to life

Watch Pearson Originals videos at:
www.youtube.com/channel/UC-DRpDjsSkloj9oOIEmgJfA



“One story can’t fully express a very complicated concept, but it can open your eyes to understand background, structure, and conflict of a complex issue.”

Jeff Marshall, Executive Portfolio Manager,
Sociology and Political Science

Educating students about societal issues is critical, and it is also complex and sometimes emotionally charged. We are addressing this challenge through Pearson Originals, a high-impact video series that exposes students to critical topics in today’s world in an unbiased way, equipping them to develop their own perspectives and take action on the issues that affect them.

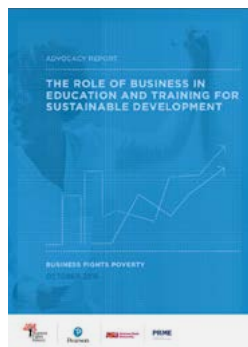
Through our Revel courseware, Pearson Originals is delivered at higher education institutions across the United States. The Pearson Originals videos students and teachers rely on today grew out of a deeper documentary series that addressed complex and often polarizing topics, such as the opioid crisis, immigration, and gender transitions. The documentary videos are available for free on YouTube.

Through the use of strategic market research, as well as a focus on pedagogical outcomes, the Pearson Originals team ensures that students learn in a way that is most effective for them. The videos show that there is a way to engage in open, constructive discourse on the tough issues. With Pearson Originals, challenging issues are understood more clearly.

Promote education for sustainable development

Advocating for sustainability education

In October 2018, Pearson collaborated with Business Fights Poverty, Arizona State University, and the UN Principles for Responsible Management Education (an initiative of the UN Global Compact) to publish *The Role of Business in Education and Training for Sustainable Development*. Based on interviews with educators and companies, the advocacy report shares insights and recommendations for business to help people gain the skills and knowledge required to meet sustainability challenges, improve lives, and contribute to long-term prosperity and wellbeing. The report was launched at Net Impact's annual conference, and we hosted an online discussion panel with nearly 2,000 page views.



Read the report
businessfightspovetry.org/articles/download-centre-148-register/

UPSHIFT

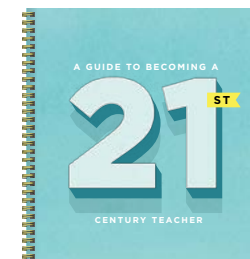
Collaborating with UNICEF in Myanmar and Vietnam

In 2017/18, we supported a UNICEF program called UPSHIFT, which focuses on improving 21st century and employability skills for marginalized youth in Myanmar and Vietnam.

UPSHIFT prepares young people from marginalized low-income communities to identify, analyze, and take entrepreneurial action to address social, environmental, and economic challenges in their communities. The program consists of a series of workshops delivered by local teachers, youth facilitators, and community leaders.

Over several months, participants learn critical skills such as problem identification and analysis, project design and management, business plan development, critical thinking, communications and team skills, human-centered design, and prototyping.

Together, we reached over 3,000 young people, supporting them to gain the tools and resources to create their own solutions to the barriers their communities face. We also co-created *A Guide to Becoming a 21st Century Teacher* developed together with Point B and Mawlamyine University. The guide is an aid for secondary school teachers to integrate 21st century skills into their teaching practice and classrooms.



Read the report
www.pointb.is/21csguide

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 Sustainable Development Goals.

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SDG event sponsorship and participation

We support events and use our speaking platforms to help inspire and mobilize other companies and stakeholders to take action to achieve the SDGs. In 2018, members of our executive team, together with other employees, participated in numerous events.

During UN General Assembly Week, the future of work was a priority theme for us, along with refugees and gender equality. We spoke at events hosted by WISE@NY; the Global Business Coalition for Education; the World Economic Forum; UNICEF, UNHCR and Save the Children; and Business Fights Poverty. Through these and other speaking engagements, we highlighted how we are supporting the SDGs, particularly SDG 4, 8, and 10, with our 2020 Sustainability Plan and core business activities, as well as with programs, campaigns, and advocacy.

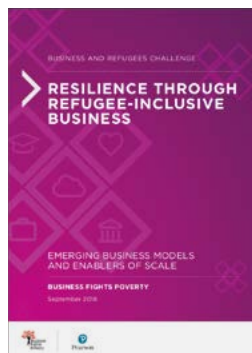


Engage in multi-stakeholder research, dialogue, and collective action to solve global challenges

Thought leadership reports

Social innovation

In 2018, we collaborated with Mercy Corps, UNHCR, Thomson Reuters Foundation, Business Call to Action, and Innovest Advisory to produce a series of briefs that provide practical insights into refugee-inclusive business models and recommendations on how to bring them to scale.



Read the report businessfightspoverty.org/articles/download-centre-147-register/

Literacy

UNESCO and Pearson launched *Guidelines for Designing Inclusive Digital Solutions and Developing Digital Skills* to help private sector companies, NGOs, international organizations and governments produce content for people with low literacy skills who are new to digital environments.



Read the report en.unesco.org/themes/literacy-all/pearson-initiative/guidelines

Key multi-stakeholder groups



www.unglobalcompact.org



www.unprme.org



www.gbc-education.org



www.businessfightspoverty.org



www.bsr.org



www.netimpact.org



Be a trusted partner

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.

Our commitment:

Respect and support our people, customers, and communities

p33

Protect our natural environment

p46

Build a sustainable supply chain

p49



Respect and support our people, customers, and communities

Our business impacts people in a variety of ways. We protect the rights, privacy, and safety of our learners and customers, and ensure we deliver relevant, easy-to-use, and effective products and services. We prioritize the wellbeing of our employees and provide them with the opportunity to develop, grow, and be their best selves. We are also dedicated to investing in local communities. Respecting and supporting people is a baseline expectation to advance the UN Sustainable Development Goals.

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Human rights

Our vision is to respect and promote human rights, including the right to education, throughout our operations and with our customers, employees, contractors, and supply chain. We have a corporate responsibility to respect human rights, and 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. Pearson employees are participants in trade unions in some locations. We work to prevent discriminatory, illegal, and inhumane labor practices including child labor, forced labor, 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 p49.

In 2018, we published our first public Human Rights Statement outlining our approach.

Read our Human Rights Statement: www.pearson.com/content/dam/one-dot-com/one-dot-com/global/Files/Policies/Human_Rights_Statement_Draft_Final_June2018.pdf



Respect and support our people, customers, and communities

We also developed and began to implement a roadmap to address the priority human rights risks and opportunities – related to content, learners, partnerships, technology and employees – identified through a human rights impact assessment across Pearson’s operations and value chain.

We have internal policies in place for addressing key human rights priorities including editorial content (see p36), safeguarding (see p35), data privacy (see below), and health and safety (see p42).

We also published our Modern Slavery Statement.

Read our Modern Slavery Statement:
www.pearson.com/corporate/about-pearson/our-position-on/modern-day-slavery.html

Privacy and data security

At Pearson, we understand the importance of respecting and protecting the rights, freedoms, and dignity of all individuals who entrust us with their personal information, and we strive to implement a robust data privacy and security program to protect this personal information. Keeping personal information safe reflects our values of decency and accountability, as well as our commitment to human rights.

Pearson’s Chief Privacy Officer manages our data privacy program and our Chief Information Security Officer oversees the information security program. Both are accountable to the executive leadership team. Our data privacy and information security programs are regularly reviewed by Pearson’s internal audit team.

The data privacy and information security teams partner to develop and provide guidance on policies, management practices, training, laws and regulations, vendor management, incident response, and privacy and security requirements, which are embedded in our product and technology development processes. To inform our approach, we are active participants in global, industry-leading associations including the International Association of Privacy Professionals (IAPP), Software and Information Industry Association (SIIA), Future of Privacy Forum (FPF), Centre for Information Policy Leadership (CIPL) in Europe, and the Information Systems Audit and Control Association (ISACA).

Our risk management framework is built on recognized international standards (ISO 27005/31000) for assessing information security risks and includes a process of reviewing new programs, products, vendors, and changes to legacy programs. Our information security controls are based on ISO 27001/27002 and are regularly tested and evaluated through internal and third-party reviews.

We comply with relevant legislation and contractual requirements, and monitor regulatory changes to assess their impact on our processes and programs. We mandate annual training for all employees on information security and data privacy. As part of this training, employees are required to read and sign an Acceptable Use Policy.

We adapted our privacy program to align with the requirements of the General Data Protection Regulation (GDPR), which came into force in May 2018. This resulted in a review and update of our policies and processes to better assess privacy risks, improve vendor management, and address user requests, among other actions.

For the fourth year in a row, we made a significant improvement to our Information Security Program maturity level score, which is provided by an external assessor. Our global information security policies and standards are updated regularly to reflect best-in-class behaviors and changes to external compliance requirements.

See also p72 of our Annual Report:
www.pearson.com/corporate/ar2018.html

Respect and support our people, customers, and communities

In 2018, we made significant improvements to our data privacy and information security programs and processes, focusing on:

- ▶ Embedding 'privacy by design' and 'security by design' principles into the product development process for all new applications
- ▶ Delivering a month-long internal campaign to raise awareness of data privacy and information security among employees through webinars and workshops
- ▶ Improving and expanding tools and processes, such as an inventory of the personal information Pearson holds, continuous vulnerability scanning, and a privacy and security questionnaire for vendors
- ▶ Broadly deploying multi-factor authentication and privileged user management for our employees
- ▶ Completing an exhaustive 'review and repair' effort on our most critical applications to ensure alignment with ISO 27001 controls
- ▶ Completing an in-depth review of several key global programs and processes including our processes and access controls program for joiners, movers, and leavers
- ▶ Regularly assessing our products and applications to ensure compliance to policy.

Safeguarding

We are committed to safeguarding and protecting learners wherever we operate, and particularly in schools, training and learning centers, and teaching facilities. Our primary concerns focus on ensuring children's safety and providing safe, age-appropriate learning environments for all, in both physical and virtual classroom settings. Safeguarding has been identified as a principal risk under our enterprise risk management system and is subject to regular reporting to the Reputation & Responsibility Committee, a Board-level committee.

In 2018, we agreed a new safeguarding strategy for 2018–2020 focused on safeguarding in online and digital environments, and developed related metrics to better analyze safeguarding practices across the business.

We completed a gap analysis on the safeguarding assurance processes for each business, and strengthened internal assurance processes in areas where external policies and processes are inconsistent or – in some geographies – less developed. For example, we support the implementation of our sexual harassment policy by designating safeguarding leads in our colleges, providing regular training, and conducting climate surveys for learners.

100% outrun of our target to address 85% of actions identified through our risk assessment process

We deliver safeguarding incident reporting to relevant managers twice per year or more frequently when needed, and seek to continuously improve reporting practices. In conjunction with our practice reviews, we have started to analyze trends in reporting to enable a more targeted approach to our training and support programs. In 2019, we will be improving impact evaluation for our training programs, to better understand how participation affects staff and learner perceptions about safety.

Based on the findings of a human rights assessment we undertook last year, we have begun 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 briefed safeguarding leads on the criteria for effective remedy, and developed a diagnostic tool and process to align our grievance processes with best practice. In 2019, we will develop action plans to address gaps identified through this assessment.

See also p68 of our Annual Report:
www.pearson.com/corporate/ar2018.html



Respect and support our people, customers, and communities

Efficacy

Efficacy is core to Pearson's mission. We identify the outcomes that matter most to learners and educators, design products based on evidence of what works to improve those outcomes, measure the impact our products can have on learning, and continuously improve how they are designed and implemented.

In April 2018, Pearson became the first education company to release third-party audited and independently reviewed reports on the efficacy of our products – that is, their impact on learning outcomes – fulfilling a 2013 commitment to transparency and reporting.

We gathered feedback from educators and thought leaders around the world about our efficacy reports. While our commitment to efficacy has been widely celebrated, our stakeholders have asked us to increase the utility of the reports by helping teachers to change their practice. We are responding by including guidance in the 2019 reports about how the findings can be applied to support educators to implement our products. In addition, we are putting a more explicit focus on implementation in our research and working through multiple channels to enhance our conversations with educators about efficacy.

By engaging with the education community, and advocating for outcomes-focused, evidence-based, product design and transparent reporting about impact on learning, we aim for our efficacy agenda to contribute to shaping the future of learning by positively influencing the global education system.

We will continue to report on product efficacy moving forward, which helps us to build trust with learners, educators, instructors, and other key stakeholders.

Learn more about at efficacy at Pearson at: www.pearson.com/corporate/efficacy-and-research.html



2019 Efficacy Reports

3 audited product efficacy reports:

1. Revel for Psychology in North America
2. MyPedia in India
3. Sistema COC in Brazil

2 assessment reports

1. Pearson Test of English Academic
2. GCSE Qualifications

Representing

552,000+
learners

Editorial policy

We aim to produce high-quality content that inspires our customers. We work to earn learners' trust that our course materials are not only effective in improving learning outcomes, but also relevant, appropriate, and inclusive.

Our process includes editorial reviews, internal and external peer reviews, and external commissioning. We also conduct testing with teachers, pupils, and independent academic experts. We understand the importance of standardizing best editorial practice, which was one of the reasons we launched the Pearson Editorial Policy in late 2017.

Our Editorial 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 and 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.

The policy is applied across all markets, business units, and varying operating models. It is based upon editorial principles in operation today across our business, as well as best practice external guidelines. It applies to all content in all geographies, regardless of whether it is print or digital or if it is created

Respect and support our people, customers, and communities

internally or by a vendor, and provides guidance for all individuals involved in content creation.

In 2018, we continued to implement the policy. Almost 5,000 global colleagues in relevant functions have taken the online learning module, and many have attended a workshop where these learnings are put into action through case studies. We ensure that the policy is broadly communicated to all our employees, including functions that do not directly interact with our content. We also released a Business Partner version of the policy that we are currently rolling out. Over 1,000 editorial freelancers and vendors have been briefed and trained on the Policy.

In some markets, we tailor our approach to implementing the policy in order to meet particular needs. For example, in 2018, we piloted a process in our Higher Education Courseware division with a focus on diversity and inclusion, which is central to the policy. We contracted specialist consultants to support the creation, review, and copy-editing of content. We provided in-person and virtual training to diversity and inclusion discipline leads in each team, our dedicated quality assurance team, and our Advocates (see p40 for more about the Advocates). Our infrastructure now includes a risk assessment rubric, recommended review workflows, an approved escalation path, and a content stylesheet to support all those involved in our product development process. Our work continues throughout 2019 to transition the pilot work into a scalable D&I process.

Our Editorial Policy is supported by a network of 35 policy champions who are responsible for supporting implementation, ensuring local guidelines are aligned to the global policy, and serving as a point of escalation for queries in our businesses and markets around the world. A cross-enterprise steering committee meets quarterly to oversee progress, chaired by a member of our executive team.

In 2019, we will continue to implement the policy, including by incorporating it into Pearson's Code of Conduct, automatically assigning the online learning module to new starters in content-facing and content-support functions, and ensuring that Editorial Policy checkpoints are incorporated into our product development processes.

Product safety

Pearson takes measures to ensure the safety of our customers. All of our products for young children – physical books as well as other items like marbles, balloons, puppets, pens, and pencils, among many others – are age-appropriate and properly labeled with relevant choking hazard warnings.

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

We collaborate with industry partners to maintain a current database of all chemicals that are used to make our products and classify them according to relevant safety legislation.

In 2018, we again had zero product safety incidents. We continued to focus on and address relevant regulations and industry trends (including US Consumer Product Safety Commission, ASTM International (formerly American Society for Testing and Materials) toy standard activities and updates, and EU General Product Safety Directive, UK TSI, EN 71 Part 1, 2, 3). Pearson continues to be an active member of the Publishing Industry Product Safety (PIPS) Forum, which is part of the Book Chain project in the UK, where trade and academic publishers in the industry come together to share best practices and keep abreast of legislative and chemical updates (see p49). We continued to work with approved suppliers and to date we have seven vendors in PIPS, all of which have had training on using the PIPS database.

Going forward, we will maintain our target of zero product safety incidents or recalls.

For more information visit:
bookchainproject.com/home



Respect and support our people, customers, and communities

Our employees

Measuring organizational health

Employees play an integral role in delivering Pearson’s mission, and the foundation of our work to support them is creating the structure for a healthy organization. In October 2018, we launched a new Organizational Health Survey to replace the engagement survey we had previously conducted. The survey was distributed to 22,000 global employees, and we achieved a 57% completion rate. We are in the process of reviewing the results with executive management to produce clear, tangible action plans with specific focus areas and measurements that will help drive us forward.

In 2018, we aimed to improve in areas that had been identified through a 2017 pilot survey, which included strategic clarity, innovation, and learning. As one example, in October, we hosted an Innovation Jam, which was an online, employee-driven discussion to openly exchange perspectives and ideas to support Pearson’s growth, in line with our five-year strategy.

Managing the impact of our transformation

Pearson continues to manage considerable amounts of change both within the business and outside it. The difficult but necessary changes we have been making will allow us to speed up innovation, provide better customer experiences, eliminate duplication,

and increase scalability in the long term. Unfortunately, this means we have had to reduce our headcount. We continue to do all we can to support our colleagues through this transformation, through regular communication and detailed consultation, and providing support for those leaving the company.

For example, in the UK, we follow a legally prescribed consultation process, under which we consult with our employees on major organizational changes. The length of the consultation is dependent on the number of employees that are impacted by the proposed changes, but as a best practice, we adopt a minimum consultation period of 45 days. We also support the right to unionize in the UK, and for the part of our UK population that is unionized, we have recently revised the collective agreement.

As another way to support those who have left the company, in 2018 we launched the Pearson Alumni Network to build and enhance relationships with our past Pearson employees. Over 1,000 members have joined the digital platform where they can access recent Pearson news, career opportunities, networking and industry insights, research, and business information. In 2019, we plan to grow the network further and host alumni events.

Supporting contingent workers

Contingent workers are an important, valued and ongoing part of Pearson’s workforce, comprising approximately 26% of our total workforce in 2018. The nature of Pearson’s work in key educational business areas is often cyclical, where there is a need

Our employees in 2018

24,000+
employees

Employees by region

14,113

North America

5,192

Core markets

4,521

Growth markets

496

Other

to ramp up the workforce for a defined period of time to deliver key outcomes for our learners.

Pearson partners with Allegis Global Solutions, a managed service provider for contingent workers in the UK and US, to ensure that we have an efficient, transparent, and sustainable process for hiring and managing our contingent workforce. See p52 for more detail.

Investing in talent

As part of our investment in talent and succession, we piloted the Talent Brokerage Program at the end of 2017 to allow our high-potential talent to participate in an international exchange of knowledge and skills across our growth markets. After a successful pilot, the program was expanded globally in 2018 and has

1000+ members of the online Pearson Alumni Network

Respect and support our people, customers, and communities

delivered benefits for the participants and the business including: talent retention; exposure to different cultures and businesses; sharing ideas and building skills; and opportunities for longer-term international assignments in the future.

Over the past year, we have also introduced several efforts to strengthen our leadership pipelines. One example is Talent Share, a standing agenda item at our Pearson executive team meetings that highlights senior leaders across the company helping us to increase global mobility and encourage lateral movement.

Fostering learning and development

Education and development for our employees remains a cornerstone of our commitment to our people. In 2018, we focused on continuing to build our Pearson employee learning platform through the curation of content for key skills, including in digital, innovation, and transformation areas.

Our leadership development programs aim to close skill and experience gaps and develop a wider array of talent, especially among our female populations. The programs bring a mix of internal and external activities, enlist Pearson Executive leaders and Board members as teachers and coaches, and include both cohort and individual development activities.

Strengthening our approach to pay transparency

Our aim is to offer competitive total compensation that not just attracts and retains employees but also motivates employees to deliver outstanding performance.

We want employees to better understand why they earn what they do and how their pay package is determined. We aim for our pay decisions to be supported by tools and frameworks that promote fairness in how pay is determined and operate without bias and discrimination.

In 2018, we focused on educating managers so they understand our compensation philosophy, feel enabled and empowered to have pay conversations with their teams, and can make more informed decisions. We also continued to publicly report on gender pay (see p40). Next year we will provide additional education and training for managers and employees on pay transparency.

Supporting our people in and out of the workplace

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

Looking ahead

As we continue our digital transformation, our long-term focus is to: streamline, digitize, and integrate our people solutions; become a healthier, more innovative, and more adaptive organization; and develop leaders who promote a high-performance culture and drive business results. In 2019, our focus will be to:

- ▶ Continue to develop our executive and senior management succession bench with a strong emphasis on looking at opportunities within business line, P&L and country MD level roles for women and diverse talent
- ▶ Progress on our journey toward greater pay transparency and what that means to Pearson through education and standardization
- ▶ Provide integrated people solutions that empower the business to drive results, outcomes, growth, and employability for learners
- ▶ Use the outputs from the Innovation Jam and the results of our Organizational Health Survey to create clear, tangible action plans.

For employee data, see:

www.pearson.com/content/dam/one-dot-com/one-dot-com/global/Files/sustainability/2018-reports/2018_Sustainability_Performance_Data.pdf

See also p65 of our Annual Report:

www.pearson.com/corporate/ar2018.html



Respect and support our people, customers, and communities

Foster a diverse workforce and an inclusive workplace

At Pearson, we value a diverse workforce and a workplace which reflects our learners – the customers we serve around the world. Through celebrating and leveraging our diversity, we can better harness our collective skills and talents, our imagination and ideas to design and deliver the best services and solutions for all learners.

In 2018, we appointed a senior global leader to drive this agenda and conducted a comprehensive review of the diversity and inclusion practice at Pearson. The review assessed the current state of diversity at Pearson both quantitatively and qualitatively, embracing feedback from a wide range of stakeholders and partners, and benchmarked Pearson relative to competitor companies as well as globally-recognized companies renowned for their diversity practices.

Employee gender diversity in 2018

62%

female

38%

male

30%

Board positions held by women

31%

senior leadership positions* held by women

* two reporting lines from the Chief Executive

Following the review, we designed and deployed a new strategic framework for the diversity and inclusion (D&I) practice at Pearson. Our D&I focus is to capitalize on different perspectives and leverage diversity to spur innovation, growth, and shared ownership through an inclusive culture and environment. This incorporates a new diversity framework, governance and measurement mechanisms, a set of global priorities, and a maturity model for evolving our employee resource groups into business resource groups. Our new approach includes:

- ▶ A new Diversity and Inclusion 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 ten employee resource groups
- ▶ A set of seven priorities which will guide our 2019 action plan and major initiatives
- ▶ A significantly expanded global network of Diversity and Inclusion 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, and employees of black and/or African ancestry.

In March 2019, we published our second Pearson Great Britain gender pay gap report. Our overall median gender pay gap as of 5 April 2018 is 14%, a small improvement on 2017's figure of 15%. Our mean gender pay gap remains steady at 21%. We know there is work to do, and understanding the challenges we face means we can accelerate the pace of change. Our roadmap to address the gap, aligned with our D&I efforts, is outlined in the report.

Read our Gender Pay Report:

www.pearson.com/corporate/news/media/news-announcements/2019/03/pearson-publishes-2018-gender-pay-report.html



As part of our target to embed diversity concepts and principles into our employee learning, we introduced a new training module on unconscious bias in 2018.

We also met our goal to develop a D&I dashboard that is reported quarterly to each business leader and to the Pearson Executive Management Committee. This dashboard primarily provides a gender breakdown of employees and new hires by career grade and covers the top 10 largest markets by headcount. This is part of an ongoing effort to work toward more deeply integrating D&I into organizational goals and performance assessment.

Respect and support our people, customers, and communities

Case study:

Supporting the success of women through employee resource groups



“Being able to report publicly about women in the workplace is important. So many studies say that to be truly innovative and impactful in society, companies that will last – and thrive in the emerging conscious consumer economy, are those who are transparent in terms of their practices internally and externally,” Zerine Karim, Solution Delivery Manager.

For Pearson to succeed in the future, diversity across our teams will be of the utmost importance as those designing our products and services need to reflect those using them.

In Brazil, Pearson WILL (Women in Learning and Leadership) looks to address gender equality issues at a corporate and broader societal level. The group aims to support women at Pearson to be advocates for their own success, sharing lessons on how to communicate with leadership and express their professional goals and capabilities.

In the past year, the WILL Brazil team has grown to over 60 members, nearly tripling in size. Team members such as Luciane Lazaretti Dias Moises, a mother balancing a career in legal services and family, helps to host events for couples and families to discuss work/life balance and panels featuring inspirational female leaders in business. Luciane translated an unconscious bias training to Portuguese so it could be inclusive to all Brazilian employees.

The WILL team also implemented lactation rooms for new mothers at all Pearson locations in the country and created a mechanism for employees to submit suggestions for how Pearson Brazil can better support diversity and inclusion.

In the UK, Zerine Karim is leading a new employee resource group, Women in Technology (WIT), which aims to celebrate underrepresented women in technology, open pathways for women outside of technology to gain digital skills, and influence key business functions to be more gender inclusive in their operations.

To help bridge the gap between our learners and our business, WIT also hosts digital career events and edTech workshops for our communities globally with a focus on educating young female students on STEM subjects.

Through its internal and external activities, WIT is helping Pearson achieve greater gender balance in the technology landscape both within our organization and across the industry.

Respect and support our people, customers, and communities

Our work on diversity and inclusion continued to gain external marketplace recognition. In 2018, Pearson was:

- ▶ Named in the 2018 Forbes list of America's Best Employers for Diversity
- ▶ Scored 100% in the 2018 Corporate Equality Index run by the Human Rights Campaign
- ▶ Recognized as having one of the top 50 leading global LGBT Ally Executives by the FT/OUTstanding
- ▶ Awarded the Dynamic Mentoring Organisation of the Year for a second year by the 30% Club, which advances women on boards, and Women Ahead for a programme led by our employee resource group on gender.

We also continued our series of monthly #DiscussDiversity Twitter chats reaching over 3m active users.

To advance diversity and inclusion in 2019, we will:

- ▶ Continue to work toward our goal to extend our reporting on gender pay to cover our global operations by 2020
- ▶ Institute an annual D&I dashboard review and goal-setting session with each business and function leadership team.

Health and safety

Our people work in many diverse locations around the world, including schools, colleges, test centers, offices, home offices, working remotely, data centers, call centers, printing sites, and warehouses. Our health and safety management system is designed to prevent injuries and ill health, which could include musculo-skeletal disorders, traumatic injury, chemical exposure, falls from height, among others. Simply put, we cannot be a sustainable company and a trusted partner unless we ensure the safety and wellbeing of our people, our learners, and all who come into contact with our operations.

The global Health and Safety (H&S) team develops, maintains, and supports our H&S Policy, and the Board's Reputation & Responsibility Committee monitors H&S performance. While we have seen our risk decrease from outsourcing many of our warehousing and printing operations, we continue to monitor high-risk activities, such as test processing and printing, direct delivery of educational services, driving for work, and occupational illness risk from office ergonomics, international travel, and occupational stress.

Pearson Management Services, the company in the UK that manages our head office, is certified against BS (OHSAS) 18001, an internationally recognized H&S management standard. This standard is being replaced by ISO 45001, and our head office targets certification to the new standard in 2021.

The number of employees globally who are aware of the 2018 H&S Policy continues to grow, with 87% of employees successfully completing our online Global Health and Safety Policy & Standards course.

A robust H&S assurance program has also been established and is essential for ensuring that we are actively identifying hazards, regulatory compliance concerns, and non-conformance with the policy. This is supported by a global network of nearly 150 H&S Coordinators, who work to ensure the H&S management system is implemented and managed in their business locations.

Health and Safety in 2018

92%

of our H&S standards have been fully implemented around the world

96%

of open H&S findings from audits prior to 2018 have been fully resolved

83

H&S Coordinators were trained and successfully certified in Institution of Occupational Safety and Health (IOSH)'s Managing Safely course in 2018

Respect and support our people, customers, and communities

We continue to evolve our assurance program. In 2019, 65% of audits will begin as informal 'advisory reviews' through which we work with new locations to become aware of their priorities and address actions before a formal audit takes place.

The global H&S team has become a registered center to teach the Institution of Occupational Safety and Health (IOSH) Managing Safely course. In 2018, we delivered training to 83 H&S Coordinators around the world, with a 100% certification rate as verified by IOSH.

In line with the plans we set out last year, we have reviewed the global H&S Safety Management System information management requirements to be more digital and efficient. We will continue to develop the Pearson Risk Information & Systems Management platform, where we track incident reporting and other internal metrics, throughout 2019 to expand the reach, capability, and accessibility.

In 2018, we undertook five significant review projects in order to assess management and control processes, and to determine action required for continual improvement. These projects included a review of:

- ▶ Incident reporting and investigation
- ▶ Occupational health and wellbeing

- ▶ Occupational road risk
- ▶ Ergonomics management
- ▶ H&S documentation and record keeping.

Assessments were completed, and management frameworks are developed or in progress for all areas except occupational road risk, whose assessment is ongoing with completion deferred to 2020.

Key future plans include:

- ▶ Complete remaining assessment work in areas of occupational road risk and establish improvement action plans as appropriate by 2020
- ▶ Implement initial action plans for global incident reporting, documentation and record keeping, and occupational health coming out of the review beginning in 2019
- ▶ Carry out annual H&S audit and assurance program, achieving at least 95% of plan in 2019
- ▶ Further assess and establish key performance indicators and other program measurements, with continuing effort to target further alignment with GRI metrics.

For H&S performance data, see:

www.pearson.com/content/dam/one-dot-com/one-dot-com/global/Files/sustainability/2018-reports/2018_Sustainability_Performance_Data.pdf

See also p68 of our Annual Report:

www.pearson.com/corporate/ar2018.html

Corporate security and resilience

We work in increasingly complex locations, societies, and global times, with new and emerging security challenges – geopolitical threats, terrorism, crime, and natural disasters, for example. Pearson has a responsibility to help minimize and manage these risks for our people, and our goal is zero harm.

Throughout 2018, our corporate security and resilience program was steadily developed to become more agile. While we faced fewer external incidents than 2017, we responded to complex people, process, and technology incidents.

A range of risks to our employees and learners remained in 2018, and we responded to an increased number of significant internal incidents related to our products, staff, and supply chain at a regional and local level. We continued to keep employees apprised of relevant local events, and we have trained employees and learners on how to remain vigilant and what actions to take when faced with a high-impact event, such as active shooter, marauding vehicle or knife attacks, or other incidents. This type of training will continue in 2019.

Respect and support our people, customers, and communities

Case study: Invest in an important stakeholder: our people

Pearson WELL is an internal program in Core's Asia Pacific region using human-centered design principles to improve employee wellbeing to optimize performance. The wellbeing strategy is a research-based approach that incorporates prevention, intervention, and recovery. These three layers are crucial in helping Pearson to build a mentally healthy and resilient culture.

Helping to build an ecosystem that supports people at work, it's a key example of sustainability in action with Pearson acting as a trusted partner to one of its most important stakeholder groups – its own employees, sponsored by David Barnett, MD Asia Pacific, as a leader-led program.

"In a modern-day context, people are expected to bring even more innovation, ambition, and sophistication to the workplace. With more distraction, more overload, and more expectations than ever, it's important to focus on employee

"If we make sure the people we have are at their best, it's good for them, good for us, and good for business."

Simone Wright, VP, Human Resources
Asia Pacific

wellness, particularly as a continued driver of high performance," says Wendy Demarte, Director, Health, Safety, and Environment. Last year, the Australian Human Resources Institute awarded Pearson WELL the Allan Fels Mental Health Award, which recognizes the support for mental health in the workplace. The group was also a joint winner in the National Safety Council of Australia's Best Health & Wellbeing Program for 2018.

Pearson WELL operates under the belief that wellness drives performance individually and at the group level. "People first. Results will follow," says Simone Wright, VP, Human Resources Asia Pacific. "If we make sure the people we have are at their best, it's good for them, good for us, and good for business."



Respect and support our people, customers, and communities

We visited and reviewed approximately 20 countries and 35 Pearson locations, including both higher and lower risk, to understand security risks. The travel security program continued to advise and support employees traveling to higher-risk locations and saw a 126% increase in volume from 2017. We implemented an online traveler security course, which is available to all staff and required for those embarking on higher-risk travel. In addition, sales teams, particularly in South Africa, India, and Mexico, were engaged to better understand the specific local and regional travel risks they face.

Our physical security work focuses on protecting people and assets, such as buildings or our reputation, from unauthorized access and preventing harm to our staff or intrusion into our systems and network. In 2018, during the review of Pearson Institute of Higher Education in Midrand, South Africa, we were able to meet with student council, who were appreciative of the changes we had made on campus to engage with the students to prevent risk and simplifying our manned guarding and technology solutions.

We also published a new Business Resilience Policy and Incident Management Framework aimed at achieving stronger and coordinated company responses to incidents that have a wider impact to our people, learners, systems, and reputation.

Volunteering and giving to our communities

Educational opportunities and outcomes are closely linked to the prosperity of local communities and global development. In 2018, our social contributions comprised £4.7m in community contributions and £1.0m invested in socially innovative business initiatives. Together, this was equivalent to 1.1% of our pre-tax profits for the year. We are a member of the London Benchmarking Group, a global standard for measuring corporate community investment, which allows us to track and report on our in-kind and cash contributions to community causes.

Learn more about the London Benchmarking Group: www.lbg-online.net

1.1% of pre-tax profits invested in community contributions and socially innovative business initiatives

As part of our commitment to support our communities, we provide employees with opportunities for volunteering and giving. All global employees can use up to three paid volunteer days a year for charitable work. We also offer company-organized volunteering opportunities with non-profits that align with our company's mission.

For the 13th consecutive year, we supported Read for the Record, the world's largest shared reading experience, with over 560 colleagues participating. Pearson Campus Ambassadors also organized 26 Read for the Record events nationwide. Colleagues in both China and India made the volunteer event international, sharing over 200 books with local children, and over 70 employees volunteered in their own unique way with causes that mattered most to them.

Through our giving programs, employees have the chance to donate to specific charitable organizations. We offer matching programs for charitable donations for all UK and US employees and a payroll giving program in the UK.

Since 2015, Pearson has partnered with Kiva, an online microlending platform, to provide small loans to entrepreneurs around the world without access to traditional banking systems. In 2018, we made \$434,425 in Kiva loans to 7,099 Kiva borrowers in 60 countries, for a total of \$2.1m loans as of the end of 2018.

Learn more at: www.kiva.org

Protect our natural environment

Responsible environmental stewardship helps to create a healthy and sustainable planet for our learners and all of society. Minimizing our environmental impact is not just the right thing to do; it helps deliver cost savings and manage risk. We continue to do our part to address climate change and deforestation, which are the global environmental challenges that are most relevant to our operations and impacts.

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Our carbon neutral strategy

Climate and greenhouse gas (GHG) emissions are material sustainability issues for the company. In 2018, we maintained our climate neutral status for our directly controlled operations – a commitment first introduced in 2009. Our strategy is:

- 1. Reduction:** We reduced our energy consumption from our 2009 baseline by 60% through the reduction of our building portfolio, energy efficiency initiatives, and the sale of business units.
- 2. Renewable energy:** We maintained our record of purchasing 100% of the electricity we use from renewable sources. We generate our own renewable electricity at four of our sites, which is down from five following the sale of one in 2018.
- 3. Offsetting:** Since 2009, we offset the emissions from our energy and fuel consumption and business travel.



Protect our natural environment

Reduction

We have been working toward two targets to reduce our emissions and energy use:

1. To reduce our global climate footprint by 50% by 2020 using 2009 as the baseline year. As of 2018, we have reduced our operational emissions vs our 2009 baseline by 60%.
2. To reduce absolute energy use in our buildings by 50% by the end of 2020 using 2013 as the base year. In 2018, we achieved this goal with a 56% reduction from the baseline.

Factors behind our performance include:

- Changes in the business with the sale of a number of business units
- Our shift to digital content and the related move toward outsourcing print-related infrastructure such as distribution
- The adoption of new communications technologies that reduce the need for business travel and facilitate more flexible and remote working
- Improvements in electricity transmission and a shift in the mix of energy sources toward lower-carbon options and reduced emission factors.

	2009	2013	2016	2017	2018
Absolute emissions					
Total GHG emissions (tonnes) location based	210,306	188,692	126,385	104,384	84,649
% reduction in total GHG emissions (vs 2009)			40	50	60
Total energy use in our buildings (MWh)		285,590	201,040	147,384	127,083
% reduction in building energy use (vs 2013)			30	48	56
Intensity ratios					
CO ₂ (tonnes) per employee (scope 1,2- location based & 3)	5.66		3.86	3.44	3.48
CO ₂ (tonnes) per m ² office space (scope 1,2- location based & 3)	0.15		0.14	0.13	0.12
CO ₂ (tonnes)/Sales revenue (scope 1+ 2 location based +3)	37.39		27.76	23.13	20.50

Given that part of our absolute CO₂ reduction is due to the divestment of a number of business units, it is more appropriate and meaningful to measure our performance by intensity metrics relative to our number of employees, square footage of office space, and sales. Since 2009, we have seen a 38% reduction in CO₂e per employee using location-based measurement, or 68% using market-based measurement²; 20% reduction in CO₂e per m² location-based, or 60% market based, and a 45% reduction in CO₂e per £m location based, or 75% market based.

See more environmental performance data at www.pearson.com/content/dam/one-dot-com/one-dot-com/global/Files/sustainability/2018-reports/2018_Sustainability_Performance_Data.pdf

Renewable energy

For six 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 90% of our electricity use. We buy RECs regionally for the remaining 10% in those markets where we have a small presence.

² This year we have reported both our market- and location-based scope 2 emission for the first time. The location-based method reflects the average emissions intensity of grids on which energy consumption occurs. The market-based method reflects emissions from electricity that we have purposefully chosen. For the purpose of reporting our scope 2 market-based emissions, we only account for market-based emissions factors in those countries where we buy renewable energy credits in the country of consumption as zero carbon. For the remaining countries and consumption, we have used default location-based factors.

Protect our natural environment

Offsetting

Emissions that we are not able to reduce or avoid are offset through forest-based projects. In 2018, we bought 36,000 tonnes of carbon offsets to cover the carbon associated with our scope 1 and 3 emissions (business travel, waste, and water) and the printing of our annual and sustainability reports, through a Brazilian forestry project that is certified to the REDD+ and VCS standards.³ We are also part of RE100, joining over 100 companies helping build a global market for renewable electricity.

Our management practices

In 2018, we were recertified against the Carbon Trust Standard for our global operations. Pearson was the second organization to secure the standard, which recognizes leadership in measuring, managing, and reducing year-on-year carbon emissions.

We continue to be certified against ISO 14001, the environmental management standard in the UK and Australia. This standard incorporates both internal and external audit. In other parts of the world, we apply our own global environmental management system (EMS) based on ISO 14001 standards.

Our global EMS is available at:
www.pearson.com/content/dam/one-dot-com/one-dot-com/global/Files/sustainability/01_Pearson_EnviroManSystem_Sept2016.pdf

We have embraced Leadership in Energy and Environmental Design (LEED), the green buildings standard in the US. We currently have four buildings certified under the LEED standard which together account for over 800,000 square feet and approximately 10% of our footprint.

We publicly disclose our performance on carbon management, water, and forest management to the Carbon Disclosure Project (CDP).

Our 2018 environmental data has been verified by Corporate Citizenship. The assurance statement covers the methodology, data collection, and accuracy of data reported.

See the assurance statement at:
www.pearson.com/corporate/sustainability/reporting-policies.html

Looking ahead

In 2018, we also started to map the wider carbon emissions from our supply chain in more detail. Going forward we will continue to work with our suppliers to better understand the sustainability risks and opportunities associated with the products and services we buy.

³ Reducing emissions from deforestation and forest degradation (REDD+) is a mechanism developed by the United Nations Framework Convention on Climate Change (UNFCCC). It creates a financial value for the carbon stored in forests by offering incentives for developing countries to reduce emissions from forested lands and invest in low-carbon paths to sustainable development. The Verified Carbon Standard (VCS) is a standard for carbon offsetting. It provides a set of criteria that provide integrity to the voluntary carbon market. VCS ensures that all project-based voluntary emission reductions are independently verified to meet its criteria.



Build a sustainable supply chain

Doing business with partners who share our commitment to human rights and the environment strengthens our supply chain relationships and reduces risk.

In this section:

Sourcing policies	49 >
Direct supply chain	50 >
Indirect procurement	51 >

Last year, Pearson purchased over £2.1bn of goods and services from over 66,000 third parties in over 24 countries, ranging from large multinationals to smaller specialist companies and sole traders.

The vast majority of the products and services that Pearson and its operating companies purchase globally are sourced from suppliers in OECD countries, mainly those in North America and Europe.

Pearson divides its supply chain into two broad areas: direct and indirect. Our direct supply chain relates to the textbook production supply chain – paper, print, and transportation. More detail about our paper supply chain is on p50 and more about our print supply chain is on p51. Our indirect supply chain covers all other categories of spend, which include consultancy services, contingent workers, content, the digital supply chain, marketing, and facilities.

Our relationships with suppliers are guided by our commitment 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 p33 for more on our commitments). The UK Modern Slavery Act, which requires companies to specify the steps they have taken to ensure that their business and supply chains are slavery free, also guides our approach to supply chain sustainability.

Our Modern Slavery Statement is available at: www.pearson.com/corporate/about-pearson/our-position-on/modern-day-slavery.html

We are a founding member of Book Chain, a partnership between publishers to enhance industry standards relating to labor standards and human rights, product safety, and paper sourcing. Working together with industry partners helps reduce the compliance costs for suppliers as well as to reinforce the importance of adopting high standards.

Sourcing policies

As part of our approach to responsible sourcing, Pearson looks to work with partners and businesses that have standards that reflect our own. We have a number of policies and processes relating to working with third parties – the most important of which is our Business Partner Code of Conduct.

The Business Partner Code of Conduct (Partner Code) clarifies the responsibilities and expectations we have of our business partners (which include joint venture partners, vendors, franchisees, distributors, suppliers, contractors, consultants, and agents) for ethical and responsible business practice.



Build a sustainable supply chain

The Partner Code sets out our support for universal human rights (including equal employment, freedom of speech and of association, and cultural, economic, and social wellbeing), good labor practices, and decent working conditions. It also sets out our expectations for supply partners to oppose discriminatory, illegal, or inhumane labor practices, including slavery and human trafficking.

The Partner Code forms part of new contracts and it is included when contracts are renewed or updated. Compliance with the principles in our code is a minimum standard of behavior outlined in contracts.

The Partner Code also states that it is the responsibility of business partners to ensure that subcontractors doing work for or on behalf of Pearson meet the same high standards of ethics and compliance required for business partners.

Our Business Terms of Reference provide us with the power of audit and, if necessary, the right to terminate a relationship if we find issues of non-compliance. This means our responsible purchasing principles of behavior are contractually enforceable.

Direct supply chain

While we have a growing digital products and services supply chain reflecting our increasing shift to digital, our traditional paper-based products remain the most significant area of risk and impact. Our supply chain function manages our purchases of paper for books and our contracts with printers and work with distributors and shippers who bring our products to market.

What goes into our products?

Direct

Relates to the textbook production supply chain

- ▶ Paper
- ▶ Print
- ▶ Transportation



Indirect

Covers all other categories of spend

- ▶ Professional and consultancy services
- ▶ Content development
- ▶ Digital supply chain
- ▶ Marketing
- ▶ Facilities



Paper sourcing

Timber production and forestry has been identified by Pearson as a higher-risk industry due to the potential for human rights abuses, including the use of forced, indentured, and child labor. Paper production is linked to a number of important environmental issues, such as climate change, deforestation, and illegal logging, and the loss of natural forest cover is a significant source of greenhouse gases.

Pearson has a longstanding responsible paper sourcing policy that recognizes this risk. This policy sets out our preference for papers that hold Forest Stewardship Council (FSC) certification, and we also recognize the Programme for the Endorsement of

Forest Certification (PEFC) system of certification. PEFC endorses national schemes of certification. The two most significant schemes for us endorsed by PEFC are the Canadian scheme – the Canadian Standards Association (CSA) – and the Sustainable Forestry Initiative (SFI), which is used in both the US and Canada.

In 2018, 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.

Build a sustainable supply chain

We have identified the potential supply of paper from Indonesia as an area of moderate risk for social and environmental concerns. No paper manufactured in Indonesia or paper that contains pulp from Indonesia currently meets our supply standards. We communicate our standards to printers and others who purchase paper on our behalf.

Print production

We rely on third-party suppliers to print our textbooks and course materials. Globally, we have over 200 print suppliers representing approximately £91m in spend. We have a single global policy and approach for managing risk in our print supply chain, which covers supplier risk assessments and visits, third-party audits, and remediation of compliance issues.

We require suppliers rated medium and high risk over a threshold spend of £100,000 to undertake an independent third-party audit before they are approved as a supplier and to agree to regular review audits as an existing supplier at least once every 24 months. We rate suppliers as medium or high risk based on a Book Chain tool designed specifically to help publishers identify labor and environmental risks in the supply chain. The audits are carried out through Book Chain.

Our due diligence process also includes print production departments visiting suppliers around the world to assess compliance with our standards and to encourage suppliers to address issues with non-compliance. These visits provide a valuable opportunity to reinforce our commitments to eliminating all forms of child, forced, and compulsory labor, as well as promoting environmental stewardship and other standards covered by the UN Global Compact.

Our printers in China (representing 14% of UK spend) and Malaysia (representing 10% of UK spend) are visited at least annually and a visit report with follow-up actions is completed after each visit covering both commercial operations and labor standards. In 2018, our two printers in Malaysia and three printers in China were visited by our direct supply chain team.

We maintain a printer register to monitor the environmental performance of suppliers, which includes over 90% of our printers by value. We survey our global printers every two years to assess their: use of a recognized environmental management system; and measurement and reduction policies for water, ink, solvents, alcohol, energy, and waste.

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

Indirect procurement

Of the indirect suppliers paid in 2018, over 55% of our total spend (£910m) is with our top 100 suppliers, and approximately 870 suppliers account for 80% of our global spend (over £1.3bn). Our top 20 suppliers account for 33% of our total spend (£548m). These top 20 suppliers are located in Australia, Brazil, Canada, China, India, Italy, Mexico, Singapore, South Africa, Spain, the UK, and the US.

In September 2017, Pearson introduced a new, centralized approach to supplier due diligence and onboarding in the UK covering all categories of spend. The system provides centralized management that helps to facilitate audits of suppliers.

In 2018, we expanded this onboarding system in the US and Canada, so that it now covers roughly 29% of our indirect suppliers. We will continue to complete the rollout across North America.

As part of this expansion, we have incorporated additional due diligence questions across a range of non-financial risk issues, including modern slavery, safeguarding, anti-bribery and corruption, conflict of interest, sanctions, health and safety, sustainability, diversity, and accessibility.

Through the risk assessment, due diligence, and clarification process, we are working to ensure that our suppliers are in compliance with our requirements. Any questionable response or behavior demonstrated in their response prompts further discovery before approving or denying supplier engagement.

Build a sustainable supply chain

In 2018, we vetted over 1,550 potential suppliers in the UK, US, and Canada utilizing contracts with updated terms and conditions to ensure supplier compliance with our social, ethical, and environmental policies.

In 2019, we will require all active suppliers to complete our expanded third-party risk due diligence assessment so that we maintain standard levels of transparency across our supplier population and are better equipped to manage and mitigate our risk exposure.

Contingent workers

In late 2017, we began to work with Allegis Global Solutions (AGS) to manage the relationships with our contingent workforce population in the US and UK, which we define as any individuals who are working at, or for, Pearson but who are not Pearson employees or suppliers and who are paid through means other than Pearson's payroll. They include independent contractors and payroll agency employees. Our contingent workers frequently fill roles such as engineers, developers, exam graders, and project managers. Contingent workers make up 26% of Pearson's workforce and represent approximately £55m of spend in the US and UK.

By entering into a relationship with an experienced service provider, we have been able to strengthen and standardize our processes to ensure that our contingent workers have the same protections as our regular employees. AGS ensures that contingent workers and the agencies that manage them receive a detailed supplier manual outlining how Pearson people policies apply to them, and AGS holds contingent worker agencies accountable for ensuring that workers are informed of these policies. AGS also ensures that we are in compliance with all relevant local regulations.

Supplier diversity

Our supplier diversity program focuses on local, small, diverse businesses – such as those that are small, underutilized, or women-, minority-, LGBT-, or veteran-owned. Building strategic partnerships with diverse suppliers helps make us more competitive and in some cases reduces costs. It demonstrates our commitment to sustainability and diversity and inclusion, and it is important to ensure that we meet the needs and expectations of our customers, investors, employees, and communities in which we operate.

We regularly support our Assessment and North America businesses with customers' Request For Proposals (RFPs) that have supplier diversity requirements. We collaborate internally by locating and identifying qualified diverse suppliers to partner with to meet customer compliance regulations.

This proposal development support is essential to maintaining our current customer contracts and winning new business. It also provides the opportunity for our diverse partners to provide meaningful subcontracting services to support our customers and learners.

By the end of 2019, our goals are to: increase our spend with diverse suppliers; adopt a corporate policy on supplier diversity, and include supplier diversity language in our RFPs; and work with our prime (Tier I) suppliers to integrate diverse utilization goals and spend targets in order to increase our overall diverse spend with the Tier II suppliers that supply goods and services to Tier I suppliers.

Governance

Our strong governance structures and internal systems are key to manage risks and embed sustainability, responsibility, and ethics across our business.

Board oversight

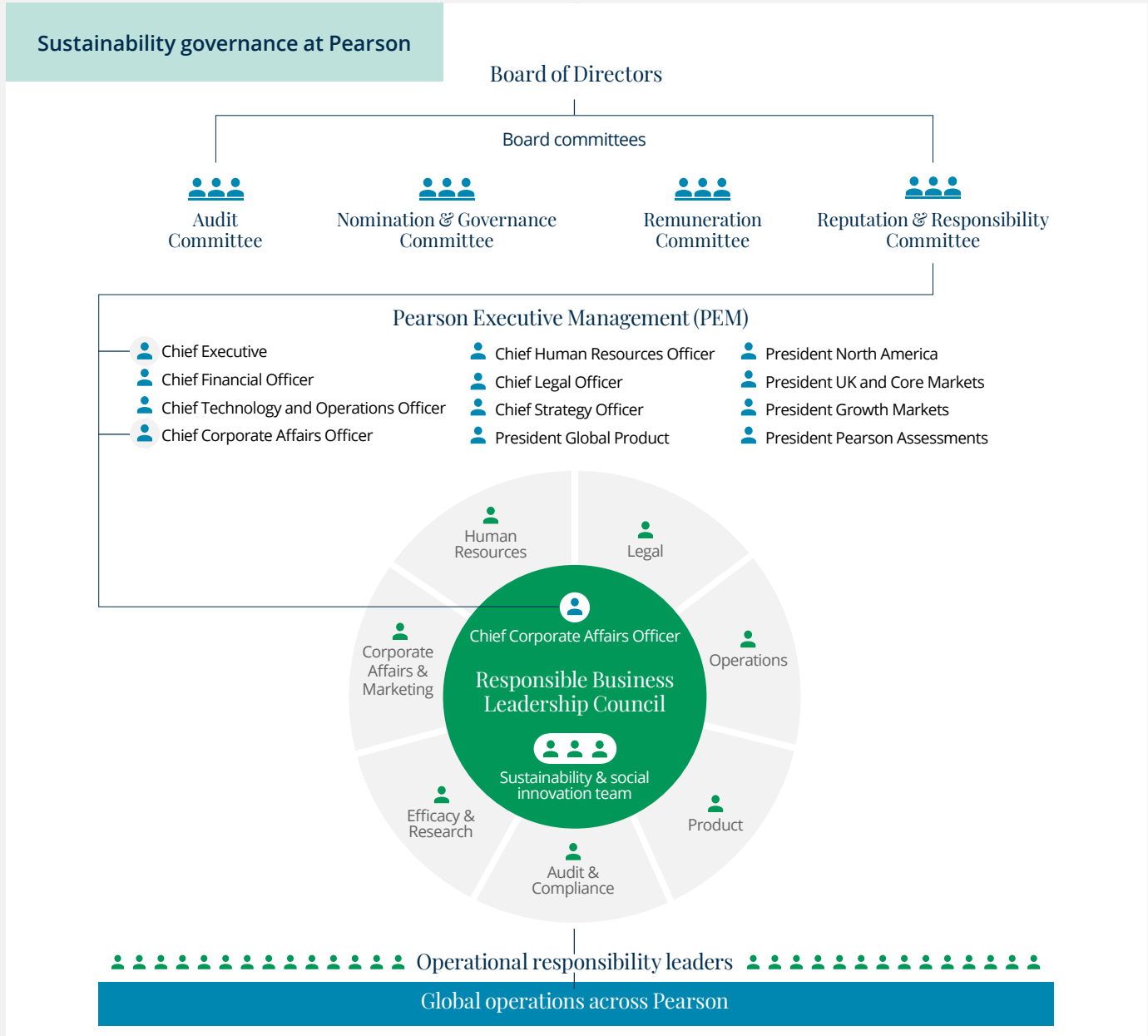
Our Chief Executive and our Board are ultimately accountable for everything we do as a company. The Board is deeply engaged in developing and measuring the company's long-term strategy, performance, and value.

Read more in our Annual Report: www.pearson.com/corporate/ar2018.html

Reputation & Responsibility Committee

The Board's Reputation & Responsibility Committee (RRC) provides important oversight of our Sustainability Plan. The RRC is a formal committee of the Board providing ongoing oversight and scrutiny across all of our responsible business activities.

Read more about the RRC on p106 of the Annual Report: www.pearson.com/corporate/ar2018.html



Responsible Business Leadership Council

Our Responsible Business Leadership Council (RBLC) is an internal governance group of senior executives from across the business that helps to integrate sustainability throughout the company. Led by the Chief Corporate Affairs Officer, the RBLC meets in line with the RRC to provide guidance and input on sustainability strategy and activities.

Key activities in 2018 included advising on: sustainability strategy and reporting; global standards and policies; risks and opportunities related to the efficacy agenda; values and culture; human rights; and initiatives including the Tomorrow's Markets Incubator and Every Child Learning.

Risk management

Pearson's goal in managing risk is to support the business in meeting its strategic and operational objectives.

Our Annual Report describes our approach to risk management on p60-76, and a table mapping the material issues in the 2020 Sustainability Plan with principal risks can be found on p33.

See our Annual Report at:

www.pearson.com/corporate/ar2018.html



Code of Conduct

The Pearson Code of Conduct underpins our values by setting out the global ethical, social, and environmental standards of behavior we expect from employees, and we have a companion code for business partners. The Code was reviewed and refreshed in 2018, and included an interactive training course combined with the certification of the Code. We make sure everyone in Pearson is aware of the Code and confirms they understand and will comply with it.

In 2018, we achieved our target of 100% completion by all employees. The Code is also assigned as part of the on-boarding process for all new Pearson employees. In 2019, we will do a complete review of the Code content and refresh the design of the Code. Employees and new hires will be asked to re-certify that they have read, understand, and agree to comply with our Code of Conduct.

See also page 37 of our Annual Report:

www.pearson.com/corporate/ar2018.html



Raising concerns

We operate a free, confidential telephone helpline and website for anyone who wants to raise a concern, and we have a clear non-retaliation policy in place to encourage honesty and openness. Cases that pose significant risks to our business are reported to the Pearson Audit Committee with ultimate ownership by the Board. In 2018, 80 concerns (87 in 2017) were raised and investigated. Of them, 25 concerns (31%) related to human resources matters and 55 concerns (69%) related to financial irregularities or violations of our policies – none was classed in our highest risk category. We took appropriate steps to resolve these issues, mainly through employee training, policy improvements, or disciplinary action. In 2018, there were two terminations as a result of these investigations.

Anti-bribery and corruption program

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

Over the past several years, Pearson has steadily committed greater resources to strengthening and improving our global compliance office and our anti-bribery and corruption (ABC) program. We have an ABC Policy in place, which was revised in 2018 along with our Third Party ABC and Due Diligence Policy, and Sanctions Policy. All of these were rolled out globally during our first Corporate Compliance and Ethics Week in November 2018.

Alongside the Third Party ABC and Due Diligence Policy, we commenced the rollout of a global ABC third-party due diligence program. We implemented a new due diligence system and completed due diligence on all in-scope third parties in South Africa (including the Rest of Africa), the Middle East, India, Mainland China and Hong Kong, Asia Pacific, Brazil, Hispano America, Italy, and Central and Eastern Europe. We visited the offices located in these regions, met with key stakeholders and relationship owners, conducted due diligence on all third parties we deemed 'in scope' for due diligence, trained staff on how and when to conduct due diligence for all new engagements, and introduced remedial measures or terminated relationships where required. During the course of this exercise, in excess of 20,500 third parties were screened, which includes all of our testing centers globally.

Work will continue in 2019 where we will focus our efforts on Western and Central Europe, the UK, the US, and Canada, as well as our VUE business. We are also working with our global procurement teams on the launch of our new global procurement system, to embed the due diligence process in the system as a prerequisite to the on-boarding of any new supplier (see p51).

In 2018, we also published our Global Conflict of Interest Policy and rolled it out globally, and we launched our SpeakUp campaign with a revised Raising Concerns and Anti-Retaliation Policy. An annual declaration process for potential, perceived, or actual conflicts of interest will be rolled out with our Code of Conduct beginning in 2019.

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

In 2018, through our LCO network, we provided training and raised awareness of our Anti-Bribery and Corruption Policy, and conducted ABC risk assessments in businesses in three parts of the world in those places in the world that have higher risk according to Transparency International's Corruption Perceptions Index.

See also p74 of our Annual Report:
www.pearson.com/corporate/ar2018.html



Public policy

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

In all our engagements with government, we act in accordance with multinational, national, state, and local laws and regulations, and are guided by our corporate values and Code of Conduct.

Pearson expressly prohibits the use of company funds for making political contributions. Pearson does not make direct contributions or donations to political parties or candidates anywhere around the world, nor do we operate a Political Action Committee. During 2018, we contributed to policy discussions on issues including workforce training, intellectual property, the Sustainable Development Goals, refugee education, education and technology, teacher development, and improving learning outcomes. For more information on how we engage in the global dialogue on global issues, see p30.

Public policy activities are overseen by the Board's Reputation & Responsibility Committee.

See also p66 of our Annual Report:
www.pearson.com/corporate/ar2018.html



Taxation

Our approach to tax is guided by our corporate values, and by our Code of Conduct. Our tax principles have been published on our corporate website since 2014. These were reviewed and refreshed during 2017 and they guide our global tax strategy at Pearson, which applies to all our businesses.

We believe in the importance of transparency in regard to our tax affairs and voluntarily disclose information on the tax we pay on business profits and the contributions we make to public finances in the countries in which we operate. We are one of the few FTSE100 companies to publish a standalone tax report. The report also includes our approach to tax governance, risk management, attitude to tax planning, and being transparent with the UK and other tax authorities.

Read our tax report:
www.pearson.com/corporate/about-pearson/our-position-on/tax.html



This is important as tax contributions – from individuals as well as businesses – are fundamental to a healthy society. These contributions are the lifeblood that funds vital public services, including education, as well as investment in infrastructure to fuel economic growth and promote a more equal society. We believe that, as a large, publicly listed company, we have an ongoing responsibility to enhance awareness and provide transparency on our position on tax.

This approach was acknowledged when we were awarded the 2018 PwC Building Public Trust Award for Best Tax Reporting in the FTSE 350.

See also p71 of our Annual Report:
www.pearson.com/corporate/ar2018.html



Appendix

About this report

Our 2018 Sustainability Report covers data from 1 January to 31 December 2018, and it was released on 29 May 2019.

Our reporting frameworks

We have applied relevant international reporting standards and frameworks, including the Global Reporting Initiative (GRI) guidelines, UN Global Compact (UNGC) Ten Principles, and the UN Sustainable Development Goals (SDGs).

This report has been developed in accordance with the GRI Standards and serves as our UN Global Compact Communication on Progress.



Our GRI/UNGC/SDGs content index details how we are meeting these requirements. www.pearson.com/content/dam/one-dot-com/one-dot-com/global/Files/sustainability/2018-reports/2018_Content_Index.pdf



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

We welcome feedback on its contents.



Pearson's 2018 Annual Report includes a summary of the issues covered in this report and, as required by 2013 amendments to the UK Companies Act, comprises a separate strategic report with disclosures on human rights, gender diversity, and greenhouse gas emissions.

Performance data and targets

Our performance data and targets overview provides an overview of key metrics and performance data, a summary of targets in this report, and table to navigate where in this report we discuss progress on last year's targets.



View our performance data and targets overview: www.pearson.com/content/dam/one-dot-com/one-dot-com/global/Files/sustainability/2018-reports/2018_Sustainability_Performance_Data.pdf

Assurance

Our environmental data (p47 and in the performance data table), and our data on social contributions (p45 and in the performance data table) were assured by independent external assurance providers Corporate Citizenship.

Statements are available for download at: www.pearson.com/corporate/sustainability/reporting-policies.html

Contact us

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

To view this report online, visit: www.pearson.com/sustainability

Key stakeholders

When we developed our 2020 Sustainability Plan, we worked with a leading sustainability organization to identify and prioritize our key stakeholders, and we continue to strive to find the most effective channels for interacting with each of these groups.

We participate in a number of multi-stakeholder initiatives that provide valuable opportunities to engage and collaborate with stakeholders across sectors.

	Employees	Shareholders	Learners	Educational institutions & educators	Employers	Governments & Regulators
WHO THEY ARE	<p>We have over 24,000 employees in over 70 countries around the world, who are a driving force behind our success. As brand ambassadors, it is critical that they continue to embody our purpose and values, and help us continuously be better.</p>	<p>We have a broad range of investors who entrust their capital with us. Investors increasingly seek better information and more reliable data about how we are addressing sustainability.</p>	<p>Our learners are in school, higher education, vocational training, and continuing professional education. They have different nationalities and backgrounds, and their learning needs are just as diverse. They expect modern, engaging, and personalized educational experiences that allow them to be successful at every stage of their lives.</p>	<p>We work with teachers, instructors, and educators across all stages of education. 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.</p>	<p>Employers, trade associations, and industry bodies are looking for education systems to help drive innovation, tackle the global skills gap, and contribute to long-term economic growth by ensuring that learners are better prepared to succeed in their careers. Increasingly, employers want their future employees to have the knowledge and skills to address social and environmental challenges. See p26.</p>	<p>Local, state, and national governments set standards that address students' needs, close skills gaps, and meet the demands of the workforce. They also set policy to help drive sustainable growth and ensure that learners have access to affordable education and training opportunities.</p>
OUR ENGAGEMENT	<p>In 2018, we invited all of our employees to take part in a survey to better understand where we can continue to improve. We also held town halls with senior leaders and global conversations with our CEO. We are working to develop talent, drive diversity and inclusion, ensure greater employee engagement, and spur innovation. See p40.</p>	<p>We communicate with our investors regularly, including at our financial results, our Annual General Meeting, and at investor meetings and conferences around the globe. We respond to requests for environmental, social, and governance information from investors and raters, including the Dow Jones Sustainability Index (DJSI) and FTSE4Good.</p>	<p>We regularly talk to and survey learners to understand how learning is evolving, attitudes, and buying behavior. We also have conversations through social media and often involve our students in internal and external panels at conferences.</p>	<p>We collaborate with educators on thought leadership and product development. We aim to provide more engaging ways to connect educators with their students. For example, the move to digital enables more timely feedback on student progress to help set them up for success.</p>	<p>Through assessments and qualifications, 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. We have listened to employers and are designing products that meet their needs of industry. See p21.</p>	<p>We are committed to building strong relationships with political and educational leaders. We do not make policy. Instead, we share best practices, inform the policymaking process, and forge Innovative partnerships aimed at increasing student access, affordability, and success.</p>

Key stakeholders

	Business partners & suppliers	Communities	International, non-governmental & non-profit organizations	Media	Parents
WHO THEY ARE	<p>From technology providers to suppliers, channel partners to our authors, we have a broad range of partners. We believe that working with partners who share our commitments to best practice and international standards for human rights and environmental stewardship strengthens our value chain and reduces our business costs and risks.</p>	<p>Educational opportunities and outcomes are closely linked to the prosperity of local communities and global development. Our communities around the world are interested and engaged in how we are using our products, services, and community investments to reach the learners who need it most and the steps we are taking to have a positive impact on society and the environment.</p>	<p>We listen carefully to the insights of organizations working to improve education for vulnerable and marginalized groups, as well as those looking at the impact of business in society.</p>	<p>The media and journalists play an important role in analyzing and reporting on business and corporate behavior, education, and sustainability. They also help us to raise awareness about our business, share our stories, and engage other stakeholders.</p>	<p>Parents want to see their children succeed in school and in life. Research shows that, while parents want to help their children progress in school, some struggle to understand how federal, state, and local policies and curriculum, and factors beyond academics have an impact on their child's academic progress.</p>
OUR ENGAGEMENT	<p>We build bilateral relationships with partners and suppliers. Our suppliers agree to our Business Partner Code of Conduct and terms of business, which outline our expectations for responsible business practices. We conduct due diligence and regularly engage in dialogue, training, audits, and remediation with our suppliers when needed. We collaborate with industry working groups to improve sustainability in our supply chain. See p49.</p>	<p>We partner with organizations working to improve education for vulnerable, marginalized groups, and those focused on the impact of business on society and the environment. We also encourage employees to get involved through volunteering and giving. See p45.</p>	<p>In addition to maintaining bilateral relationships, we participate in multi-stakeholder initiatives that aim to strengthen global education systems. These relationships allow us to share experiences, capabilities, and perspectives; respond quickly to opportunities and criticisms; and help shape the global education debate. See p30.</p>	<p>We work to help the media understand who we are as a company and how we are working to improve lives through learning and advance the UN Sustainable Development Goals. We maintain bilateral relationships, respond to media requests, and develop external materials for traditional and social media.</p>	<p>Pearson sponsors the Parent Toolkit, which is produced by NBC News, to support the needs of parents. The Parent Toolkit is a free resource designed to help parents navigate a student's educational journey from pre-kindergarten through high school and beyond. Learn more at: www.parenttoolkit.com</p>



Material issues

With our 2020 Sustainability Plan and approach to reporting, we focus on the issues that matter most to our business, our learners, and all of our stakeholders (see p59-60 for more about our stakeholders).

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

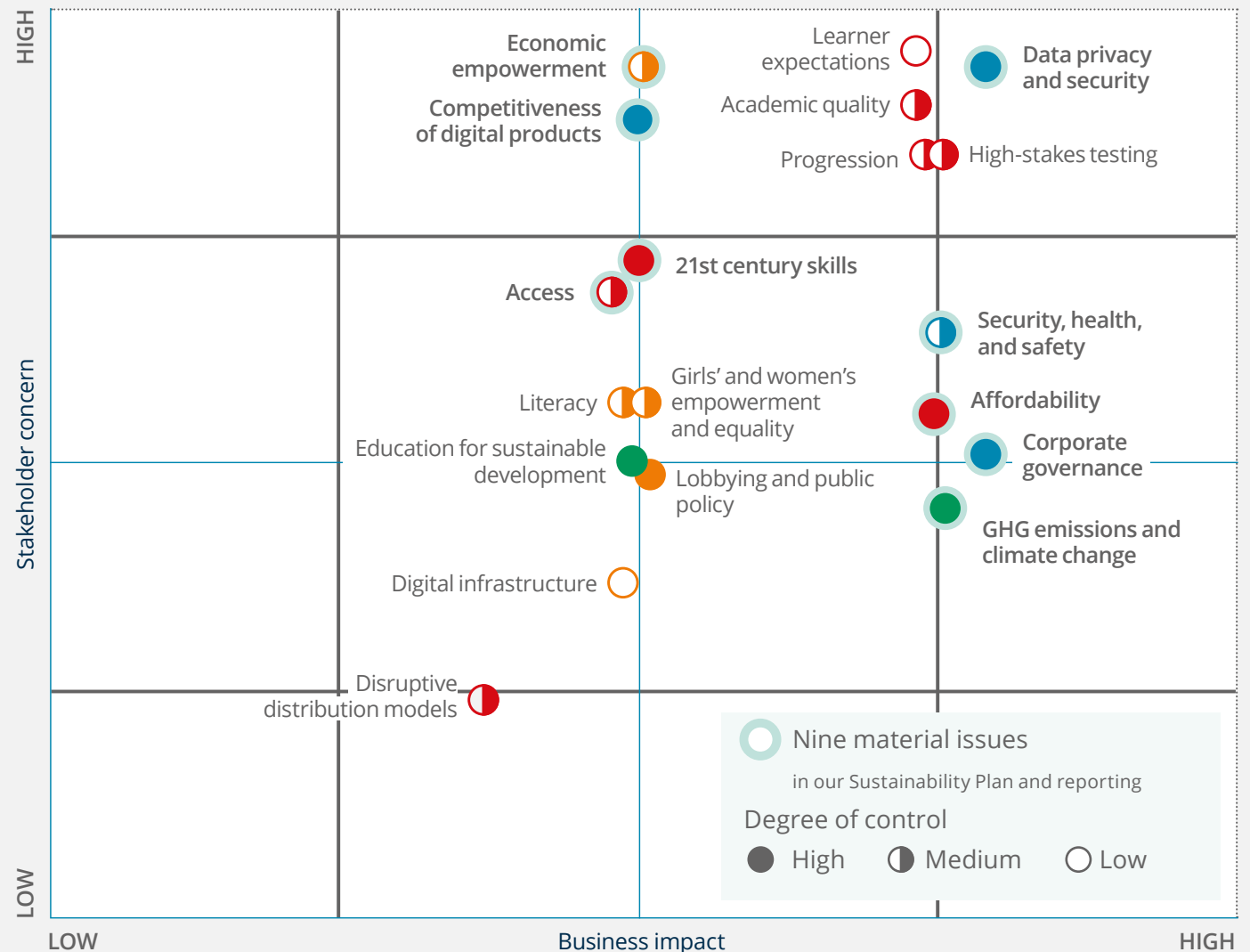
Based on consultation and an analysis of the areas that are most important to our stakeholders, we identified a shortlist of 19 issues that are most relevant to the sustainability of our business. Through further consultation with senior leaders at Pearson, we narrowed these down to nine issues we believe are most material at this time.

To determine materiality, we took into account:

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

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

Materiality matrix



Our material issues are broken into four categories:

● Corporate functions

Competitiveness of digital products

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

Data privacy and security

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

Security, health, and safety

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

Corporate governance

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

● Societal issues

Economic empowerment

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

● Education industry

Access

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

Affordability

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

21st century skills

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

● Environmental issues

GHG emissions and climate change

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



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Photo credits: **David Keith** (p11), **Brinker International** (p12) and **Save the Children/Ahmad Muhsen** (p18), **CAMFED** (p24).

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