



Pearson

Shaping tomorrow

Pearson Sustainability report 2017



Pearson's 2017 Sustainability report



Introduction

| | |
|--|----|
| Chief executive's introduction | 2 |
| Welcome from our VP, Sustainability and social innovation | 3 |
| 2017 Sustainability highlights | 4 |
| Sustainability in action | 6 |
| Our business | 8 |
| What shapes our approach to sustainability | 9 |
| Our 2020 Sustainability Plan | 10 |
| Strategic alignment of our business model and 2020 Sustainability Plan | 11 |
| Key stakeholders | 12 |

Progress towards our 2020 Sustainability Plan

| | |
|--|----|
| Pillar 1: Reach more learners | 16 |
| Improve access to and affordability of products and services | 17 |
| Collaborate to reach underserved learners | 30 |
| Pillar 2: Shape the future of learning | 38 |
| Build skills that foster employability and inclusive economic growth | 39 |
| Promote education for sustainable development | 45 |
| Engage in multi-stakeholder research, dialogue, and collective action to solve global challenges | 49 |

| | |
|--|----|
| Pillar 3: Be a trusted partner | 52 |
| Respect and support our people, customers, and communities | 53 |
| Protect our natural environment | 68 |
| Build a sustainable supply chain | 72 |

Governance

Appendix

| | |
|--|-----|
| About our reporting | 80 |
| Awards and recognition | 81 |
| Performance data | 83 |
| Progress on 2017 targets | 90 |
| Targets for 2018 and beyond | 94 |
| Material issues | 96 |
| Global Reporting Initiative (GRI), United Nations Global Compact (UNGC), and UN Sustainable Development Goals (SDGs) content index | 99 |
| Notes | 108 |

We believe that quality education is the key to shaping a better tomorrow. It can create better lives for individuals, greater equality within society, and a more prosperous, sustainable world. Now more than ever, the world needs everyone to be a lifelong learner.

Today's learners are the architects of tomorrow. By enabling better learning and helping to remove barriers to a quality education, we empower learners to be their best selves and, in turn, build a better life for themselves and those around them.



Chief executive's introduction

"We recognize the role sustainability plays in driving our long-term growth and in building a more connected and tolerant society."



Two years ago, we made a commitment to embed sustainability within every part of our business by 2020. We did this because we recognize the role sustainability plays in driving our long-term growth and in building a more connected and tolerant society.

Our 2020 Sustainability Plan and commitment to listening to our stakeholders has helped us to understand and advance the social and environmental issues that are most important to us as the world's learning company.

At Pearson, our mission is to deliver high-quality education that empowers people to progress in their lives through learning, and I'm proud of the progress we made in 2017.

In a world disrupted by automation, robotics, and artificial intelligence, we will all need to become lifelong learners to adapt and thrive in a changing global economy. That's why last year we teamed up with the Oxford Martin School and Nesta to produce *The Future of Skills: Employment in 2030* report, which combines the best of human expertise with the power of machine learning to understand trends and make more nuanced forecasts than previously possible about jobs in the future.

The good news is the future of work is brighter than conventional wisdom suggests – but only if we give everyone the opportunity to gain the knowledge and skills they will need to be successful.

When it comes to improving access to education, US colleges and universities participating in our inclusive access program reported their students collectively saved more than \$100m on course materials in 2017 alone. Our new corporate education program – AcceleratED Pathways – partners with employers to help their workers obtain GEDs and online degrees. We also funded our first round of internal ventures designed to help underserved communities through our Tomorrow's Markets Incubator.

These are just a few of the achievements from last year. In this report, you will find many more, where we have put our values into practice, removed barriers to education, and embraced innovation and partnerships.

We know there is more to do. We are continuously looking for ways to improve our practices to more deeply integrate social and environmental issues into our operations and supply chain – in line with our commitment to the ten principles of the United Nations Global Compact.

By working together we can shape a better tomorrow and realize the promise of the United Nations Sustainable Development Goals.

A handwritten signature in blue ink that reads "John Fallon". The signature is fluid and cursive, with a horizontal line underneath the name.

John Fallon Chief executive officer, Pearson

Welcome from our VP, Sustainability and social innovation

“Our 2020 Sustainability Plan helps us focus on enabling learners from all backgrounds to reach their potential, while creating long-term value for both our business and our world.”



As an education company, Pearson helps learners improve their lives and, in turn, positively impact their communities and society. It is an important and compelling responsibility that inspires me every day.

Our 2020 Sustainability Plan helps us focus on enabling learners from all backgrounds to reach their potential, while creating long-term value for both our business and our world. It drives us to find innovative ways to reach new markets by helping learners overcome barriers, stay on the cutting-edge of the changing education landscape, and earn the trust of our stakeholders. By aligning with the UN Sustainable Development Goals, the Plan ensures we think about business success in the context of our wider responsibilities as part of the global community.

I'm proud of our accomplishments, and the progress we have made toward more deeply integrating responsible practices into our operations. In 2017 we conducted a human rights review of our business, and set the course to take forward its findings. For example, we introduced a new global Editorial Policy to ensure all Pearson-produced educational content is relevant and inclusive. And we took steps to integrate additional social and environmental considerations into our supply chain and procurement processes. Our first gender pay report for the UK was released in April 2018, with aspirations to extend reporting worldwide by 2020.

The demand for accessible, affordable, and effective education is greater than ever. This year, our Tomorrow's Markets Incubator provided funding, coaching, and support for employee teams to pilot new products and business models for low-income and underserved markets. As part of our Every Child Learning partnership, we launched a new app in schools in Jordan to help refugees and vulnerable children continue to learn in times of transition. Looking ahead, we began research to inform enterprise-wide strategies on access to learning, and education for sustainable development.

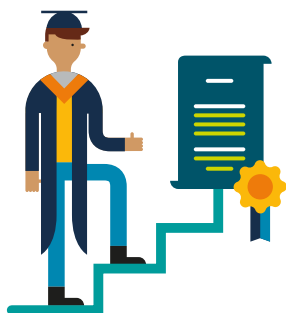
Transparency and stakeholder engagement remain a priority. Our enhanced reporting practices have helped us build trust with stakeholders. Since 2015, we have followed the Global Reporting Initiative (GRI) guidelines, and this year we transitioned to the new GRI Standards. In 2018, we will begin to develop the next iteration of our Sustainability Plan, and the next generation of targets that will challenge us to continuously improve our performance in line with stakeholder needs.

The possibilities are exciting. With the full support and energy of the Pearson executive team and employees, we continue to advance our goal to put sustainability at the heart of our business. I am confident our efforts will contribute to shaping a better tomorrow.

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

Amanda Gardiner VP, Sustainability & social innovation, Pearson

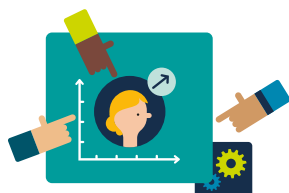
2017 Sustainability highlights



Improved access to education for disadvantaged groups

Through products and services like our developmental product portfolio, MyPedia, Connections Academy, and the AcceleratED Pathways program, we helped learners overcome barriers to improve their learning outcomes.

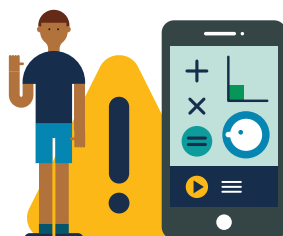
➔ See p17



Encouraged innovation for low-income learners

Funded and coached employees to develop new business models that support underserved learners through the Tomorrow's Markets Incubator, and reached over 650,000 learners in six countries through Pearson Affordable Learning Fund (PALF) portfolio companies.

➔ See p28-29



Advanced education in emergencies

Launched a new mobile learning app and programs in three schools in Jordan through our Every Child Learning partnership with Save the Children.

➔ See p30

Empowered girls and women

Awarded 1,037 BTEC qualifications to women in Zimbabwe and Ghana as part of our partnership with Camfed.

➔ See p32



Raised awareness and mobilized action on illiteracy

Shed light on adult illiteracy in the US and UK through Project Literacy's "Give Your Word" campaign.

➔ See p34



Developed thought leadership

Produced research on social innovation with Business Fights Poverty; *Promising Practices in Refugee Education* with Save the Children and UNHCR; *a Guide to Becoming a 21st Century Teacher* with UNICEF, Point B and Mawlamiye University; and *Towards a Reskilling Revolution: A Future of Jobs for All* with the World Economic Forum, Boston Consulting Group, and other partners.

➔ See p50-51

Explored the future of skills

Released new research on the future of skills with Oxford University and Nesta.

➔ See p39



Promoted the UN Sustainable Development Goals

CEO John Fallon served as a commissioner on the Business and Sustainable Development Commission, which in 2017 launched a report showing the enormous business opportunity to achieve the SDGs.

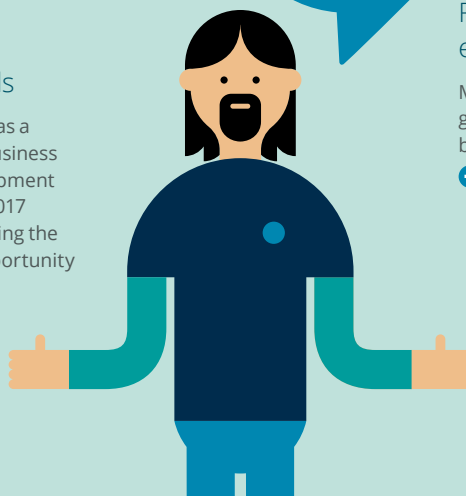
➔ See p50



Reduced our environmental impact

Met our goal to reduce our greenhouse gas (GHG) emissions by 50% from a 2009 baseline.

➔ See p68





Supported gender equality

Released our first gender pay report in the United Kingdom and continue to work towards our target to report in our other geographies.

➔ See p64

Strengthened our commitment to inclusive content

Introduced a global Editorial Policy to ensure content is appropriate, effective, and relevant for all learners, for the 21st century and beyond.

➔ See p59

Supported global and local communities

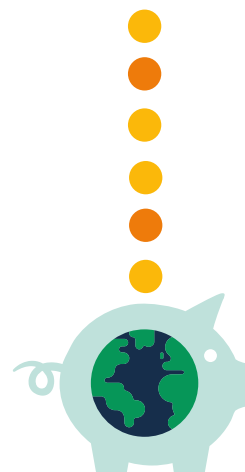
Made over \$2m in Kiva loans to 43,000+ micro-entrepreneurs in 82 countries, and mobilized 1,000+ employees in 15 cities for North America Volunteer Day.

➔ See p65-67

Completed a human rights assessment

Reviewed how our operations, products and services, and the activities of our business partners impact people inside and outside of Pearson.

➔ See p53



Upgraded our reporting

Our reporting follows the new Global Reporting Initiative (GRI) Standards.



Received awards



Corporate Knights World's 100 Most Sustainable Companies (4th year)



FTSE4Good
FTSE4Good (6th year)



Dow Jones Sustainability Index
(6th year)



Human Rights Campaign
Corporate Equality Index
(5th year)



Sustainability in action

Preparing low-income and first-generation learners for college in Minnesota, US



To reach more learners, we strive to improve access to education for those who need it most. At Hennepin Technical College in Minnesota in the US, Lisa Roney directs a summer enrichment program for low-income and first-generation high school students with the potential to succeed in higher education. Using Pearson's ACCUPLACER/MyLab Foundational Skills, the program aims to bolster students' academic progression and prepare them for careers.

93%

of eligible program participants are currently enrolled in college

Read more about how we are working to improve access to and affordability of our products and services.

[➔ See p17](#)

“Instead of losing academic skills during the summer break, our students are strengthening core academic skills that will enable them to succeed in their next academic year curriculum, to graduate high school on time, and to demonstrate readiness for college.”

Lisa Roney Director of TRiO – educational talent search, Hennepin Technical College

Pearson works with Save the Children on the “Every Child Learning” partnership to deliver high-quality education to Syrian refugees and host community children in Jordan. The partnership has three pillars of activities: investment in the research and development of new digital and programmatic solutions, program funding to meet immediate needs in Jordan, and advocacy and awareness.

£4.5m

committed from 2015-2019

Read more about the partnership.

[➔ See p30](#)

Through Every Child Learning, we are helping Khaled*, 11, to achieve his dream of becoming a dentist

* name changed to protect identity

Supporting access to education in emergencies in the Middle East



Improving access to education and career advancement for underserved working adult populations is a critical element of reaching more learners. Pearson has partnered with Brinker International, one of the world's leading casual dining restaurant companies, to provide a comprehensive educational program, Best You EDU. The program offers three components: foundational skills and English as a second language (ESL), GED preparation, and associate degrees – all provided at no cost to the employee.

Read more about the partnership.

➔ See p25

“The confidence that education provides is what encourages our team members to achieve the next step in their career.”

Rick Badgley Chief people officer, Brinker

Providing education opportunities to Brinker employees in the US



Through the Tomorrow's Markets Incubator, we support teams of Pearson employees to develop new products and services, as well as overall business models, to bring high-quality education to learners in low-income and underserved communities. One team has developed Project Boost, a recruitment, job preparation, and integration service in South Africa. Boost aims to address the unemployment challenge for low-income youth, while making recruitment of high-quality candidates more efficient for potential employers.

Read more about Project Boost and the Tomorrow's Markets Incubator.

➔ See p28

Read more about our work on 21st century skills and employability.

➔ See p39

Addressing youth unemployment in South Africa

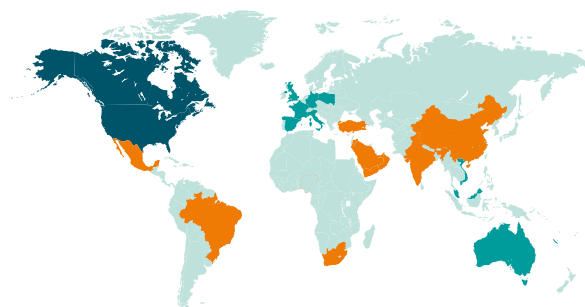


Our business

Pearson is the world's learning company, providing a range of products and services to empower people across different learning stages to make measurable progress in their lives.

We operate in
70 markets
worldwide

with a focus on those shown on right



North America

Sales

£2,929m

Our largest market including all 50 US states and Canada.

Core markets

Sales

£815m

Our international business in established and mature education markets including the UK, Australia, Italy, France, Germany, Spain, Poland, Singapore, Malaysia, and Vietnam.

Growth markets

Sales

£769m

Our growth markets in emerging and developing economies, with investment priorities in Brazil, India, South Africa, Mexico, Hong Kong and China, and the Middle East.

We provide content, assessment, and digital services to schools, colleges, and universities, as well as professional and vocational education to learners to build the modern skills they need to succeed in their work and in life.



Courseware

Sales

49%

We provide world-leading educational content for use in both traditional and digital learning environments.



Assessment

Sales

30%

We provide assessment services to measure and validate learner progress, and to certify competency.



Services

Sales

21%

We provide integrated services that help educational institutions deliver greater student success.



What shapes our approach to sustainability

Our values and behaviors



Brave

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



Imaginative

- › Assess complex issues from multiple angles and address problems that do not have clear solutions or outcomes
- › Offer creative ideas and innovative solutions to solve problems and address opportunities
- › Take a broad perspective to identify opportunities and solutions



Decent

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



Accountable

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

Our material issues

We put the issues that are most relevant to our stakeholders and to the sustainability of our business at the heart of our work. Through a comprehensive stakeholder engagement process, we identified nine issues we believe are most material at this time.



Competitiveness of digital products



Data privacy and security



Security, health, and safety



Corporate governance



Economic empowerment



Access



Affordability



21st century skills



GHG emissions and climate change

Learn more about Pearson's stakeholders and how we engage them.

[➔ See p12](#)

Learn more about our materiality assessment.

[➔ See p96](#)

Our commitment to the UN Sustainable Development Goals

We are aligning with the UN Sustainable Development Goals (SDGs), which were adopted by UN Member States to eliminate poverty, reduce inequality, and protect our planet. We have prioritized Goal 4 on education, Goal 8 on decent jobs, and Goal 10 on inequality as areas where we think we can make the most impact through our business strategy, activities, and partnerships.



Our 2020 Sustainability Plan

Through our 2020 Sustainability Plan, our products and services, and the work that we do every day, we empower learners to shape tomorrow.

Our three focus areas – be a trusted partner, reach more learners, and shape the future of learning – drive our commitment to integrating social and environmental issues into every aspect of our business. Through our plan, we foster innovation and growth, strengthen our operations, and contribute to the UN Sustainable Development Goals (SDGs).

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

How we shape tomorrow



Our personalized, flexible, and engaging products and services enable **better learning** – and we help the people who need it most overcome barriers to education.

A high-quality learning experience helps students and educators be their best selves and enjoy a **better life**.

Through education, we empower learners to build a **better, more prosperous, and sustainable world**.

“Sustainability is a fundamental part of everything Pearson does.”

Linda Lorimer Member of the board, Pearson

Strategic alignment of our business model and 2020 Sustainability Plan

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

Business priorities

1 Grow market share through digital transformation

2 Invest in structural growth markets

3 Become simpler and more efficient

2020 Sustainability Plan



Reach more learners



Shape the future of learning



Be a trusted partner

Our impacts

Economic

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




Social

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

Environmental

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

Contribution to the UN Sustainable Development Goals

| Elements of our 2020 Sustainability Plan |  Goal 4: Quality education |  Goal 8: Decent work and economic growth |  Goal 10: Reduce inequalities |
|--|---|--|--|
| Improving access to and affordability of our products and services (p17) | ✓ | | ✓ |
| Collaborating to reach underserved learners (p30) | ✓ | | ✓ |
| Build skills that foster employability and inclusive economic growth (p39) | | ✓ | ✓ |
| Promote education for sustainable development (p45) | ✓ | | |
| Engage in multi-stakeholder research, dialogue, and collective action to solve global challenges (p49) | ✓ | | ✓ |
| Respect and support our people, customers, and communities (p53) | ✓ | ✓ | |
| Protect our natural environment (p68) | | | ✓ |
| Build a sustainable supply chain (p72) | | ✓ | |




Key stakeholders

We are committed to listening to our stakeholders and responding to their needs. We believe their perspectives offer valuable insights for improving our business, implementing our Sustainability Plan, and improving our products and services for those who need them most.




Identifying our key stakeholders

We worked with a leading sustainability organization to identify and prioritize our key stakeholders, and we continue to strive to find the most effective channels for interacting with each of these groups. We participate in a number of multi-stakeholder initiatives that provide valuable opportunities to engage and collaborate with stakeholders across sectors (see p49).

How we engage our key stakeholders

| STAKEHOLDER GROUP | Customers | Learners | Employees |
|-------------------|--|---|---|
| |  |  |  |
| KEY CONCERNS | <p>Our business depends on building strong, long-lasting relationships with a variety of customers, including governments, educational institutions, and individual teachers and learners.</p> <p>Together, we can evolve education to meet the needs of learners today and into the future. Our customers expect the best from our products – that they deliver reliable, engaging, and seamless interactive experiences and learner success. At the same time, our products need to be accessible to reach as many students as possible.</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 have over 30,000 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> |
| HOW WE ENGAGE | <p>We use a wide range of methods to gather feedback from customers, including face-to-face interviews, surveys, usability testing, and efficacy research.</p> <p>➔ See <i>customer insights function</i>, p57.</p> <p>Our sales representatives also engage with customers regularly, and we receive feedback through social media as well as at conferences.</p> | <p>We are continually interacting with learners to understand how the consumption of learning is changing and how we can better meet those needs. For example, we regularly review data and conduct surveys to understand changing demographics, attitudes, and buying behavior relative to education. We also seek input on trends, as well as product development, from our Pearson Student Ambassadors and Student Insiders. We regularly have conversations through social media and often involve our students in internal and external panels at conferences.</p> | <p>We listen to employees through virtual town halls with senior leaders, webinars, and a regular call hosted by our chief executive. Our employees also exchange ideas, expertise, and information through our online collaboration tool, Neo. We have focused on communications around our business strategy and ensuring that everyone understands how their individual jobs contribute to Pearson's goals to empower human progress through learning.</p> <p>To better support our employees, we are increasing our work on diversity and inclusion, and engagement and development programs.</p> <p>➔ See <i>diversity and inclusion</i>, p63.</p> <p>➔ See <i>employee engagement</i>, p61.</p> |

Key stakeholders

| STAKEHOLDER GROUP | Teachers and educators | Media | Suppliers |
|-------------------|---|---|--|
| |  |  |  |
| | <p>Educators are vital to helping learners make progress in their lives. They are looking for more engaging ways to connect with students and seek more timely feedback on student progress to set them up for success.</p> <p>They are important customers, users, and stakeholders for Pearson. And, many Pearson employees were or are educators.</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>Our business is supported by thousands of suppliers, from paper producers and printers to digital device manufacturers and software developers.</p> <p>We believe that working with suppliers who share our commitments to international standards for human rights and environmental stewardship strengthens our supply chain and reduces our business costs and risks.</p> |
| HOW WE ENGAGE | <p>We see educators as our partners on the journey to shape the future of learning. We collaborate with educators on thought leadership and product development in order to give the next generation of learners the tools they need to be successful. We value input from educators who are working with students of all abilities and at all stages in the learning journey.</p> <p>We also want to celebrate the stories of teachers who are making a difference for learners.</p> <p>➤ See our <i>Univision partnership</i>, p37.</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>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. We also have a Mentor-Protégé Program to support our diverse suppliers.</p> <p>➤ See <i>Build a sustainable supply chain</i>, p72.</p> <p>➤ See <i>Mentor-Protégé Program</i>, p75.</p> |

Spotlight: Celebrating educator voices

In the US

Pearson is a sponsor of the National Teacher of the Year program, the oldest and most prestigious national honors program for teachers. To empower great teachers through professional development and policy engagement, the program brings together state teachers of the year from the 50 states, territories, District of Columbia, and the Department of Defense Education Activity through a year of activities. In 2017, Pearson helped the teachers of the year prepare for media interviews, amplified their stories, and, most importantly, listened to their needs.

In the UK

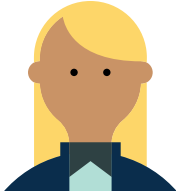


For many years Pearson has sponsored the Pearson Teacher Awards. The Awards recognize and celebrate excellence in education, honoring outstanding teachers who help students achieve their potential. The award ceremony is broadcast as “Britain’s Classroom Heroes” on BBC2.

In addition, with the help of LMKco, Pearson engaged British teachers as well as school leaders, experts, and parents to better understand and address their concerns about educational assessment. The resulting report, *Testing the Waters*, sets out clear steps for how assessment can underpin, rather than undermine, great classroom teaching.

Around the world

Pearson celebrates great English language teachers who have developed innovative solutions to common classroom problems with our Pearson ELT Teacher Award. Reviewing more than 1,300 teachers, the expert panel selected five regional first place winners for 2017.

Key stakeholders

| STAKEHOLDER GROUP | <h2>Governments and other education agenda-setters</h2>  | <h2>Shareholders and investors</h2>  | <h2>Business partners</h2>  |
|-------------------|--|---|--|
| KEY CONCERNS | <p>Given our deep expertise in educational research, programs, and new approaches to supporting learners throughout their lifetime, we participate in national and local government policy discussions to share our perspective and inform their deliberations.</p> | <p>We are accountable and report quarterly to our shareholders, which include institutional and retail investors in the UK, US, and many other countries.</p> <p>Investors increasingly seek better information and more reliable data about how companies are addressing sustainability. We are working to meet these needs by providing more relevant information, goals, targets, and key performance indicators (KPIs).</p> | <p>We work with a variety of commercial partners, ranging from large technology companies to education start-ups. Our business partnerships strive to leverage and make the most of each organization's unique resources and capabilities.</p> |
| HOW WE ENGAGE | <p>We use our government affairs professionals to share research and information with stakeholders and policymakers and advocate for equity in education. We do not set policy; rather, we inform government officials on policy considerations that support greater access to high-quality learning materials, technologies and services for learners. We also interact with governments through various multi-stakeholder groups.</p> <p>➔ See <i>multi-stakeholder groups</i>, p49.</p> | <p>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>Additional information about engaging shareholders can be found in our Annual Report.</p> | <p>We primarily engage in bilateral meetings and relationships with our business partners and seek to provide them with relevant and transparent information about our company.</p> |



Key stakeholders

| STAKEHOLDER GROUP | Parents | International, non-governmental, and non-profit organizations |
|-------------------|--|--|
| |  |  |
| | <p>KEY CONCERNS</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 (like health and wellness or social and emotional development) impact their child's academic progress.</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> |
| HOW WE ENGAGE | <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> <p>Pearson also curates and creates content to support parents through its social media accounts on Facebook and Twitter. Pearson's @KidsAndLearning channels bring in experts to cover timely topics on Facebook Live, share relevant news and third-party content across the channels, and provide opportunities to listen and learn about parents' needs.</p> | <p>In addition to maintaining bilateral relationships with key organizations, we participate in a number of multi-stakeholder initiatives that aim to strengthen global education systems. These relationships allow us to share experiences, capabilities, and perspectives; respond quickly to opportunities and criticisms; and help shape the global education debate.</p> <p>➔ See <i>multi-stakeholder initiatives</i>, p49.</p> |





Reach more learners

We believe 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 commitments:

Improve access to and affordability of products and services

p17

Collaborate to reach underserved learners

p30

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

Our continued commitment is to better address the needs of vulnerable groups through our products, services, and partnerships. Helping improve access to quality education for a broader spectrum of learners contributes to stimulating innovation, developing new markets, and strengthening our performance. The potential to change our world and business for the better is clear.

With regard to our products and services, we are taking steps to better understand the barriers underserved learners are facing and foster innovation to refine or create new products and delivery channels that will help learners of all stages and backgrounds overcome their challenges. We know that increasing our digital reach is an opportunity to reach more learners globally and improve outcomes. It is therefore a key element of our business strategy.

In addition, through partnerships involving non-governmental organizations, teachers, education experts, governments, and others, we are also tackling some of the biggest education challenges related to gender inequality, conflicts and emergencies, and illiteracy.

Improve access to and affordability of products and services

We develop products and services designed to meet learners where they are. We look for new and innovative ways to provide inclusive and equitable quality education for all, in line with UN Sustainable Development Goal 4 (quality education).

In 2017, we continued to advance our commitment to improve access and affordability for key groups who are particularly underserved in terms of accessing and completing education. Our efforts cover our products and services at the primary, secondary, higher education, and adult learning stages.

In order to both scale up our positive impact on society and better serve our customers, we are taking steps to better understand and respond to dramatic changes in learning and global and local education systems around the world, as well as the unique needs of the diverse set of learners that we serve. We are conducting research, developing insights, and refining and creating new products and services to empower learners to overcome barriers to access, affordability, and success. Many of our customers have goals to reach underserved groups, so by supporting those learners, we are often helping customers achieve their objectives.

New technologies are playing a key role in bringing education and opportunities to more people in more places – whether through content that can be accessed anywhere, or ways of delivering digital content that reduce costs.

As we look toward the future, the demographics of learners around the world are changing – and that means so are our customers. Some of these include low-income students, rural students,

first-generation college students, students who do not speak the dominant language, people with disabilities, underrepresented minorities, and those facing personal constraints, such as the need to balance education with work and family responsibilities.

Girls and women are another key group we want to reach. Our products and services are used by millions of girls and women every day around the world, providing a unique opportunity and responsibility for us to help them thrive. Girls' and women's empowerment is one of the most powerful drivers of equitable growth and development. It helps lift families and communities out of poverty, creates jobs and income, and increases demand for products and services.

When it comes to affordability in particular, while often small in relation to overall education costs, the cost of course materials can have a significant impact on students' ability to prepare for and successfully complete courses. In higher education, courseware costs can also make up a larger share of expenses in cases where tuition and other costs are subsidized by governments or special programs. We have introduced new offerings to reduce the costs of our courseware offerings and continue to work on developing more affordable options for all learners.



If women participated in the economy at the level of men, it would add

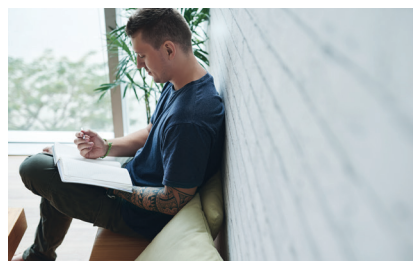
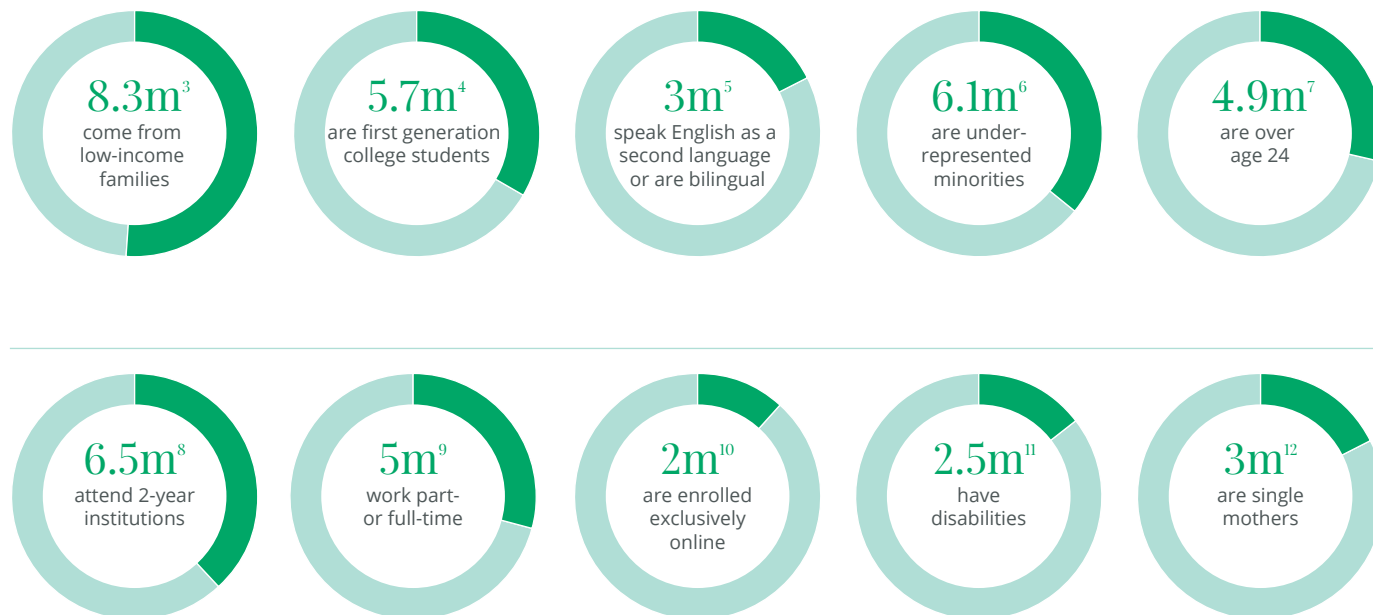
\$28 trillion¹

or 26% to annual global GDP in 2025

Improve access to and affordability of products and services

Access and affordability in US higher education

Out of 17m² students in US higher education...



Improve access to and affordability of products and services

Support disadvantaged groups through primary and secondary school products and services

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

Our youngest learners are experiencing education in different ways. They are exposed to technology much earlier than previous generations and are increasingly on the go. We are expanding our digital portfolio for primary and secondary school students to better meet these needs. Connections Academy and MyPedia are two examples of how our digital products and services can have a positive impact on underserved groups in the US and an emerging market.

Pearson's Connections Academy is a tuition free, fully-accredited, US-based online public school for students in grades K-12. The program offers an inclusive, collaborative learning experience that meets the unique needs of learners with a wide variety of backgrounds and abilities. An alternative to brick-and-mortar public schools, Connections provides a valuable option for students who are not finding success in the traditional classroom. Students with serious health issues, who have been bullied, or are struggling or advanced academically: all these can benefit from attending a Connections Academy online school.

Our efficacy research found that Connections Academy students perform just as well in math and reading on state tests as similar students at traditional schools and that students at Connections Academy schools statistically outperformed similar students at other virtual schools in reading proficiency on state assessments.



Another example of a product supporting underserved groups is MyPedia in India, which is showing positive results for low-income learners. Designed to involve the full academic ecosystem – teachers, school leaders, parents, and students – MyPedia includes print and digital content, online assessments, and a host of other services like support visits for teachers, parent orientations, and pre- and post-skill mapping.

MyPedia's HomeApp supports students to learn at home and involves their parents. The app allows access to in-class videos and practice assessments. It works offline, without an internet connection, so students without internet at home are able to use it.

Over 600 schools and 200,000 learners are using MyPedia. Using MyPedia has helped one group of students improve their overall scores by four points between 2015-16 and 2016-17.

Advance access to and affordability of higher education products and services

Our higher education business helps colleges and universities expand access to education and opportunities for more learners by developing and supporting a wide variety of online education programs.

Our digital products contribute to expanding access to college courses and online degree programs. Personalized, adaptive solutions in our MyLab & Mastering online homework, tutorial, and assessment products adjust to the level and needs of individual learners and help them better absorb course material, understand difficult concepts, keep pace in their courses, and achieve their goals. Digital platforms also support learning on-the-go from mobile devices, which can be especially beneficial for adult learners (see p22).

The cost of college, especially in the US, is a challenge for many learners. Our digital products contribute to making education more affordable. As we transition to a platform-based approach to developing our products, we are creating internal efficiencies that will lead to lower prices for customers and learners.

In 2017, we embarked on two projects, which continue in 2018, that are gathering insights on how to better support underserved groups.

Improve access to and affordability of products and services

First, we are analyzing the needs of underserved populations in the context of a larger research project that will look at the changing face of learners globally, including how they use technology, and explore opportunities to address important needs where there are gaps.

74%



of our potential customers believe it is important for Pearson to invest in programs that support education for underserved or disadvantaged learners.

Source: Pearson brand tracker

A second project aims to understand and measure how Pearson is reaching disadvantaged populations through our higher education business in the US. We are working to identify and understand the needs of different groups of underserved learners with a goal to develop insights that our business can use to help better support them and our customers in higher education.

Customer spotlight: MyLab Foundational Skills at Rio Salado College

By assessing reading, writing, math, and digital literacy skills and targeting skill gaps with personalized learning objectives, MyLab Foundational Skills is designed to help students prepare themselves to enter college and careers.

At Rio Salado College, where more than half of the student body relies on federal Pell grant assistance and 73% are enrolled part-time, research showed that mastering more learning objectives in MyLab Foundational Skills was associated with higher course grades.

Developmental products

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 college courses.

To help these 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 bootcamps before school starts, to help students avoid taking remedial courses.

We are investing in capabilities and content improvements to help make these products more adaptable to individual learners' needs in order to help accelerate their progress in getting ready for college. At the same time, many university systems are changing their approach to developmental education and we are working to adjust our products to support this changing market.

Online learning services

We collaborate with partner institutions to develop new programs and approaches to reaching prospective students and guiding them through enrollment. In many cases, we provide ongoing student support and retention services, from registration to graduation. We also support faculty by helping to design online course curricula and providing specialized training to create and deliver successful online courses.

Inclusive access delivery channels

In the US, we are working to make higher education courseware more affordable through our Inclusive Access program and our rental program.

Inclusive Access provides every student with access to affordable, high-quality digital course materials and tools on the first day of class, better preparing them for each term.

Inclusive Access results

At the University of Iowa¹³

Over the past two years, students enrolled in General Chemistry, one of several courses participating in the Inclusive Access program at University of Iowa, have gained instant access to Mastering Chemistry and an eText and saved over \$146,000, a 47% discount compared to the national price of Mastering Chemistry and an accompanying eText.

Pearson Inclusive Access has enabled students to begin working on course assignments before the semester start:

44%

of students began work on Mastering Chemistry assignments before the first class session;

70%

of students began work by the first class session (compared to 2% in 2014); and

88%

of students began by the second class session (compared to 42% in 2014).

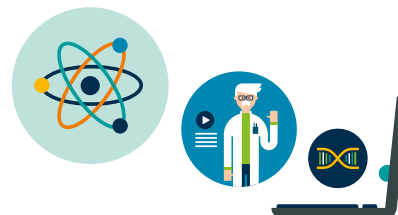
At Auburn University¹⁴

\$1m

cumulatively saved by students through the Inclusive Access program since fall 2014.

2,185

students projected to opt into Inclusive Access during spring 2017 would otherwise not have purchased course materials, according to survey data.



Improve access to and affordability of products and services

Educator spotlight: Lisa Roney helps prepare high school students for college

"We are achieving our program goals. Instead of losing academic skills during the summer break, our students are strengthening core academic skills that will enable them to succeed in their next academic year curriculum, to graduate high school on time, and to demonstrate readiness for college."

Lisa Roney, Director of TRiO – educational talent search, Hennepin Technical College



Lisa Roney directs a summer enrichment program at Hennepin Technical College in Minnesota for high school students eligible for a year-long TRiO program. TRiO is a type of federal outreach and student services program designed to identify and provide services for individuals who are low-income and/or first generation with the potential to succeed in college. The summer enrichment program is run on a separate grant and includes only a subset of the students Director Roney serves during the academic year.

The program is particularly important in her area. Federal data indicate that Minnesota ranked last in four-year graduation rates for Latino and American Indian students, second to last for African American students, and near the bottom for low-income students.¹⁵

Students in the TRiO program often fall behind in credits, struggle to finish high school and may not envision themselves attending a post-secondary institution. Director Roney designed the six-week summer enrichment program to bolster students' academic progression and offer a continuity of career preparation and advising during the summer break. Licensed teachers and advisers guide students through the curriculum; ACCUPLACER/MyLab Foundational Skills, is the primary coursework, supplemented with outside readings according to grade level.

Students in the program achieved across-the-board skills gains in reading, writing, and math as measured by ACCUPLACER diagnostic pre- and post-tests.

93%

of eligible program participants are currently enrolled in college.



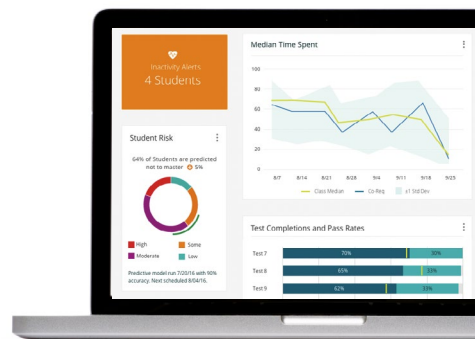
Using data and analytics to support at-risk students

Our North America Higher Education Data and Analytics Services team works with course administrators to provide actionable dashboards to help identify and intervene early with at-risk students. The team also supports customers in developing predictive models forecasting whether a student is on track to complete a course, by drawing data from multiple institutional sources and systems when possible.

As one example, the team partnered with a community college to pilot a plan to improve the quality of developmental math courses, increase student-faculty interaction, intervene early with at-risk students, and support more data-driven decision making.

Evidence to date suggests promising outcomes in the pilot program:

- › Campuses of the school involved in the pilot have averaged 23% higher pass rates compared with a non-participating campus of the school.
- › Student-faculty interactions increased considerably with the introduction of the early alert dashboard, with evidence suggesting more faculty interactions result in better student performance.
- › The integrated data services approach has ensured educational data is meaningful, actionable, and relevant for both faculty and campus leaders.



Improve access to and affordability of products and services

Inclusive Access enables institutions to deliver high-quality digital course materials and tools, including eBooks, MyLab & Mastering, and Revel, which saves students up to 70% on their digital course materials over new print materials. With access to course materials from day one, students have more time to prepare for class, keep up with their assignments, and achieve their academic goals. Educators also gain valuable insights into students' learning activity through access to data that enables them to continuously track and assess students' progress.

Currently, more than 400 institutions trust Inclusive Access to help improve retention rates and drive down the overall cost of a college degree.

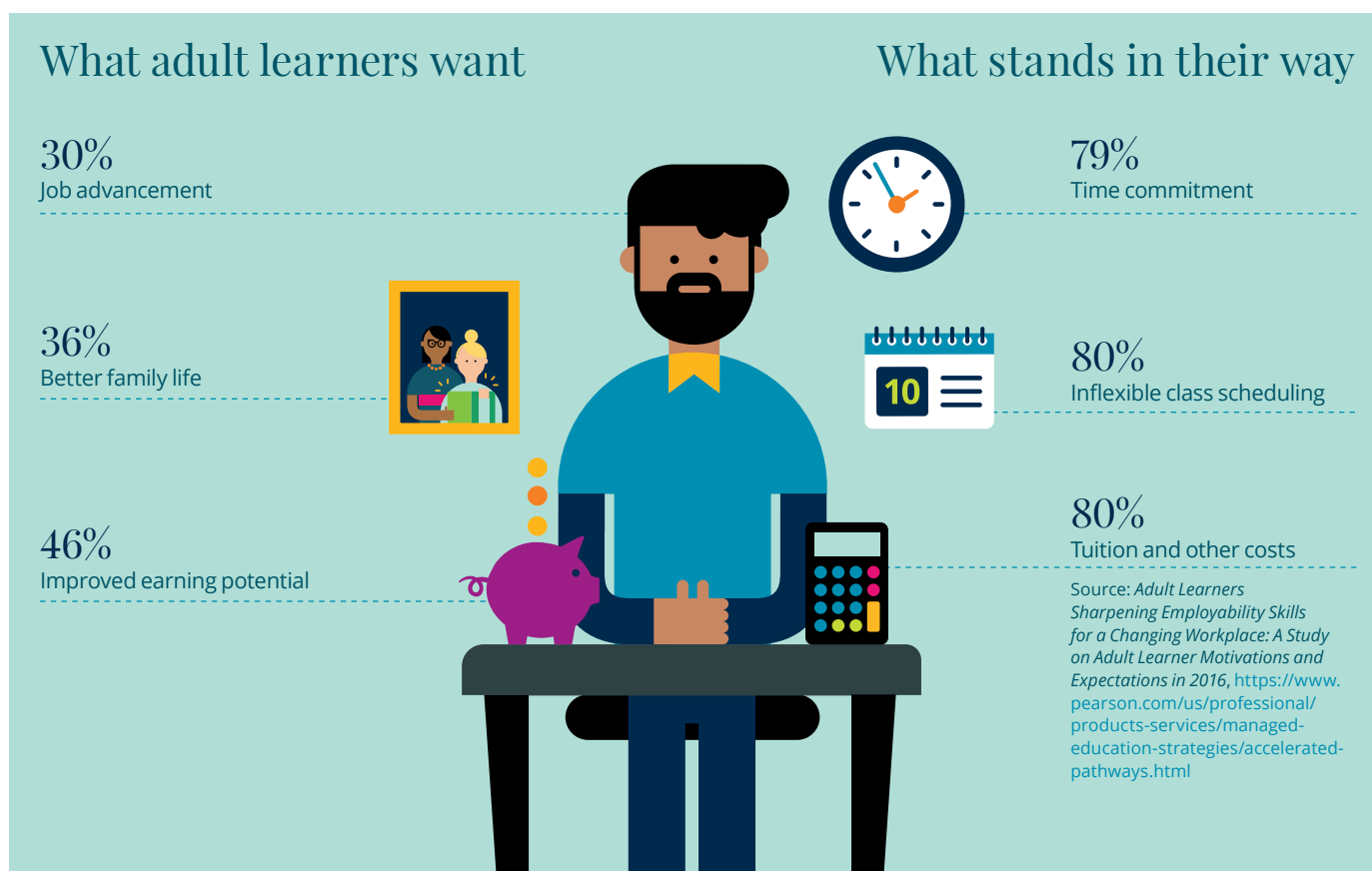
In 2017, we committed to enable 3 million students to access more affordable digital course materials from the first day of class by 2019. Already, 1.5 million students are in an Inclusive Access course, which represents \$157m in total cost savings on course materials through Inclusive Access.

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

Support adult and professional learners

Whether learning on the job, continuing professional education, or returning to school later in life, adults are a key priority for our access and affordability work. A recent Pearson study found that for the majority of adult learners, flexibility in how they take classes is key to their success. While they are busy with work and other obligations, they know that taking the next step in their education can be the key to improve their incomes, open new doors, and build better lives for their families.

Technology can support adults in unique ways. We have found that over two-thirds of adult learners enrolled and working toward a degree today are using online-only programs or some combination of online and in-person classes. Online products help students learn in smaller, bite-sized chunks and shorter time periods, so they are able to carve out a few minutes from their busy days or make use of transition times like commuting when they would not otherwise be able to study. Mobile access is valuable for learners who do not have a computer.



Improve access to and affordability of products and services

GED

When the computer-based GED was revamped in 2014, it was developed to help adult learners be better prepared for college, career training programs, or better paying jobs. The test measures critical-thinking and problem-solving skills, and it is the only test fully aligned to state and national college and career readiness standards.

Online test registration allows test takers to schedule convenient testing appointments, and most test takers can access their score report within one hour of finishing the test.

The enhanced GED test program offers a variety of online study tools and guides to help students prepare for the GED exam as well as opportunities to explore college and career options beyond the GED credential. Test takers have access to the free career exploration tool, PathSource, through their MyGED account, which allows students to take a career assessment and get a list of potential careers that match their interests.

In 2016 the GED test debuted two new college-related performance levels backed by the American Council on Education's College Credit Program.

Scores at the GED College Ready level indicate that a student has demonstrated the skills to start college-level courses and should be able to bypass a placement test and developmental education courses in that subject.

Scores at the GED College Ready + Credit level indicate that the test taker has demonstrated college-level skills and knowledge in one or more subjects and could be eligible for up to ten college credit hours. More than 200 colleges and universities in the US are using the GED College Ready score level, including more than 15 community college systems.

These programs are saving 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.

Adult learners are in a strong position to compete with traditional high school graduates for middle-skill jobs that are projected to be created over the next two decades.

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.

GED test takers

January 2014 – December 2017

45%

of GED graduates enrolled in a college certificate or degree program within three years.

35%

enroll within one year of earning a GED credential and 90% of those grads persisted by re-enrolling from one semester to the next.

29%

Prior to 2014, only 29% of GED graduates enrolled in college certificate or degree programs remained enrolled from one semester to the next.

26

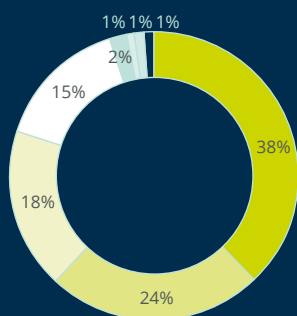
is the average age of a GED test taker.

85

The GED test was also delivered in more than 85 countries around the world in 2017.

Test taker race/ethnicity

- White
- Hispanic
- Multi-race
- Black
- Asian
- Native American
- Declined to answer
- None
- Hawaiian/Pacific Islander



Source: Research conducted by GED Testing Service, through a data match with the National Student Clearinghouse

Improve access to and affordability of products and services

AcceleratED Pathways

In the US, almost two-thirds of people in the labor force do not have a college degree.¹⁶ There are an estimated 40 million working adults without a GED or high school equivalent in the US, and another 31 million who have been in and out of college but left without a degree.¹⁷

The underserved working adult population in the US represents a critical next-generation talent pool, but most lack access to affordable, meaningful educational pathways to take their careers to the next level. This can be especially true for frontline 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.

By providing opportunities for employee development, employers can reduce the cost of turnover, increase employee engagement, and improve customer satisfaction. While many corporations traditionally focus learning investment on internally provided or funded training, and tuition assistance for pursuing college degrees, we have found that frontline workers have unique needs.

To respond, Pearson launched the AcceleratED Pathways program in 2017, which is a managed online employee education program customized to meet each employer's needs. It can include foundational skills – including reading, writing, and English as a second language where appropriate – GED, and online associates, undergraduate, and even masters degrees.

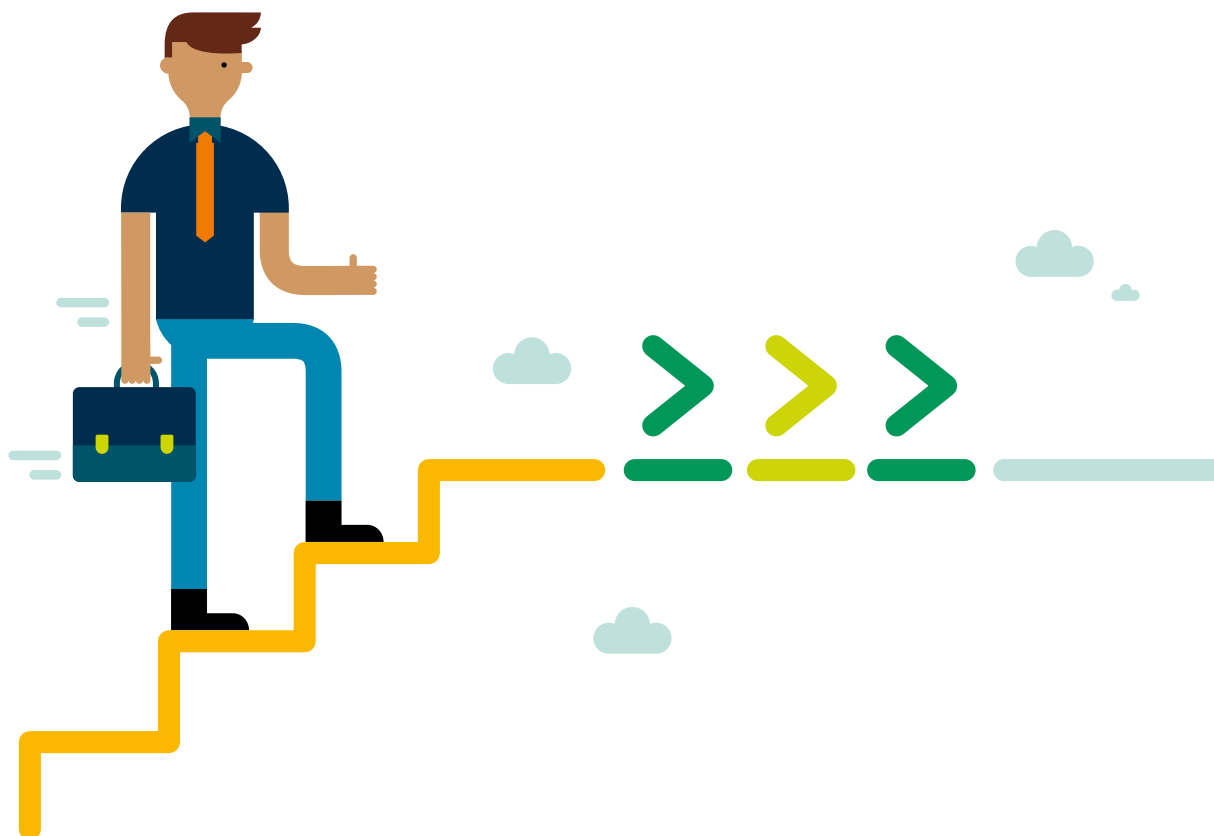
The program supports many of the unique challenges that adult learners who have been left off the path of education attainment face (see p22). Course materials are mobile optimized, so they can learn anytime and anywhere, which supports a seven-day-a-week workforce. A mix of funding sources, including employer contribution, grants, and school discounts, can reduce or remove the cost barrier for participation. Programs include a combination of blended learning, self-paced content, and academic partners with frequent semester starts, accommodating those with busy schedules.

An important element of the program is that learners have access to bilingual academic success coaches, enrollment advisers, and tutoring that 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.

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 already implementing a similar program with Starbucks. Along with Brinker International announcing their program, the American Hotel & Lodging Association (AHLA) and ten participating hotel brands announced their partnership in the AcceleratED program.

In just ten weeks after announcing Best You EDU, Pearson and Brinker have begun working with over 2% of Brinker's team members in 40 states. During this period, five team members received their GED credential and applied to college. Twenty started their first semester and hundreds more are in the application and enrollment process for the summer and fall terms and are working towards their GED and foundational education credentials.



Improve access to and affordability of products and services

Partnership spotlight: Providing education opportunities to Brinker employees

Pearson has partnered with Brinker International, one of the world's leading casual dining restaurant companies and owner of Chili's® Grill & Bar and Maggiano's Little Italy®, to provide a comprehensive educational program, Best You EDU. The program offers three components: foundational skills and English as a second language (ESL), GED preparation, and associate degrees – all provided at no cost to the employee. All participants receive dedicated coaching, based on where they are in their educational journey. Support will be provided to them on everything from navigating work and school simultaneously to outlining their career goals and development.

"Pearson is proud to partner with Brinker to develop a custom education program. Only 2-3% of workers are in a position to use employer-tuition programs because of upfront costs, difficulty fitting education into their busy lives, or a lack of foundational skills. Brinker is one of the few companies addressing this range of barriers to a better job and to a better life."

Kevin Capitani president, Pearson North America

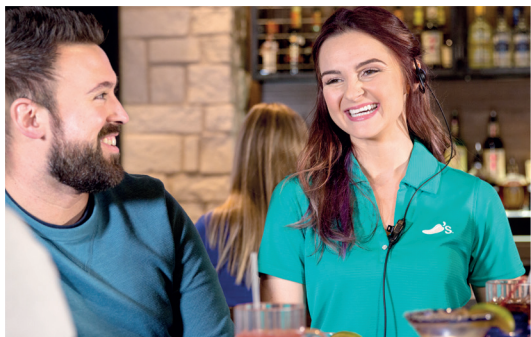
"We firmly believe that education is the single best benefit we can provide to our team members."



One of Rick Badgley's first jobs in high school was working hourly shifts at restaurants owned by his dad. His parents could not afford tuition and when Rick enrolled at Johnson & Wales, a hospitality-focused university, the school made it possible for him to pay his own way by working on campus. He saw the transformational power of resources and programs built to help those who do not have the same advantages as others. Today, Rick serves as the Chief people officer for Brinker.

"We firmly believe that education is the single best benefit we can provide to our team members. The confidence that education provides is what encourages our team members to achieve the next step in their career. Best You EDU is personal to me and the larger Brinker leadership team as many of us started our careers as a cook, dishwasher, or host at a restaurant. Through education, we gained the confidence necessary to further pursue our careers."

Rick Badgley Chief people officer, Brinker



Improve access to and affordability of products and services

Provide accessibility for people with disabilities

We continue to make progress towards our goal to make 100% of our digital portfolio accessible for people with disabilities around the world by 2020.

Our efforts are guided by widely adopted international standards such as the Web Content Accessibility Guidelines (WCAG) of the World Wide Web Consortium. We have developed roadmaps to facilitate integrating these standards into our core platforms, products, and services. Given the uniqueness of our learners and products, we recognize the important differences that exist amongst our users. Therefore, in areas like primary, secondary, and post-secondary education, we supplement these standards with our own guidelines that address specific challenges in those markets.

Accessibility highlights from 2017:

Pearson Online & Blended Learning (POBL) and the schools it supports, including Connections Academy (see p19), use information technology as a means of providing equality of opportunity to the greatest number of people, including people with disabilities. Our employees involved with the production or procurement of programs, products, or services received ongoing accessibility training with a focus on universal design principles, Section 508 technical standards, and WCAG 2.0 Success Criteria. POBL created a standing accessibility working group in support of these efforts for students, teachers, and employees. Key accomplishments over the past several years include a 24-hour accessibility hotline, accessibility tutorials available for all employees, and expanded curriculum development with members from the accessibility team.

Higher Education Courseware made major steps to formalize how we manage and govern our accessibility program. We integrated the accessibility team into Pearson's global product development function and began to centrally coordinate and prioritize activities in order to improve efficiency. We were able to raise awareness of accessibility across the business and developed workstreams focused on: assessing our content and platforms to identify and remediate accessibility problems; making the latest accessibility guidelines widely available and increasing uptake internally; integrating accessibility into marketing and sales strategies by creating publicly available documents (digital and print) that outline the accessibility of our products; and embedding accessibility into user experience and design.

UK Schools Accessibility Group's key focus is to provide leadership, raise awareness, and support development for the UK businesses and services so they can meet Pearson's global accessibility goals as defined by WCAG and Pearson's Accessibility guidelines. To support the teams, our content accessibility framework will provide guidance for how to create content that conforms to accessibility standards. This framework will provide an overview of the different tiers of adoption, making visible the potential time, budget, and platform requirements when adopting accessibility standards. A training program is also being rolled out to help teams developing and designing content. In addition, accessibility training for employees, is being delivered, in collaboration with our Pearson Able colleagues.

Pearson Canada continues to advance the levels of accessibility across our domestic Higher Education and K-12 programs. We are working with the on-campus accessibility community to communicate our current and future plans, as well as to prioritize our efforts. Our higher education accessibility roadmap is updated annually, and serves as the primary internal and external reference point for our efforts.

As Pearson has accelerated its focus on digital and online learning, we have had to make some changes to our staff and resources, which has resulting in delays releasing our updated global accessibility policy and global accessibility council. We have not changed our guiding commitments to accessibility, and instead we are recalibrating our priorities to align with business strategy.

Going forward, we will:

- › Release our updated global accessibility policy;
- › Continue our outreach to key global leaders, associations, and institutions to partner on our accessibility program; and
- › Increase our research into regulatory trends and technological advances that might affect accessibility as the switch to digital picks up pace, as well as outreach to countries outside of the US and UK. This is an area that we will prioritize for 2018 to better meet the needs of these users in the growth markets.



Improve access to and affordability of products and services

Initiative spotlight: Mentoring people with disabilities

"Haben is the first deaf blind graduate of Harvard Law School. When I first met her, she was transitioning from a career as a successful disability rights litigator into a new and very public career where she had space to educate large numbers of people about the importance of inclusion and accessibility. I saw my role as one of supporting and guiding her through this incredible expansion. She is now a frequent speaker at corporate conferences and published her first editorial in *The Financial Times*. She and I mentor each other at this point."

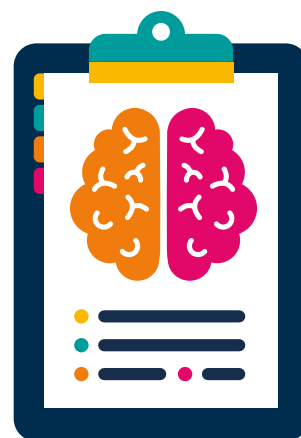
Bjarne Tellmann Chief legal officer and general counsel, and Haben's mentor.

Haben participated in "Changing the Channel", a mentorship program that our legal department developed in partnership with the National Federation of the Blind (NFB) to combat the low expectations, lack of encouragement and lack of preparation that young disabled people often face in entering and succeeding in high-level professional careers. In the program, members of our legal team are paired with young disabled professionals to mentor them and help develop their career roadmaps.

According to Elizabeth Delfs, VP and senior counsel, and director of the mentoring program, "When talking with successful disabled professionals about their career path, many can point to someone in their life, sometimes only one person, who encouraged them to pursue the career that reflected what they wanted to do, not what others thought was right for them. For many in our program, we are that someone."

The mentors and mentees also have practical Pearson tools at their disposal, like the MyCareerSuccessLab course and human resources career workshops. Mentors have also opened up their own internal and external networks to their mentees.

Our mentees have received offers from major firms, promotions in existing roles, and one mentee has started her own disability mentoring program at her college. In the future, we hope to expand the program beyond the legal function and reach out to young adults with a variety of disabilities.



Improve access to educational support through clinical assessments

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

As one example, it is estimated that up to 20% of people in the US show symptoms of dyslexia, a learning disability that affects language skills, leading to difficulties in reading, spelling, and writing. Waiting to identify students at risk for dyslexia has far-reaching consequences for success in school and in life.

In 2017, Pearson released a second component of the Shaywitz DyslexiaScreen™, a universal screener for K-3 learners that uses teacher observations to rate a student as at risk for dyslexia or not.

The screener is part of Pearson's dyslexia toolkit, which includes clinical and classroom resources for screening, diagnostic evaluations, interventions, and progress monitoring.

We are now working to develop an adolescent/adult version. We also gave permission to the Dyslexia Resource Center to use the unpublished form in a study seeking to understand how many prisoners in Louisiana may have dyslexia.

Learn more at: PearsonClinical.com/dyslexia

More than a Hollywood movie

Ameer Baraka understands firsthand how undiagnosed dyslexia can dangerously alter the course of a person's life. He was unaware of his dyslexia. He struggled in school and eventually his life followed the path of drug dealing, gang violence, and ultimately prison. Now a successful actor, Ameer shared his personal story to spread awareness of dyslexia and highlight the importance of early childhood screening. It wasn't

until he was 23 years old and in prison that Ameer learned he had dyslexia.

"I want to screen every one of those kids who feel they're struggling like I was. Children who go undiagnosed with dyslexia all too often end up exactly like I ended up: as dropouts, filling up our nation's jails and prisons instead of our colleges and universities."



Improve access to and affordability of products and services

Innovate to advance access and affordability

While we believe we have taken important steps to make education more accessible and affordable, we realize there is much more work to be done. We recognize the need to consider and contribute to bigger access and affordability issues in education that go beyond our existing products and services. We are addressing some of these issues through our Tomorrow's Markets Incubator initiative and the Pearson Affordable Learning Fund. Both initiatives are exploring new approaches, ways of thinking, and business models that can reduce the cost of products and services and improve access to education for those who need it most.

Tomorrow's Markets Incubator

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

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

Through an annual investment of £1.5m, the incubator provides an innovation platform that enables Pearson employees to develop and test their ideas for new products and business models, while also helping them build and broaden their capabilities. In addition to seed funding, participating employees receive coaching from external thought leaders and access to trained researchers who specialize in venture creation for low-income markets.

In 2017, we selected and funded four teams to advance from the "Explore" to "Validate" phase of our product lifecycle process. We invested in and guided these teams through the Validate phase, with the ultimate goal of creating successful pilots in market. We also socialized the venture innovation approach with business partners

and integrated learnings from the ventures into Pearson's strategy for new markets.

We capture our learnings and share them with the broader community of public, private, and non-profit sector practitioners (see p51 for more information).

Over the last year, we have done work to refine the incubator model and in early 2018 launched a second call for new venture ideas to incubate.

In the second half of 2018 and in 2019, we will:

- › Embed the incubator and its approach to venture innovation further across the company;
- › Support four finalist teams that were selected and funded through the incubator's first round through prototype and pilot activities; and
- › Launch a new call for venture ideas, guide a second cohort of eight teams through the incubator's initial Explore phase, and select the most promising ones to receive investment for the Validate phase.

Intrapreneur spotlight: Addressing youth unemployment in South Africa

Boost aims to address the unemployment challenge for low-income youth, while making recruitment of high-quality candidates more efficient for potential employers

Through the Tomorrow's Markets Incubator, Pearson employee Carolynne Lengfeld, Head of learning innovation in South Africa, is leading a team that has worked to develop Project Boost, a recruitment, job preparation, and integration service in South Africa. Boost aims to address the unemployment challenge for low-income youth, while making recruitment of high-quality candidates more efficient for potential employers. Unemployed young people who participate will receive support and training at no cost and will have access to jobs that offer the chance to build a résumé, establish a network of contacts, gain work experience, and increase their earnings.

The project is in its early R&D phase and will be piloted among a small group of unemployed young people alongside a number of employers who have shown interest in the service. Pearson aims to take a successful model to other countries in Africa in due course. The DFID Business Partnership Fund is supporting this project by providing a combination of technical assistance and a financial grant to the value of £225,210 over 20 months.



Improve access to and affordability of products and services

Pearson Affordable Learning Fund

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 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 over \$20m into a portfolio of nine companies across six countries. PALF’s last investment in Affordable Private Schools 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. See more about Pearson’s position on Affordable Private Schools at: <https://www.pearson.com/corporate/about-pearson/our-position-on/low-cost-private-schools.html>.

PALF highlights in 2017

650,000+ learners reached in six countries through portfolio companies.

\$15m combined revenue of portfolio (90% year-on-year growth over past four years).

5 fellows placed within portfolio companies through the PALF summer internship program, which enables Pearson to attract top talent and create influential advocates and allies as fellows go on to work in education, entrepreneurship, and emerging markets.

3 micro-mentorships

facilitated between Pearson employees and portfolio companies. Hearing about the exciting work of PALF portfolio companies and working with them first-hand through secondments and employee-portfolio company collaborations helps to motivate, develop, and retain staff.



PALF portfolio spotlight: Karadi Path

Karadi Path is an English courseware company that sells to schools throughout India with an interactive curriculum that engages young students to learn through song, dance, and stories.

In India the current method of teaching English is highly stressful for students and teachers because it is taught as a “subject” rather than as a “language.” For example, there is a focus on teaching grammar rules and memorizing vocabulary lists rather than using the language in practice. Because most other school subjects are taught in English, having a limited understanding of how to use English in practice makes mastering other concepts nearly impossible.

Karadi Path’s methodology integrates kinaesthetic activities, music, illustrated audiobooks, and accelerated reading solutions that are structured around the natural processes in which students learn their mother tongue. As a result, English learning is more enjoyable, playful, and effective. Even teachers with limited English skills can implement Karadi Path easily and many improve their own proficiency as a result.

PALF originally invested in Karadi Path in 2015 and has been working closely with the company since then. Karadi Path has seen phenomenal growth over the past three years, more than quadrupling its revenue. It is now serving nearly 500,000 students in over 5,000 schools – many of which are government run.



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, governments, and local organizations to expand access to high-quality education for learners struggling to overcome barriers including gender inequality, conflict, and illiteracy.

Improve education for people affected by emergencies with Save the Children

Millions of people around the world have been displaced by conflict and emergencies, with disastrous consequences for education. More than 3.5 million refugee children did not have the chance to attend school in the last academic year according to UNHCR, the UN Refugee Agency.¹⁸

Since 2015, Pearson has been working with Save the Children on the “Every Child Learning” partnership to deliver high-quality education to Syrian refugees and host community children in Jordan, and to innovate new solutions that improve the delivery of education in emergency and conflict-affected settings. Between 2015 and 2019, Pearson has committed £4.5m across the three pillars of activities of the partnership: investment in the research and development of new digital and programmatic solutions, program funding to meet immediate needs in Jordan, and advocacy and awareness.

Investment in the research and development of new digital and programmatic solutions

The cornerstone of the partnership is researching and developing new programmatic and digital solutions. Drawing on both organizations’ core expertise and assets, the aim is to improve education for Syrian refugee and host community children in Jordan, and ultimately to adapt and scale these solutions in other emergency situations.

Initially, this work included an ethnographic research project so that teams at Pearson could gain a deep understanding of Syrian and Jordanian families’ own perspectives regarding education during emergency situations. Based on insights from our research, and by using Pearson’s expertise in educational content development and

Save the Children’s expertise working on the ground with vulnerable children, we developed a new education project, which has been approved by the Jordanian Ministry of Education. The pilot launched in September 2017 and will be trialed throughout 2018 and 2019. Through monitoring and evaluation, we will gain insights from the pilot and make any adaptations necessary with a view to scale.

The project includes “Space Hero” (Batlalfada), 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. The app follows the story of Shehab (Arabic for shooting star) as he travels back to earth. It is available on the Google Play store to download for free, so that children can access learning anywhere at any time.



Collaborate to reach underserved learners

The app is also supporting a broader in-school program, led by Save the Children, that focuses on teachers' professional development, school-community relations, after-school learning, and psychosocial support. The program is currently being implemented in partnership with the Jordanian Ministry of Education in the following double shift (Jordanian and Syrian) boys' schools in Amman: Akef Al Fayez School, Al Emam School, and Marj Al Hamam School. Overall, the pilot project aims to reach 3,750 people directly to accelerate learning and improve wellbeing.

Program funding to meet immediate needs in Jordan

To kick-start the partnership, we enabled the establishment of two educational centers in Amman, Jordan, in communities with a high refugee population and great need. The centers provided early childhood care and development services for 604 pre-school-aged children; child protection, psychosocial support, and life skills services for 613 school-aged children (ages 6-13); and informal education and supplementary tutoring sessions for 873 children. These centers continue to serve the communities today.

Advocacy and sponsorship to raise awareness of education in emergency and conflict-affected settings

Pearson and Save the Children also jointly advocate for children's rights to an education. We raise awareness among employees, political leaders, and the public about the need to improve education for children affected by emergencies. One example of this is the *Promising Practices in Refugee Education* initiative, which was launched in 2017 (see p51 for more).

Every Child Learning in 2017



"Utilizing technology in teaching math will develop the students' skills, and students will realize that technology is a useful tool to be used in education and not only used for games, especially if it promotes critical thinking."

Mr. Fahed Al Abbadi, Principal assistant,
Marj al Hamam School for boys



Through Every Child Learning, we are helping Khaled*, 11, to achieve his dream of becoming a dentist

* name changed to protect identity

Collaborate to reach underserved learners

Empower girls and young women in East Africa with Camfed

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

Developing unique resources and the Learner Guide Program

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

In 2017, Pearson extended the partnership to enable Camfed Tanzania to take the first steps in what could become a nationwide scale-up of the Learner Guide program, at the request of the Tanzanian Ministry of Education and Vocational Training.

Creating a BTEC qualification for Learner Guides

We have committed to develop a BTEC qualification for 5,000 Learner Guides to recognize and certify their achievements. This qualification is designed to help more girls enter formal higher education, teacher training, and the workforce by improving their employability potential.

In 2017, 946 Learner Guides in Zimbabwe and 91 Learner Guides in Ghana were awarded their BTEC qualifications, and Pearson's BTEC team is continuing to work with Camfed to award the remaining ones.

Raising funds through matched employee donations

At the start of 2017, we announced a Pearson employee fundraising campaign. We asked employees to help raise funds, which Pearson matched, further boosting the work of Learner Guides by sending more girls to secondary school with the necessary materials to succeed.

Learner Guide program outcomes

129,142 secondary school children

reached by Learner Guides with weekly sessions in 2017.

60,744 vulnerable girls

enrolled in secondary school since 2013.

Over 400,000 girls and boys

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

3,820 young women

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



Pearson's direct contributions

£581,250

contributed by Pearson over 2016 and 2017 at the request of the Tanzanian Ministry of Education and Vocational Training to enable Camfed to extend the Learner Guide program.

4 new districts

now have the Learner Guide program in Tanzania through Pearson funding.

New staff

including four Core Trainers, 80 Teacher Mentors, and 236 Learner Guides from rural, marginalized communities were recruited, trained, employed, and offered continued support in 2017.



10,890 children

have been reached by the Learner Guides trained through the My Better World program.

74 children

have been returned to school after working with Learner Guides in 2017.

6,540 learning materials

for children were provided as part of the project.

1,200 marginalized rural girls

in Tanzania stayed in secondary school through financial support given in 2017.

43,200 children (approximately)

in 80 schools benefited from an improved learning environment through the expansion of the Learner Guide program in Tanzania.

Collaborate to reach underserved learners

Learner spotlight: Saviour Azaare



As a Learner Guide, Saviour returned to her school to lead students through the My Better World life skills program

Saviour is a radio presenter, pre-school teacher, and entrepreneur in Bongo District, northern Ghana. She chose to work in radio because it's a platform through which she can address the youth in her community directly, tackling issues such as teenage pregnancy, early marriage, and the importance of education. As a Learner Guide, Saviour returned to her school to lead students through the My Better World life skills

program, establishing a study group to help her learners prepare for exams. At the same time, she started a business selling cassava leaves to support her younger siblings through school. Saviour works with CAMA members in her district to raise funds to provide essential educational needs to vulnerable children in the community – a true display of the CAMA multiplier effect.



Collaborate to reach underserved learners

End illiteracy with Project Literacy

Project Literacy is a global movement to make significant and sustainable advances in the fight against illiteracy so that all people – regardless of geography, language, race, ability, class, or gender – have the opportunity to fulfill their potential through the power of words. Founded by Pearson in 2015, Project Literacy brings together a diverse and global cross-section of people and organizations to help unlock the potential of individuals, families, and communities everywhere so that by 2030, no child will be born at risk of illiteracy.

We achieve this by focusing on three areas: raising awareness and mobilizing action, advancing best practice, and innovating for new solutions.

In three years, Project Literacy has reached three billion people through awareness campaigns, and seven million people have benefited from our programs and partnerships. The campaign has won 29 awards and recognitions, including the Cannes Lions Grand Prix, and the Project Literacy network now includes more than 120 partners – as diverse as Room to Read, Doctors of the World, The Hunger Project, Microsoft, The Unreasonable Group, and UNESCO.

Read more about our work in 2017 at <https://www.projectliteracy.com/annual-report>.

Raising awareness and mobilizing action

In 2017, we raised awareness and mobilized action through “Give Your Word”, a campaign that shed light on adult illiteracy in the United States and United Kingdom, de-stigmatizing a largely invisible issue by celebrating the bravery of 14 adults who recently learned to read and write. We inspired audiences to take action by sharing on social media, volunteering, and supporting adult literacy organizations. Influencers such as actor and musician Idris Elba promoted the campaign, resulting in a media reach of 1.3 billion, helping elevate intergenerational illiteracy to policy and activist agendas.

Watch the campaign video at <https://www.projectliteracy.com/GiveYourWord>.



Collaborate to reach underserved learners



Advancing best practice

We advanced best practice by supporting research on inclusive digital technologies that support low-skilled and low-literate adults. We also supported the development of new reading fluency benchmarks that can support literacy programs in diverse contexts. We partnered with organizations, like UNESCO and Room to Read, and spread these learnings widely to shape global literacy policy and strengthen efforts around the world.

Read about the case studies from UNESCO that we supported at: <https://en.unesco.org/themes/literacy-all/pearson-initiative/case-studies>.

Continuing to innovate for new solutions

We continued to innovate for new solutions to illiteracy by helping 29 social entrepreneurs scale up their proven interventions. The entrepreneurs work across 120 countries, have \$121m in combined revenue and financing, and reached 20.6 million users online. We engaged 659 employees in skills-based volunteering to support these literacy enterprises. Project Literacy also advanced research and programs leveraging mobile phones to engage parents and caregivers to support early literacy development, like the Read to Kids pilot in Delhi with Worldreader, which reached over 203,000 households.

Meet the entrepreneurs we work with at <https://www.projectliteracy.com/lab/>.



Collaborate to reach underserved learners

Increase graduation rates with America's Promise Alliance: GradNation

A high school diploma is key to achieving a better life in the US. The America's Promise Alliance focuses on the goal to increase the US high school graduation rate to 90%. Recent data, however, shows that the graduation rate for the class of 2016 is 84.1%.¹⁹ The nation must therefore significantly increase its pace of progress for all learners by 2020 to reach this.

In 2015, we made a three-year \$3m commitment to launch the GradNation State Activation initiative to help students prosper and increase high school graduation rates across the country. With purposeful investment at the state level, Pearson helped fund three

\$200,000 grants to various 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.

America's Promise Alliance launched the GradNation campaign in 2010 to raise graduation rates, inspire action, and help prepare all students for success. To date, our work has helped fuel the GradNation national movement among education, non-profit, local, and state communities.

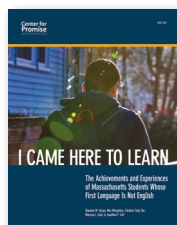
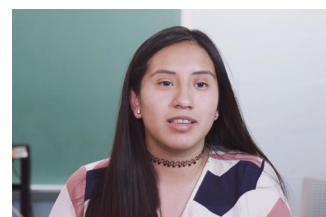
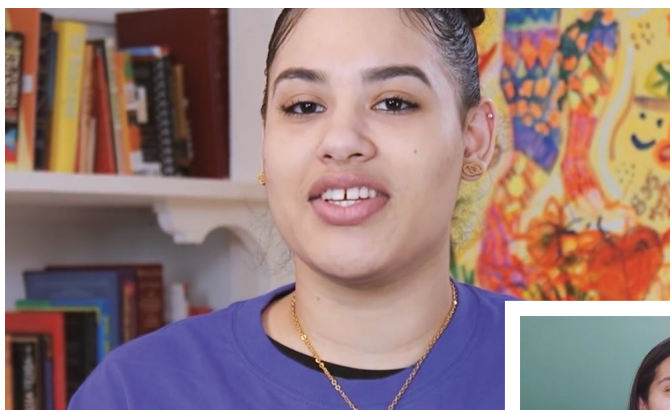
In 2017, our online GradNation Activation Community has remained an active hub for sharing successful practices and facilitating conversations. We have increased the virtual community of state-level participants by 109% since its start, and in 2017 engaged in meaningful conversations ranging from

graduation, and post-secondary and workforce readiness to using high-quality data to ensure students are on track for success.

In 2018, we will have two research releases. In Arizona, the research will focus on the Steps-to-Success program led by a mayor to re-engage at-risk youth. In Minnesota, the research will highlight how to change exclusionary school disciplinary policies to help more students graduate.

I Came Here to Learn

While a national leader in education, Massachusetts also has some of the nation's largest achievement gaps. With the grant that Pearson supported (see above), the state is convening urban school districts that are focused on improving outcomes for students whose first language is not English (FLNE). In May 2017, the Center for Promise – the research arm for America's Promise – released a report entitled, *I Came Here to Learn* and mini-documentary video. The report dispelled a number of common myths, such as that FLNE students are low performing, and asserted the importance of establishing a supportive and positive school climate for these students. The participating Massachusetts districts continue to work together and share best practices and lessons as a network of learners.



Collaborate to reach underserved learners

Partner with Univision to support Hispanic learners and teachers

The Hispanic population is the largest, fastest growing demographic in the US. Although Hispanic students represent nearly a quarter of the nation's student population, only 7.8% of teachers are Hispanic.²⁰ As the Hispanic student population continues to grow, it is crucial for teachers to become more aware of Hispanic learners' diverse and unique needs to help them prepare for their futures.

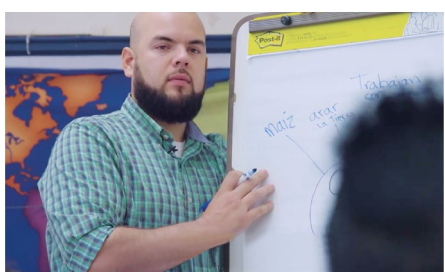
Pearson and Univision joined forces to launch "Nuestros Maestros" – a research-based, teacher-focused digital and social media campaign across Univision's mass, trusted media brand to celebrate teachers who are successfully serving Hispanic students. We have produced and released 36 original, co-branded pieces of Spanish language content focused on teacher stories, recruitment and retention. Our digital content reached over 2.5 million people. We also hosted an in-person event that was live streamed.

Educator spotlight: Osiel Gonzalez

Osiel Gonzalez is a Cuban-American teacher at Boston International Newcomers' Academy, a public school made up mostly of immigrant students from around the world.

An immigrant himself, Osiel knows firsthand what it's like to be the new kid in school whose English is far from perfect. It's part of the reason he spends so much time building meaningful relationships with his students.

Osiel is one of the many remarkable teachers profiled for Nuestros Maestros (Our Teachers).





Shape the future of learning

We will continue to build on our leadership in educational content and assessment to innovate and find new ways to meet each learner where they are, with content that equips today's learners to shape a better tomorrow for people and planet.

Our commitments:

Build skills that foster employability and inclusive economic growth p39

Promote education for sustainable development p45

Engage in multi-stakeholder research, dialogue, and collective action to solve global challenges p49

We will do this by ensuring our learners are equipped with the skills and capabilities they need to build careers and communities, navigate uncertainty, address the world's biggest sustainable development challenges, and thrive in the 21st century and beyond. Technology, insights, and partnerships will help us deliver on our aspiration. We contribute to a growing body of research and participate in multi-stakeholder fora so that we can pool our insights with others to help global education systems better serve the next generation of students.



Build skills that foster employability and inclusive economic growth

We focus on fostering the knowledge, skills, and values that learners will need to succeed in life and in work – contributing to UN Sustainable Development Goal 8 on economic growth and decent jobs and Goal 10 on reducing inequality.

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.

Develop insights about 21st century skills

Approximately 290 million young people are out of work, while at the same time, almost 40% of employers tell us they cannot fill their vacancies. There is gap between the skills that employers need and those with which job seekers are equipped. A student entering formal education today will be making decisions about his or her career by the year 2030.

Future of skills

To understand the skills needed for the 21st century we strive to listen to employers and help educators respond to their needs. Over the last year, we undertook an in-depth research project with Nesta and machine learning expert Michael Osborne of the Oxford Martin School to analyze and forecast how major societal and economic trends – and the interactions between them – will affect the future of work.

We know that megatrends like demographic change, political uncertainty, globalization, income inequality, sustainability, urbanization – along with emerging technology – will all have significant influence over the jobs of the future. The future will be about leveraging both human and machine capabilities. Hard and soft skills will be important, and education will play a key role in preparing people for these future jobs.

In the US, there is particularly strong emphasis on interpersonal skills and higher-order cognitive skills such as complex problem solving, originality, fluency of ideas, and active learning. In the UK, skills related to systems-oriented thinking (i.e., the ability to recognize, understand, and act on complex sets of information), such as judgement, decision-making, systems analysis, and systems evaluation also feature prominently. Visit <https://futureskills.pearson.com> to learn more.



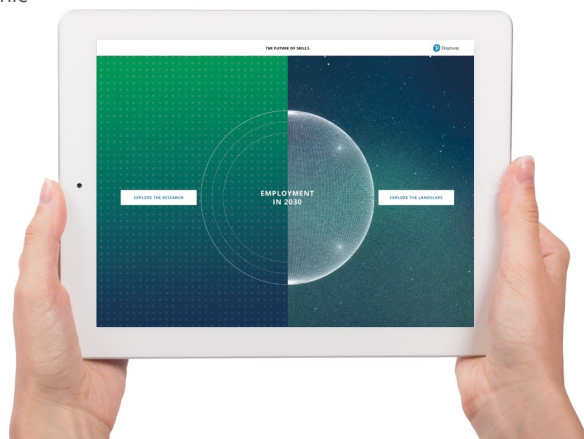
Partnership for 21st century skills

In 2017, we collaborated with P21 to release the *Skills for Today* series. Each paper summarizes what is currently known about teaching and assessing one of four key skills: collaboration, critical thinking, creativity, and communication, which are elements of our Personal and Social Capabilities Framework (see below).

Based on leading scholarly research, the papers present an overview of the qualities, traits, and behaviors that comprise each skill. The white papers are accompanied by research-based classroom assignments, assessments, and rubrics.

Our partnership on this series signifies a commitment to helping educators, policymakers, and employers understand how best to support students in developing the skills needed to succeed in college, career, and life.

Read the reports at: <http://www.p21.org/our-work/4cs-research-series>.



Build skills that foster employability and inclusive economic growth

Teach 21st century skills

To better prepare students for life and for professional environments, Pearson has focused on guiding students toward their career aspirations and equipping them with crucial workplace skills. We help learners prepare to enter specific careers – whether through delivering vocational training, providing industry-focused qualifications and assessments, or teaching skills such as science, technology, engineering, and math (STEM) and English. As students use our online platforms, we also aim to help them strengthen the digital skills they will need in the 21st century.

As one example, our higher education business and economics team has undertaken research to identify key employability skills and where they appear in our products. As a result, some titles have a new Employability Skills Matrix at the beginning of each chapter that provides students with a visual guide to features that support the development of skills employers are looking for in today's business graduates. This helps students to see from the start of class the relevance of the course to their career goals.

Personal and Social Capabilities Framework

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, and teams across Pearson have worked together to conduct research based on academic literature, as well as surveys and focus groups with faculty, administrators, and employers.

The framework and the P21 white papers (see above) provide the foundation for instructional modules in the Career Success Program through which students learn the concepts and the practical application of these skills (see below). Going forward, Pearson hopes to build upon this framework and many of the higher education product teams will create a set of skills badges that identify students who have learned specific content, tasks, and information about key disciplines and career tracks.

In 2018, we will undertake a review of all our products to understand the extent to which they are teaching and assessing the skills outlined in the Personal and Social Capabilities Framework and the top skills identified in the *Future of Skills* research. Following the review, we will identify gaps and develop a strategy to better integrate these key skills into new and existing products.

Career Success Program

Many colleges simply do not have enough career services staff to provide every student with carefully sequenced assistance in discovering their most appropriate career pathway, developing the necessary skills, and demonstrating these skills to employers.

Our Career Success Program (CSP) aims to meet the needs of both colleges and employers by providing a digital suite of assessments, learning modules, and tools that help students discover career goals and identify and fill their skills gaps.

The CSP assessments help students understand their level of college and career readiness, and Growth, Resilience, Instinct, and Tenacity (GRIT). The CSP also includes tools to help demonstrate their skills on LinkedIn and information about the job market in fields they want to explore.

Students earn badges that can be displayed publicly so that employers can better understand their skills and experience. Additional credentials are in development to recognize learning experiences and practical skills in important areas like intercultural communication, ethics, diversity, and other topics.

Learner spotlight: Sashen Peramaul

"The unique learning approach, which consisted of interactive lecture-led learning, smaller classes, and the use of technology prepared me for the exciting modern workplace."

Sashen Peramaul is employed as the head of channel marketing at an international tech company and he attributes his workplace success to the theoretical and practical education he received at CTI, a higher education institution we own and operate in South Africa. The program emphasizes a balanced approach to teaching theory and practical knowledge, which helps to ensure students have the skills needed for work when they graduate.

In addition to attending courses on campus during the week, he worked as a part-time marketing assistant. That is where his passion for marketing grew and he started excelling.

"Marketing soon became a way of life for me, and a passion was born. My performance was reflective of the skills I had acquired in the classroom. I was able to think critically and innovatively, self-manage, collaborate across teams, and communicate effectively. I could not wait to get back to lectures for my next marketing lesson to acquire more skills," he adds. Sashen attributes his workplace readiness to the regular Employability workshops hosted on campus. "I am privileged to work with talented managers and directors to plan and execute marketing, incentive and motivation strategies. Studying at CTI has set me up for a successful career."



Build skills that foster employability and inclusive economic growth

Studies²¹ 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. We intend for the CSP to support all students, regardless of their backgrounds, to access greater levels of employability and more satisfying careers.

We are on track toward our goal of reaching 100,000 students by 2020 through the Career Success Program. In the program's first year, we launched the tool at 19 schools, reaching 80,000 students, and project having 100 new commitments for 2018. Initial results show that students are embarking on well-informed career searches, working to build the skills they lack, and developing more effective résumés and digital portfolios to support their job searches.

By 2020 we will publish quantitative data on how many more interviews and job offers students using the CSP receive, and on qualitative feedback from local employers on improvements they see in their more recent job candidates' preparation for the workplace.

Indiana Connections Career Academy

Indiana Connections Career Academy (INCC) is a full-time tuition-free online high school with a strong focus on career readiness, available for students in grades 9–12 throughout Indiana. Opened in the fall of 2017 and supported by products and services from POBL, INCC's mission is to prepare students for employment and/or further their skills at a post-secondary institution, through rigorous academic coursework, supportive personalized learning, a continuum of career explorations, and relevant work experiences aligned to the unique workforce development needs of Indiana.

INCC students interested in starting a career immediately after graduation can pursue a program of study in one of five in-demand career pathways: Health Science, Hospitality and Tourism, Information Technology, Arts, A/V Technology and Communication, and Manufacturing.

INCC gives students the flexibility to learn at home via an online school that meets rigorous state education standards and offers a challenging curriculum and curriculum materials, and instruction by state-certified teachers and trained school counselors.

As of March 2018, approximately 150 students were enrolled and the split by career cluster is as follows: 32% Health Science, 21% Information Technology, 19% for Arts, A/V Technology and Communication, 19% for Hospitality and Human Services, and 7% Manufacturing.

UPSHIFT: Collaborating with UNICEF in Myanmar and Vietnam

In 2017, 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.



Learner spotlight: Huynh Nhu Co

"My dream, to see other similar people like me integrated into society, has a chance to be realized through UPSHIFT. I find UPSHIFT to be very suitable and helpful for young people like myself to make a contribution to my community."

When Huynh Nhu Co was five, he started losing his hearing. For many young people in Vietnam, this would be a significant setback to continuing education or finding a job, but Co was lucky. He was able to go to a special school for deaf children, which taught its pupils formal sign language and provided a good general education.

When Co first joined UNICEF's Upshift program (see above) and was asked to think of a challenge to overcome, he thought about his own education. Many hearing-impaired people in Vietnam never learn formal sign language, meaning they cannot fully participate in school and do not learn to read or write. Without literacy or a quality education, they often struggle to find decent work, and many end up working in short-term

roles or working in hard, manual jobs as porters, cleaners, or construction workers. Their lack of options and relative isolation can also leave them vulnerable to exploitation.

Co's team used their UPSHIFT sessions to develop a proposal for a set of classes to teach basic sign language and Vietnamese to illiterate, hearing-impaired young people in Vietnam. They put together a successful application for seed funding and, after spending some time developing teaching materials and recruiting students, they started their first class with 25 students enrolled. Developing and integrating the course has not been easy, but Co and his teammates have used the skills learned through UPSHIFT to address challenges.



Build skills that foster employability and inclusive economic growth



Over several months, the young 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 have 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.

Prepare students for careers in specific sectors

BTECs

Pearson's 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 or into employment. Pearson also offers apprenticeships across a wide range of career paths.

By helping people progress to higher education, they are contributing to a better qualified workforce. In the UK, around 24% of students progress to higher education with a BTEC, which has increased from only 13% in 2008. BTEC has made a significant contribution to social mobility as 41% of students using BTEC to enter higher education come from the lower four socio-economic groups (as defined by the UK Office for National Statistics) compared to only 20% of A level students. Also, the proportion of students from black and minority ethnic groups gaining BTEC certifications is higher than for A level students.

➔ See p46 for more on how BTECs support sustainability careers

Pearson VUE

Pearson VUE helps individuals prepare for their next educational or career opportunity through credentials that verify the skills and learning required for a specific job or educational program. Pearson VUE serves test owners and test takers in nearly every industry, including: academia and admissions, financial and related services, government, healthcare, information technology (IT), military, transport licensing and global regulatory.

Pearson VUE delivered 67,000 tests on behalf of the Construction Industry Training Board in the UK in 2017 – all of which included major components on both health and safety, and the environment.

VUE also delivers the LNAT university admissions exam for law students in the UK. LNAT helps universities make fair choices by identifying potential students with the required natural abilities, regardless of their background, ethnicity, or social class. It is designed to test core skills, which means that attending an elite school or a wealthy family offers no advantage. If students get a good LNAT score, they stand out and universities will consider their application very seriously.

Pearson VUE also delivers a certification program for the World Institute for Nuclear Security (WINS) Academy. There are more than 200,000 personnel responsible for nuclear and radioactive material security worldwide, yet until the launch of this set of exams, there had been no existing structure of required competencies for professionals with accountability for nuclear security.

15m
computer-based tests
delivered each year

5,550+
test centers

180
countries

450
global clients



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

In the US, jobs in STEM are expected to increase to more than 9 million by 2022. We seek to provide resources that help increase achievement in STEM, preparing students for STEM-related careers. There is a particular opportunity to support women and minorities. For example, in the US, while women filled 47% of all jobs in 2015, they held only 24% of STEM jobs.²²

Pearson has a number of products that support STEM education. *Digits* is a digital learning tool that combines a comprehensive math curriculum, best practices in teaching, and technology so teachers can deliver personalized instruction effectively and save valuable time. *Project STEM* focuses on integrating STEM into teachers' current elementary or middle grades science program curricula through hands-on, real-world, project-based activities. Interactive Science teaches, practices, and applies the key skills of inquiry on a daily basis for both teachers and students while providing extensions to project-based learning designed to enrich and enhance learning.

Build skills that foster employability and inclusive economic growth

Customer spotlight: supporting underrepresented students in STEM

The Gap Committee at Oakton Community College near Chicago has been working to encourage underrepresented minority students to study math and support them to “stick with it.” They hold open office hours where students can come for help and host diversity seminars for faculty. The instructors leverage a number of Pearson products, including MyLabsPlus Student Success and MyLab Math, which have modules to teach skills to overcome test-taking anxiety and to develop mindsets that build confidence.



Measuring the impact of teaching English in Mexico

In 2017, our efficacy team helped to support English language learning in Mexico. The team won a bid to conduct a study for the Mexican government's National Program of English (Programa Nacional de Inglés - “PRONI”) to understand the impact of a recent investment in teacher training and materials to teach English in public schools. We evaluated the outcomes of PRONI for over 350 preschool and primary grade students in 15 groups and 10 schools, in both rural and urban areas. We developed a report that includes group statistics, teacher performance, individual teachers' reports, as well as an overview of the tools used.

Findings from the study reflected the need to stress teaching English in primary school. Some recommendations for teachers included: improving their English language skills, strengthening formative evaluation, and focusing on the communicative function of language. Decision-makers took these findings on board for future training and follow-up actions with teachers.

Build skills that foster employability and inclusive economic growth

English

Over 2 billion people are expected to be learning or speaking English by 2020,²³ and 85% of the world's international organizations using English as their official language.²⁴

English is becoming the language for universal communication, and English skills are now a key contributor to individual opportunities and socio-economic growth in many countries. Governments, companies, and individuals are rapidly prioritizing high-quality English language learning programs within and outside of the education system.

As a result, there is increased demand from governments and parents who are looking to introduce English as a foreign language in earlier stages of school education. Many universities are now offering subject-area courses in English, in addition to teaching English as a subject in its own right. In addition, competence in English continues to offer people better career opportunities and progression, including studying abroad and immigration. Therefore, English language learning and assessment represents one of the single greatest growth opportunities for Pearson.

Pearson is a leading provider of English language learning and assessment, covering everything from beginners in primary schools to boardroom-level business English. We do this by offering a rich suite of products and services including blended courseware, professional development, and mid- and high-stakes assessment with certification. To support our learners, the courseware and assessment products we create rely on sound 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.

Leveraging Microsoft's AI technology to teach English in China

In 2017, Pearson partnered with Microsoft Research Asia to launch Longman English+, a jointly developed English language learning mobile app. The app integrates Pearson's high-quality content and resources with Microsoft's cutting-edge AI technology. It is delivered through WeChat, a Chinese mobile social media app with almost a billion regular users.

By combining listening and speaking exercises with technologies like speech testing and evaluation, the app provides users with personalized learning services in order to increase students' ability to put language skills into use in a comprehensive way. Because it is delivered on smartphones through WeChat, we have an opportunity to expand new and effective ways to learn English to many more Chinese learners from all backgrounds.



In 2017, the Council of Europe released a Companion Volume to the 2001 Common European Framework of Reference for Languages (CEFR), which acts as an international standard for describing language ability. Around 50 learning objectives from our GSE were included in the framework, an important recognition and endorsement of the GSE that shows it can be used seamlessly alongside the CEFR.

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

Promote education for sustainable development

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

Develop an education for sustainable development strategy

As part of our 2020 Sustainability Plan, we have prioritized three goals where we believe we can have the most impact, including SDG 4 on quality education. SDG target 4.7 sets an objective to promote education for sustainable development (ESD) and global citizenship education.

According to UNESCO, ESD "empowers learners to take informed decisions and responsible actions for environmental integrity, economic viability and a just society, for present and future generations, while respecting cultural diversity." It includes providing learning content about sustainable development topics; creating pedagogy and learning environments that foster the skills to solve sustainable development challenges; and transforming

society so that more jobs focus on environmental and social impact, living sustainably, and acting for the greater good of our world.²⁵ Given our core business in education, we have an opportunity to support ESD as an enabler of achieving all of the SDGs. We also see growing interest in ESD from a number of our stakeholders, including employers, customers, educators, students, and intergovernmental agencies that are asking for sustainable development topics to be included in content, courses, and other services (see p46).

Employers increasingly expect their employees to have an understanding of sustainable development issues. Our research on the future of work and 21st century skills (see p39) have identified both technical knowledge around green jobs and having a sense of social responsibility as highly important for career success today and into the future.

97%

In an Accenture survey of leading global CEOs, 97% said that sustainability is important to the future success of their business.²⁶

4-4.5m

In the US, green jobs in 2017 collectively represent 4-4.5 million jobs, up from 3.4 million in 2011.²⁷

81%

of a sample of Pearson customers think it is important for students to learn about sustainability and sustainable development.²⁸

3,000

In a study of over 3,000 US students, 88% of respondents felt learning about social and environmental issues is a priority, but only half were very or completely satisfied with their school's focus on social and environmental issues in their curriculum.²⁹

66%

of countries reported having a national ESD strategy or plan, and 50% of countries have included ESD in relevant policies.³⁰



Promote education for sustainable development

In 2017, we began an internal review to identify opportunities for Pearson to advance ESD. We are working with an external adviser to define what ESD means for Pearson; identify existing and potential ESD activities and initiatives across our portfolio; and develop a strategy that prioritizes areas of focus. We engaged internal and external stakeholders to understand the opportunities and challenges for Pearson and determine where we can make the most impact through our products, services, and thought leadership.

In 2018, we will:

- › Complete an internal review to identify opportunities for Pearson to advance education for sustainable development; and
- › Publicly advocate for and produce a report on the role of the private sector in education about sustainable development in partnership with Business Fights Poverty and others.

Responding to sustainable development needs in our products and services

In response to our customers, we have developed content, courses, qualifications and other services that help students learn about sustainability.

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. They often have goals of educating and empowering students to make informed decisions as consumers, voters, environmental stewards, and citizens, as well as ensuring they are ready for the job market.

Sustainability-related topics are central to our geosciences, environmental science, 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. Our geography portfolio covers topics like globalization and diversity; the impact of humans on the planet; cultural sustainability; social, environmental, and climate justice; sustainable urban planning; and geospatial technology in disaster relief, as just some examples.

In our business portfolio, our best-selling managerial accounting book presents the business case for integrating sustainability into practices. In economics, one of our authors is award-winning Professor Daron Acemoglu whose work explores inequality, globalization, and development. He is best known for *Why Nations Fail: The Origins of Power, Prosperity, and Poverty* (with James A. Robinson), a New York Times bestseller in 2012, and Pearson's *Principles of Economics* (with David Laibson and John List).

We have also partnered with Everglades University in Florida to develop a digital course to help prepare students for jobs in

green building using US Green Building Council (USGBC) aligned content (see more at <https://www.pearson.com/corporate/sustainability/sustainability-stories/everglades-university.html>).

BTEC

We have developed a number of sustainability specialist BTEC qualifications, and have embedded sustainability within BTEC qualifications across sectors, including engineering, warehouse operations, animal management, science, and IT.

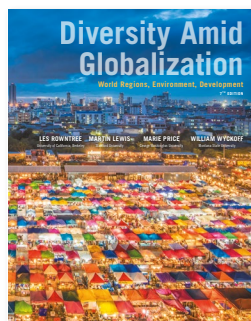
BTEC qualifications in Environmental Sustainability help people to become ready to take up employment in the sustainability sector, or in a sustainability role within a company. The qualifications cover themes like: food and drink; energy and water; travel and traffic; purchasing and waste; buildings and grounds; inclusion and participation; local wellbeing; and global dimension. Our sustainable resource management certifications meet the needs of employers in the UK waste management and recycling industries by aligning with national standards and apprenticeship frameworks.

Some engineering qualifications look at how continuously improving processes can impact sustainability, and reduce both waste and cost, which can be measured by an increase in profits and operational efficiency. One of our units with this focus was developed in partnership with Toyota, BMW, and other large employers.

A warehouse operations certification looks at how warehouse equipment can be used safely and effectively, which contributes positively to an organization's sustainability goals.

Product spotlight: *Diversity Amid Globalization: World Regions, Environment, Development*

Diversity Amid Globalization (Rowntree, Lewis, Price, Wyckoff), one of our US higher education world regional geography titles, includes dedicated "Working Toward Sustainability" features that detail positive environmental and social efforts and outcomes. These features also include links to Google Earth virtual tour videos. Chapters integrate sustainability themes to demonstrate how these concepts apply across topics and geographies. The title's current lead author, Marie Price, has deep expertise on migration issues, and she currently serves as the first female president of the 167-year old American Geographical Society.



Promote education for sustainable development

A unit on animal management focuses on how production systems can be used sustainably to conserve water, and reduce and eliminate pollution, thus having an impact on animal and human health.

In some of our science certifications learners consider the potential impact of nanoparticles from transport exhaust fumes on the human respiratory system, and their effects on marine life. They also explore the role of modern materials in creating alternative methods of energy production in order to reduce carbon emissions. Additionally, a unit on contemporary issues in science focuses on the ethical, social, economic, and environmental factors that learners must consider in their careers.

One of our IT certifications enables learners to think about how a new IT project or system can help an organization to lower its overall carbon footprint and waste. Students also learn to think about sustainability when defining IT service delivery requirements with their customers and clients that want to support their organization's commitment to sustainability.

A list of BTECs with sustainability content can be found in the appendix.³¹ For more about BTECs and employability, see p42.

Global Learning Programme

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

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

School spotlight: Hamble Primary School's global learning journey

"If we don't learn about the Global Goals then we won't achieve them by 2030. Now, 330 more people in our school know about them!"

Harry, Hamble Primary School student



Hamble Primary School has a history of teaching its students about the UN Convention on the Rights of the Child. When the school joined the Global Learning Programme, its leaders found that using the SDGs as a new framework to teach global citizenship was an exciting way to re-energize both students and faculty.

Students have been conducting their own research about the SDGs and present their work at assemblies and within other student groups. The school also challenged students to look for "good news" stories locally, nationally, and globally that they shared both at school and with parents.

Through joining the Global Learning Programme, the staff was able to access a range of training at no cost that supported them to consider how to embed the SDGs and children's rights within the curriculum. Teachers are also exploring ways to help younger children understand the more complex goals. For example, Year 1 children have been able to learn about Goal 11 on



sustainable cities and communities and Goal 12 on responsible production and consumption through the picture book "Michael Recycle" and the concept of becoming a "recycling superhero".

In July 2017, 100% of the Year 6 students at Hamble Primary School responded positively to survey questions that related to feeling safe; knowing that adults would support them; knowing about their rights, responsibilities, and how to respect people; and that their ideas about making their school a better place would be listened to. 98% of the children surveyed said that the school helped them understand different cultures, faiths, and ways of life. The school sees global learning as an essential part of their wider school curriculum.

Promote education for sustainable development



Partner to advance education for sustainable development

In 2017, we continued to support the UN Principles for Responsible Management Education (PRME), which works to inspire and champion responsible management education, research, and thought leadership globally. Over 700 higher education institutions from 85 countries have become signatories to the six Principles for Responsible Management Education committing to the initiative. PRME has recently launched a champion group of higher education institutions who are piloting new ways to integrate the SDGs into their curricula.

We sponsor and collaborate with Net Impact to inform our work on ESD. Net Impact is a membership organization that mobilizes its community of over 100,000 students and professionals to use their skills and careers to drive transformational social and environmental change. The organization has a number of programs – delivered centrally and through student-led chapters at universities – that give members the skills, experiences and connections to support them in building impactful careers.

The Global Learning Programme has had a number of successes since it began in 2013:

- › By the end of 2017, over 7,200 schools in England had registered for the program, in a wide range of contexts, both rural and urban.
- › Over 400 teachers have been trained for their schools to become Global Learning Programme “Expert Centres.”
- › Nearly 30,000 teachers have received training.
- › Hundreds of continuing professional development (CPD) courses have been offered to schools in England.
- › The program has been highlighted positively by Ofsted.
- › Nine reports have been developed through program research projects.
- › Many free online resources have been created and shared.
- › Case studies and films have been produced on a wide range of global learning and education for sustainable development topics.

Throughout 2017 the number of new schools registering for the Global Learning Programme continued to increase. In March we ran a “Spring into Sustainability” social media campaign, which involved raising awareness of the SDGs and themes each day in March, and linking to the Global Learning Programme resources and opportunities. In September, we supported Global Goals week and the World’s Largest Lesson by again raising awareness of the global learning activities schools have been involved in as part of the Global Learning Programme.

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

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.

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 society, and share best practices on social innovation.

Our engagement allows us to share our experiences, capabilities, and insights, learn from others, and respond quickly to opportunities and criticisms. We also make sure that we actively listen to other organizations working to improve education around the world, especially for underserved and marginalized groups.

Help to strengthen education systems



Global Partnership for Education (board member)

The partnership brings together over 50 lower-income countries, donor governments, international organizations, the private sector, teachers, and civil society groups to support these countries with their education sector plans through financial assistance and technical expertise.

GLOBAL BUSINESS COALITION FOR EDUCATION

Global Business Coalition for Education (founding member)

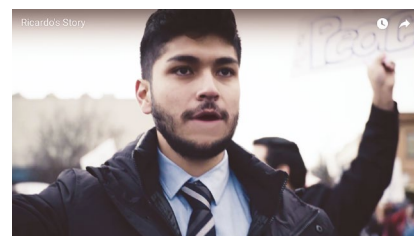
The coalition brings the business community together to accelerate progress in delivering quality education for all of the world's children and youth.

Taking a position on the Deferred Action for Childhood Arrivals (DACA) Program in the US

In September 2017, our CEO John Fallon shared an important message with employees and stakeholders about the Deferred Action for Childhood Arrivals (DACA) program in the US.

Pearson signed the FWD.us letter from Leaders of American Industry. It calls for the continuation of the DACA program and for Congress to enact bipartisan legislation that provides these young people with a permanent solution to gaining citizenship. When Pearson takes a corporate position on an issue, we do everything we can to remain non-partisan. But we feel it is important to speak out when there are policy issues that run counter to our values, our business interests, and the communities we serve. We believe that everyone deserves access to a quality education and the opportunity to work and build a better life for their families.

Read more: <https://www.linkedin.com/pulse/our-position-deferred-action-childhood-arrivals-daca-program-fallon/>.



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

Promote the private sector's role in society and achieving the UN Sustainable Development Goals



United Nations Global Compact (participant)

We are signatories to the Ten Principles of the UN Global Compact, the UN's main initiative for engaging responsible businesses. We have committed to operate responsibly, take action in support of UN goals and report on our progress. This report represents our UN Global Compact Communication on Progress (COP). See p80 and p99 for more information.



Business Fights Poverty (sponsor)

BfP is the largest global network of professionals passionate about fighting poverty through business. We support several of their "challenges," which aim to identify and address specific, strategic questions about how to harness and scale the positive impact of business on people or the planet (see p51).



Business & Sustainable Development Commission (commissioner)

Our CEO John Fallon is a commissioner who helped to guide the group's investigation of how the private sector can realize significant long-term economic rewards and help to achieve the Sustainable Development Goals by 2030. In 2017, the Commission presented their findings in the *Better Business Better World* report. We also contributed to a discussion paper on the critical role of women in achieving the SDGs.



Read the report: <http://report.businesscommission.org/report>



Read the report: http://s3.amazonaws.com/aws-bsdc/BSDC_Behind-Every-Global-Goal.pdf



GRI GOLD Community (participant)

GOLD Community members are GRI's core supporters. Our sustainability report follows the GRI standards (see p80 and p99) and we engage with this group to improve our reporting and contribute to conversations about the future of reporting.



World Economic Forum (member)

The Forum engages the foremost political, business, and other leaders of society to shape global, regional, and industry agendas.

Sponsoring and participating in SDG events

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 2017, members of our executive team, together with other employees, participated in numerous events, including at the World Economic Forum in Davos and UN General Assembly Week in New York.

During UN General Assembly Week, we sponsored Business Fights Poverty's annual event on collaborating to deliver the SDGs; a Global Goals Awards dinner convened by the UN Secretary-General with support from the Bill & Melinda Gates Foundation and UNICEF to celebrate leaders working to achieve the SDGs; and an event on refugee education (see p51). As part of our program of events at the World Economic Forum Annual Meeting, we sponsored the Global Goals Gathering convened by Bill Gates, Bono, and Malala in support of the SDGs.

Through these and other speaking engagements, we highlight how we are supporting the implementation of the SDGs, particularly Goals 4, 8, and 10, through our 2020 Sustainability Plan, core business activities, as well as through social impact programs, campaigns, and advocacy.

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

Share best practices on social innovation

Promising Practices in Refugee Education

In September 2017, during UN General Assembly week, we held an event to launch the *Promising Practices in Refugee Education* report, which we developed together with Save the Children and the UN Refugee Agency (UNHCR), as part of our advocacy efforts for our Every Child Learning partnership (see p30). The report identifies promising practices in refugee education around the world, with a focus on bringing innovation to existing efforts.



Read the report at: <https://www.promisingpractices.online>

Business Fights Poverty social innovation challenge

In 2017, we worked with Business Fights Poverty, Barclays, and Cemex, together with The Intrapreneur Lab and Be Inspired Films, to explore the question: what know-how do employees need to drive corporate social innovation?

Based on our experience with the Tomorrow's Markets Incubator (see p28), we developed a set of videos and tip sheets designed to help other companies jump-start internal social innovation processes, and give intrapreneurs the confidence that comes with knowing what they're getting themselves into – even if they won't fully figure it out until they try.

See the videos and tipsheets at: <http://socialinnovation.pages.ontraport.net>

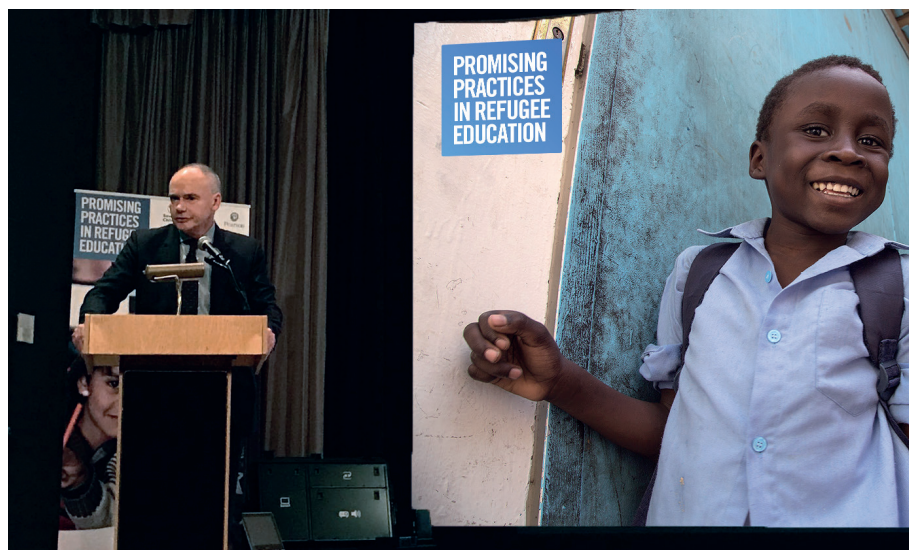
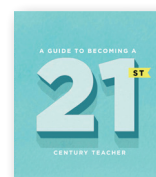
Other social innovation events

We sponsor and participate in a number of events on the cutting-edge of education and social innovation, such as the Aspen Ideas Festival and SXSW.

At the Skoll World Forum on Social Entrepreneurship and Arizona State University (ASU) + GSV conferences, we presented our learnings from the Tomorrow's Markets Incubator on innovation for underserved learners. We shared lessons which can be applied to core innovation strategies, including how organizations can foster a culture of social innovation by putting in place the internal resources, support systems, and partnerships that intrapreneurs need to thrive.

Guide to Becoming a 21st Century Teacher

One of the outputs of our UPSHIFT partnership with UNICEF (see p41) is 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. The information, tools, and activities in the guide were developed, used, and tested with the different user groups in 2017 and early 2018 in Myanmar, with Pearson's Global Schools and Social Innovation teams working closely together with UNICEF.



John Fallon speaking at the Promising Practices in Refugee Education report launch in New York, September 2017.



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 commitments:

Respect and support our people, customers, and communities

p53

Protect our natural environment

p68

Build a sustainable supply chain

p72

Being a trusted partner extends to all of the people our business impacts, including learners, customers, employees, local communities, and the people who work in our supply chain. We take steps to protect their rights and keep them safe, and ensure our products and services do what we promise. Managing the environmental impact of our operations helps ensure a healthy planet for people, as well as reduces costs.



Respect and support our people, customers, and communities

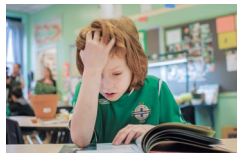
We protect the rights, privacy, and safety of our learners and customers, and ensure we deliver relevant, easy-to-use, and effective products and services. We prioritize the wellbeing of our employees and provide them with the opportunity to develop, grow, and be their best selves. We are also dedicated to investing in local communities.

Respect human rights

Develop and implement our human rights strategy

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 across the group. We work to prevent discriminatory, illegal, or 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 p72.



Following the goal we set in 2016, we undertook a comprehensive human rights assessment in 2017. Drawing on the expertise of BSR, a sustainability consultancy, we engaged a range of internal and external stakeholders to consider how our operations, products and services, and the activities of our business partners may have a positive or negative impact.

The work considered the rights of learners, parents, employees and contractors, teachers and educators, customers, supply chain workers as well as the broader community.

As a result of the human rights assessment, we have identified priority human rights risks and opportunities, which fall under the five themes below. In 2018, our focus is finalizing an external human rights statement and implementing a human rights strategy addressing key themes (see p54).

We also already have policies in place for key elements of human rights including editorial content (see p59), health and safety (see p64), safeguarding (see p56), and data privacy (see p55).

Respect and support our people, customers, and communities

Key themes of our human rights strategy

| | | |
|---------------------|--|-------------|
| Content | Appropriate content | ➔ See p59 |
| | Education about human rights | ➔ See p45 |
| Learners | Learners' rights and safety in our direct interactions | ➔ See p56 |
| | Access to and affordability of products and services for underserved learners | ➔ See p17 |
| | Gender equality | ➔ See below |
| | Accessibility | ➔ See p26 |
| Partnerships | Risks and impacts of customers, distribution partners, supply chain relationships, and other third parties | ➔ See p72 |
| Technology and data | Privacy | ➔ See p55 |
| | Impacts of artificial intelligence (AI) | |
| Employees | Support for vulnerable workers | ➔ See p64 |
| | Diversity and inclusion | ➔ See p63 |



Advance gender equality

Our products and services are used by millions of girls and women every day around the world, providing a unique opportunity and responsibility for us to help them thrive. If women participated in the economy at the level of men, it would add \$28 trillion, or 26%, to annual global GDP in 2025.³²

In 2016, a cross-functional steering committee at Pearson undertook a review of how we empower girls and women across our value chain. We considered risks and opportunities in our workplace, marketplace, and supply chain; social investments and philanthropy; and public policy and advocacy activities. We ultimately developed a set of strategic priorities

to increase women's empowerment by promoting access to high-quality education, skills and training, and decent employment. Our 2017 human rights assessment (see p53) also identified opportunities around gender equality.

Our approach to women's empowerment includes helping women and girls overcome barriers to education and employment (see our work with Camfed on p32), being gender-sensitive in our educational content (see our Editorial Policy on p59), and developing, supporting, and advancing women who work at Pearson.

➔ See diversity and inclusion on p63

An extra year of primary school boosts girls' future wages by 10-20%

10-20%

an extra year of secondary school increases them by

15-25%³³



Respect and support our people, customers, and communities

Build trust with our learners and customers

Respect the right to privacy and ensure data security

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

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

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

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

Our risk management process is based on recognized international standards (ISO 27005/31000) for assessing and ranking data privacy and information security risks. Our information security controls are based on 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. To help inform our approach, we are members of the International Association of Privacy Professionals, Software & Information Industry Association, Future of Privacy Forum, and Centre for Information Policy Leadership in Europe.

Our internal audit team regularly reviews our data privacy and security programs. By way of example, they suggested governance improvements to our privacy program to meet the increased obligations under the European General Data Protection Regulation (GDPR), which we implemented during 2017. This included establishing executive and steering committees on data privacy, and appointing a data protection officer for Europe before the GDPR came into effect in May 2018.

For the third 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.

In 2017, we made significant improvements to our data privacy and information security programs and processes:

- › We continued work on an in-depth privacy and security assessment of our key products to evaluate compliance with current requirements;
- › We extended the reach of our Security Operations Center and expanded our continuous security vulnerability scanning and response capabilities;
- › We created and delivered a new, more engaging awareness training program that has been attended and embraced on a broad, global level;
- › We reduced the number of security-related incidents and drastically improved our response and repair times;
- › We made significant progress with a detailed GDPR plan to ensure we focused on the various activities required to adapt our program to meet the changes that came into effect in May 2018;
- › We refined our vendor management processes to include the execution of more robust contractual privacy and security terms, and expanded our use of privacy impact assessments for new programs and onboarding new vendors;

- › We acquired and implemented a new electronic Governance Risk Compliance (eGRC) tool that will provide a single, enterprise-wide platform for risk quantification, remediation, and lifecycle management;
- › We developed and implemented training and policies to address key privacy and security risks; and
- › We embedded our product privacy requirements into the product development process to support the goal of building privacy into our products and platforms from the ground up known as "privacy by design."

Respect and support our people, customers, and communities

**Safeguard and protect learners**

We are committed to safeguarding and protecting learners wherever we operate, and particularly essentially 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 audit committee, a board-level committee.

In 2017, we further embedded safeguarding in our governance processes through the Safeguarding Committee. The relevant businesses have continued to assess their safeguarding risks, and to action improvements. With support from the board, we have strengthened safeguarding practices in relation to the Pearson Affordable Learning Fund portfolio (see p29). We have worked with an external expert to develop training materials for our senior managers, and we have ensured all managers have the information they need to understand their roles and responsibilities in relation to safeguarding.

We have developed a sexual harassment policy for our learners, which will be implemented in 2018; the implementation of this has been delayed due to some restructuring within the main business. In addition, we are currently exploring the viability of an app that would strengthen the safeguarding practice of schools across India where, according to the Ministry of Women and Child Development, 53% of school children suffer sexual abuse in some form, of which 20% are severe.

In 2018, we will deliver safeguarding incident management training to senior managers, implement the sexual harassment policy, and strengthen our safeguarding integrated assurance processes.

Based on the findings of our human rights assessment (see p53), we will strengthen our processes for learners to raise concerns about harassment or abuse by integrating recommendations from the UN Guiding Principles on Business and Human Rights into our safeguarding risk assessment framework for our direct delivery businesses.

"I was very encouraged to see how across the diverse Pearson businesses and different country contexts there is now a clear commitment to ensure that safeguarding of learners is taken seriously and that there is also senior management endorsement of the work. There is of course much to do, but I think that the direction of travel is the right one. There has been significant progress made over the last two years."

Jenny Myers Independent member of Pearson's safeguarding committee and independent consultant at Jenny Myers Consultancy Ltd

Respect and support our people, customers, and communities

Create a world-class digital experience

Pearson's product portfolio includes blended and fully digital solutions, and we are determined to use technology to help an even wider group of learners achieve better outcomes. To do so, we are investing heavily – £700m+ annually – in product development.

Leveraging technology to expand our reach can help bring better learning to more people, including underserved groups, by supporting learning wherever they are in the world. For example, a number of our products, like MyLab Foundational Skills (see p20), Connections Academy (see p19), MyPedia (see p19), and our AcceleratEd program (see p24) are deploying technology to serve the unique needs of our customers.

Technology also presents us with exciting opportunities to make learning more personalized and engaging in real-time. For example, we are exploring how a virtual tutor can provide students exactly the help they need, just when they need, through asking questions in natural language, like they would with another student or professor. In this way students show up better prepared for lessons and importantly the virtual tutor also provides actionable insights for instructors.

For teachers, automating activities like grading, enables instructors to spend more time with students and focus on other added value activities.

Over the last three years we have been working hard to improve customer experience using our products by stripping out the complexity – and consequent fragility – from the infrastructure that supports all of our products and services.

Key to this strategy is to build a Global Learning Platform (GLP): over time, the GLP will be the single platform that supports all of Pearson's digital products and courseware, using a network of common, reusable components and software.

Creating a Global Learning Platform means we can significantly improve reliability and stability, but it is also critical to our ability to speed up the launch of new products and services, and to create a consistent yet personalized customer experience that is accessible on any device, anywhere in the world.

While we establish the Global Learning Platform we will remain focused on delivering the best customer experience possible across our current Learning Platforms. We are improving service stability for customers – in particular during the critical North America “back to school” periods each spring and fall. For example, in 2017, we established a central operations team to provide a rapid response to any arising issues and embedded further customer-centric working practices to ensure any problems were resolved as swiftly as possible. We also took steps to improve our operational stability, helping us to more than halve our number of major incidents and speed up issue resolution by 47%.

As a result of these changes, the volume of customer issues in North America Higher Education dropped by 41% (compared to the previous year), and five times more students successfully resolved their issues with online self-help tools. This also contributed to an 82% customer satisfaction rate for our customer support agents, and an increase in satisfaction levels across almost all of our North America businesses in fall 2017.

Improve customer experience

Our business depends on building strong, long-lasting relationships with our current customers, and also anticipating the needs of future learners.

To that end, we have created a centralized research and insights function of 30+ experts who work across geographies and business units. This group is modeled on an agency structure, allowing team members to be flexible and work with the parts of the business where they are most needed. The team is comprised of experts in research methodologies including surveys, face-to-face interviews, focus groups, online bulletin boards, and more. This team keeps us close to learners – constantly listening, watching, and collaborating on today's most important issues as they relate to education, and using technology to bridge the gaps that may exist in the future.

A few areas of focus in 2018 include several initiatives that will help us leverage the benefits of technology and meet learner needs in education. Two of our priorities are looking at Gen Z – who were born in the late 1990s to mid-2000s and are our newest customers – and the changing learner demographics, including underrepresented groups (see p17 for more on this work).

In 2019, we will also expand our global customer experience measurement program. In 2016, we launched a program to measure the Net Promoter Score (NPS) across the business, working to ensure that every interaction a customer has with a Pearson product, website, salesperson, or service agent is engaging, seamless, and positive. Through the NPS feedback system, customers rate us on various interactions across touchpoints and products. Pearson proactively follows up on feedback and uses it to identify continuous opportunities for improvement.

We have set benchmarks based on our first year of measurement and will monitor the entire customer experience to look for areas of continuous improvement.



Respect and support our people, customers, and communities

Improve the outcomes that matter to learners through our efficacy research

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

By "efficacy", we mean a set of principles and practices that are rooted in product development and the way we interact with our customers. To contribute towards meeting the ambitious Sustainable Development Goals through efficacy, we aim to:

- › Work with students and educators to identify the outcomes that matter to them;
- › Partner with institutions and educators to conduct rigorous research into the efficacy of our products;
- › Measure the extent to which learner outcomes are impacted;
- › Use our research to inform how we plan, design, develop, and improve our products, and how we engage with and support our customers and learners; and
- › Share the results of this efficacy research with our stakeholders to enable our customers to make more informed, evidence-based purchasing decisions.

We made a commitment to publish reports annually on the impact of the use of our products on learner outcomes, and in last year's Sustainability report, we highlighted our commitment to have those efficacy reports externally audited by 2018. This year, as promised, we are proud to publish our first set of audited efficacy reports, externally certified by PwC. Collectively, these reports represent products that affect the lives of 18 million learners. Visit <https://www.pearson.com/corporate/efficacy-and-research.html> to learn more and see our audited reports.

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

While meeting our commitment to have our reports audited is a big achievement, externally reporting on the efficacy of our products was not our only goal. In 2018, and beyond, we will continue to develop new ways of partnering with educators, researchers, and institutions so we can advance our work. In doing so, we will continue to advocate for the need to apply rigorous evidence to improve the outcomes of teaching and learning, while also seeking to ensure that evidence captures customers' experiences and is relevant and useful to educators in their practice.



Efficacy reports

15 efficacy reports published

- › Connections Academy
- › Bug Club
- › Mastering Chemistry
- › Mastering Physics
- › Mastering Biology
- › MyLab Math
- › MyLab Foundational Skills
- › MyLab IT
- › MyLab Statistics
- › Speakout
- › Top Notch
- › NAME
- › aimswebPlus
- › WISC-V
- › GED Testing Service

Read our efficacy reports online at <https://www.pearson.com/corporate/efficacy-and-research.html>



Respect and support our people, customers, and communities

Deliver relevant, appropriate, and inclusive content

Learners trust and depend on Pearson to provide course materials that are not only effective in improving learning outcomes, but also relevant, appropriate, and inclusive. In creating our products, we think specifically about the culture, background, and age of the learners that will access our content.

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

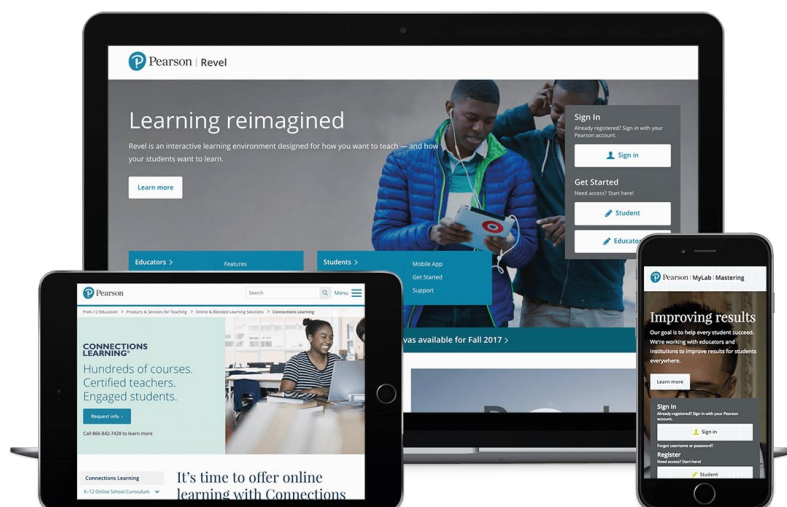
As we become increasingly integrated globally, we understand the importance of standardizing best editorial practice. To advance our 2020 Sustainability Plan, we committed to develop a common Editorial Policy across Pearson to ensure all content is appropriate, inclusive, and relevant for all learners, for the 21st century and beyond.

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 which is based on evidence and facts
4. Aligning with legal and ethical obligations of content creation and production

These are fundamental principles that need to be considered to ensure that all products apply Pearson's values of being Brave, Imaginative, Decent, and Accountable that underpin our brand and shape the way we think, work, and behave. In turn, this reflects in our content and in our interaction with our customers, students, parents, and teachers.

The policy has been developed to be applied across all of Pearson's 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. The policy applies to all content in all geographies, regardless of whether it is print or digital or if it is created internally or by a vendor.



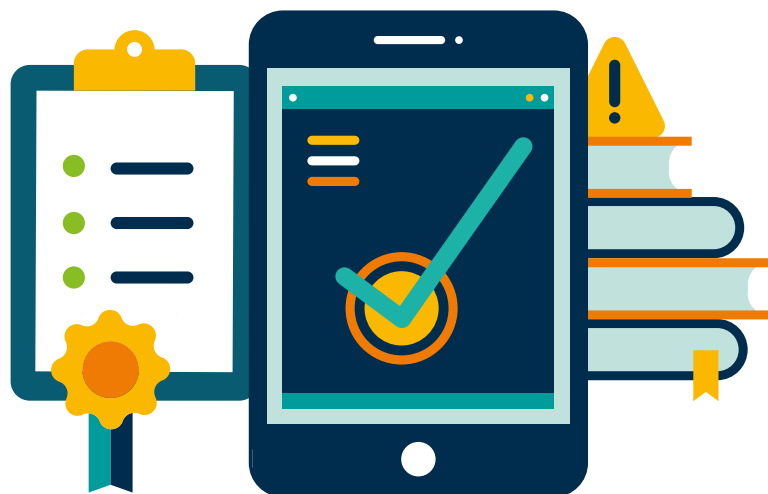
The policy is intended to:

- › Provide guidance for product development teams and individuals involved in the content creation process to avoid creating or including content that is not aligned to Pearson's values, and
- › Prevent unintentional errors or inappropriate content being published which may cause offense.

The policy was introduced in 2017 and we are currently in the early stages of implementing the policy throughout our business through webinars (delivered to over 1,000 director level and above employees cross-functionally and across all our markets), workshops, and an online learning module. We are also performing deeper dives on specific areas of importance related to Diversity and Inclusion (see p63).

A cross-regional and functional steering committee, chaired by a member of our executive team, oversees the implementation of the policy and provides a forum for escalation and issue resolution. We also have policy champions in each market and business unit to assist with the implementation of the policy.

Respect and support our people, customers, and communities



The process to implement this policy was accelerated following the discovery of inappropriate material in our *Concepts in Nursing* series of textbooks in 2017. We took immediate action – issuing a public apology (see <https://www.youtube.com/watch?v=PnXjq6XdLw8>), removing the offensive material, and offering a free replacement copy to students who requested a reprinted copy.

Going forward, we will continue to embed the policy into our business by:

- › Rolling out an online training module ensuring that all employees and editorial business partners who are involved in the creation and review of content have taken and passed the course. As of May 2018, over 75% of employees involved in content creation or marketing in almost 40 markets had completed and passed this training.
- › Working with markets around the world to review local editorial guidelines and ensure alignment with the global policy.
- › Releasing a Business Partner version of the policy for that is being shared with our editorial third-party vendors.

› Rolling out a process to apply the policy specifically in our higher education courseware business at scale. The process will include: training relevant employees on general- and certification-level curriculum; creating and distributing diversity and inclusion guidelines for content development and review; integrating a workflow to assess risk for each piece of content and the appropriate steps to mitigate it; establishing diversity and inclusion “discipline leads” in each team; and clearly articulating and communicating escalation paths for content issues that arise at any stage of development, production, quality assurance, or within our markets.

Ensure product safety

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

Our product safety manual sets out procedural and legislative requirements for product testing, development, and labeling, and is regularly updated to reflect any new developments. We carry out risk assessments based on learners’ 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. For more information, visit: bookchainproject.com/home.

In 2017, we again had zero product safety incidents. We continued to focus on and addressed relevant regulations and industry trends (including US Consumer Product Safety Commission (CPSC), ASTM toy standard activities and updates, and EU General Product Safety Directive, UK TSI, EN 71 Part 1, 2, 3); and continued to represent Pearson at the PIPS (Publishing Industry Product Safety) Forum, the Bookchain 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 p72). We continued to work with approved suppliers providing products subject to labeling requirements and to date we have six vendors in the PIPS database.

Going forward, we will:

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

Respect and support our people, customers, and communities

About our employees

30,339

total average number of employees in 2017

Employees by region



North America: 16,295 Growth: 8,268
Core: 5,291 Other: 485

Employees' gender diversity



30%

Board positions held by women

30%

Senior leadership positions held by women*

* two reporting lines from the chief executive

Develop our employees

To improve the experience our employees have in the workplace, we ran an employee engagement survey in 2016, which highlighted areas of focus for 2017. Each member of Pearson's executive management committee used the insights to develop a plan of action. The results were monitored and tracked quarterly.

Create the structure for a healthy organization

A healthy organization is one that is aligned on its vision, able to execute and renew itself over time. In 2017, we focused on putting the structural foundations of our organization in place to drive our business transformation to digital. This included reviewing our operating model to identify specific areas where clearer accountability and role clarity across our teams is needed. In addition, we gained further insight by conducting a pilot organizational health survey with our top 1,700 leaders in July 2017.

As a result of this, in December 2017, we shared three priority areas with employees that we will focus on over the next 18 months to make Pearson a healthier and more sustainable organization: 1) creating strategic clarity, 2) creating role clarity and personal ownership, and 3) generating customer, competitor, and external insights (i.e. market insights).

Further to this work:

- › We worked across business units to identify what the impact of digital transformation means in the workplace and which employability capabilities are needed for the future.
- › We ensured activities and accountabilities across teams were aligned. This helped develop and deliver products to market faster; and identified how roles could be changed to improve our operations.
- › We built criteria for critical roles for succession planning and partnered with Diversity and Inclusion to monitor the impact proposed organization changes would have on diversity.

We implemented the Global Design Authority, a governance group accountable for approving organizational change, including those impacting the operating model. This collaborative approach has resulted in improved accountabilities, better alignment and faster execution.

Pearson continues to transform along with our rapidly changing environment. At times that has meant that we have had to implement organizational restructuring activities that reduce our workforce. We are committed to support our people who are affected, by working with them to find alternative roles within the organization, as well as providing transition support to assist them in finding roles outside Pearson where necessary.

Workforce 2020 Capabilities and our digital transformation

As our organization evolves, it is key to have leaders who have diverse perspectives, can lead through change and ambiguity, and create inclusive environments where employees can experiment and innovate. We need the right roles and skills in our leaders, from the first line to the most senior leaders. We empower our employees to have the confidence and skills to adapt as the organization moves, learn by testing and doing, and have transparent and honest conversations about their career development.

We developed the Workforce 2020 Capabilities³⁴ and a set of leadership behaviors to describe what we need to do to execute Pearson's strategy and achieve our competitive advantage in the marketplace. These capabilities cover leadership (results, people, values) and core skills (digital, commercial edge, change, sales, innovation).

Empower our people through learning

We promote a culture of learning at work, enabling more time for development and discovering new learning paths that are aligned to our Workforce 2020 Capabilities. We want to make it easier for our employees to find relevant learning that builds skills.

Our Finance, Product, and Leadership and Management online Academies were launched in 2016 and 2017 to provide employees with career development and leadership capability development resources they had been seeking. The learning opportunities and career resources within these Academies are designed carefully, to aid personal and professional growth, whilst helping the business fill gaps in skills and meet its strategic goals. The academies, including the Tech Academy (rolled out in 2016), are available in Pearson U, our online learning platform, and are open to all employees.

Respect and support our people, customers, and communities

We delivered Career Development Workshops for personal development and participated in National “Learning@Work” weeks, which are week-long learning festivals aimed at encouraging workplace learning and connecting people across the organization.

Through Discovery Days, colleagues from all parts of the organization meet each other, learn about our newest product offerings, and join workshops to increase commercial and digital knowledge.

Pearson supports performance-based compensation decisions, guiding managers to target money to where it is needed the most. We aim to recognize high performance, whether that is collective or individual. Awards are made and differentiated based on performance, market, and affordability.

Connect our people to roles

We strive to increase internal mobility to retain and develop our talent, especially through times of change. Our focus is to develop our pipeline, address succession, and support our employees by finding roles that allow them to progress. This includes being involved in new products, services, and projects, across various markets. Our employees have opportunities to develop skills that build global mindsets, have exposure to our customers, and understand centralized operations.

As a result of conducting an analysis of internal mobility and drafting a future state proposal, we undertook a number of

actions. For example, we relaunched the company global career site and developed recruiter toolkits with elevator pitches to engage candidates.

We need to enable knowledge transfer between geographies, identify future talent, and build a pool of potential future talent suitable for international assignments.

We piloted the “Talent Brokerage Program” – an international exchange of talent knowledge and skills across our growth markets – which has triggered a high level of engagement and interest. We plan to widen the offering in 2018.

We recognize that career development and learning go hand-in-hand and our Career Development Workshops hosted 1,530 employees in 111 sessions in 27 locations in 23 countries.

Develop strong leaders

Our industry is experiencing unprecedented disruption and our employees face social, generational, governmental, and technological changes and challenges as many in the workforce do today.

To help our people navigate this change, we created our Leadership and Management and Technology Academies (see above) to support them in this transition. We introduced a set of new leadership development programs to all levels of the organization that are steeped in building our future capabilities (Workforce 2020 Capabilities, including amongst others, digital, innovation, change leadership, and commercial edge); and launched specific

programs for different levels of the pipeline. We have established a quarterly reporting cadence to our executive committee spotlighting succession and development of our senior leaders.

Support our people in and out of the workplace

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

Looking ahead

2018 brings specific opportunities and challenges in managing talent: balancing transparency and privacy; leadership development and new ways of working; the drive for innovation; and making the human resources function a strategic changemaker within the organization.

In 2018, we will:

- › Expand the Talent Brokerage Program globally;
- › Use insights from the organizational health survey to enable more employees to contribute to innovation and growth;

Recognizing employees through the Growth Awards



Award winners on their trip to London.

In an effort to promote a high-performance culture, 18 individuals and teams received Growth market awards for exceeding targets, going the extra mile and making a difference to learners.

The winners – who came from Brazil, Greater China, Hispano America, India, the Middle East and South Africa – were invited to spend a few days at our London headquarters. For many it was their first time in the UK, and they had an opportunity to meet with the leadership team, other award winners, and a variety of other teams, including sustainability.

“The days in London gave us an opportunity to take a pause and learn more about ourselves, about the leadership, about how to shape our careers, and of course about Pearson. It was incredibly inspiring to hear about some of the creative and innovative experiences of colleagues from around the world.”

Neha Nupur, General manager, digital marketing, India and Growth Awards winner

Respect and support our people, customers, and communities

- › Provide learning and development opportunities for all employees, with a focus on digital talent, skills and expertise;
- › Ingrain our Workforce 2020 Capabilities across our talent processes; and
- › Launch Pearson-wide business transformation tools and development.

Our long-term focus includes:

- › A workforce that drives growth and is focused on critical capabilities (Workforce 2020) as we transform in, and embrace a digital landscape;
- › Leadership that drives business performance through consistent leadership practices and behaviors across Pearson and embedded management practices that drive a high-performance culture; and
- › A healthy organization that is innovative and adaptive in response to market changes and opportunities.

Foster an inclusive and diverse workforce

At Pearson, we value the power of our differences. A culture that values innovation and learning benefits from diverse perspectives and ideas better reflecting the people we serve – teachers and learners. Our commitment is to seek to maintain a work environment that's inclusive as well as diverse, in which our people can be themselves.

In 2017, we renewed our organizational commitment to diversity – our global Diversity and Inclusion program aims to build a stronger company for our employees, our learners, and the communities in which we operate.

As part of our renewed commitment, Pearson has adopted a 2020 Diversity and Inclusion Road Map. It recognizes that we have many strengths to maintain, such as employee engagement, as well as identifies six priority areas for focus for improvement:

- › Executive engagement
- › Products and services

- › Talent management and attraction
- › Learning and development
- › D&I thought leadership
- › Assessment and measurement

There has been considerable progress in 2017 and below we set out some highlights as well plans for 2018 and beyond.

Employee engagement

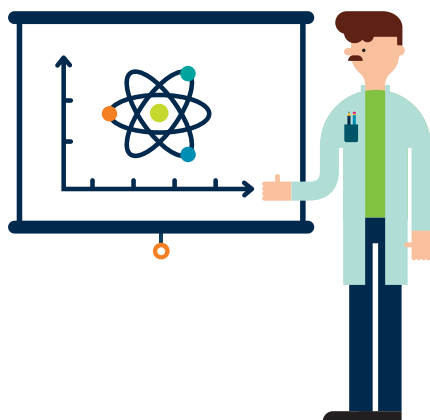
Our focus on employee engagement continued through a mix of local events like colleague lunch-and-learns as well as the fourth Annual Global Inclusion Week to celebrate inclusion in education around the world, with around 50 sessions on topics including Ending Stigma for Adult Literacy Learners and learning basic British sign language.

We expanded the Global Diversity and Inclusion Advocates team – which leads initiatives to embed D&I across the business – to six countries, and the Global Employee Resource groups to five countries. As committed in 2016, we launched Generation Pearson, our eighth Global ERG, dedicated to collaboration across generations.

Global diversity & inclusion

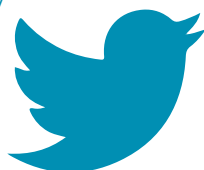
2,400+

employees trained in 2017



6m+

active Twitter users reach from #DiscussDiversity chats and 3,000+ downloads

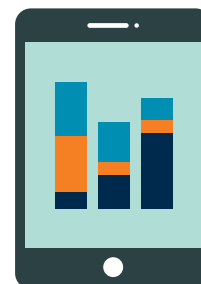


2,400+

average daily active users on Neo.

5,000+

views of the Global Inclusion Week Schedule on Neo.



8

Global ERGs at Pearson:

- Generation Pearson
- Pearson Able
- Pearson Bold
- Pearson Latino Network
- Pearson Parents
- Pearson Veterans
- Pearson Spectrum
- Women in Learning and Leadership



Respect and support our people, customers, and communities

Executive engagement

2017 saw the establishment of a new executive level committee led by the General counsel and Chief legal officer to provide strategic oversight of the D&I agenda at Pearson. The legal team also created Pearson's first department-specific diversity pledge and accompanying standards and processes.

Products and services

We also worked on integrating the principles of diversity and inclusion into our business processes and policies. Most notably, diversity and inclusion was an important element of our work to implement a global Editorial Policy to ensure our products and services are free of bias and are inclusive (see p59 for more on this work). In 2017, we also:

- › Supported Global Product's Higher Ed Courseware review and creation of anti-bias editorial processes and training;
- › Worked with Pearson's Online and Blended Learning business to create gender-inclusive name and pronoun options for students;
- › Developed and delivered an Inclusion Job Aide for our US Learning Services schools' business to ensure that all customer-facing solutions consider diversity; and
- › Consulted with Pearson VUE to ensure that candidate security screening procedures are inclusive.

D&I thought leadership

We launched new programs such as the DiscussDiversity Podcast that highlight the stories of our diverse colleagues. Our #DiscussDiversity Twitter chats reached over six million active users.

As part of our commitment to lesbian, gay, bisexual, and transgender (LGBT) staff and the wider LGBT community, we externally benchmarked our practice. We were recognized for our fifth straight year as a Best Place To Work for LGBT Inclusion in the US by scoring 100% on the Corporate Equality Index. We also took part in Stonewall's 2018 Workplace Equality Index in the UK. The feedback has given us good guidance to drive forward LGBT inclusion at Pearson.

We were also recognized by Forbes who named Pearson one of America's Best Employers for Diversity. On the list of 250 employers, Pearson comes in at number 91.

Talent management and attraction

We published the Pearson Great Britain gender pay gap report and continued to work towards our commitment extend gender pay reporting globally by 2020. See <https://www.pearson.com/corporate/news/media/news-announcements/2018/03/pearson-publishes-gender-pay-report.html>.

We recognize that we can do more and are working to support women better to realize their full potential and progress. Planned initiatives include:

- › Ensuring a diverse slate of candidates is put forward for consideration for VP roles and above;
- › Setting up a mentoring program for women with a particular focus on North America; and
- › Introducing an executive mentoring program for high performing women in our talent pipeline.

Looking forward to 2018

Our 2020 Roadmap is continuing to embed D&I into the way we work. In 2018, we will:

- › Integrate D&I as a mandatory element of organizational goals and scorecards, which link to performance assessment, pay/reward, and ultimately promotions;
- › Embed diversity concepts and principles into our employee learning;
- › Implement consistent quarterly reporting on global and national diversity metrics; and
- › Support senior leaders in being change agents and role models and inspiring others to take action.

Improve health and safety

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

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

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

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.

At the beginning of 2018 we completely revised and internally published our 2018-2020 strategy, together with a significantly revised Global Health and Safety Policy and Standards. The latter was recently communicated to all our employees globally with a supporting animation on why health and safety is important at Pearson. After only a few weeks, approximately 10,000 employees had certified their review and understanding of their responsibilities in our learning management system.

A robust H&S assurance program has also been established and is essential for ensuring we are actively identifying hazards, regulatory compliance concerns, and non-conformance with the policy. This is supported by a global network of nearly 200 "H&S coordinators" who work to ensure the H&S management system is implemented and managed in their business locations.

The global H&S team has become a registered center to teach the Institution of Occupational Safety and Health "Managing Safely" course. Going forward, the H&S coordinator group will be the first to receive this training. This course will better equip our coordinators to recognize hazards, assess risk, take appropriate corrective action, investigate incidents, and much more. Raising the level of H&S awareness and competence in our business locations will make our system much more effective.

For 2018, our key focus areas include:

- › Reviewing our global H&S management system to be more digital and efficient;
- › Undertaking a comprehensive review of current global H&S documentation that supports our management system, including all processes, guidance, and resource documentation; and
- › Evolving our assurance program to include more proactive reviews and implementation support prior to formal audits being conducted.

Respect and support our people, customers, and communities

Initiative spotlight: Improving H&S in Cedar Rapids, Iowa



Matt Herold, team member from the Cedar Rapids warehouse, wearing high-visibility clothing to promote safety.

Our H&S management system is based on a robust approach to support, risk assessment and control, employee communication, and continuous improvement. One of our best examples of success is our Cedar Rapids, Iowa processing center, part of our assessment business. Employees in this location perform a variety of activities including warehousing, packaging operations, and document processing. These activities involve a variety of risks including machine and equipment operation and repetitive, manual handling tasks.

With a committed staff and an accountable, supportive management team, Iowa operations was the first location in the US to fully implement our global H&S policy and standards. Working together over several years they have significantly reduced their injury rates (78%) and workers' compensation losses (86%) since 2002. The combined focus on productivity, quality, and safety has helped Cedar Rapids successfully consolidate operations, and consistently deliver high performance results for the company.

› Undertaking a comprehensive gap analysis of global incident reporting and management; occupational health risk managing and wellbeing; ergonomics; and occupational road risk.

In 2019-2020, we will focus on Implementation of action plans generated in the above projects.

Ensure corporate security and resilience

We live in an increasingly complex world 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.

In 2017, the newly combined corporate security and business resilience team reviewed the approximately 40 highest-impact locations, based on their number of employees and the importance of service and products they produce. We engaged business partners to understand the risks to business delivery and to implement agile solutions. With more information about risks and how they impact our business, we were able to take a more proactive approach to resilience, for example by anticipating risks that may arise as we transition to a more digital business.

Throughout the year, the resilience program development was accelerated as we responded to 16 significant incidents on a global scale, a 100% increase from 2016. We faced nine terrorists incidents, five natural disasters, and two internal incidents.

While no employees were directly impacted by terror incidents, we focused on encouraging employees to be more aware of potential security threats when at work. With regard to natural disasters, our office of 25 staff in Puerto Rico were impacted by the back-to-back hurricanes that caused widespread devastation on the island, and on the mainland US, the hurricanes also impacted learners who use our products and services. In all instances, the focus was and remains to ensure our staff and learners are secure and accounted for, and that assistance is given where needed.

Corporate security efforts concentrated on assessing our locations determined to be high-risk, based on country and other risk, and protecting employees who travel to them. There were 1,200 high-risk trips, an increase of 55% from previous years. A newly appointed global travel security manager has begun to undertake reviews of these locations and released a traveler training course in early 2018. The training is targeted especially to high-risk travelers though its coverage is global and it is relevant for all staff and associates.

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 2017, we focused on securing our students from legacy threats, such as loss of data or exams, at our direct delivery locations by increasing our engagement with local police authorities when needed.

Invest in our global and local communities

Educational opportunities and outcomes are closely linked to the prosperity of local communities and global development. In 2017, we directed 1.4% of our pre-tax profits to community activities, maintaining our ongoing commitment to invest at least 1% annually. 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 (see <http://www.lbg-online.net> for more information).

As part of our commitment to support our communities, we provide employees with a variety of opportunities for volunteering and giving. These opportunities also help to engage, attract, and retain people who are passionate about our mission to improve lives through learning and our commitment to advance the Sustainable Development Goals. We have a global network of over 200 social impact champions who lead our efforts to partner with local non-profits and enable volunteering and giving opportunities in the US, Canada, the UK, South Africa, Brazil, Australia, Italy, Sri Lanka, and other countries.

Respect and support our people, customers, and communities

Volunteering

All global employees can use up to three paid volunteer days a year for charitable work. We also offer company-organized volunteering opportunities with non-profits that align with our company's mission. In 2017:

- › Pearson employees volunteered 26,611 hours, an 89% increase from last year, exceeding our target to increase hours by 40%.
- › 10,640 individual instances where employees have participated in a social impact initiative. 6,314 made a \$25 loan on Kiva, 2,096 volunteered, 1,788 donated, and 442 posted stories about their volunteering experience on our intranet.
- › 88% of employee participants said having the opportunity to volunteer makes them more proud to work for Pearson.

Giving

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. In 2017, our overall employee giving increased by 230%. Pearson's total giving contribution, which included employee donations and matching, was £423,706.

In 2017, our world was impacted by natural disasters and our employees were eager to respond to our seven campaigns for Hurricanes Irma and Maria, Hurricane Harvey, the central Mexico earthquake, Northern California fires, Sri Lanka flood relief, and Manchester bombings. Employees made more than 6,400 donations for disaster relief that were matched by Pearson.

In the UK, we partner with Charities Aid Foundation and its "Give as you Earn" scheme. Pearson matches tax-deductible donations by employees – up to £400 per annum.

"I am very pleased that my contributions will help improve the Youth Ready program, as I strongly believe in its ability to positively impact the lives of young, disenfranchised people from lower-income nations. I feel privileged to have worked with such dedicated and incredibly smart people from all over the world. It was an excellent use of my three volunteer days."

An employee in Australia volunteering with World Vision's Youth Ready program, using her skills to help review and edit educational content designed to support youth aged 16-24 in developing essential life skills.

kiva

Since 2015, Pearson has partnered with Kiva, an online microlending platform from entrepreneurs, to provide small loans to people around the world without access to traditional banking systems. We committed \$1m to support the initiative, with all Pearson employees receiving \$25 to lend to a Kiva borrower of their choice.

In 2017, we made \$1.8m in Kiva loans to 43,962 Kiva borrowers in 75 countries, with over 14,908 total members (employees, students, and customers) participating in the initiative, and as of early 2018, we have made over \$2m in loans. More than 25% of our loans to date consist of education-related loans to give disadvantaged students the opportunity to attend a vocational training program, university, or other higher education institution. Other loans help to overcome barriers to education by providing support with food, health, and housing.

Our Kiva partnership was recognized by Third Sector UK with the "Partnership of the Year" award for the media sector.

Highlights from our employee volunteering programs

Literacy mentorship

- › **Read for the Record®:** We supported the world's largest shared reading experience for the 12th year. 1,139 employees read with 11,175 children in 45 states in the US, Australia, India, South Africa, Spain, and the UK.
- › **Tutoring programs:** Over 250 employees participated in a variety of tutoring programs, including Booktime in the UK, Reading Partners in the US, and TutorMate, a virtual program.

Skills-based volunteering

- › **Board service:** Employee resource groups (see p63) WILL UK and Spectrum UK offered workshops to prepare employees to apply to volunteer on non-profit boards.
- › **Advising entrepreneurs:** Through Project Literacy (see p34), Pearson hosted a workshop where employees provided feedback, guidance, and potential business connections to 13 education start-ups who participated in an accelerator program in partnership with the Unreasonable Group.



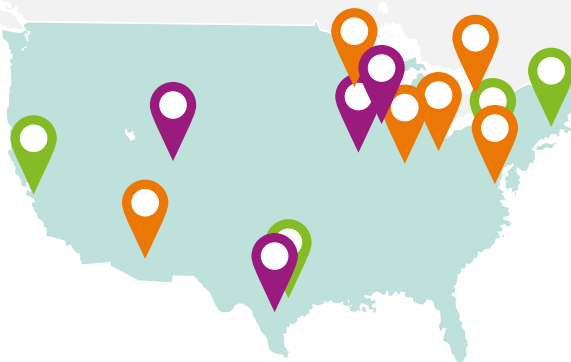
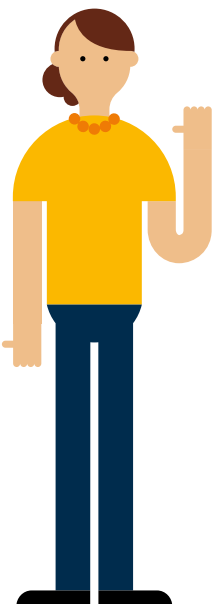
Respect and support our people, customers, and communities

2017 North America Volunteer Day



1000+
employees participated

15
cities



50
non-profits,
organizations,
and schools



85%

of employee participants
volunteered at schools
and education/literacy-
related charities.

Employees
rated the
experience
9.23/10

Protect our natural environment

Responsible environmental stewardship not only contributes to a healthy and sustainable planet, it benefits our business by reducing costs and managing risks.

This thinking underpins Pearson's long track record of investing in green initiatives. Our flagship environmental initiative is climate neutrality but our commitments extend to embracing a concern to protect the natural resources on which we all depend.

We believe education plays a key role in promoting sustainable development, and many of the educational institutions we serve have strong commitments to learning and research that advance environmental stewardship.

Advance our climate neutral strategy

In 2006, we committed to become climate neutral in response to concerns of investors, employees, learners and customers alike. We achieved this goal in 2009 and have maintained it every year since, including 2017.

Our climate neutral commitment covers company operations under our direct control such as buildings and travel. The commitment does not cover our supply chain activities such as our digital supply chain, paper purchase, printing, or distribution where we can exercise influence rather than control. Our strategy is built on three key areas:

1. **Measure:** We have an established, independently-verified process to measure our climate footprint relating to our buildings and business travel.
2. **Reduce:** We cut the greenhouse gas (GHG) emissions relating to our buildings and business travel. We have invested in energy efficiency projects in our buildings and alternatives to business travel, such as video conferencing. We also purchased and generated renewable energy to meet our global electricity needs.

3. **Offset:** Whatever emissions we have not been able to reduce or avoid are offset each year by supporting a range of forest-based projects that either save or absorb a tonne of carbon for each tonne that we emit.

Development and implementation of our strategy is overseen by the Responsible Business Leadership Council. Progress is reported to the Reputation and responsibility committee, a formal committee of the board. See p77 for more about these governance structures.

Pearson has a global online data collection system in place covering utilities, waste, water, and business travel. A network of contacts in facilities management and finance are responsible for data entry. We regularly commission reviews of the system. We have asked Deloitte to look at the management and implementation of the reporting system and data verification is assessed annually through our assurance process carried out by Corporate Citizenship.



Protect our natural environment

Manage and measure our environmental impact

Globally, our operations are accredited against the Carbon Trust Standard. We were the second organization to be certified against the standard, which recognizes leadership in measuring, managing, and reducing year-on-year carbon emissions. We were re-accredited for a third time during 2016 and our certification is next due for renewal in 2018.

Pearson first introduced its environmental policy in 1992. Our businesses in the UK and Australia are accredited against ISO 14001, the international environmental management standard. In other parts of the world, we apply our own global environmental management system (EMS) based on ISO 14001 standards. Our global EMS is described in the policies and downloads section of pearson.com/corporate.

We have also 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 continue to work on securing our fifth LEED certification.



Reduce our footprint through buildings and business travel

Our main motivation for adopting our commitment to become climate neutral is to reduce our carbon footprint.

We set a target to reduce our global climate footprint by 50% by 2020 compared to our baseline year of 2009, which we have now met three years early.

Factors behind this performance include:

- › Our accelerating investment in digital content and the related switch away from physical-related infrastructure such as distribution.

- › New technology which is enabling more flexible and greater home working as well as reducing the need for business travel.

- › Changes to our business portfolio – most notably the sale during 2017 of Global Education (GEDU).

- › Continuing efficiencies implemented by the operations teams as well as strategies such as limiting business travel.

- › Improvements in electricity transmission and a shift in the mix of energy sources towards lower carbon options and reduced emission factors.

We estimate that we have reduced our energy spend by £4.25m in 2017. Beyond cost savings, good environmental management enhances our reputation.

GHG emissions

Our two flagship targets relate to energy use in our buildings as our most significant impact area under our direct control and a second covering wider greenhouse gas (GHG) emissions combining both buildings and travel:

| Global targets | Baseline year | 2016 | 2017 | Target progress |
|--|------------------------------|------------------------------|------------------------------|------------------------|
| To reduce our GHG emissions by 50% by the end of 2020 using 2009 as the base year. | 210,306 MT CO ₂ e | 126,385 MT CO ₂ e | 104,384 MT CO ₂ e | -50% Target met |
| To reduce energy use in our buildings on an absolute basis by 50% by the end of 2020 using 2013 as the base year. | 285,590 MWh | 201,040 MWh | 147,384 MWh | -48% |

Protect our natural environment

Local spotlight: Sustainable building in Columbia, MD, US

In late 2017, Pearson opened a new office in Columbia, MD, home for its Online & Blended Learning (OBL) K-12 group. Throughout the entire journey to OBL's new space, sustainability and the environment were considered with every decision. Through dedication to sustainable building and furnishing practices, Pearson continues to support the protection of our planet for the students we serve.

The new workstation seating was sourced through Knoll, which has a nearby manufacturing facility that allowed for local sourcing. The furniture meets a number of sustainability certifications and ancillary furniture was 90% reused from other Pearson offices.

As a result of these and other measures, the building is currently applying for the United States Green Building Council (USGBC) Leadership in Energy and Environmental Design (LEED) certification, with results expected in 2018.



Pearson embraces digital sampling in the US

To enable customers to preview content, we have traditionally mailed print samples of textbooks. In February 2018, we announced that we are accelerating our use of digital samples, which is faster, less expensive, and more environmentally friendly.

By reducing the quantity of print samples, we can both improve our carbon footprint and provide more immediate access to content for customers.

There may be specific situations where physical print titles are required, but Pearson is aiming to drive a large reduction in those instances as our customer base embraces the use of digital platforms.

Protect our natural environment

Reduce our footprint through renewable electricity

Our journey to purchase 100% renewable electricity started in 2008 and was completed in 2012. We have invested in renewable energy generation at five sites and have 2.3 Megawatts of wind and solar assets installed.

RE 100

Pearson is a member of RE100, joining over 125 companies helping build a global market for renewable electricity.

For more information on Pearson's commitment, visit <http://there100.org/companies>.

Offset emissions through our global partnerships

Whatever emissions we are not able to reduce or avoid are offset through a range of forest-based projects. Our footprint for 2017 was 104,384 metric tonnes of carbon dioxide (CO₂e).

We avoided a further 76,950 metric tonnes through our global commitment to purchase electricity from renewable sources.

This left Pearson 27,434 metric tonnes to offset to maintain our climate neutral status. We did this through partnerships such as with the Children's Tropical Forests UK, the Algoma Highlands Conservancy in Canada and the Woodland Trust in the UK.

› In the UK, we support Woodland Carbon offered by the Woodland Trust. Woodland Carbon was the first scheme to meet the UK's voluntary standard for woodland creation projects which sequester carbon. Our funding created over 20 hectares of new native woodland in Heartwood Forest in St Albans.

› In North America, our offset partner is Algoma Highlands Conservancy. The Algoma Highlands area in Ontario, Canada covers approaching 50,000 acres and our support is the anchor funding for the project. A wide variety of plants and wildlife species are being protected including rare plants and animals that are iconic to the Canadian wilderness – moose, bear, timber wolves, otters, woodpeckers and loons.

› The Children's Tropical Forests UK is our primary offset partner. For 2017, we have once again agreed to purchase and protect rainforest in Colombia adding to our existing commitment to protect rainforest in both Colombia and Costa Rica in previous years.

Since 2009, our climate neutral program has protected 1,650 hectares of forest.

More information

In addition to this report, we publish an environmental review providing more detail on both our climate neutral commitment and on paper purchasing as our most material environmental impact area (see <https://www.pearson.com/corporate/sustainability/reporting-policies/reports-benchmarks.html>). We also publicly disclose our performance on carbon management, water, and forest management to the Carbon Disclosure Project (CDP).

Our 2017 environmental data has been verified by the specialist consultant, Corporate Citizenship. The assurance statement (see <https://www.pearson.com/corporate/sustainability/reporting-policies/reports-benchmarks.html>) covers the methodology, data collection, and accuracy of data reported.

Build a sustainable supply chain

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

Last year, Pearson purchased over £2bn of goods and services from over 63,000 third parties around the world, 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 are sourced from suppliers in Organisation for Economic Co-operation and Development (OECD countries), mainly those in North America and Europe.

Pearson divides its supply chain into two broad areas:

- › Direct – relates to the textbook production supply chain – paper, print, and transportation. More detail about our paper supply chain is below and more about our print supply chain is on p73.
- › Indirect – covers all other categories of spend. This includes professional and consultancy services, content development, the digital supply chain, marketing, and facilities. More detail about our indirect suppliers is on p74.

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 p53 for more on our commitments). The UK Modern Slavery Act, which requires companies to specify the steps they have taken to ensure their business and supply chains are slavery free, also guides our approach to supply chain sustainability and our modern slavery statement is available at: <https://www.pearson.com/corporate/about-pearson/our-position-on-modern-day-slavery.html>

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 (<https://www.pearson.com/corporate/business-partner-code-of-conduct.html>).

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.

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.

Our business terms of reference, which include social and environmental issues, 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.

We work with industry partners to improve sustainability in our supply chain. We are a founding member and sit on the steering group of Bookchain, 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.

Manage our direct suppliers: print and paper

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 (see below). 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.

Paper supply chain

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

Build a sustainable supply chain

Canadian scheme, the Canadian Standards Association (CSA) and the Sustainable Forestry Initiative (SFI) which is used in both the US and Canada.

We are reducing our use of paper. Our increasing shift towards digital and services as well as business portfolio changes such as the sale of The Financial Times and our further reduction in our stake in Penguin Random House have greatly reduced our direct paper purchases. In addition, we have outsourced book production in North America to LSC Communications. Together these changes have reduced the volume of paper we directly purchase from an average of about 300,000 metric tons each year to around 40,000 metric tons in 2017.

Even at these reduced levels, paper supply remains a significant category of supply chain spend. We have taken the following measures to help address these issues:

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

› Worked with Bookchain on fiber testing. Innovation here has made it easier to identify and prevent illegal logging by linking book papers to tree species, a process we use as part of rating our paper risk.

Through a risk assessment process, we have identified the potential supply of paper from Indonesia as an area of moderate risk for modern slavery as well as high risk with regard to other 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.

Recognizing that systemic issues such as modern slavery require joint action, during 2017, Pearson became a member of a stakeholder working group to consider the status of APP, a major supplier of pulp and paper based in Indonesia. Our work with the FSC system has the potential to open a new source of supply for us.

Print supply chain

We rely on third-party suppliers for printing our textbooks and course materials. We have a single global policy and approach for managing risk in our print supply chain that covers supplier risk assessments and visits, third-party audits, and remediation of compliance issues.

Our print production departments visit suppliers around the world to assess compliance with our standards and ensure suppliers address issues with non-compliance. 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.

These visits provide a valuable opportunity to reinforce our commitments to eliminating all forms of child, forced and compulsory labor, and promoting environmental stewardship. We also intend for visits to help improve suppliers' business practices.

What goes into our products?



Build a sustainable supply chain

During 2017, the production and sustainability teams carried out a joint review of printers in Malaysia. Our printers in China and Malaysia 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.

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.

Other considerations

During 2017, Pearson organized a training day for the production team on sustainability, modern slavery, the FSC system and book donations.

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

Manage our indirect procurement risk process

Of the indirect suppliers paid in 2017, over half of our total spend (£1.3bn) is with our top 100 suppliers and approximately 1,000 suppliers account for 80% of our global spend (over £2bn). Our top 20 suppliers account for 32% of our total spend (£800m).

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. Topics covered include data privacy and safeguarding.

In 2017 in the UK, we vetted over 500 potential suppliers, and procured more than £100m of goods and services utilizing contracts with updated terms and conditions to ensure supplier compliance with our social, ethical, and environmental policies.

In 2018 and 2019, the new onboarding system will be introduced into other geographies, and we will incorporate additional due diligence questions across a range of non-financial risk issues, including modern slavery. This centralized approach will give us better insight into our global supply chain and enable us to report additional data about our indirect suppliers.

Foster supplier diversity

Our supplier diversity program began in 2005 to ensure contractual compliance and has given rise to new strategic business alliances, commercial benefits, and positive impact on society.

Once we began to realize the advantage of working with local, small, diverse businesses – such as those that are small, underutilized, or women-, minority-, LGBT-, or veteran-owned – we created a company-wide initiative in support of commercial goals.

Building strategic partnerships that deliver flexible and innovative solutions helps make us more competitive and in some cases reduces costs. It is a business strategy that demonstrates our commitment to sustainability, diversity, and inclusion, and it has economic impact in US states where we do business. Supplier diversity is also important to ensure we meet the needs and expectations of our customers, investors, employees, and communities in which we operate.

In 2017, we continued to develop the program by identifying qualified and competitively priced certified diverse businesses.

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. Last year alone, we supported 27 customer RFPs, whose total potential contract value exceeded \$350m.

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.

Future objectives

We continue to refine our supplier diversity strategy to further support Pearson's corporate diversity activities while continuing to embrace initiatives to expand opportunities for diverse suppliers.

In 2018, we plan to improve the way we capture our diverse supplier data, in order to ensure we are reporting accurately on our diverse spend and utilization. Additionally, we aim to increase our diverse spend with our Global Procurement Category Leads.

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.

Build a sustainable supply chain

Supplier spotlight: Frishco, Ltd.

Frishco, Ltd., a woman-owned business based in Austin, has flourished since becoming a Pearson supplier and joining our Mentor-Protégé Program. The supplier of editorial services was selected to become part of the program to support our Texas Student Assessment contract in September 2010. At the time, the company struggled to expand its partnership with Pearson outside of that contract until 2017.

One benefit for protégés is the opportunity to network with Pearson's internal business groups, thus expanding their breadth and depth of expertise. In 2017, we worked with Frishco on the Partnership for Assessment of Readiness for College and Careers Assessment Development, Content Management and Technical Services RFP. As a result, Frishco was selected to provide editorial review services, and the three-year subcontract amount more than tripled its existing contract with Pearson.

"The Protégé-Mentor relationship with Pearson has greatly benefited our company. Through the program, we were encouraged to attain our Women's Business Enterprise National Council (WBENC) certificate, demonstrating that we are an eligible woman-owned business to help companies meet requirements for state contracts."

Mary Ann Frishman President, Frishco, Ltd.



Governance

Our strong governance structures and internal systems all play key roles in managing risks and in advancing and embedding sustainability, responsibility, and ethics across our business.

Provide high-level 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. In keeping with best practice, we continuously assess and refresh the board to ensure we maintain an appropriate balance and diversity of skills and experience.

Our chief executive and chief financial officer are both members of the board. See p61 and p63 for more information about gender diversity on our board and executive management. More details about governance at Pearson can be found on our website and in our Annual Report.

Manage sustainability

The board's reputation and responsibility committee provides important oversight of our Sustainability Plan. Our responsible business leadership council, comprising senior executives from across the business, helps to integrate sustainability throughout the company. See diagram on p77.

Reputation and responsibility committee (RRC)

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

Key activities overseen by the committee in 2017 included:

- › Issue management-related customer and media engagement in the UK and the US
- › Global Editorial Policy
- › New US administration and approach to government affairs and public policy
- › Sustainability report
- › Tomorrow's Markets Incubator
- › Efficacy reporting plans
- › Greenhouse gas emissions and climate change
- › Brand strategy
- › Marketing campaigns
- › Review of any brand and marketing incidents
- › Access and affordability of US higher education courseware
- › Community investment plan, including Project Literacy updates
- › Pearson's digital narrative

In 2018, the committee will continue to explore Pearson's material sustainability issues, including employability and 21st century skills as well as affordability, health and safety, and safeguarding. It will hold a deep dive into sustainability considerations relating to our supply chain, and review our 2018 efficacy reporting activity and plans for 2019. The RRC will also review our group-wide approach to reputational risk management and will consider culture and employee engagement, bearing in mind challenges and opportunities presented by the ongoing transformation and simplification across the business.

Responsible business leadership council (RBLC)

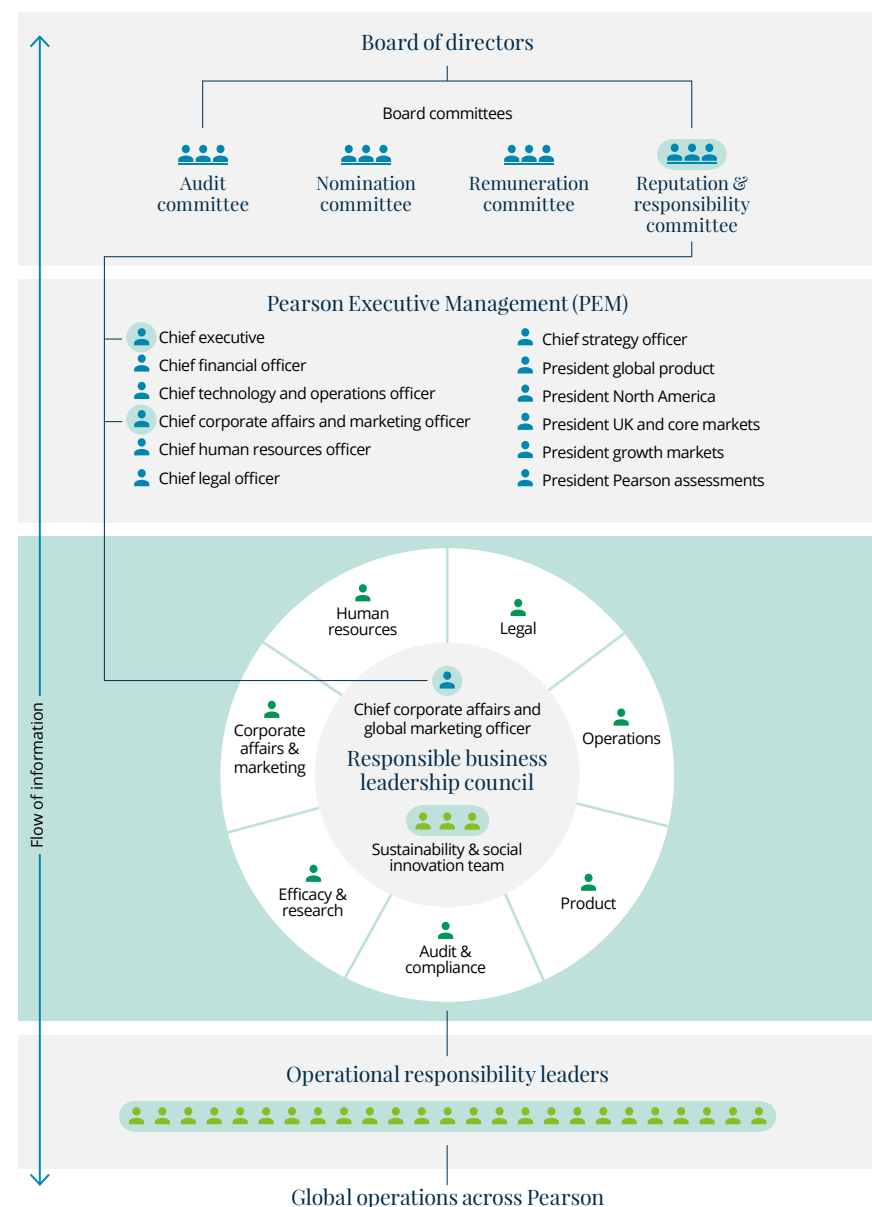
The RBLC is an internal governance group of senior executives from across the business. Led by the chief corporate affairs and global marketing officer, the RBLC meets in line with the RRC to provide guidance and input on sustainability strategy and activities.

Key activities in 2017 included advising on:

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

Governance

Sustainability governance at Pearson



In 2018, the committee plans to discuss issues including sustainability goals and targets, access to education and reputation management, as well as social impact programming. The RBLC will also conduct a review of its membership in light of changes to our business.

Manage risk

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

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

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

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

We consistently applied the risk framework to identify, monitor, and review our most significant and emerging risks. In addition to managing and monitoring enterprise risks, the framework is also used to further embed the risk management approaches across the organization to support the business in making risk aware decisions. All Pearson business functions continued to maintain their own risk maps in 2017, with the spotlight on the robustness of the mitigation plans.

Governance

In 2018, we will be implementing a more integrated approach to assurance across Pearson (based on a model which outlines the different levels of assurance responsibilities from business management through to external audit and oversight), as well as updating our framework to ensure it continues to align with the 2017 update of the COSO ERM standard.

Follow our code of conduct

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

In 2017, we revised and updated the code of conduct, rolled out a certification for all employees, and achieved a 100% completion rate.

In 2018, we will again re-certify the code of conduct, and will include a specific training course for the code that will be rolled out to all employees.

Manage global policies

Following the creation of the global policy framework in 2016, we have made solid progress improving the quality and standardization of our global policies. Through the new process and controls, we were able to launch more than ten global policies in 2017, including our Editorial (see p59) and Health and Safety Policies (see p64).

In late 2017, the Global Policy Committee was tasked along with our Learning and Development team to streamline and make more effective training and/or acknowledgement required in the countries where we operate and do business.

For 2018 the policy goals include:

- › Revising the policy framework to simplify requirements and processes;
- › Creating new internal site and procedures for making policies easier to find and more readily available;
- › Pushing to increase compliance with mandatory training, and making the training more engaging and better spaced out annually; and
- › Aligning important pre-framework policies with the requirements set out in the revised framework.

Raise concerns

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

In 2017, 87 concerns (107 in 2016) were raised and investigated. Thirty two concerns (36%) related to human resources matters and 51 concerns (58%) related to financial irregularities or violations of our policies – none were classed in our highest risk category. We took appropriate steps to resolve these issues, mainly through employee training, policy improvements, or disciplinary action. In 2017, there were 13 terminations and separations of employees as a result of these investigations.

Implement an anti-bribery and corruption program

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

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

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

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

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

In 2017, through our Local Compliance Officers (LCO) network, we provided training and raised awareness of our anti-bribery and corruption policy, conducted ABC risk assessments in businesses in four parts of the world, with an additional three to be completed in 2018 in those places in the world that have higher risk according to Transparency International’s Corruption Perception Index.

In 2018, we will complete a pilot project for our highest risk third parties with an eye toward rolling out a global approach to third-party due diligence that will be implemented in the highest risk countries in the world according to Transparency International’s Corruption Perception Index.

Governance

Engage with public policy

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

In 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 2017, we contributed to policy discussions on issues including intellectual property, the Sustainable Development Goals, refugee education, education and technology, teacher development, and improving learning outcomes. For more information on how we engage in the global dialogue on global issues, see p49.

Public policy activities are overseen by the board's reputation and responsibility committee.

Disclose our approach to taxation

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

In 2017, we released our first voluntary tax report (<https://www.pearson.com/corporate/about-pearson/our-position-on-tax.html>). It provides an update on the tax principles that we use to guide our approach, a description of our tax strategy as well as financial information for the company's 12 largest markets.

Appendix

About our reporting

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

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

Our 2017 Sustainability Report covers data from 1 January to 31 December 2017, and it was released on 27 June 2018.

Our reporting framework

This report has been developed in accordance with the GRI Standards. A list of material issues and their relevance to GRI is on p96 and our GRI table is on p99.

➔ Read more about GRI at www.globalreporting.org.

Pearson's 2017 Annual Report includes a summary of the issues covered in this report and, as required by 2013 amendments to the UK Companies Act, comprises a separate strategic report with disclosures on human rights, gender diversity, and greenhouse gas emissions.

Pearson was a founding signatory to the UN Global Compact in 2000, and considers its ten principles in our reporting process. Our report serves as our Communication on Progress and outlines our contribution to the SDGs (see p99).



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

We welcome feedback on its contents.

➔ Read more about the UN Global Compact at unglobalcompact.org.

Assurance

Our environmental data (p88), and our data on community investment (p87) were assured by independent external assurance providers Corporate Citizenship. Statements are available for download at: <https://www.pearson.com/corporate/sustainability/reporting-policies/reports-benchmarks.html>.

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

Contact us

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

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



➔ Learn more about sustainability at Pearson and read this report online at: www.pearson.com/sustainability.

Awards and recognition

Sustainability

Corporate Knights



Pearson has been included in a ranking of the Global 100 Most Sustainable Corporations in the World for a fourth year. Pearson was ranked 15th. The 2018 list is drawn from over 4,000 companies with a market capitalization in excess of \$2bn. The assessment covers social impact, environmental performance, and corporate governance.

DJSI World Index



Pearson has been included in the Dow Jones Sustainability Index for over a decade. In 2017, we were named the Media Sector leader. We currently hold the Silver Class. Only 10% of global listed companies are included in the World Index based on their sustainability leadership. Our company score for 2017 was 75 (76 in 2015).

FTSE4Good



FTSE4Good

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

Business in the Community



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

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

> CR Index Star Rating: 3.5

Employees

ISO 18001



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

Human Rights Campaign



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

Dave Thomas Foundation



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







Stonewall



Participated in the Stonewall Workplace Equality Index, and members of the Stonewall Diversity Champions program.

Awards and recognition

Environment

| | |
|---|---|
| Carbon Trust Standard  | <p>Pearson retains global certification against the Carbon Trust Standard. We were the second organization ever to secure the Carbon Trust Standard globally, which recognizes leadership in measuring, managing, and reducing year-on-year carbon emissions.</p> |
| Leadership in Energy and Environmental Design  | <p>Pearson's buildings in the US — Centennial, CO, Cedar Rapids, IA, Hoboken, NJ, and our building at 330 Hudson Street, NY hold LEED Gold Certification. Together, these four LEED-certified buildings represent over 800,000 square feet of space.</p> |
| ISO 14001  | <p>Pearson businesses in the UK and Australia are certified against ISO 14001, the international environmental management standard.</p> |
| CDP Climate change  | <p>Pearson voluntarily discloses data and information on carbon management to the Carbon Disclosure Project. Pearson was rated in the B performance band in 2017 as taking coordinated action on climate change issues.</p> |
| CDP Forests  | <p>Pearson voluntarily discloses data and information on forest management to CDP. Pearson was rated in the A performance band in 2017 as having assessed the risks related to deforestation and is measuring and managing the impacts.</p> |
| CDP Water  | <p>Pearson voluntarily discloses data and information on water management to the CDP. Pearson was rated in the C performance band in 2017 as being aware of water issues and for providing a comprehensive disclosure on water issues. We do not consider water risk as material for Pearson.</p> |

Performance data

| | 2015 | 2016 | 2017 |
|---|---|----------|---------------------------------------|
| Governance and ethics | | | |
| Total number of concerns raised and investigated | 119 | 107 | 87 |
| Human resources matters | 77 (65%) | 61 (57%) | 32 (36%) |
| Financial irregularities or violations of our policies | 42 (35%) | 46 (43%) | 51 (58%) |
| Terminations and separations | 26 | 20 | 12 |
| Percentage of employees completing code of conduct certification or training | 98.6% (for all certification processes) | n/a | 99% (for all certification processes) |
| Labor practices and decent work | | | |
| Our employees | | | |
| Total average number of employees for the year | 37,265 | 32,719 | 30,339 |
| Total number of permanent employees, as of 31 December 2017 | | | 99.1% |
| Permanent contracts – male | | | 38% |
| Permanent contracts – female | | | 61.5% |
| Total number of temporary employees, as of 31 December 2017 | | | 2.6% |
| Temporary contracts – male | | | 34% |
| Temporary contracts – female | | | 63.9% |
| Total full-time employees, as of 31 December 2017 | | | 83.4% |
| Full-time – male | | | 41% |
| Full-time – female | | | 58.7% |
| Total part-time employees, as of 31 December 2017 | | | 15.9% |
| Part-time – male | | | 24.2% |
| Part-time – female | | | 74.8% |
| Employees by geography, total average for the year | | | |
| North America | 19,951 | 16,841 | 16,295 |
| Core (including Australia and Europe) | 5,936 | 5,664 | 5,291 |
| Growth (including China, India, Brazil, and South Africa) | 11,114 | 9,868 | 8,268 |
| Other | 264 | 346 | 485 |
| Employee gender diversity | | | |
| Male, total average for the year | 41% | 40% | 39% |
| Female, total average for the year | 59% | 60% | 61% |
| Board positions held by women | 33% | 30% | 30% |
| Percentage of women on Pearson's executive team excluding enabling functions | | | 18% |
| | | | 0 |
| Female representation by level | | | |
| Senior leadership, total average for the year | 34% | 32% | 30% |
| VP, as of 31 December 2017 | | | 41.1% |
| Director, as of 31 December 2017 | | | 46.9% |
| Manager, as of 31 December 2017 | | | 51.3% |
| Percentage of women in technology roles (IT/engineering), as of 31 December 2017 | | | 23.52% |

Performance data

| | 2015 | 2016 | 2017 |
|---|-----------------|--------------------|----------------------|
| Employees age representation, all as of 31 December 2017 | | | |
| Employee age | | | |
| Under 30 years old | | | 6,052/19.6% |
| 30-50 years old | | | 17,960/58.17% |
| Over 50 years old | | | 6,864/22.23% |
| Employee age by gender | | | |
| Female | | | 3,928/12.72% |
| Male | | | 2,111/6.84% |
| Not available | | | 13/0.04% |
| 30-50 years old | | | |
| Female | | | 10,811/35.01% |
| Male | | | 7,114/23.04% |
| Not available | | | 35/0.11% |
| Over 50 years old | | | |
| Female | | | 4,270/13.83% |
| Male | | | 2,479/8.03% |
| Not available | | | 115/0.37% |
| Turnover | | | |
| Turnover rate, total average for the year | 27% (US and UK) | 26.27% (US and UK) | 8,413/25.7% (global) |
| Voluntary turnover | | | 5,185/15.9% (global) |
| Involuntary turnover | | | 3,228/9.9% (global) |
| Turnover by region | | | |
| Core | | | 648/7.69% |
| Growth | | | 2,318/27.46% |
| North America | | | 2,209/26.34% |
| Other | | | 3,238/38.52% |
| Turnover by gender | | | |
| Female | | | 5,098/60.62% |
| Male | | | 3,126/37.1% |
| Not available | | | 189/2.28% |
| Turnover by region & gender | | | |
| Core | | | |
| Female | | | 442/5.24% |
| Male | | | 194/2.3% |
| Not available | | | 12/0.14% |
| Growth | | | |
| Female | | | 1,333/15.8% |
| Male | | | 946/11.19% |
| Not available | | | 39/0.46% |
| North America | | | |
| Female | | | 1,424/16.98% |
| Male | | | 716/8.51% |
| Not available | | | 69/0.84% |
| Other | | | |
| Female | | | 1,899/22.59% |
| Male | | | 1,270/15.1% |
| Not available | | | 69/0.83% |

Performance data

| | 2015 | 2016 | 2017 |
|---|------|------|--------------|
| Turnover by age group³⁵ | | | |
| Under 30 years old | | | 2,479/29.58% |
| 30-50 years old | | | 4,292/50.91% |
| Over 50 years old | | | 1,642/19.52% |
| Turnover by gender and age group | | | |
| Female | | | |
| Under 30 years old | | | 1,561/18.63% |
| 30-50 years old | | | 2,559/30.38% |
| Over 50 years old | | | 978/11.62% |
| Male | | | |
| Under 30 years old | | | 893/10.65% |
| 30-50 years old | | | 1,689/20% |
| Over 50 years old | | | 544/6.45% |
| Not available | | | |
| Under 30 years old | | | 25/0.3% |
| 30-50 years old | | | 44/0.53% |
| Over 50 years old | | | 120/1.45% |
| New hires | | | |
| Total number and rate of new employee hires ³⁶ | | | 6,153/19.9% |
| New hires by region | | | |
| Core | | | 710/11.5% |
| Growth | | | 580/9.41% |
| North America | | | 2,144/35.06% |
| Other | | | 2,719/44.02% |
| New hires by region and gender | | | |
| Core | | | |
| Female | | | 472/7.64% |
| Male | | | 218/3.53% |
| Not available | | | 20/0.33% |
| Growth | | | |
| Female | | | 257/4.17% |
| Male | | | 298/4.85% |
| Not available | | | 25/0.4% |
| North America | | | |
| Female | | | 1,549/25.36% |
| Male | | | 565/9.22% |
| Not available | | | 30/0.48% |
| Other | | | |
| Female | | | 1,589/25.73% |
| Male | | | 1,040/16.83% |
| Not available | | | 90/1.47% |
| New hires by age group | | | |
| Under 30 years old | | | 2,242/36.43% |
| 30-50 years old | | | 2,869/46.64% |
| Over 50 years old | | | 915/14.86% |
| No date | | | 127/2.07% |

Performance data

| | 2015 | 2016 | 2017 |
|---|---------------|---------|--------------|
| New hires by age group and gender | | | |
| <i>Under 30 years old</i> | | | |
| Female | | | 1,359/22.09% |
| Male | | | 856/13.9% |
| Not available | | | 27/0.43% |
| <i>30-50 years old</i> | | | |
| Female | | | 1,855/30.19% |
| Male | | | 976/15.85% |
| Not available | | | 38/0.61% |
| <i>Over 50 years old</i> | | | |
| Female | | | 631/10.25% |
| Male | | | 275/4.46% |
| Not available | | | 9/0.15% |
| <i>No date</i> | | | |
| Female | | | 22/0.36% |
| Male | | | 14/0.23% |
| Not available | | | 91/1.49% |
| Average length of service for a Pearson employee in years | | | |
| Total | | | 6.15 |
| Female | | | 6.06 |
| Male | | | 6.36 |
| Not available | | | 1.79 |
| Health and safety (H&S) | | | |
| Percentage of H&S standards implemented across all locations ³⁷ | 49% | 67% | 82% |
| Number of H&S audits ³⁸ | 53 | 45 | 41 |
| Percentage closure of open action audit findings as of January 1 | ³⁹ | 81% | 90% |
| Number of improvement follow-up actions from audits implemented ⁴⁰ | 354 | 76 | 319 |
| Number of injuries ⁴¹ | 103 | 156 | 112 |
| Number of work-related illness cases ⁴² | 147 | 124 | 99 |
| Number of serious incidents ⁴³ | 30 | 37 | 27 |
| Number of work-related fatalities | 0 | 0 | 0 |
| Total incident rate per 100 employees ⁴⁴ | 1.36 | 1.01 | 0.77 |
| Injury and illness rate per 100 employees ⁴⁵ | 0.24 | 0.38 | 0.28 |
| Serious incident ratio ⁴⁶ | 5% | 9% | 9% |
| Workplace inspections reported ⁴⁷ | 990 | 2,287 | 2,407 |
| Employee training | | | |
| Total hours by all employees | 146,587 | 144,561 | 151,165 |
| Average hours per year per employee | 3.49 | 4.07 | 4.89 |

Performance data

| | 2015 | 2016 | 2017 |
|---|-------------|-------------|-------------------------------|
| Percentage of total employees by gender and by employee category who received a regular performance and career development review during the reporting period. | | | 19,436/62.93% |
| Female | | | 10,840/35.1% |
| Male | | | 8,493/27.5% |
| Executive | | | 0/0% |
| SVP | | | 93/0.3% |
| VP | | | 363/1.18% |
| Director | | | 1,034/3.35% |
| Manager | | | 2,527/8.18% |
| Other levels | | | 15,419/49.92% |
| Percentage of all employees with formal appraisal impacting pay (at least annually) | | | 98.8% |
| Employee benefits | | | |
| Health and wellness benefits | | | |
| Percentage of employees participating in Pearson medical programs | 84.7% (US) | 83.4% (US) | 82% (US)/51% (UK) |
| Average percentage of health insurance costs for employees paid by Pearson | 80% (US) | 80% (US) | 80% (US)/79% (UK) |
| Average percentage of health insurance costs for employees, spouses, and dependents paid by Pearson | 80% (US) | 80% (US) | 80% (US)/82% (UK) |
| Financial benefits | | | |
| Percentage of eligible employees participating in Pearson's 401(k) Plan | 92% (US) | 91% (US) | 92% (US) |
| Percentage of employees participating in the Employee Stock Purchase Plan | 25% (US) | 22% (US) | 22% (US) |
| Percentage of employees participating in the Worldwide Save For Shares Plan | | | 18% (global excluding the US) |
| Percentage of workforce below senior leadership eligible for long-term incentive programs | | | 5.2% (global) |
| Work/life balance and lifestyle programs | | | |
| Number of employees using commuter benefits | 1,007 (US) | 692 (US) | 600 (US) |
| Number of employees using Pearson's Employee Assistance Plan | 486 (US) | 452 (US) | 390 (US)/239 (UK) |
| Number of interactions with Pearson's lifestyle programs | 12,231 (US) | 14,169 (US) | 12,709 (US)/10,148 (UK) |
| Society | | | |
| Community investment⁴⁸ | | | |
| Community investment in GBP (£m) | 10.7 | 6.8 | 7.2 |
| Community investment as a percentage of pre-tax profits | 1.5% | 1.2% | 1.4% |
| Volunteering⁴⁹ | | | |
| Employee volunteer hours | 10,390 | 14,085 | 26,611 |
| Kiva partnership | | | |
| Kiva partnership lending | \$600,000 | \$1,300,000 | \$1,800,000 |

Performance data

| | 2015 | 2016 | 2017 |
|--|-----------|---------|---------|
| Environment⁵⁰ | | | |
| Greenhouse gas (GHG) (carbon dioxide equivalent) emissions overview (metric tons CO₂e) | | | |
| Scope 1 | | | |
| Gas, fleet and refrigerant loss | 22,343 | 19,093 | 15,691 |
| Scope 2 | | | |
| Electricity | 88,381 | 77,579 | 61,047 |
| Scope 3 | | | |
| Other | 1,044 | 1,359 | 1,230 |
| Business travel | 26,255 | 22,708 | 21,999 |
| Electricity transmission | 8,345 | 5,647 | 4,418 |
| Total Scope 3 | 35,644 | 29,714 | 27,647 |
| Total | 146,368 | 126,386 | 104,385 |
| Total GHG/FTE metric tons (CO ₂ e/FTE) | 3.93 | 3.86 | 2.53 |
| GHG emissions from Pearson businesses (metric tons CO₂e) | | | |
| US | 79,872 | 64,590 | 54,503 |
| UK | 20,251 | 17,167 | 12,462 |
| China | 17,655 | 18,478 | 11,963 |
| South Africa | | | 12,976 |
| India | | | 1,863 |
| Brazil | | | 1,530 |
| Canada | | | 1,865 |
| Australia | | | 2,383 |
| Rest of the world (except US, UK, China) | 28,715 | 26,150 | |
| Rest of the world (except US, UK, China, South Africa, India, Brazil, Canada, Australia) | | | 4,839 |
| Total | 146,492 | 126,385 | 104,384 |
| Percentage decrease from year to year (for Scope 1 to 3) | 10% | 13.7% | -17% |
| Renewable energy (kW) | | | |
| Total solar | 2,575 | 2,475 | 2,265 |
| Total wind | 95 | 95 | 95 |
| Total | 2,670 | 2,570 | 2,360 |
| Environmental reporting measures (units) | | | |
| Net internal area of reporting offices (m ²) | 1,208,954 | 858,237 | 788,506 |
| Energy consumption measure | | | |
| Percentage of electricity from renewable sources | 100% | 100% | 100% |
| Total electricity consumption from renewable sources only (MWh) | 162,916 | 154,910 | 122,224 |
| Total gas consumption (MWh) | 48,760 | 45,855 | 25,553 |
| Total fuel oil consumption (MWh) | 3,500 | 276 | 96 |
| Total energy consumption (MWh) | 215,176 | 201,041 | 147,873 |
| MWh/employee | 5.8 | 6.1 | 4.9 |

Performance data

| | 2015 | 2016 | 2017 |
|--|-------------|-------------|-------------|
| Business travel measure | | | |
| Air passenger (km) | 207,822,988 | 163,722,174 | 152,430,338 |
| Rail passenger (km) | 4,374,643 | 7,496,013 | 13,893,549 |
| Road (distance) (MWh/year) | 1,447,092 | 64,318,474 | 58,254,200 |
| Road (fuel use) (litres) | 4,894,843 | 0 | 0 |
| Road (derived energy) (MWh) | 43,899 | 45,071 | 41,511 |
| Total GHG emissions from business travel (metric tons/CO ₂ e) | 26,255 | 22,708 | 21,999 |
| Paper | | | |
| Paper used (MT) | 132,551 | 43,027 | 40,953 |
| Waste | | | |
| Total waste to landfill (MT) | 1,112 | 1,249 | 1,244 |
| Total waste to landfill (MT/FTE) | .03 | .038 | 0.04 |
| Water | | | |
| Total water consumption (m ³) | 1,014,268 | 526,297 | 530,728 |
| Total water consumption (m ³ /FTE) | 27 | 16 | 17.5 |
| Legal compliance | | | |
| Reported environmental prosecutions | nil | nil | nil |
| Climate neutrality | | | |
| GHG reduction for period 2009 to 2016 | | | 105,922 |
| Purchase of green electricity | | | 61,047 |
| Offsets | | | 43,337 |

| Managing key safeguarding issues | KPI | 2016 outturn vs target | KPI | 2017 outturn vs target |
|---|------------------------------------|---------------------------|--------------------------|------------------------|
| To manage safeguarding risk, our risk assessment process identifies opportunities to strengthen practice. | Complete 70% of actions identified | 85% were completed | Complete 80% of actions | 85% |
| We are working to extend the reach of the training program in our direct delivery businesses, which includes 4,000 employees. | Complete 75% of training | Reached 85% of the target | Complete 90% of training | 90% |

Progress on 2017 targets

| Area of focus | | Status | Reference |
|---|---|--------|---|
| Managing sustainability | | | |
| Sustainability strategy | Continue to embed our five-year Sustainability Plan, including by: <ul style="list-style-type: none"> › Refining our strategy; › Setting measurable targets and KPIs; › Improving how we capture and analyze data; › Formalizing our stakeholder engagement processes; › Increasing employee engagement with our sustainability activities; and › Increasing transparency in our reporting. | → | This report shows progress across each of these areas. |
| Awards and recognition | Maintain or improve how we are viewed in external benchmarks of sustainability and corporate responsibility practice. | ✓ | p81 |
| Pillar 1: Reach more learners | | | |
| Improve access to and affordability of products and services | | | |
| Accessibility | Make 100% of our digital portfolio accessible for people with disabilities around the world by 2020. | → | p26 |
| | Launch a global accessibility policy in 2017 that will enable us to deliver on our goal to reach more learners by including users with disabilities. | → | The process has been delayed due to organizational changes and work is ongoing. See p26. |
| | Establish a UK accessibility committee. | → | The process has been delayed due to organizational changes and work is ongoing to create a global accessibility group. See p26. |
| | Work with our Growth markets to support their capacity to develop accessible products that fit the needs of users. | → | p26 |
| | Enrich our marketing, communication, and customer support around accessibility so learners have a better understanding of the capabilities of our products and services as well as avenues to get information and help as needed. | → | p26 |
| Affordability | Enable 3 million students to access more affordable digital course materials from the first day of class by 2019. | → | p20-21 |
| | Through Tomorrow's Markets Incubator, we will: <ul style="list-style-type: none"> › Select and fund up to five teams to advance from the "Explore" to "Validate" phase in our product lifecycle; › Invest in and guide these teams through the Validate phase, with the ultimate goal of creating successful pilots in market; › Socialize the venture innovation approach with business partners and integrate learning from the ventures into Pearson's strategy for new markets; › Refine the model and launch a second call for new venture ideas to incubate; and › Capture our learnings and share them with the broader community of public, private and non-profit sector practitioners. | ✓ | p28 |

Progress on 2017 targets

| Area of focus | | Status | Reference |
|---|--|--------|--|
| Collaborate to reach underserved learners | | | |
| | Certify 5,000 women with BTEC qualifications through our partnership with Camfed by the end of 2019. | → | p32 |
| | Enable Camfed to extend the Learner Guide program in Tanzania in 2017 by: | ✓ | In 2017 Learner Guides supported 6,540 children across 80 schools. |
| | › Supporting an additional 6,400 children in 80 schools; | ✓ | 236 young women were trained in 2017. |
| | › Training 236 young women as Learner Guides in four rural districts of Tanzania; | ✓ | 32,700 books were distributed in 2017. |
| | › Distributing 32,000 books to 80 schools in rural Tanzania; and | ✓ | 10,890 children were reached in 2017. |
| | › Enabling Learner Guides to reach over 10,800 additional children on a weekly basis with targeted life skills sessions. | ✓ | |
| Pillar 2: Shape the future of learning | | | |
| Build skills that foster employability and inclusive economic growth | | | |
| Employability | Grow users of the CSP steadily to reach 100,000 students by 2020. | → | p40 |
| Engage in multi-stakeholder research, dialogue, and collective action to solve global challenges | | | |
| Research | Support external research on topics including refugee education, innovation in education, role of business in sustainable development, and employability. | ✓ | p50-51 |
| Engage with multi-stakeholder groups | Maintain leadership and participation in multi-stakeholder initiatives and partnerships that promote quality education and lifelong learning. | ✓ | p49-51 |
| Pillar 3: Be a trusted partner | | | |
| Empower and support people | | | |
| Human rights | Conduct a human rights assessment and implement a new human rights policy by 2018. | ✓ → | p53 |
| Safeguarding | Continue to embed our governance processes. | ✓ | p56 |
| | Complement our existing training for all employees with targeted workshops for senior leaders and communications leads on their roles and responsibilities in incident management. | → | This is now planned for 2018. See p56. |
| | Adopt a global policy and supporting procedures on sexual harassment in adult learning centers operated by Pearson. | → | We have developed a sexual harassment policy for our learners, which will be implemented in 2018; the implementation of this has been delayed due to some restructuring within the main business. See p56. |
| Digital infrastructure | Continuously improve the availability, reliability, and security of our products. | ✓ | p57 |
| | Invest in infrastructure and security improvements to minimize service disruptions. | ✓ | p57 |
| Customer experience | Launch the Global Customer Experience Measurement Program, tracking NPS and how we are delivering against our Customer Experience Principles. | → | The team was restructured into a global insights function. See p57. |
| | Integrate the company-wide framework established in 2016 into our core business units. | → | The team was restructured into a global insights function. See p57. |
| Efficacy | Report publicly and transparently on the impacts of our products on outcomes for learners. | ✓ | p58 |
| | Have efficacy reports externally audited by 2018. | ✓ | p58 |
| Relevant, appropriate, and inclusive content | Establish and roll out Global Content Principles by 2020 to ensure Pearson content is appropriate, effective, and relevant for all learners, for the 21st century and beyond. | → | p59 |

Progress on 2017 targets

| Area of focus | | Status | Reference |
|--------------------------|--|--------|---|
| Product safety | Maintain our ongoing target of zero product safety incidents or recalls. | ✓ | p60 |
| | Provide training on vendors in the PIPS database. | → | We onboarded six vendors into the database and will onboard two more in 2018. Once all vendors are onboarded, we will train them. See p60. |
| Health and safety | Publish a 2018-2020 H&S strategy to recognize our H&S maturity and reach beyond compliance. | ✓ | p64 |
| | Publish and communicate a revised, fully-endorsed H&S policy and standards. | ✓ | p64 |
| | Continue the implementation of our global H&S assurance program. | ✓ | p64 |
| | Establish more robust global processes for injury, illness, and other incident reporting to enable more effective and transparent reporting. | → | In progress and work will continue in 2018-2020. See p64. |
| | Develop targets and metrics consistent with GRI. | → | p86 |
| | Establish regular senior management reviews in relevant businesses and geographies to ensure awareness of and accountability for H&S performance. | → | We have continued to hold quarterly senior operational management reviews throughout our Core business, which is being extending to our Growth and Americas geographies in 2018. This is supported with specific business line reviews in our large direct delivery businesses. Throughout 2018, H&S will also be a standard agenda item on quarterly updates with each senior management representative within each business line and geography. |
| Corporate security | Release an eLearning traveler training module on Pearson U. | ✓ | p65 |
| Learning and development | Focus on gender diversity in succession planning to improve our pipeline of emerging leaders, emphasizing high potential minority groups and employee peer-to-peer mentoring. | → | p61-64 |
| | Scope skill needs and gaps for future talent at specific locations to support digital transformation. | → | p61-62 |
| | Retain and develop our talent by increasing internal mobility, helping employees understand their capability gaps, and developing key skills through Pearson U and other learning opportunities. | → | p61-62 |
| | Improve employee relations by leveraging insights from our annual employee engagement surveys. | → | p61-62 |
| Diversity and inclusion | Publish gender pay details for our UK business by 2018 and extend our reporting on gender pay to cover our global operations by 2020. | ✓ → | We released our UK report and continue to work towards global reporting. See p63. |
| | Launch a new employee resource group (ERG) to promote collaboration across generations. | ✓ | p63 |
| | Host our fourth annual Global Inclusion Week to offer learning opportunities for employees across the globe. | ✓ | p63 |
| Volunteering and giving | Invest 1% pre-tax profit in community activities. | ✓ | p65 |
| | Increase volunteering hours by over 40% to reach more than 20,000 volunteer hours during 2017. | ✓ | p65-67 |
| | Grow our involvement and participation in skills-based volunteering opportunities. | ✓ | p65-67 |
| | Improve how we measure and understand the links between participation in our programs and employee engagement, retention, and development. | → | p65-67 |

Progress on 2017 targets

| Area of focus | | Status | Reference |
|----------------------------------|---|--------|---|
| Protect our natural environment | Achieve 50% absolute reduction in the GHG emissions of our global operations by 2020. | ✓ | p68-71 |
| | Achieve 50% absolute reduction in energy use in our buildings by 2020. | → | p68-71 |
| | Investigate whether our third-party data centers can be supplied by clean energy by 2018. | ✗ | No progress. Project feasibility to be reviewed in 2018-2019. |
| | Look beyond direct emissions to capture impacts across the digital and physical value chain. | → | p68-71 |
| | Continue to invest in energy efficiency and renewable energy in order to remain carbon neutral. | ✓ | p68-71 |
| Build a sustainable supply chain | Introduce new approach to supplier risk due diligence, incorporating a review of a range of sustainability and human rights issues. | ✓ | p72-75 |
| Governance | | | |
| Code of conduct | Revise and update the Pearson code of conduct, and a related training course, and roll out a certification for all employees. | ✓ | p78 |
| | Introduce a “code of conduct and raising concerns” awareness campaign following our certification process. | ✓ | p78 |
| Anti-bribery | Provide training and raise awareness of our revised anti-bribery and corruption policy for higher risk countries and activities. | ✓ | p78 |
| | Conduct anti-bribery and corruption risk assessments of our businesses around the world. | → | p78 |
| | Further establish an anti-bribery and corruption third-party due diligence program. | → | p78 |

Targets for 2018 and beyond

| | | Continued | New | Timeframe |
|---|---|-----------|-----|------------------|
| Pillar 1: Reach more learners | | | | |
| Improve access and affordability of products and services | | | | |
| | Enable 3 million students to access more affordable digital course materials from the first day of class by 2019 from a 2016 baseline. | ✓ | | 2019 |
| Accessibility | Make 100% of our digital portfolio accessible for people with disabilities around the world by 2020. | ✓ | | 2020 |
| | Release our updated global accessibility policy. | ✓ | | 2019 |
| Social innovation | Embed Tomorrow's Markets Incubator and its approach to venture innovation further across the company. | | ✓ | 2018-2019 |
| | Support four finalist teams that were selected and funded through the incubator's first round through prototype and pilot activities. | | ✓ | 2018-2019 |
| | Launch a new call for venture ideas, guide a second cohort of eight teams through the incubator's initial Explore phase, and select the most promising ones to receive investment for the Validate phase. | | ✓ | 2018-2019 |
| Collaborate to reach underserved learners | | | | |
| | Certify 5,000 women with BTEC qualifications through our partnership with Camfed by the end of 2019. | ✓ | | 2019 |
| Pillar 2: Shape the future of learning | | | | |
| Build skills that foster employability and inclusive economic growth | | | | |
| | Grow users of the Career Success Program steadily to reach 100,000 students by 2020. | ✓ | | 2020 |
| | Undertake a review of all our products to understand the extent to which they are teaching and assessing the skills outlined in the Personal and Social Capabilities Framework and the top skills identified in the <i>Future of skills</i> research. Following the review, we will identify gaps and develop a strategy to better integrate these key skills into new and existing products. | | ✓ | 2018 and ongoing |
| Promote education for sustainable development | | | | |
| | Complete an internal review to identify opportunities for Pearson to advance education for sustainable development. | | ✓ | 2018 |
| | Publicly advocate for and produce a report on the role of the private sector in education about sustainable development in partnership with Business Fights Poverty and others. | | ✓ | 2018 |
| Engage in multi-stakeholder research, dialogue, and collective action to solve global challenges | | | | |
| | Support external research and thought leadership on topics including refugee education and innovation in education. | | ✓ | 2018 |
| | Act as a leader in and participate in multi-stakeholder initiatives and partnerships that promote quality education, lifelong learning, and the role of business in society. | | ✓ | 2018 and ongoing |
| Pillar 3: Be a trusted partner | | | | |
| Respect and support our people, customers, and communities | | | | |
| Human rights | Conduct a human rights assessment. | ✓ | | 2018 |
| | Publish a human rights statement. | ✓ | | 2018 |
| | Publish a revised modern slavery statement. | ✓ | | 2018 |
| Safeguarding | Adopt a global policy and supporting procedures on sexual harassment in adult learning centers operated by Pearson. | ✓ | | 2018 |
| | Deliver safeguarding incident management training to senior managers. | | ✓ | 2018 |
| | Strengthen our safeguarding integrated assurance processes. | | ✓ | 2018 |
| | Based on the findings of our human rights assessment (see p53), we will strengthen our processes for learners to raise concerns about harassment or abuse by integrating recommendations from the UN Guiding Principles on Business and Human Rights into our safeguarding risk assessment framework for our direct delivery businesses. | | ✓ | 2018 |

Targets for 2018 and beyond

| | | Continued | New | Timeframe |
|--|--|-----------|-----|------------------|
| Relevant, appropriate, and inclusive content | Establish and roll out Global Content Principles by 2020 to ensure Pearson content is appropriate, effective, and relevant for all learners, for the 21st century and beyond. | ✓ | | 2020 |
| | Roll out an online training module ensuring that all employees and editorial business partners who are involved in the creation and review of content have taken and passed the course. | | ✓ | 2018 |
| | Work with markets around the world to review local editorial guidelines and ensure alignment with the global policy. | | ✓ | 2018 |
| | Release a business partner version of the policy that is being shared with our editorial third-party vendors. | | ✓ | 2018 |
| | Roll out a process to apply the policy specifically in our higher education courseware business at scale (see p59 for more detail). | | ✓ | 2018 |
| Product safety | Maintain our ongoing target of zero product safety incidents or recalls. | ✓ | | 2018 |
| | Onboard two more vendors in the PIPS database. | | ✓ | 2018 |
| | Provide training for all of the vendors on using the PIPS database. | ✓ | | 2018 |
| Learning and development | Expand the Talent Brokerage Program globally. | | ✓ | 2018 |
| | Provide learning and development opportunities for all employees, with a focus on digital talent, skills, and expertise. | | ✓ | 2018 |
| Diversity and inclusion | Extend our reporting on gender pay to cover our global operations by 2020. | ✓ | | 2018 |
| | Integrate D&I as a mandatory element of organizational goals and scorecards, which link to performance assessment, pay/reward, and ultimately promotions. | | ✓ | 2018 |
| | Embed diversity concepts and principles into our employee learning. | | ✓ | 2018 |
| | Implement consistent quarterly reporting on global and national diversity metrics. | | ✓ | 2018 |
| Health and safety | Review our global H&S management system to be more digital and efficient. | | ✓ | 2018 |
| | Undertake a comprehensive review of current global H&S documentation that supports our management system, including all processes, guidance, and resource documentation. | | ✓ | 2018 |
| | Evolve our Assurance Program to include more proactive reviews and implementation support prior to formal audits being conducted. | | ✓ | 2018 |
| | Undertake a comprehensive gap analysis of global incident reporting and management; occupational health risk managing and wellbeing; ergonomics; and occupational road risk. | | ✓ | 2018 |
| Volunteering and giving | Invest 1% pre-tax profit in community activities. | ✓ | | 2018 |
| Protect our natural environment | | | | |
| Environment | Reduce our greenhouse gas emissions by 50% by the end of 2020 using 2009 as the base year. | ✓ | | 2020 |
| | Reduce energy use in our buildings on an absolute basis by 50% by the end of 2020 using 2013 as the base year. | ✓ | | 2020 |
| Build a sustainable supply chain | | | | |
| | Introduce a new onboarding system into other geographies beyond the UK, and incorporate additional due diligence questions across a range of non-financial risk issues, including modern slavery. This centralized approach will give us better insight into our global supply chain and enable us to report additional data about our indirect suppliers. | | ✓ | 2018-2019 |
| | Increase our spend with diverse suppliers. | | ✓ | 2019 |
| | Adopt a corporate policy on supplier diversity, and include supplier diversity language in our RFPs. | | ✓ | 2019 |
| | 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. | | ✓ | 2019 |
| Governance | | | | |
| Code of conduct | Re-certify the code of conduct and roll out a training course for all employees. | ✓ | | 2018 |
| Anti-bribery | Complete a pilot project for our highest risk third-parties with an eye toward rolling out a global approach to third-party due diligence that will be implemented in the highest risk countries in the world according to Transparency International's Corruption Perception Index. | | ✓ | 2018 and ongoing |

Material issues

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

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

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

To determine materiality, we took into account:

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

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

Our material issues are broken into four categories:

Corporate functions

Competitiveness of digital products

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

Data privacy and security

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

Security, health, and safety

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

Corporate governance

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

Societal issues

Economic empowerment

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

Education industry

Access

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

Affordability

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

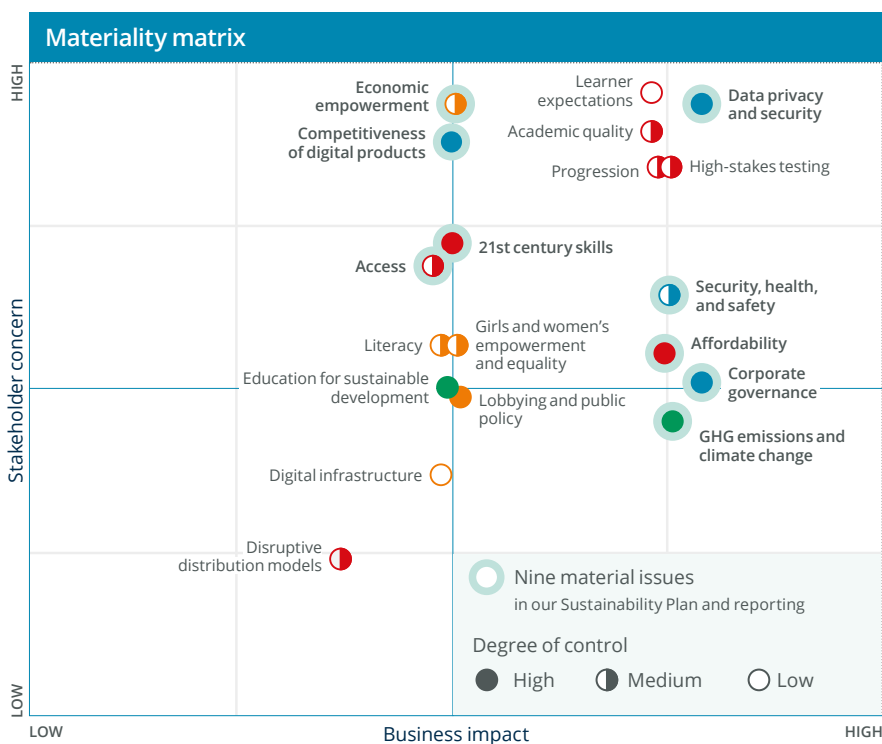
21st century skills

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

Environmental issues

GHG emissions and climate change

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



Material issues

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

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

Material issues

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

Alignment of material issues to principal and other Pearson risks

| Sustainability report 2017 Material issues | Annual Report 2017 Principal risk | Group risk | Business area risk monitoring | | |
|---|---------------------------------------|------------|---------------------------------------|--|---------------------------------------|
| Disruptive distribution models | Products and services | YES | Global Product Core Growth | North America Environmental, Social, and Governance | |
| Competitiveness of digital products | Products and services | | | | |
| Affordability | Products and services | | | | |
| Learner expectations | Products and services | | | | |
| Academic quality | Products and services | | | | |
| High-stakes testing | Testing failure | YES | Assessment | Core | |
| Lobbying and public policy | Political and regulatory risk | YES | Core Growth | North America Assessment | |
| Data privacy and security | Data privacy and information security | YES | Core Growth North America | Assessment Global Product | Legal Tech & Ops |
| Digital infrastructure | Customer digital experience | YES | North America | Global Product | Tech & Ops |
| Security, health, and safety | Health & Safety, Safeguarding | YES | Core Growth | HR Environmental, Social, and Governance | Assessment |
| Accessibility* | – | – | Assessment | Legal | Environmental, Social, and Governance |
| GHG emissions and climate change | – | – | Environmental, Social, and Governance | | |

As part of our risk management process, Group risks are tracked across all business areas, geographies, and functions. See p50 in *Pearson's Annual Report*.

* Emerging risk

GRI/UNGC/SDGs content index

GRI 101 and 102: General disclosures

| Indicator | Description | Reference | | Additional notes | Omissions | UNGC | SDGs |
|------------------------|---|---------------------------|------------------------------|---|-----------|--|--------------|
| | | SR 2017 | AR 2017 | | | | |
| Organizational profile | | | | | | | |
| GRI 102-1 | Name of the organization | p1 | p1 | | | | |
| GRI 102-2 | Activities, brands, products, and services | p8 | p4-5 | | | | |
| GRI 102-3 | Location of headquarters | | p124 | | | | |
| GRI 102-4 | Location of operations | p8 | p4; p42-47; p186-189 | | | | |
| GRI 102-5 | Ownership and legal form | | p106; p170 | | | | |
| GRI 102-6 | Markets served | p8 | p132-135; p186-189 | | | | |
| GRI 102-7 | Scale of the organization | p8; p83-86 | p118-121; p134-135; p141-142 | | | | |
| GRI 102-8 | Information on employees and other workers | p8; p61; p83-87 | p28-29; p138 | | | | |
| GRI 102-9 | Supply chain | p72-75 | p28 | | | | |
| GRI 102-10 | Significant changes to the organization and its supply chain | | p40; p131 | | | | |
| GRI 102-11 | Precautionary Principle or approach | p68-71; p96-98 | p26; p29; p48-50 | | | 7 | 6, 7, 13, 15 |
| GRI 102-12 | External initiatives | p9; p49-51; p53; p69; p71 | | | | 1-10 | 17 |
| GRI 102-13 | Membership of associations | p49-51 | | | | | 17 |
| Strategy | | | | | | | |
| GRI 102-14 | Statement from senior decision-maker | p2-3 | | | | Statement of commitment to the ten principles from chief executive | |
| GRI 102-15 | Key impacts, risks, and opportunities | p8-11; p83-87; p96-98 | p26; p48-50 | | | 1-10 | 4, 8, 10 |
| Ethics and integrity | | | | | | | |
| GRI 102-16 | Values, principles, standards, and norms of behavior | p9; p78; p80 | p27 | Company policies are posted on the sustainability section of our website (https://www.pearson.com/corporate/our-policies.html). | | | |
| GRI 102-17 | Mechanisms for advice and concerns about ethics | p78; p83 | p27 | | | | |
| Governance | | | | | | | |
| GRI 102-18 | Governance structure | p76-77 | p62-63; p67; p61-110 | | | | |
| GRI 102-22 | Composition of the highest governance body and its committees | p77 | p64-68 | | | | |
| GRI 102-23 | Chair of the highest governance body | | p66 | | | | |

SR 2016 = Sustainability report 2017

AR 2016 = [Annual report and accounts 2017](#)

GRI/UNGC/SDGs content index

| Indicator | Description | Reference | | Additional notes | Omissions | UNGC | SDGs |
|-------------------------------|--|------------------------|----------------|--|-----------|------|------|
| | | SR 2017 | AR 2017 | | | | |
| GRI 102-25 | Conflicts of interest | | p67 | | | | |
| GRI 102-26 | Role of highest governance body in setting purpose, values, and strategy | p77 | p62-63; p86-87 | | | | |
| GRI 102-29 | Identifying and managing economic, environmental, and social impacts | p77 | p86-87 | | | | |
| GRI 102-32 | Highest governance body's role in sustainability reporting | p77 | p86-87 | The board's reputation and responsibility committee reviews the annual Sustainability report. | | | |
| Stakeholder engagement | | | | | | | |
| GRI 102-40 | List of stakeholder groups | p12-15; p48; p49-51 | p20-21 | | | | |
| GRI 102-41 | Collective bargaining agreements | p53 | | Pearson employees are participants in trade unions across the group. Representation takes many forms. For example, in the UK we launched an Employee Engagement Forum providing employees and senior executives regular opportunities to discuss the strategic development of the company. | | 3 | 8 |
| GRI 102-42 | Identifying and selecting stakeholders | p12-15; p49-51; p96-98 | | | | | |
| GRI 102-43 | Approach to stakeholder engagement | p12-15; p49-51; p96-98 | | | | | |
| GRI 102-44 | Key topics and concerns raised | p12-15; p49-51; p96-98 | | | | | |
| Reporting practices | | | | | | | |
| GRI 102-45 | Entities included in the consolidated financial statements | | p118-121; p132 | | | | |
| GRI 102-46 | Defining report content and topic boundaries | p96-98 | p24-26 | | | | |
| GRI 102-47 | List of material topics | p96-98 | p24-26 | | | | |
| GRI 102-48 | Restatements of information | | | On p89, total waste to landfill for 2015 and 2016 were restated due to a calculation error. | | | |
| GRI 102-49 | Changes in reporting | | | No changes. | | | |
| GRI 102-50 | Reporting period | p80 | | | | | |
| GRI 102-51 | Date of most recent report | p80 | | | | | |
| GRI 102-52 | Reporting cycle | p80 | | | | | |
| GRI 102-53 | Contact point for questions regarding the report | p80 | | | | | |
| GRI 102-54 | Claims of reporting in accordance with the GRI Standards | p80 | | This report has been prepared in accordance with the GRI Standards: Core option. | | | |
| GRI 102-55 | GRI content index | p99-107 | | | | | |
| GRI 102-56 | External assurance | p80 | | See more about external assurance at: https://www.pearson.com/corporate/sustainability/reporting-policies/reports-benchmarks.html | | | |

GRI/UNGC/SDGs content index

GRI 200: Economic disclosures

| Indicator | Description | Reference | | Additional notes | Omissions | UNGC | SDGs |
|------------------------------------|--|-----------------------------|------------------------|------------------|-----------|---------|--------------|
| | | SR 2017 | AR 2017 | | | | |
| GRI 201: Economic performance | | | | | | | |
| GRI 103-1 | Explanation of the material topic and its Boundaries | p1-3; p11; p83-89 | p13-21 | | | | |
| GRI 103-2 | The management approach and its components | p1-3; p11; p83-89 | p13-21 | | | | |
| GRI 103-3 | Evaluation of the management approach | p1-3; p11; p83-89 | p13-21 | | | | |
| GRI 201-1 | Direct economic value generated and distributed | p8-11 | p2-5; p34-41; p118-121 | | | 1 | 1, 8, 10 |
| GRI 201-2 | Financial implications and other risks and opportunities due to climate change | p68-71; p72-74 | p26; p29 | | | 7, 8, 9 | 6, 7, 13, 15 |
| GRI 203: Indirect economic impacts | | | | | | | |
| GRI 103-1 | Explanation of the material topic and its Boundaries | p1-3; p11; p87-89 | | | | | |
| GRI 103-2 | The management approach and its components | p1-3; p11; p87-89 | | | | | |
| GRI 103-3 | Evaluation of the management approach | p1-3; p11; p87-89 | | | | | |
| GRI 203-1 | Infrastructure investments and services supported | p16-37; p38-51; p57; p65-67 | | | | | 4, 8, 10 |
| GRI 203-2 | Significant indirect economic impacts | p16-37; p38-51; p65-67 | | | | | 4, 8, 10 |
| GRI 205: Anti-corruption | | | | | | | |
| GRI 103-1 | Explanation of the material topic and its Boundaries | p78 | p27; p59 | | | 10 | 16 |
| GRI 103-2 | The management approach and its components | p78 | p27; p59 | | | 10 | 16 |
| GRI 103-3 | Evaluation of the management approach | p78 | p27; p59 | | | 10 | 16 |
| GRI 205-1 | Operations assessed for risks related to corruption | p78 | p27; p59 | | | 10 | 16 |
| GRI 205-2 | Communication and training about anti-corruption policies and procedures | p78; p83 | p27; p59 | | | 10 | 16 |

GRI/UNGC/SDGs content index

GRI 300: Environmental disclosures

| Indicator | Description | Reference | | Additional notes | Omissions | UNGC | SDGs |
|--------------------|--|----------------|---------|---|-----------|---------|-----------|
| | | SR 2017 | AR 2017 | | | | |
| GRI 302: Energy | | | | | | | |
| GRI 103-1 | Explanation of the material topic and its Boundaries | p68-71 | | See our 2017 Environment review at: https://www.pearson.com/corporate/sustainability/reporting-policies/reports-benchmarks.html | | 7, 8, 9 | 7, 13, 15 |
| GRI 103-2 | The management approach and its components | p68-71 | | See our 2017 Environment review at: https://www.pearson.com/corporate/sustainability/reporting-policies/reports-benchmarks.html | | 7, 8, 9 | 7, 13, 15 |
| GRI 103-3 | Evaluation of the management approach | p68-71 | | See our 2017 Environment review at: https://www.pearson.com/corporate/sustainability/reporting-policies/reports-benchmarks.html | | 7, 8, 9 | 7, 13, 15 |
| GRI 302-1 | Energy consumption within the organization | p68-71; p88 | | See our 2017 Environment review at: https://www.pearson.com/corporate/sustainability/reporting-policies/reports-benchmarks.html | | 7, 8, 9 | 7, 13, 15 |
| GRI 302-3 | Energy intensity | p68-71; p88 | | See our 2017 Environment review at: https://www.pearson.com/corporate/sustainability/reporting-policies/reports-benchmarks.html | | 7, 8, 9 | 7, 13, 15 |
| GRI 302-4 | Reduction of energy consumption | p68-71; p88 | | See our 2017 Environment review at: https://www.pearson.com/corporate/sustainability/reporting-policies/reports-benchmarks.html | | 7, 8, 9 | 7, 13, 15 |
| GRI 305: Emissions | | | | | | | |
| GRI 103-1 | Explanation of the material topic and its Boundaries | p68-71 | p29 | See our 2017 Environment review at: https://www.pearson.com/corporate/sustainability/reporting-policies/reports-benchmarks.html | | 7, 8, 9 | 7, 13, 15 |
| GRI 103-2 | The management approach and its components | p68-71 | p29 | See our 2017 Environment review at: https://www.pearson.com/corporate/sustainability/reporting-policies/reports-benchmarks.html | | 7, 8, 9 | 7, 13, 15 |
| GRI 103-3 | Evaluation of the management approach | p68-71 | p29 | See our 2017 Environment review at: https://www.pearson.com/corporate/sustainability/reporting-policies/reports-benchmarks.html | | 7, 8, 9 | 7, 13, 15 |
| GRI 305-1 | Direct (Scope 1) GHG emissions | p68-71; p88-89 | p29 | See our 2017 Environment review at: https://www.pearson.com/corporate/sustainability/reporting-policies/reports-benchmarks.html | | 7, 8, 9 | 7, 13, 15 |
| GRI 305-2 | Energy indirect (Scope 2) GHG emissions | p68-71; p88-89 | p29 | See our 2017 Environment review at: https://www.pearson.com/corporate/sustainability/reporting-policies/reports-benchmarks.html | | 7, 8, 9 | 7, 13, 15 |
| GRI 305-3 | Other indirect (Scope 3) GHG emissions | p68-71; p88-89 | p29 | See our 2017 Environment review at: https://www.pearson.com/corporate/sustainability/reporting-policies/reports-benchmarks.html | | 7, 8, 9 | 7, 13, 15 |
| GRI 305-4 | GHG emission intensity | p68-71; p88-89 | p29 | See our 2017 Environment review at: https://www.pearson.com/corporate/sustainability/reporting-policies/reports-benchmarks.html | | 7, 8, 9 | 7, 13, 15 |

SR 2016 = Sustainability report 2017

AR 2016 = [Annual report and accounts 2017](#)

GRI/UNGC/SDGs content index

| Indicator | Description | Reference | | Additional notes | Omissions | UNGC | SDGs |
|---|--|-------------------|---------|---|-----------|---------|-----------|
| | | SR 2017 | AR 2017 | | | | |
| GRI 305-5 | Reduction of GHG emissions | p68-71; p88-89 | p29 | See our 2017 Environment review at: https://www.pearson.com/corporate/sustainability/reporting-policies/reports-benchmarks.html | | 7, 8, 9 | 7, 13, 15 |
| GRI 307: Environmental compliance | | | | | | | |
| GRI 103-1 | Explanation of the material topic and its Boundaries | p68-71 | | See our 2017 Environment review at: https://www.pearson.com/corporate/sustainability/reporting-policies/reports-benchmarks.html | | 7, 8, 9 | 7, 13, 15 |
| GRI 103-2 | The management approach and its components | p68-71 | | See our 2017 Environment review at: https://www.pearson.com/corporate/sustainability/reporting-policies/reports-benchmarks.html | | 7, 8, 9 | 7, 13, 15 |
| GRI 103-3 | Evaluation of the management approach | p68-71 | | See our 2017 Environment review at: https://www.pearson.com/corporate/sustainability/reporting-policies/reports-benchmarks.html | | 7, 8, 9 | 7, 13, 15 |
| GRI 307-1 | Non-compliance with environmental laws and regulations | p89 | | See our 2017 Environment review at: https://www.pearson.com/corporate/sustainability/reporting-policies/reports-benchmarks.html | | 7, 8, 9 | 7, 13, 15 |
| GRI 308: Supplier environmental assessment | | | | | | | |
| GRI 103-1 | Explanation of the material topic and its Boundaries | p72-75 | | | | 7, 8, 9 | 7, 13, 15 |
| GRI 103-2 | The management approach and its components | p72-75 | | | | 7, 8, 9 | 7, 13, 15 |
| GRI 103-3 | Evaluation of the management approach | p72-75 | | | | 7, 8, 9 | 7, 13, 15 |
| GRI 308-1 | New suppliers that were screened using environmental criteria | p72-75 | | | | 7, 8, 9 | 7, 13, 15 |
| GRI 308-2 | Negative environmental impacts in the supply chain and actions taken | | | No significant issues were brought to our attention. | | 7, 8, 9 | 7, 13, 15 |

GRI/UNGC/SDGs content index

GRI 400: Social disclosures

| Indicator | Description | Reference | | Additional notes | Omissions | UNGC | SDGs |
|---|--|------------------|-------------|------------------|-----------|------------------|----------|
| | | SR 2017 | AR 2017 | | | | |
| GRI 401: Employment | | | | | | | |
| GRI 103-1 | Explanation of the material topic and its Boundaries | p12; p53; p61-65 | p27-28 | | | 1, 2, 3, 4, 5, 6 | 8, 10 |
| GRI 103-2 | The management approach and its components | p12; p53; p61-65 | p27-28 | | | 1, 2, 3, 4, 5, 6 | 8, 10 |
| GRI 103-3 | Evaluation of the management approach | p12; p53; p61-65 | p27-28 | | | 1, 2, 3, 4, 5, 6 | 8, 10 |
| GRI 401-1 | New employee hires and employee turnover | p84-85 | | | | 6 | 8, 10 |
| GRI 401-2 | Benefits provided to full-time employees that are not provided to temporary or part-time employees | p62; p87 | | | | | 8, 10 |
| GRI 403: Occupational health and safety | | | | | | | |
| GRI 103-1 | Explanation of the material topic and its Boundaries | p64-65 | p27-28; p54 | | | 1, 2 | 8, 10 |
| GRI 103-2 | The management approach and its components | p64-65 | p27-28; p54 | | | 1, 2 | 8, 10 |
| GRI 103-3 | Evaluation of the management approach | p64-65 | p27-28; p54 | | | 1, 2 | 8, 10 |
| GRI 403-2 | Types of injury and rates of injury, occupational diseases, lost days and absenteeism, and number of work-related fatalities | p64-65; p86 | | | | 1, 2 | 8, 10 |
| GRI 404: Training and education | | | | | | | |
| GRI 103-1 | Explanation of the material topic and its Boundaries | p61-63 | p27-28 | | | 1 | 4, 8, 10 |
| GRI 103-2 | The management approach and its components | p61-63 | p27-28 | | | 1 | 4, 8, 10 |
| GRI 103-3 | Evaluation of the management approach | p61-63 | p27-28 | | | 1 | 4, 8, 10 |
| GRI 404-1 | Average hours of training per year per employee | p86 | | | | | 4, 8, 10 |
| GRI 404-2 | Programs for upgrading employee skills and transition assistance programs | p61-63 | | | | | 4, 8, 10 |
| GRI 404-3 | Percentage of employees receiving regular performance and career development reviews | p87 | | | | | 4, 8, 10 |

GRI/UNGC/SDGs content index

| Indicator | Description | Reference | | Additional notes | Omissions | UNGC | SDGs |
|---|--|---------------------|---------|--|-----------|---------|-------|
| | | SR 2017 | AR 2017 | | | | |
| GRI 405: Diversity and equal opportunity | | | | | | | |
| GRI 103-1 | Explanation of the material topic and its Boundaries | p63-64 | | | | 1, 2, 6 | 8, 10 |
| GRI 103-2 | The management approach and its components | p63-64 | | | | 1, 2, 6 | 8, 10 |
| GRI 103-3 | Evaluation of the management approach | p63-64 | | | | 1, 2, 6 | 8, 10 |
| GRI 405-1 | Diversity of governance bodies and employees | p61; p63-64; p83-87 | p29 | | | 1, 2, 6 | 8, 10 |
| GRI 405-2 | Ratio of basic salary and remuneration of women to men | p63 | p29 | See Pearson's UK gender pay report at: https://www.pearson.com/corporate/news/media/news-announcements/2018/03/pearson-publishes-gender-pay-report.html | | 1, 2, 6 | 8, 10 |
| GRI 407: Freedom of association and collective bargaining | | | | | | | |
| GRI 103-1 | Explanation of the material topic and its Boundaries | p53, p72 | | | | 3 | 8 |
| GRI 103-2 | The management approach and its components | p53, p72 | | | | 3 | 8 |
| GRI 103-3 | Evaluation of the management approach | p53, p72 | | | | 3 | 8 |
| GRI 407-1 | Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk | p53, p72 | | | | 3 | 8 |
| GRI 408: Child labor | | | | | | | |
| GRI 103-1 | Explanation of the material topic and its Boundaries | p53, p72 | | | | 5 | 8 |
| GRI 103-2 | The management approach and its components | p53, p72 | | | | 5 | 8 |
| GRI 103-3 | Evaluation of the management approach | p53, p72 | | | | 5 | 8 |
| GRI 408-1 | Operations and suppliers at significant risk for incidents of child labor | p53, p72 | | | | 5 | 8 |
| GRI 409: Forced or compulsory labor | | | | | | | |
| GRI 103-1 | Explanation of the material topic and its Boundaries | p53, p72 | | | | 4 | 8 |
| GRI 103-2 | The management approach and its components | p53, p72 | | | | 4 | 8 |
| GRI 103-3 | Evaluation of the management approach | p53, p72 | | | | 4 | 8 |
| GRI 409-1 | Operations and suppliers at significant risk for incidents of forced or compulsory labor | p53, p72 | | | | 4 | 8 |

GRI/UNGC/SDGs content index

| Indicator | Description | Reference | | Additional notes | Omissions | UNGC | SDGs |
|-------------------------------------|--|--------------------|---------|--|-----------|------------------|-------------|
| | | SR 2017 | AR 2017 | | | | |
| GRI 412: Human rights assessment | | | | | | | |
| GRI 103-1 | Explanation of the material topic and its Boundaries | p53, p72-75 | p28 | | | 1, 2, 3, 4, 5, 6 | 4, 8, 10 |
| GRI 103-2 | The management approach and its components | p53, p72-75 | p28 | | | 1, 2, 3, 4, 5, 6 | 4, 8, 10 |
| GRI 103-3 | Evaluation of the management approach | p53, p72-75 | p28 | | | 1, 2, 3, 4, 5, 6 | 4, 8, 10 |
| GRI 412-1 | Operations that have been subject to human rights reviews or impact assessments | p53, p72-75 | | | | 1, 2, 3, 4, 5, 6 | 4, 8, 10 |
| GRI 412-2 | Employee training on human rights policies or procedures | p55; p56; p59; p78 | | We provided training on the code of conduct, data privacy, safeguarding, D&I, and anti-corruption. | | 1, 2, 3, 4, 5, 6 | 4, 8, 10 |
| GRI 412-3 | Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening | p53, p72-75 | p28 | | | 1, 2, 3, 4, 5, 6 | 4, 8, 10 |
| GRI 413: Local communities | | | | | | | |
| GRI 103-1 | Explanation of the material topic and its Boundaries | p16-37; p65-67 | | | | | 1, 4, 8, 10 |
| GRI 103-2 | The management approach and its components | p16-37; p65-67 | | | | | 1, 4, 8, 10 |
| GRI 103-3 | Evaluation of the management approach | p16-37; p65-67 | | | | | 1, 4, 8, 10 |
| GRI 413-1 | Operations with local community engagement, impact assessments, and development programs | p16-37; p65-67 | | | | | 1, 4, 8, 10 |
| GRI 414: Supplier social assessment | | | | | | | |
| GRI 103-1 | Explanation of the material topic and its Boundaries | p53, p72-75 | | | | 1, 2, 3, 4, 5, 6 | 1, 4, 8, 10 |
| GRI 103-2 | The management approach and its components | p53, p72-75 | | | | 1, 2, 3, 4, 5, 6 | 1, 4, 8, 10 |
| GRI 103-3 | Evaluation of the management approach | p53, p72-75 | | | | 1, 2, 3, 4, 5, 6 | 1, 4, 8, 10 |
| GRI 414-1 | New suppliers that were screened using social criteria | p53, p72-75 | | | | 1, 2, 3, 4, 5, 6 | 1, 4, 8, 10 |
| GRI 415: Public policy | | | | | | | |
| GRI 103-1 | Explanation of the material topic and its Boundaries | p14; p79 | | | | | |
| GRI 103-2 | The management approach and its components | p14; p79 | | | | | |
| GRI 103-3 | Evaluation of the management approach | p14; p79 | | | | | |
| GRI 415-1 | Political contributions | p14; p79 | | | | | |

GRI/UNGC/SDGs content index

| Indicator | Description | Reference | | Additional notes | Omissions | UNGC | SDGs |
|-------------------------------------|---|--------------------|---------|------------------|-----------|------|------|
| | | SR 2017 | AR 2017 | | | | |
| GRI 416: Customer health and safety | | | | | | | |
| GRI 103-1 | Explanation of the material topic and its Boundaries | p53; p55; p56; p60 | | | | 1, 2 | |
| GRI 103-2 | The management approach and its components | p53; p55; p56; p60 | | | | 1, 2 | |
| GRI 103-3 | Evaluation of the management approach | p53; p55; p56; p60 | | | | 1, 2 | |
| GRI 416-1 | Assessment of the health and safety impacts of product and service categories | p53; p55; p56; p60 | | | | 1, 2 | |
| GRI 417: Marketing and labeling | | | | | | | |
| GRI 103-1 | Explanation of the material topic and its Boundaries | p60 | | | | 1, 2 | |
| GRI 103-2 | The management approach and its components | p60 | | | | 1, 2 | |
| GRI 103-3 | Evaluation of the management approach | p60 | | | | 1, 2 | |
| GRI 417-1 | Requirements for product and service information and labeling | p60 | | | | 1, 2 | |
| GRI 417-2 | Incidents of non-compliance concerning product and service information and labeling | p60 | | | | 1, 2 | |
| GRI 418: Customer privacy | | | | | | | |
| GRI 103-1 | Explanation of the material topic and its Boundaries | p55 | p58 | | | 1, 2 | |
| GRI 103-2 | The management approach and its components | p55 | p58 | | | 1, 2 | |
| GRI 103-3 | Evaluation of the management approach | p55 | p58 | | | 1, 2 | |

Notes

1. McKinsey Global Institute, *How advancing women's equality can add \$12 trillion to global growth*, September 2015, <https://www.mckinsey.com/featured-insights/employment-and-growth/how-advancing-womens-equality-can-add-12-trillion-to-global-growth>.
2. National Center for Education Statistics, 2018, https://nces.ed.gov/programs/digest/d16/tables/dt16_303.50.asp.
3. Ifill, N, Radford A.W., Wu, J; Cataldi; E.F; Wilson D.; & Hill J. *Persistence and Attainment of 2011-2012 First-Time Postsecondary Students After 3 Years*, US Department of Education, 2016, <https://nces.ed.gov/pubsearch/pubsinfo.asp?pubid=2016401>.
4. Radwin, D., Conzelmann, J.G., Nunnery, A., Lacy, T.A., Wu, J., Lew, S., Wine, J., and Siegel, P., *2015-16 National Postsecondary Student Aid Study (NPSAS:16): Student Financial Aid Estimates for 2015-16*, 2018, <https://nces.ed.gov/pubsearch/pubsinfo.asp?pubid=2018466>.
5. National Center for Education Statistics, 2018, <https://nces.ed.gov/datalab/index.aspx>.
6. National Center for Education Statistics, *Digest of Education Statistics: 2016, Chapter 3 (NCES 2017-094)*, https://nces.ed.gov/programs/digest/d16/tables/dt16_303.50.asp.
7. National Center for Education Statistics, *Digest of Education Statistics: Table 303.50: Total fall enrollment in degree-granting postsecondary institutions, by level of enrollment, control and level of institution, attendance status, and age of student: 2015*, 2018, https://nces.ed.gov/programs/digest/d16/tables/dt16_303.50.asp.
8. National Center for Education Statistics, *Digest of Education Statistics: Table 303.50: Total fall enrollment in degree-granting postsecondary institutions, by level of enrollment, control and level of institution, attendance status, and age of student: 2015*, 2018, https://nces.ed.gov/programs/digest/d16/tables/dt16_303.50.asp.
9. National Center for Education Statistics, 2018, <https://nces.ed.gov/datalab/index.aspx>.
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15. National Center for Education Statistics (NCES), *Public High School Four-Year On-Time Graduation Rates and Event Dropout Rates*, April 2014, <https://nces.ed.gov>.
16. Scott, Robert E. and David Cooper, *Almost two-thirds of people in the labor force do not have a college degree*, Economic Policy Institute, March 2016, <https://www.epi.org/publication/almost-two-thirds-of-people-in-the-labor-force-do-not-have-a-college-degree/>.
17. National Student Clearing House Research Center, *Signature Report 7: Some College, No Degree: A National View of Students with Some College Enrollment, but No Completion*, July 2014, <https://nscresearchcenter.org/signaturereport7/>. World Education, *Adult Education Factsheet*, <https://www.worlded.org/WEInternet/us/adult-ed-facts.cfm#f2>.
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27. Environmental Defense Fund, *Now Hiring: The Growth of America's Clean Energy & Sustainability Jobs*, 2017, http://edfclimatecorps.org/sites/edfclimatecorps.org/files/the_growth_of_americas_clean_energy_and_sustainability_jobs.pdf.
28. Pearson brand tracker, 2017.
29. Net Impact, *Business as Unusual*, 2014, https://www.netimpact.org/sites/default/files/documents/2014BAU_expanded_0.pdf.
30. UNESCO, *Shaping the future we want: UN Decade of Education for Sustainable Development (2005-2014: final report)*, 2014, <http://unesdoc.unesco.org/images/0023/002303/230302e.pdf>.
31. **Sustainability in BTECs**
Sustainability qualifications
 > BTEC Level 3 qualifications in Environmental Sustainability
 > BTEC Entry Level, Level 1, and Level 2 Specialist qualifications in Sustainability Skills
 > Edexcel Level 2 and Level 3 Certificates in Principles of Sustainable Resource Management, the Edexcel Level 2 Diploma for Sustainable Recycling Activities, and the Edexcel Level 3 Diploma for Sustainable Recycling Activities (Supervisory)
 Sustainability in other disciplines
 > BTEC Level 3 Advanced Manufacturing Engineering, Unit 10: Organisational Efficiency and Improvement
 > BTEC Level 2 Technical Diploma in Engineering, Unit 3: Business Improvement Techniques
 > BTEC Level 2 Diploma in Aerospace and Aviation Engineering, Unit 5
 > BTEC Level 2 Technical Certificate for Warehouse Operatives, Unit 2: Warehousing Skills in Logistics Supply Chain
 > BTEC National Extended Diploma in Animal Management with Science, Unit 19: Farm Livestock Husbandry
 > BTEC Level 3 National Extended Diploma in Applied Science, Unit 22: Materials Science and Unit 7: Contemporary Issues in Science
 > BTEC National in IT, Unit 9: Management and Unit 14: IT Service Delivery

Notes

32. McKinsey Global Institute, *How advancing women's equality can add \$12 trillion to global growth*, September 2015, <https://www.mckinsey.com/featured-insights/employment-and-growth/how-advancing-womens-equality-can-add-12-trillion-to-global-growth>.
33. UNICEF, *UNICEF says education for women and girls a lifeline to development*, May 2011, https://www.unicef.org/media/media_58417.html.
34. **Technical Skills**
Technical skills are also focused on across the business. These are the specific types of expertise needed to work successfully in various roles across different business units and geographies.
35. As of 31 December 2017.
36. Number of hires/average headcount.
37. Primary metric for implementation of our H&S management system.
38. Audits conducted by Global Risk Management staff to provide assurance of local compliance with H&S law and policy.
39. New metric created in 2016, tracking closure of audit follow-up actions from previous audits.
40. As of 1 January 2018.
41. Total injuries requiring medical treatment or lost time due to injury. Does not include minor/first aid cases.
42. Includes musculoskeletal disorders, work-related stress, and other illness cases related to work.
43. Internal metric defined as any work-related injury or illness resulting in more than three days away from work.
44. Rate of all incidents (including minor) per 100 employees.
45. Rate of injuries/illness related to work, not including minor/first aid incidents.
46. New internal metric designed to measure prevention of serious incidents and active reporting of minor incidents.
47. Capture of worksite inspection data initiated in 2015.
48. This data has been independently assured against London Benchmarking Group Principles. See <https://www.pearson.com/corporate/sustainability/reporting-policies/reports-benchmarks.html>.
49. Volunteering numbers are provided by a third-party provider and have not been independently verified. In 2018, Pearson will be transitioning to a new employee engagement platform.
50. Our 2017 environmental data has been verified by the specialist consultant, Corporate Citizenship. The assurance statement covers the methodology, data collection, and accuracy of data reported. See <https://www.pearson.com/corporate/sustainability/reporting-policies/reports-benchmarks.html>.

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P31: top – Save the Children, bottom – Ahmad Muhsen/Save the Children
P33: Eliza Powell/Camfed
P34-35: Project Literacy

P37: <https://www.facebook.com/UniEducacion/videos/1835897149773707/>
P38: Christof Van Der Walt
P41: Image VYE/2017/Nguyen Ngoc Linh
P47: Hamble Primary School
P52: Sanskar Sharma
P53: Mihai Frigea/Vlad Covlea/Sur Barr/
Puranjit Gangopadhyay
P54: Lu Yi
P56: Ruben Alvarado/Holly Powers/Sue Barr
P66: Cori O'Connell
P67: Patrice Jones
P68: Christof Van Der Walt
P75: Frishco, Ltd.



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