



# Sustainability & ESG Supplement 2020

We believe that everyone in the world should have the opportunity to learn, because learning transforms lives and societies.

We are committed to advancing the UN Sustainable Development Goals, particularly the goals on quality education, decent work and economic growth, and reducing inequality, and the UN Global Compact principles.



Andy Bird  
Chief Executive

## In this report

Because we have brought together our annual and sustainability reports, we have compiled this supplement document containing additional key information for our stakeholders interested in sustainability and ESG, including:

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[pearsonplc.com](https://www.pearsonplc.com)

Use this QR code to visit our newly launched corporate website, where you can also find the online version of our 2020 annual report and accounts.



## Introduction

Following the pivotal events of 2020, we are sharing an evolved articulation of the sustainability strategy announced last year to expand our commitments and ensure we are focusing on the areas most important to our stakeholders and where we can drive the most impact for society and for our business.

As part of this evolution, we have renamed our pillars to better articulate our objectives though our focus areas remain the same.

We envision a world of opportunity, where every person on the planet has access to quality education and lifelong learning that empowers them to improve their own lives, their communities, and the planet. Pearson's Sustainable Business Plan 2030 creates value for all our stakeholders – consumers, employees, investors, policymakers and others – through our products & services, our partnerships, and how we operate. We will achieve the better world we envision and contribute to long-term business growth through focus and tenacious commitment to:

- Learning for everyone: Reducing barriers and measurably increasing equity in learning.
- Learning for a better world: Leading the transformation to build the skills to impact society and the planet.
- Leading responsibly: Creating a culture and running a business that prioritizes our impact on climate change and human rights.

Since the launch of the framework in 2020, we continued to make progress towards our strategic focus areas and collaborated across our company to build targets. Our progress last year is detailed on p40-55 of the Annual Report.

As we embark on a new corporate strategy, our approach to sustainability will continue to be dynamic and evolving to align with how we can best deploy our business capabilities for societal impact. Some of our objectives, followed by an asterisk (\*), are commitments to areas we will advance. We are already progressing work in these areas and we are working internally in 2021 to set measurable and timebound targets that will be aligned in scale and match the focus areas of our new corporate strategy. We will release targets in these areas in our 2021 annual report or before.



## Pearson's Sustainable Business Plan 2030

### Learning for everyone



Reducing barriers and measurably increasing equity in learning.

### Learning for a better world



Leading the transformation to build the skills to impact society and the planet.

#### Product

##### Access and inclusion

→ We will increase access to learning for underserved groups through new and existing products and partnerships, identifying strategies to overcome barriers. These groups include, but are not limited to, women, racial minorities, low-income groups and people with disabilities\*

##### Representation in content

→ We will strengthen existing and create new processes, Editorial Policy, and partnerships to eliminate bias and represent the consumers we serve, including based on race, ethnicity and gender, in our products and through our content providers by 2025

##### Sustainability and social responsibility in content

→ We will integrate sustainability, social responsibility and Diversity, Equity & Inclusion (DE&I) knowledge and skills into our content, qualifications and online programmes, preparing people to make an impact in their jobs and lives\*

##### Empowering educators, employees and suppliers

→ We will develop and disseminate tools and resources to help educators bring sustainability into their classes\*

→ We will provide opportunities to all employees and suppliers to access content, courses and training to explore sustainability, social responsibility and DE&I issues by 2023

### Leading responsibly



Creating a culture and running a business that prioritises our impact on climate change and human rights.

#### People

##### Human rights

→ We respect the rights of consumers, employees, suppliers and communities, and we consider the human rights impact of our business decisions

→ It is important that Pearson maintains safeguards of our customer data while also working with our customers to develop products tailored to their needs

→ We will work exclusively with suppliers who respect human rights and promote suppliers who champion DE&I

##### Diversity, Equity & Inclusion

→ We are committed to representation at management levels of the company that reflects the racial, ethnic and gender diversity of the geographies where we operate by 2025

→ We will source £500m from suppliers who are diverse accredited by 2030

##### Employees & communities

→ Provide opportunities for employees to use their talent to contribute to sustainability objectives through both their business roles and volunteering

#### Planet

##### Net carbon zero

→ We will reduce scope 1, 2 and 3 emissions by 50% against a 2018 baseline as approved by the Science Based Targets Initiative by 2030

→ We will be net zero across scope 1, 2 and 3 by 2030

##### Environmental footprint of products

→ 100% of paper products will be Forest Stewardship Council (FSC) certified by 2025

→ We will ensure all products and packaging are widely recycled or covered by a take-back programme by 2025

→ We will design digital products for energy efficiency

#### Our priority UN Sustainable Development Goals



\* Note: We are already progressing work in these areas, as outlined in the Annual Report, and we are working internally in 2021 to set measurable and timebound targets that will be aligned in scale and match the focus areas of our new corporate strategy. We will release targets in these areas in our 2021 annual report or before.

# Materiality analysis & stakeholder engagement

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

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

**Linking to business priorities:** Our process was designed to align with and support our corporate and brand strategy.

**Engaging our stakeholders:** We engaged key stakeholders to understand the issues most important to them and where they expect Pearson to play a role.

**Identifying current and future trends:** We conducted futures research to help identify the social, environmental and economic issues that will influence learning, our ecosystem of partners and Pearson’s business in the years to come.

**Supporting global goals:** We will continue our commitment to advancing the UN SDGs and leverage their targets and indicators in our goal-setting.

Active, ongoing input and engagement from internal and external stakeholders is key for Pearson. Our key stakeholder groups include employees, shareholders, learners, educational institutions &

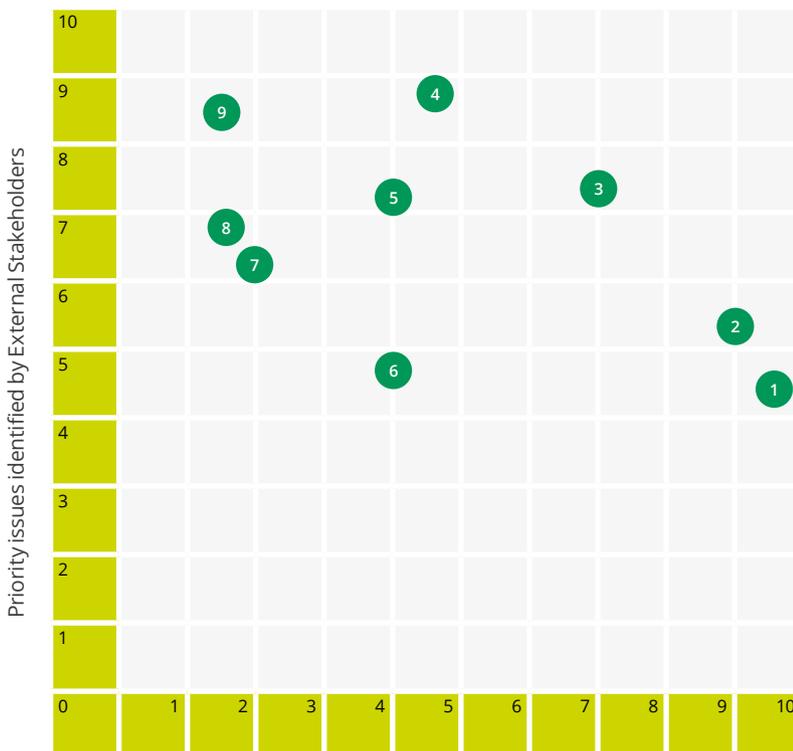
educators, employers, governments & regulators, business partners & suppliers, and international, non-governmental & non-profit organizations. Detailed information is on p28-29 of our Annual Report.

For this materiality analysis, we conducted 50 interviews with internal and external stakeholders. The interviews asked stakeholders to reflect on the contribution Pearson can make to a sustainable future, explore opportunities and risks in the wider landscape, and identify the assets, relationships, skills and resources that Pearson has the ability to influence through its business activities. We also conducted internal focus groups to dive more deeply into three themes that came out of the interviews.

The interviews, focus groups and research identified eight high-impact issues that approximately 30 business leaders discussed at workshops to inform our materiality matrix, below. The output from these workshops was broad agreement on the material issues that guide Pearson’s new sustainability strategy.

Following the events of 2020, we have reviewed our material issues and updated their descriptions to ensure we are capturing key areas that have risen in importance. While all of the “sustainability foundations for social and environmental impact” described on p4 continued to be critical, we have elevated Operational GHG emissions into our matrix because of its key importance for our stakeholders and because it is an important precursor to advancing education about climate change.

## Materiality matrix



- 1 Using our business to advance equity (access, diversity, equity & inclusion)
- 2 Lifelong learning & resilience (mental health, growth mindset)
- 3 Closing key skills gaps (employability, automation & AI)
- 4 Education for a sustainable future (climate action, SDGs, social justice, anti-racism)
- 5 Digital ethics & management
- 6 Impact of education (learning outcomes, quality)
- 7 Public policy and collaboration on education and employment (improve outcomes, advance equity)
- 8 Transform education for the digital age (personalisation, building social skills)
- 9 Operational GHG emissions

The scale of the social/environmental/economic impact Pearson could have against each issue

## Materiality analysis & stakeholder engagement

### 1 Using our business to advance equity (access, diversity, equity & inclusion)

Using our products, services, partnerships and employment practices to advance equity through:

**Access & affordability** Helping disadvantaged/underserved groups (for example, low-income, women, underrepresented minorities, people with disabilities etc) gain access to education and help them learn effectively so they have opportunities to improve their lives

**Diversity & inclusion** Ensuring underrepresented groups appear in our educational content, and addressing inequalities within Pearson, reflecting the diversity of the people we serve.

### 2 Lifelong learning & resilience (mental health, growth mindset)

Building the resilience of consumers and cultivating a mindset of lifelong learning through:

**Mental health** Providing mental support for progressing through challenging and uncertain times

**Growth mindset** Encouraging consumers to see learning opportunities in their life experiences and seek out continuous development and improvement

### 3 Closing key skills gaps (employability, automation & AI)

Supporting people to gain the skills to navigate disruption, including:

**Automation & AI** Maneuvering the disruptions to our economy from automation and artificial intelligence

**Improving employability** Tapping into learners' unique talents and ensuring they are equipped with the skills they need to participate in a changing job market

### 4 Education for a sustainable future (climate action, SDGs, social justice, anti-racism)

Leveraging our products, services and partnerships to support learning about content and skills related to social and environmental issues in order to help them prepare for green jobs, work for companies who are increasingly focused on sustainability and in their everyday lives. Using our internal expertise on learner outcomes and external input, we aligned on criteria for products that teach sustainability, social responsibility, and diversity, equity and inclusion. This includes multicultural, civic, ethical and environmental elements, and reflects issues covered in external frameworks like the UN Sustainable Development Goals such as:

**Climate action** Supporting people to develop the skills and capabilities to take the action needed to avoid climate breakdown and achieve the Sustainable Development Goals

**Anti-racism** Addressing structural inequality and racism

### 5 Digital ethics & management

Using data and information responsibly and targeting it to improve outcomes for the most vulnerable learners, and implementing data privacy and information security policies.

#### Other material issues in our matrix include:

### 6 Impact of education (Learning outcomes, quality)

Delivering on the transformative potential of learning through:

**Learning outcomes** Ensuring and demonstrating that our products and services improve learning outcomes – for example, by enabling them to obtain workforce skills, get a job, earn a better livelihood or be a better global citizen.

**Quality** Committing to continual improvement of our products and services to deliver exceptional learning experiences

### 7 Public policy and collaboration on education and employment

Engage and partner with governments and other organisations to:

**Improve outcomes** Shape new cross-sector approaches that share best practice to improve educational outcomes

**Advance equity** Use our advocacy voice to inform educational policy that advances equity

### 8 Transform education for the digital age (personalisation, building social skills)

Account for and address the impacts of digitisation on learners and society, through:

**Personalisation** Harnessing data to revolutionise digital learning experiences that appeal to the needs of each individual learner

**Building social skills** Account for the negative impacts of digitisation and technology in learner's lives through developing peoples' social and interpersonal skills

#### Sustainability foundations for social and environmental impact

In addition to the areas where Pearson can make the biggest positive impact, our stakeholders expressed clear expectations that we continue to scale efforts around human rights and the environment in our operations and supply chain. This includes our ongoing work to promote good labor practices and working conditions and mitigate impacts on climate and forests across our value chain.

# ESG performance data

## Environment

For more information about how we manage our impact on the environment, please see pp46-47 of the Annual Report.

In 2020, we completed a project to map our scope 3 GHG emissions and set a target to reduce our GHG emissions by a minimum of 50% from a 2018 baseline across scope 1, 2 and 3 by 2030, which was approved by the Science Based Targets Initiative in April 2020.

Going forward we will report our full scope 3 emissions and our progress against our target. The table below includes our full scope 3 disclosure for 2018-2020. The intensity metrics have also been rebased to include full scope 3 emissions. In previous years, we only reported scope 3 emissions from business travel and intensity metrics reflected this. As a result the total scope 3 numbers and intensity metrics in the table below will differ from those that have been previously reported because they now capture full scope 3 emissions.

Additionally, in previous year we reported energy consumption in buildings broken down by country. Going forward, we will focus on scope 3 emission reductions as these account for over 90% of emissions, and we will no longer provide a breakdown of direct energy use by country.

### Environmental data assurance

Our environmental sustainability data is assured by Corporate Citizenship, an independent third party. The scope of the assurance covers our energy consumption, carbon emissions, 100% renewable electricity and carbon neutrality commitments. See our assurance statement at: [plc.pearson.com/en-GB/purpose/esg-reporting](http://plc.pearson.com/en-GB/purpose/esg-reporting)

## Greenhouse gas (GHG)

(carbon dioxide equivalent)  
emissions overview  
(metric tons CO<sub>2</sub>e)

### Measures progress towards targets:

#### Net carbon zero

By 2030, we will reduce scope 1, 2 & 3 emissions by 50% against a 2018 baseline as approved by the Science-Based Targets Initiative.  
We will be net zero across scope 1, 2 & 3 by 2030.

		2018	2019	2020
<b>Scope 1</b>				
Gas, fleet and refrigerant loss		13,057	13,251	7,251
<b>Scope 2</b>				
Electricity – location based		49,920	47,386	34,997
Electricity – market based		4,583	418	418
<b>Scope 3</b>				
1a: Purchased goods and services (product)	Manufactured goods – Books	127,550	123,204	48,789
	Non print manufacturing	21,571	20,128	18,409
	Digital data centres	-	-	-
1b: Purchased goods and services (non-product)		212,403	222,479	157,739
2: Capital goods		-	-	-
3: Fuel and energy related activities	Fuel related	3,104	9,432	1,170
	Electricity related	11,039	3,462	7,663
4: Upstream transportation and distribution		53,727	43,273	23,253
5: Waste generated in operations		525	419	260
6: Business travel	Air	20,545	10,317	3,790
	Hotels	2,864	2,716	429
	Rail	890	571	96
	Hired cars	1,486	2,101	1,000
	Taxis	27	45	14
7: Employee commuting		28,948	30,735	6,869
7b: Employee WFH				19,428
9: Downstream transportation and distribution		53,727	43,273	23,253
11: Use of sold products	Third party test centres	6,415	6,415	6,415
	Online testing	76	75	74
	Online learning	5,393	5,313	5,252
12: End-of-life treatment of sold products		27,581	25,733	10,182

## ESG performance data

13: Downstream leased assets	14,825	14,825	9,588
14: Franchises	4,044	2,730	2,707
<b>Total scope 3</b>	<b>596,740</b>	<b>567,245</b>	<b>346,382</b>
<b>Total Emissions (tCO<sub>2</sub>e) – location based</b>	<b>659,717</b>	<b>627,881</b>	<b>388,629</b>
<b>Total Emissions (tCO<sub>2</sub>e) – market based</b>	<b>614,380</b>	<b>580,914</b>	<b>354,162</b>
<b>Intensity ratios</b>			
tCO <sub>2</sub> e per employee (scope 1, 2 market & 3)	25.3	25.6	16.6
tCO <sub>2</sub> e/sales revenue (scope 1, 2 market & 3)	148.8	150.1	104.3
<b>Environmental reporting measures (Units)</b>			
Net internal area of reporting offices (m <sup>2</sup> )	686,493	651,903	510,182
<b>Energy consumption measure</b>			
% electricity from renewable sources	100%	96%	95% <sup>1</sup>
Total electricity consumption from renewable sources only (MWh)	106,735	89,256	71,457
Total electricity consumption from non-renewable sources only (MWh)		936	1,111
On site generated electricity (MWh)	230	225	241
Total gas consumption (MWh)	20,325	39,443	22,280
Total fuel oil consumption (MWh)	23	85	394
Vehicles (MWh)	Excluded	21,726	12,365
<b>Total energy consumption (MWh)</b>	<b>127,083</b>	<b>152,231</b>	<b>107,848</b>

<sup>1</sup> For 10 of our key markets, we buy renewable energy through green energy tariffs or renewable energy certificates (RECs) in the country of consumption. This accounts for 96% of our electricity use.

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

### Paper

#### Measures progress towards:

##### Environmental footprint of products

100% of paper products will be Forest Stewardship Council (FSC) certified by 2025.

Overall tonnage is down from 2019 to 2020 as we have continued our transition from print to digital, sold the Savas K-12 education business and experienced short-term impacts during COVID-19.

	2018	2019	2020
Paper used (MT) Global	103,758	96,811	37,969
% FSC Paper Global		11%	32%
<b>Waste</b>			
Total waste to landfill (MT)	681	629	374
Total waste to landfill (MT/FTE)	0.028	0.028	0.017
<b>Water</b>			
Total water consumption (m3)	580,958	453,589	421,018
Total water consumption (m3/FTE)	23.89	19.95	19.58
<b>Legal compliance</b>			
Reported environmental prosecutions	nil	nil	nil

## ESG performance data

### Social

#### Our employees

2020 was a uniquely impactful year. First up, COVID-19 upended the way we work. Work-from-home is now the norm, impacting how we communicate, connect and co-create as well as heightening the importance of mental health and wellbeing. 2020 was also the year that systemic racism in society and its role in holding back Black and other ethnically diverse people from fulfilling their potential truly got the attention it deserved. Our commitments to our people as a responsible employer helped us navigate these challenges. These are to inform, support and equip colleagues to work collaboratively and to innovate; encourage and reward high performance, nurture and develop talent and foster a culture where everyone is able to realise their individual potential; provide a safe and healthy work environment for our employees and our stakeholders; help our colleagues understand how we are doing as a company; provide information, support and consult colleagues who leave the company. We describe how we engage our employees, invest in talent, manage organisational change and promote diversity and a culture of inclusion in our Annual Report (p49-50).

	2018	2019	2020
<b>Labor practices and decent work</b>			
<b>Our employees</b>			
<b>Total average number of employees for the year</b>	24,322	22,734	21,335
<b>Employees by geography</b>			
US (2020), as of 31 December			11,242
UK (2020), as of 31 December			4,202
Rest of World (2020), as of 31 December			6,407
North America (2018 & 2019), total average for the year	14,113	13,564	-
Core (2018 & 2019), total average for the year	5,192	4,951	-
Growth (2018 & 2019), total average for the year	4,521	3,693	-
NA (2018 & 2019), total average for the year	496	526	-
<b>Total number of permanent, regular employees, as of 31 December</b>	96%	95%	96%
Male	38%	41%	41%
Female	62%	58%	59%
Non-binary <sup>2</sup>			
No data			0.03%
<b>Total number of temporary, limited term, employees, as of 31 December</b>	4%	5.0%	4%
Male	30%	36%	36%
Female	68%	64%	64%
Non-binary <sup>2</sup>			
No data			0.2%
<b>Total full-time, regular, employees</b>	79%	79%	74%
Male	41%	45%	44%
Female	58%	55%	56%
Non-binary <sup>2</sup>			
<b>Total part-time, regular, employees</b>	18%	21%	20%
Male	24%	25%	25%
Female	76%	75%	75%
Non-binary <sup>2</sup>			

<sup>2</sup> We do not yet have a full data set as we just recently opened this option for employee self identification.

## ESG performance data

### Diversity, Equity & Inclusion

#### Measures progress towards:

We are committed to representation at management levels of the company that reflects the racial, ethnic and gender diversity of the geographies where we operate by 2025.

#### Employee gender diversity

All numbers as of 31 December 2020	2018	2019	2020
Total male	38%	41%	40%
Total female	62%	59%	60%
Non-binary <sup>2</sup>			
<b>Female leadership</b>			
Board positions held by women	30%	33%	45%
Percentage of women on Pearson's executive	total	9%	18%
	excluding enabling functions	0%	0%
Senior leadership <sup>3</sup>	31%	34%	37%
VP	43%	40%	-
Director	48%	48%	-
VP & Director	-	-	48%
Manager	48%	50%	50%
Percentage of women in technology roles (IT/engineering)	34%	35%	33%
Percentage of women employees in revenue-producing roles	65%	62%	63%
Percentage of promotions received by women	59%	56%	59%
UK median gender pay gap	14%	12%	12%

#### Employee racial and ethnic diversity

Diverse leadership		
Board positions (diverse)		9%
Percentage of diversity on Pearson's executive team (US and UK)		20% (US)/ 17% (UK)
Senior leadership <sup>3</sup> (US and UK)		18% (US)/ 9% (UK)
VP and Director (US and UK)		15% (US)/ 10% (UK)
Manager (US and UK)		21% (US)/ 17% (UK)
Total workforce (US and UK)		30% (US)/ 17% (UK)

#### US diverse group breakdown

Asian	Manager and above (US)	11%
	All employees (US)	9%
Latinx	Manager and above (US)	4%
	All employees (US)	8%
Black	Manager and above (US)	3%
	All employees (US)	11%
Other diverse	Manager and above (US)	1%

<sup>2</sup> We do not yet have a full data set as we just recently opened this option for employee self identification.

<sup>3</sup> Typically, up to two reporting lines from the Chief Executive, the senior leadership are the employee body with responsibility for planning and directing the activities of the company.

## ESG performance data

All numbers as of 31 December 2020		2018	2019	2020
	All employees (US)			3%
White	Manager and above (US)			81%
	All employees (US)			70%
<b>UK diverse group breakdown</b>				
Asian	Manager and above (UK)			9%
	All employees (UK)			10%
Black	Manager and above (UK)			2%
	All employees (UK)			4%
Mixed/other	Manager and above (UK)			4%
	All employees (UK)			4%
White	Manager and above (UK)			79%
	All employees (UK)			72%
Not specified	Manager and above (UK)			7%
	All employees (UK)			10%

### Employee age representation, all as of 31 December

	2018	2019	2020
Under 30 years old	4,165/15%	14%	14%
30-50 years old	16,465/60%	58%	66%
Over 50 years old	6,890/15%	28%	20%
No date	105/0.38%	0.5%	0.4%

### Turnover

Involuntary terminations as a result of divestiture and restructuring are driving turnover rates up

	2018	2019	2020
Turnover rate, total average for the year	11,024/37%	8,627/37%	5,692/26%
Voluntary turnover	5,101/20%	4,695/20%	3,725/17%
Involuntary turnover	5,923/17%	3,932/17%	1,967/9%

### Turnover by region<sup>4</sup>

UK (2019 & 2020)		4%	3%
US (2019 & 2020)		25%	16%
Rest of World (2019 & 2020)		8%	7%
Core (2018 and prior)	780/3%		
Growth (2018 and prior)	3,346/11%		
North America (2018 and prior)	2,084/7%		
Other (2018 and prior)	4,814/16%		

### Turnover by gender

Female	7,201/24%	5,447/23%	3,605/16%
Male	3,711/13%	3,168/14%	2,087/10%
NA	112/38%	12/1%	
Female (involuntary)			1,195/5%
Male (involuntary)			772/4%

<sup>4</sup> Prior to 2019, our business was structured around 3 geographies: North America, Growth (China, India, Brazil, South Africa) and Core (UK and rest of world).

## ESG performance data

	2018	2019	2020
Non-binary <sup>2</sup> (involuntary)			
Female (voluntary)			2,410/11%
Male (voluntary)			1,315/6%
Non-binary <sup>2</sup> (voluntary)			
<b>Turnover by age group</b>			
Under 30 years old	2,943/10%	7%	1,386/6%
30-50 years old	5,710/19%	19%	2,501/11%
Over 50 years old	2,193/7%	11%	1,744/8%
No date	178/.6%	0.03%	61/0.3%
<b>New hires</b>			
	2018	2019	2020
Total number and rate of new employee hires (number of hires/average headcount)	7,053/26%	4,326/21%	5,488/25%
Total number of new hires – female	4,661/66%	2,725/63%	3,612/66%
Total number of new hires – male	2,185/31%	1,601/37%	1,855/34%
Total number of new hires – NA	207/3%	21/.5%	11/<1%
<b>New hires by region<sup>4</sup></b>			
UK (2019 & 2020)		754/12%	15%
US (2019 & 2020)		3,453/56%	65%
Rest of World (2019 & 2020)		1,907/31%	19%
Core (2018 and prior)	569/8%		
Growth (2018 and prior)	617/9%		
North America (2018 and prior)	2,292/33%		
Other (2018 and prior)	3,575/51%		
<b>New hires by age group</b>			
Under 30 years old	2,303/33%	33%	24%
30-50 years old	3,239/46%	47%	31%
Over 50 years old	1,353/19%	18%	15%
No date	158/2%	2%	30%
<b>Length of service</b>			
Average length of service for a Pearson employee	6.75	7.00	4.5
Average length of service – female	6.63	7.00	4.3
Average length of service – male	7.02	7.10	4.8
Non-binary <sup>2</sup>			
Median length of service – female	3.8	4.60	2
Median length of service – male	3.88	5.00	3
Non-binary <sup>2</sup>			

2 We do not yet have a full data set as we just recently opened this option for employee self identification.

4 Prior to 2019, our business was structured around 3 geographies: North America, Growth (China, India, Brazil, South Africa) and Core (UK and rest of world).

## ESG performance data

### Learning and development

In order to deliver on our goal to make the most out of Pearson's world of talent, in 2020, we focused on aligning our approach to talent and learning to the company strategy. Read more about our approach to this area on p49 of our Annual Report.

	2019	2020
<b>Percentage of total employees by gender and by employee category who received a regular performance and career development review during the reporting period.</b>		
Total	20,577/75%	In 2019 we replaced the formal annual review process with regular conversations between managers and employees focused on performance, development, and alignment with our values and behaviors.
Female	11,756/43%	
Male	8592/31%	
SVP	91/0.3%	
VP	349/1%	
Director	1,022/4%	
Manager	2,783/10%	
Other levels	16,332/59%	

### Employee benefits

	2018	2019	2020
<b>Health and wellness benefits</b>			
Percentage of employees participating in Pearson medical programs	82% (US)/ 53% (UK)	82% (US)/ 53% (UK)	<b>83% (US)/ 48% (UK)</b>
Average percentage of health insurance costs for employees paid by Pearson	80% (US)/ 82% (UK)	79% (US)/ 82% (UK)	<b>79% (US)/ 100% (UK)</b>
Average percentage of health insurance costs for employees, spouses, and dependents paid by Pearson	84% (UK)	79% (US)/ 82% (UK)	<b>79% (US)/ 89% (UK)</b>

### Financial benefits

Percentage of eligible employees participating in Pearson's 401(k) Plan	92% (US)	93% (US)	<b>92%</b>
Percentage of employees participating in the Employee Stock Purchase Plan	21% (US)	22% (US)	<b>25%</b>
Percentage of employees participating in the Worldwide Save For Shares Plan – globally except the US	18%	17.50%	<b>10%</b>
Percentage of workforce below senior leadership eligible for LTIPs	6.25%	5.90%	<b>4%</b>

### Work/Life balance and lifestyle programs

Number of employees using Pearson's Employee Assistance Plan	402 (US)	883 (US)/ 217 (UK)	<b>325 (US)/ 125 (UK)</b>
Number of interactions with Pearson's lifestyle programs	11,482 (US)	9,652 (US)	<b>7% (US)</b>

## ESG performance data

### Health and safety

More information about how we manage health and safety is on p61 of the Annual Report.

	2018	2019	2020
Percentage of H&S standards implemented across all locations <sup>5</sup>	92%	96%	<b>96%</b>
Number of H&S audits & advisory reviews <sup>6</sup>	31	34	<b>17</b>
Percentage closure of open action audit findings as of 1 January <sup>8</sup>	91%	95%	<b>98%</b>
Number of injuries <sup>9</sup>	107	88	<b>45</b>
Number of work-related illness cases <sup>10</sup>	110	121	<b>71</b>
Number of serious incidents <sup>11</sup>	21	26	<b>38</b>
Number of work-related fatalities	0	1	<b>0</b>
Total incident rate per 100 employees <sup>12</sup>	0.87	0.91	<b>.72</b>
Injury & illness rate per 100 employees <sup>13</sup>	0.29	0.28	<b>.51</b>
Serious incident ratio <sup>14</sup>	7%	11%	<b>24%</b>
Workplace inspections reported	849 <sup>15</sup>	444	<b>466</b>

5 Primary metric for implementation of our H&S management system.

6 Audits & advisory reviews conducted by Global Risk Management staff to provide assurance of local compliance with H&S law and policy.

7 Scheduled audit/assurance program suspended in 2020 due to COVID-19 related office closures globally. Resources realigned to support COVID-19 management.

8 Percentage of Audit Actions closed from previous year's audits.

9 Total injuries requiring medical treatment or lost time due to injury. Does not include minor/first aid cases.

10 Includes musculoskeletal disorders, work-related stress, and other illness cases related to work.

11 Internal metric defined as any work-related injury or illness resulting in more than 3 days away from work.

12 Rate of all incidents (including minor) per 100 employees.

13 Rate of injuries/illness related to work, not including minor/first aid incidents.

14 Internal metric designed to measure prevention of serious incidents and active reporting of minor incidents.

15 A significant number of previous year inspections came from WSE sites in Asia, which are no longer part of Pearson.

### BTECs & SDG 4

We recently launched our first sustainability-backed loan linking to our progress in increasing access to quality vocational education to learners in international markets.

	2018	2019	2020
Number of BTEC registrations outside the UK	33,403	43,906	<b>31,112</b>

### Governance

	2018	2019	2020
<b>Raising concerns</b>			
Total number of concerns raised & investigated	80	135	<b>100</b>
Human Resources Matters	25 (31%)	43 (32%)	<b>82 (82%)</b>
Financial irregularities or violations of our policies	55 (69%)	92 (68%)	<b>18 (18%)</b>
<b>Code of Conduct</b>			
Percentage of employees completing code of conduct certification or training	100%	100%	<b>100%</b>

# Sustainability Accounting Standards Board (SASB) Index

For the first time, we are providing an index of the metrics we are reporting in response to the SASB standards. Because of the nature of our business, we are reporting metrics from the Media & Entertainment, Internet & Media Services, and Education standards. In some cases, we have omitted metrics, and we will undertake work in 2021 and plan to report additional metrics in our next Annual Report.

## Sustainability Disclosure Topics & Accounting Metrics

Topic	Accounting Metric	Code	Response
<b>Media &amp; Entertainment Industry Standards</b>			
Media Pluralism	Percentage of gender and racial/ethnic group representation for (1) management, (2) professionals, and (3) all other employees	V-ME-260a.1	See tables on p5 and 50 of the Annual Report and p8-9 of this document.
	Description of policies and procedures to ensuring pluralism in news media content	SV-ME-260a.2	While our content is for learning rather than news media, our approach to pluralism is reflected in our work on representation in content on p44 of the Annual Report.
Journalistic Integrity & Sponsorship Identification	Description of approach for ensuring journalistic integrity of news programming related to: (1) truthfulness, accuracy, objectivity, fairness, and accountability, (2) independence of content and/or transparency of potential bias, and (3) protection of privacy and limitation of harm	SV-ME-270a.3	We have an Editorial Policy that applies these standards to our educational content. See p44 of the Annual Report.
Intellectual Property Protection & Media Piracy	Description of approach to ensuring intellectual property (IP) protection	SV-ME-520a.1	See p62 in the principal risks section of the Annual Report.
<b>Internet Media &amp; Services Industry Standards</b>			
Environmental Footprint of Hardware Infrastructure	(1) Total energy consumed, (2) percentage grid electricity, (3) percentage renewable	TC-IM-130a.1	See p6 of this document.
	(1) Total water withdrawn, (2) total water consumed, percentage of each in regions with High or Extremely High Baseline Water Stress	TC-IM-130a.2	See p6 of this document for (2).
Data Privacy, Advertising Standards & Freedom of Expression	Description of policies and practices relating to behavioral advertising and user privacy	C-IM-220a.1	See p62 for in the principal risks section of the Annual Report for a description of privacy.
Data Security	Description of approach to identifying and addressing data security risks, including use of third-party cybersecurity standards	TC-IM-230a.2	See p62 in the principal risks section of the Annual Report.
Employee Recruitment, Inclusion & Performance	Employee engagement as a percentage	TC-IM-330a.2	See tables on p5 and 49 of the Annual Report.
	Percentage of gender and racial/ethnic group representation for (1) management, (2) technical staff, and (3) all other employees <sup>7</sup>	TC-IM-330a.3	See tables on p5 and 50 of the Annual Report and p8-9 of this document.
<b>Education Industry Standards</b>			
Data Security	Description of approach to identifying and addressing data security risks	SV-ED-230a.1	Please see p62 in the principal risks section of the Annual Report.
	Description of policies and practices relating to collection, usage, and retention of student information	SV-ED-230a.2	Please see p61 in the principal risks section of the Annual Report.

## Task Force on Climate-related Financial Disclosures

In 2020 we became a signatory to the Task Force on Climate-related Financial Disclosures ('TCFD').

The disclosure included below outlines the work we have started to align our climate risk disclosure with the TCFD recommendations. Doing so will enable our stakeholders to understand the ways in which climate change is affecting our business now, and in the future.

It is expected that these disclosures will continue to evolve as the company moves towards full alignment this year, which we will report on in the 2021 annual report. As our response to the TCFD guidelines evolves, we will be reviewing our internal governance structures and ensure climate change risks are included in our strategic group risk mechanisms, ensuring they are appropriately managed and opportunities are seized.

In June 2017, TCFD published recommendations to encourage businesses to increase disclosure of climate-related information. These recommendations focus on: governance; risk management; strategy; and metrics and targets.

Our progress against these recommendations is outlined below:

- › **Governance:** The Board Reputation & Responsibility Committee (see p53 of the Annual Report) has oversight of sustainability, and as we build climate change risks into our wider strategic risk work, the Audit Committee is likely to take an increased role in managing these risks. During 2021 we plan to build responsibility for climate change risks into the remit of the Responsible Business Leadership Council (see p88 in the Annual Report).
- › **Risk Management:** In October 2020, we started work to identify climate change risks to the business. We are currently prioritising the most material risks and opportunities. We will report on these risks in the 2021 annual report.
- › **Strategy:** During 2021 we are building a strategy to manage potential impacts of climate-related risks and opportunities.
- › **Metrics & targets:** As part of the overall implementation of our Sustainable Business Plan 2030, we have set a net zero carbon target which covers our scope 1, 2 and 3 emissions (details on these emissions can be found on p5-6). Going forward we will define and build out reporting targets and metrics relating to climate change risk mitigation and opportunities.

# Global Reporting Initiative (GRI), UN Global Compact and UN Sustainable Development Goals (SDGs) content index

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). Together our Annual Report and this document have been developed in accordance with the GRI Standards and serve as our UN Global Compact Communication on Progress.



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.



p6	Description	AR 2020	This Document	Additional notes	UNGC	SDGs
<b>GRI 101 and 102: General disclosures</b>						
<b>Organizational profile</b>						
GRI 102-1	Name of the organization	p1				
GRI 102-2	Activities, brands, products, and services	p2-3; p16-20				
GRI 102-3	Location of headquarters	p143				
GRI 102-4	Location of operations	p2; p206-209				
GRI 102-5	Ownership and legal form	p188				
GRI 102-6	Markets served	p150-152; p206-209				
GRI 102-7	Scale of the organization	p1; p2-5; p16-20; p137; p150-152	p7-11			
GRI 102-8	Information on employees and other workers	p13; p28; p49-51; p159	p7-11			
GRI 102-9	Supply chain	p29; p51-53				
GRI 102-10	Significant changes to the organization and its supply chain	p3; p18-25				
GRI 102-11	Precautionary Principle or approach	p46-47			7	6, 7, 13, 15
GRI 102-12	External initiatives	p55			1-10	17
GRI 102-13	Membership of associations	p55				17
<b>Strategy</b>						
GRI 102-14	Statement from senior decision-maker		Inside front cover			Statement of commitment from chief executive
GRI 102-15	Key impacts, risks, and opportunities	p56-64	p7-11		1-10	4, 8, 10
<b>Ethics and integrity</b>						
GRI 102-16	Values, principles, standards, and norms of behavior	p13; p74-75; p77		Company policies are available at: <a href="http://plc.pearson.com/en-GB/corporate-policies">plc.pearson.com/en-GB/corporate-policies</a>		
GRI 102-17	Mechanisms for advice and concerns about ethics	p53	p12			
<b>Governance</b>						
GRI 102-18	Governance structure	p66-102				
GRI 102-22	Composition of the highest governance body and its committees	p69-77				
GRI 102-23	Chair of the highest governance body	p66-69				
GRI 102-25	Conflicts of interest	p74				

## Global Reporting Initiative (GRI), UN Global Compact and UN Sustainable Development Goals (SDGs) content index

p6	Description	AR 2020	This Document	Additional notes	UNGC	SDGs
GRI 102-26	Role of highest governance body in setting purpose, values, and strategy	p67; p74-75; p88-89				
GRI 102-29	Identifying and managing economic, environmental, and social impacts	p88-89				
GRI 102-32	Highest governance body's role in sustainability reporting	p88-89		The Board's Reputation & Responsibility committee reviews the sustainability content in the Annual Report.		
<b>Stakeholder engagement</b>						
GRI 102-40	List of stakeholder groups	p27-29				
GRI 102-41	Collective bargaining agreements	p49			3	8
GRI 102-42	Identifying and selecting stakeholders	p27-29				
GRI 102-43	Approach to stakeholder engagement	p27-29				
GRI 102-44	Key topics and concerns raised	p27-29				
<b>Reporting practices</b>						
GRI 102-45	Entities included in the consolidated financial statements	p128-136; p150-152				
GRI 102-46	Defining report content and topic boundaries		p1-4			
GRI 102-47	List of material topics		p1-4			
GRI 102-48	Restatements of information					
GRI 102-49	Changes in reporting			No changes		
GRI 102-50	Reporting period			1 Jan 2020–31 Dec 2020		
GRI 102-51	Date of most recent report			18 March 2021		
GRI 102-52	Reporting cycle			Annual		
GRI 102-53	Contact point for questions regarding the report			sustainability@pearson.com		
GRI 102-54	Claims of reporting in accordance with the GRI Standards			This report has been prepared in accordance with the GRI Standards: Core option		
GRI 102-55	GRI content index		p15-19			
GRI 102-56	External assurance		p5	See more about external assurance at: <a href="https://www.pearson.com/en-GB/purpose/esg-reporting">plc.pearson.com/en-GB/purpose/esg-reporting</a>		
<b>GRI 201: Economic performance</b>						
GRI 103-1	Explanation of the material topic and its Boundaries					
GRI 103-2	The management approach and its components	p14-25	p5-12			
GRI 103-3	Evaluation of the management approach	p14-25	p5-12			
GRI 201-1	Direct economic value generated and distributed	p4-5 p14-25 p31-39			1	1, 8, 10
GRI 201-2	Financial implications and other risks and opportunities due to climate change	p46-47			7, 8, 9	6, 7, 13, 15
<b>GRI 203: Indirect economic impacts</b>						
GRI 103-1	Explanation of the material topic and its Boundaries	p40-45				
GRI 103-2	The management approach and its components	p40-45				
GRI 103-3	Evaluation of the management approach	p40-45				
GRI 203-1	Infrastructure investments and services supported	p40-45				4, 8, 10

## Global Reporting Initiative (GRI), UN Global Compact and UN Sustainable Development Goals (SDGs) content index

p6	Description	AR 2020	This Document	Additional notes	UNGC	SDGs
GRI 203-2	Significant indirect economic impacts	p40-45				4, 8, 10
<b>GRI 205: Anti-corruption</b>						
GRI 103-1	Explanation of the material topic and its Boundaries	p53; p62			10	16
GRI 103-2	The management approach and its components	p53; p62			10	16
GRI 103-3	Evaluation of the management approach	p53; p62			10	16
GRI 205-1	Operations assessed for risks related to corruption	p53; p62			10	16
GRI 205-2	Communication and training about anti-corruption policies and procedures	p53; p62	p12		10	16
<b>GRI 300: Environmental disclosures</b>						
<b>GRI 302: Energy</b>						
GRI 103-1	Explanation of the material topic and its Boundaries	p46-47			7, 8, 9	7, 13, 15
GRI 103-2	The management approach and its components	p46-47			7, 8, 9	7, 13, 15
GRI 103-3	Evaluation of the management approach	p46-47			7, 8, 9	7, 13, 15
GRI 302-1	Energy consumption within the organization	p46-47	p6		7, 8, 9	7, 13, 15
GRI 302-3	Energy intensity	p46-47	p6		7, 8, 9	7, 13, 15
GRI 302-4	Reduction of energy consumption	p46-47	p6		7, 8, 9	7, 13, 15
<b>GRI 305: Emissions</b>						
GRI 103-1	Explanation of the material topic and its Boundaries	p46-47			7, 8, 9	7, 13, 15
GRI 103-2	The management approach and its components	p46-47			7, 8, 9	7, 13, 15
GRI 103-3	Evaluation of the management approach	p46-47			7, 8, 9	7, 13, 15
GRI 305-1	Direct (Scope 1) GHG emissions	p46-47	p5-6		7, 8, 9	7, 13, 15
GRI 305-2	Energy indirect (Scope 2) GHG emissions	p46-47	p5-6		7, 8, 9	7, 13, 15
GRI 305-3	Other indirect (Scope 3) GHG emissions	p46-47	p5-6		7, 8, 9	7, 13, 15
GRI 305-4	GHG emission intensity	p46-47	p5-6		7, 8, 9	7, 13, 15
GRI 305-5	Reduction of GHG emissions	p46-47	p5-6		7, 8, 9	7, 13, 15
<b>GRI 307: Environmental compliance</b>						
GRI 103-1	Explanation of the material topic and its Boundaries	p46-48			7, 8, 9	7, 13, 15
GRI 103-2	The management approach and its components	p46-48			7, 8, 9	7, 13, 15
GRI 103-3	Evaluation of the management approach	p46-48			7, 8, 9	7, 13, 15
GRI 307-1	Non-compliance with environmental laws and regulations		p6		7, 8, 9	7, 13, 15
<b>GRI 308: Supplier environmental assessment</b>						
GRI 103-1	Explanation of the material topic and its Boundaries	p51-53			7, 8, 9	7, 13, 15
GRI 103-2	The management approach and its components	p51-53			7, 8, 9	7, 13, 15
GRI 103-3	Evaluation of the management approach	p51-53			7, 8, 9	7, 13, 15
GRI 308-1	New suppliers that were screened using environmental criteria	p51-53			7, 8, 9	7, 13, 15
GRI 308-2	Negative environmental impacts in the supply chain and actions taken	p51-53		No significant issues were brought to our attention.	7, 8, 9	7, 13, 15
<b>GRI 400: Social disclosures</b>						
<b>GRI 401: Employment</b>						
GRI 103-1	Explanation of the material topic and its Boundaries	p27; p49-50; p60			1, 2, 3, 4, 5, 6	8, 10
GRI 103-2	The management approach and its components	p27; p49-50; p60			1, 2, 3, 4, 5, 6	8, 10
GRI 103-3	Evaluation of the management approach	p27; p49-50; p60			1, 2, 3, 4, 5, 6	8, 10
GRI 401-1	New employee hires and employee turnover		p9-10		6	8, 10

## Global Reporting Initiative (GRI), UN Global Compact and UN Sustainable Development Goals (SDGs) content index

p6	Description	AR 2020	This Document	Additional notes	UNGC	SDGs
GRI 401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	p49	p11			8, 10
<b>GRI 403: Occupational health and safety</b>						
GRI 103-1	Explanation of the material topic and its Boundaries	p61			1, 2	8, 10
GRI 103-2	The management approach and its components	p61			1, 2	8, 10
GRI 103-3	Evaluation of the management approach	p61			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		p12		1, 2	8, 10
<b>GRI 404: Training and education</b>						
GRI 103-1	Explanation of the material topic and its Boundaries	p46; p49; p60			1	4, 8, 10
GRI 103-2	The management approach and its components	p46; p49; p60			1	4, 8, 10
GRI 103-3	Evaluation of the management approach	p46; p49; p60			1	4, 8, 10
GRI 404-3	Percentage of employees receiving regular performance and career development reviews		p11			4, 8, 10
<b>GRI 405: Diversity and equal opportunity</b>						
GRI 103-1	Explanation of the material topic and its Boundaries	p50			1, 2, 6	8, 10
GRI 103-2	The management approach and its components	p50			1, 2, 6	8, 10
GRI 103-3	Evaluation of the management approach	p50			1, 2, 6	8, 10
GRI 405-1	Diversity of governance bodies and employees	p5; p50	p8-9		1, 2, 6	8, 10
GRI 405-2	Ratio of basic salary and remuneration of women to men	p5	p8	See Pearson's UK gender pay report at: <a href="https://www.pearson.com/content/dam/one-dot-com/one-dot-com/global/Files/sustainability/policies/Pearson_GPG_2019_AW_200320.pdf">https://www.pearson.com/content/dam/one-dot-com/one-dot-com/global/Files/sustainability/policies/Pearson_GPG_2019_AW_200320.pdf</a>	1, 2, 6	8, 10
<b>GRI 407: Freedom of association and collective bargaining</b>						
GRI 103-1	Explanation of the material topic and its Boundaries	p48-49			3	8
GRI 103-2	The management approach and its components	p48-49			3	8
GRI 103-3	Evaluation of the management approach	p48-49			3	8
GRI 407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	p48-49; p51-52			3	8
<b>GRI 408: Child labor</b>						
GRI 103-1	Explanation of the material topic and its Boundaries	p48-49; p51-53			5	8
GRI 103-2	The management approach and its components	p48-49; p51-53			5	8
GRI 103-3	Evaluation of the management approach	p48-49; p51-53			5	8
GRI 408-1	Operations and suppliers at significant risk for incidents of child labor	p48-49; p51-53			5	8
<b>GRI 409: Forced or compulsory labor</b>						
GRI 103-1	Explanation of the material topic and its Boundaries	p48-49; p51-53			4	8
GRI 103-2	The management approach and its components	p48-49; p51-53			4	8
GRI 103-3	Evaluation of the management approach	p48-49; p51-53			4	8

## Global Reporting Initiative (GRI), UN Global Compact and UN Sustainable Development Goals (SDGs) content index

p6	Description	AR 2020	This Document	Additional notes	UNGC	SDGs
GRI 409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	p48-49; p51-53			4	8
<b>GRI 412: Human rights assessment</b>						
GRI 103-1	Explanation of the material topic and its Boundaries	p48-49			1, 2, 3, 4, 5, 6	4, 8, 10
GRI 103-2	The management approach and its components	p48-49			1, 2, 3, 4, 5, 6	4, 8, 10
GRI 103-3	Evaluation of the management approach	p48-49			1, 2, 3, 4, 5, 6	4, 8, 10
GRI 412-1	Operations that have been subject to human rights reviews or impact assessments	p48-49			1, 2, 3, 4, 5, 6	4, 8, 10
GRI 412-2	Employee training on human rights policies or procedures	p44, 45, 46		We provided training on data privacy, Editorial Policy, code of conduct, and anti-corruption.	1, 2, 3, 4, 5, 6	4, 8, 10
<b>GRI 413: Local communities</b>						
GRI 103-1	Explanation of the material topic and its Boundaries	p43-46				1, 4, 8, 10
GRI 103-2	The management approach and its components	p43-46				1, 4, 8, 10
GRI 103-3	Evaluation of the management approach	p43-46				1, 4, 8, 10
GRI 413-1	Operations with local community engagement, impact assessments, and development programs	p43-46				1, 4, 8, 10
<b>GRI 414: Supplier social assessment</b>						
GRI 103-1	Explanation of the material topic and its Boundaries	p51-53			1, 2, 3, 4, 5, 6	4, 8, 10
GRI 103-2	The management approach and its components	p51-53			1, 2, 3, 4, 5, 6	4, 8, 10
GRI 103-3	Evaluation of the management approach	p51-53			1, 2, 3, 4, 5, 6	4, 8, 10
GRI 414-1	New suppliers that were screened using social criteria	p51-53			1, 2, 3, 4, 5, 6	4, 8, 10
<b>GRI 415: Public policy</b>						
GRI 103-1	Explanation of the material topic and its Boundaries	p60				
GRI 103-2	The management approach and its components	p60				
GRI 103-3	Evaluation of the management approach	p60				
GRI 415-1	Political contributions					
<b>GRI 418: Customer privacy</b>						
GRI 103-1	Explanation of the material topic and its Boundaries	p62			1, 2	
GRI 103-2	The management approach and its components	p62			1, 2	
GRI 103-3	Evaluation of the management approach	p62			1, 2	