



Pearson

**Modern Slavery
Statement 2017**

This statement has been published in accordance with the Modern Slavery Act 2015.

It sets out the steps taken by Pearson plc and all subsidiaries outlined in our annual report during the year ending 31 December 2017 to prevent modern slavery and human trafficking in its business and supply chains.

This is the second modern slavery statement published by Pearson.

Introduction

As a company dedicated to helping people improve their lives through learning, we want all individuals that our business impacts to have access to employment that is decent and helps to improve their circumstances. Modern slavery is contrary to our purpose and our company values to be brave, imaginative, decent and accountable.

In line with our values, we have made long-standing commitments to a number of international human rights frameworks that guide our approach to combatting modern slavery. We are a founding signatory to the ten principles of the United Nations Global Compact, which include the rejection of forced and compulsory labour alongside other fundamental responsibilities in the areas of human rights, labour, environment and anti-corruption. As a result, we are committed to ensuring our business, our suppliers and our business partners are free from slavery, servitude, forced or compulsory labour. In our [sustainability report](#) we report annually on our progress to meet 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.

The Modern Slavery Act in the UK requires that companies publish a slavery and human trafficking statement. This covers slavery, servitude and forced or compulsory labour, as well as human trafficking.

Following the release of our first modern slavery statement last year, we consulted global and local stakeholders to discuss areas of potential concern. As a result of stakeholder feedback, we took steps to increase the breadth and depth of both our work on human rights and modern slavery, as well as our reporting in this area in 2017. Key activities included: conducting a human rights impact assessment of our business, publishing a [human rights statement](#), strengthening due diligence processes and improving transparency in our reporting. We will continue to regularly engage with stakeholders to ensure year-on-year improvement.

This statement is our compliance with the Act covering the 2017 financial year. It covers Pearson plc and all relevant subsidiaries (see the [2017 Pearson annual report](#) for a full list of subsidiaries).

About Pearson

Pearson is the world's learning company, with expertise in educational courseware, assessment and a range of teaching and learning services, powered by technology.



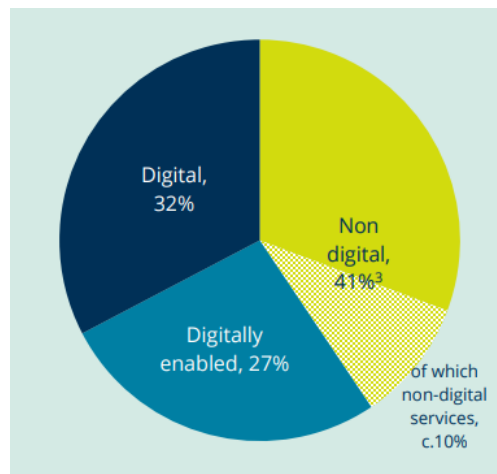
Pearson serves schools, colleges and universities around the world. We also provide professional and vocational education to learners to help increase their skills and employability prospects. Increasingly, we work in partnership with educational institutions.

We operate in 70 markets worldwide, but our two key markets are the United States and the United Kingdom which together account for 70% of our global sales. Other important markets for us are Australia, Brazil, Canada, China, Italy, Mexico and South Africa.

We offer:

- Courseware – educational content for use in both traditional textbooks and digital learning. This category accounts for 49% of sales.
- Assessment – services to measure and validate learner progress and to certify competency. This category accounts for 30% of sales.
- Services – integrated solutions that help educational institutions to improve learner outcomes. This category accounts for 21% of sales.

Traditionally, much of our business relied on paper – textbooks in courseware and examination papers in assessment. Technology is changing expectations and increasing possibilities in education. As such, the share of revenue derived from digital and digitally-enabled products is growing and we expect it to continue to grow. Pearson's 2017 global revenue is split as follows:



For more information on the company, visit www.pearson.com/corporate.

About our supply chain

Last year, Pearson purchased over £2 billion of goods and services from over 63,000 third parties around the world, ranging from large multinationals to smaller specialist companies and sole traders. Around £400 million of that total is purchased by Pearson's operations in the UK from third parties globally. The vast majority of the products and services that Pearson and its operating companies purchase globally are sourced from suppliers in OECD countries, mainly those in North America and Europe.

Pearson divides its supply chain into two broad areas:

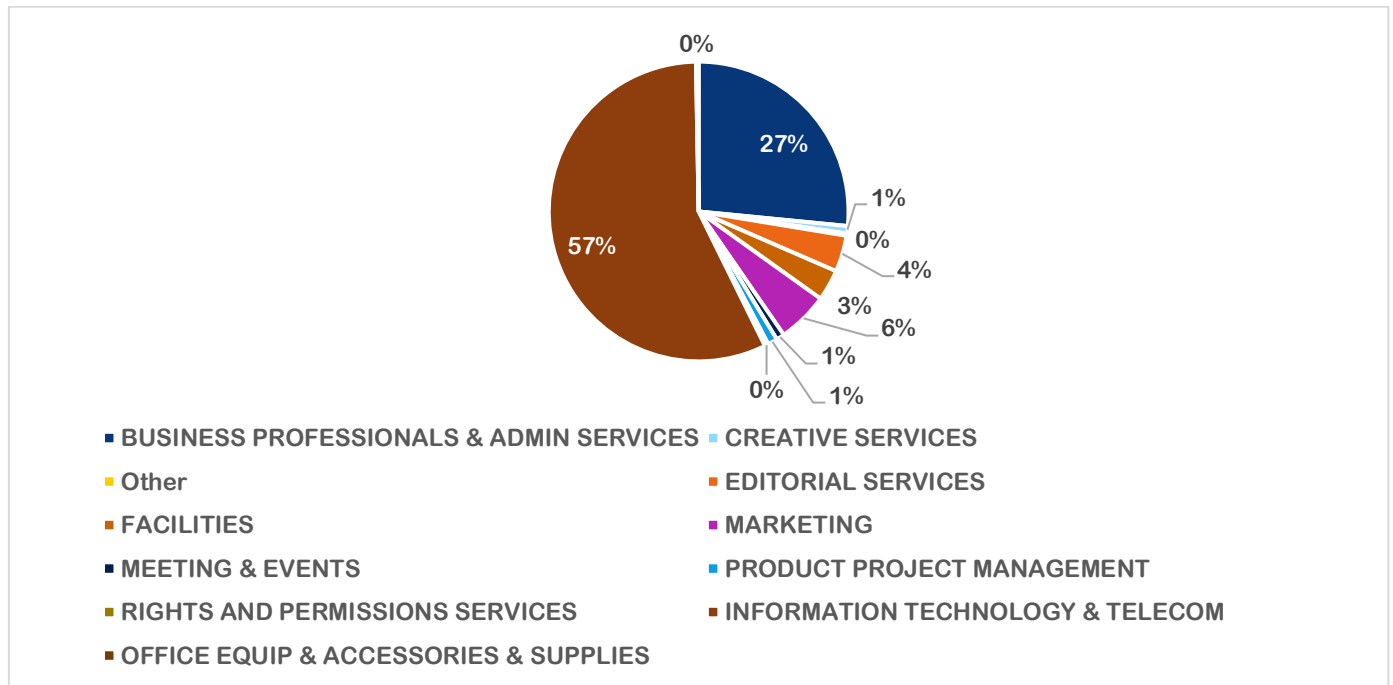
- Direct – relates to the textbook production supply chain – paper, print and transportation. More detail about our paper supply chain is on p7 and more about our print supply chain is on p8.
- Indirect – covers all other categories of spend. This includes consultancy services, content, the digital

supply chain, marketing and facilities.

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

Of the approximately £400 million of spend from suppliers in the UK, 90% of our spend is with indirect suppliers while 10% is with direct suppliers.

The main categories of spend within our indirect area in the UK are as follows:



Our policies

Pearson has a number of policies in place that relate to modern slavery, and which are approved by the executive management team. Our Employee Code of Conduct sets out the standards of ethical behaviour we expect from employees, and references our commitment to upholding and complying with the provisions of the Modern Slavery Act 2015. It is mandatory for all employees to sign up to the code and we reached 100% sign up in 2017. The code will be supplemented in 2018 by mandatory training for all employees.

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

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

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 labour practices and decent working conditions. It also sets out our expectations for supply partners to oppose discriminatory, illegal or inhumane labour 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 behaviour outlined in contracts.

Pearson has also established processes that explicitly include modern slavery in our [terms of business](#). Suppliers are required to warrant that their supply chain is free from slavery, servitude, forced or compulsory labour and human trafficking as defined by the Modern Slavery Act 2015.

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

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

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

Modern slavery risk assessment and due diligence

In considering modern slavery as an issue for Pearson, we have developed the following due diligence process:

- Assessing actual and potential areas of risk following the criteria below
- Identifying gaps in policy and practice with regard to our ethical and responsible sourcing
- Addressing priority areas and areas of concern identified through this process
- Implementing remediation plans where issues are identified
- Identifying further priorities for action, including through a human rights impact assessment conducted in 2017 (see below).

The criteria for risk we have considered are:

- Raw material risks (prevalence of modern slavery)
- Country risk through the Global Slavery Index as well as NGO reporting on modern slavery
- Materiality-based risk (volume of product purchased)
- Degree of influence or control that Pearson has within the respective categories of spend
- Relationship with supplier.

We have considered our supply base and categorised it based on the following:

- Low-risk: suppliers in OECD countries considered low risk for modern slavery
- Medium-risk: long established and third-party audited suppliers in countries or categories of spend considered a risk for modern slavery
- High-risk: new suppliers as yet unaudited by a third party in emerging or developing countries.

Based on this process, we have identified the following areas that are potentially relevant to us with regard to modern slavery:

Category	Area of risk	Commentary
Direct procurement	Paper supply	Forestry practice in some countries (e.g. Indonesia) has been identified as having human rights concerns.

Direct procurement	Book printing	Employment of migrant workers in printers in China and Malaysia. Procurement in India to be added as a high-risk country for modern slavery.
Indirect procurement: Facilities	Catering	Supply of agricultural product has been identified as an area of risk for modern slavery.
Indirect procurement: Information & technology	Hardware supply chain	Raw materials are sourced from high-risk countries as evidenced by NGO reporting. Supply chain control and influence are challenging.
Indirect procurement: Contingent and agency workers	Recruitment policies and practices	Some workers in our examination paper distribution centres are needed seasonally. Third parties recruit facilities service providers, such as cleaners, in Pearson buildings. We have less control over employment contracts.

Of the 5 areas, paper, print and the use of contingent workers involve tier 1 suppliers. The risks identified under facilities and hardware involve suppliers in tier 3 and beyond. The following sections outline how we manage risk in print, paper, and the other areas we have identified.

In addition, in 2017, we conducted a comprehensive human rights assessment. Drawing on the expertise of BSR, a sustainability organisation, 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. The assessment identified areas to address including strengthening due diligence and risk management in third-party transactions, including indirect procurement, and providing a safe and inclusive environment for learners, employees and contractors.

We will continue to consult a variety of global and local stakeholders, including from civil society, trade unions and international organisations, to help us improve how we manage human rights and modern slavery related risks.

Paper sourcing risk management

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 labour.

Pearson has a longstanding [responsible paper sourcing policy](#) that recognises this risk. This policy sets out our preference for papers that hold Forest Stewardship Council (FSC) certification, and we also recognise the Programme for the Endorsement of Forest Certification (PEFC) system of certification. PEFC endorses national schemes of certification. The two most significant schemes for us endorsed by PEFC are the Canadian scheme, the Canadian Standards Association (CSA) and the Sustainable Forestry Initiative (SFI) which is used in both the US and Canada.

Our policy sets out our concern to only use paper suppliers that offer legal, ethical and responsibly-sourced timber. The risk of slavery is associated with unsustainable and illegal forestry practices. As a cornerstone of their certification criteria, FSC and the PEFC require ethical treatment of workers in the forestry industry and compliance

with fundamental ILO conventions, including the Forced Labour convention.

Pearson purchases over 12,000 metric tonnes of paper for the UK market, around half of which is purchased directly by the company with the balance purchased by our printers. We have full visibility of the papers purchased on our behalf and, through our involvement in Book Chain (see below on p8), we can trace pulps to the forest country of origin.

Currently, 92% of papers purchased for the UK carry either the FSC or PEFC certification. We have assessed the countries of origin of our pulp as immaterial – less than 0.5% of our global paper supply comes from high-risk countries according to the Global Slavery Index. Key countries of origin for us are Brazil, Canada and Finland.

Through the risk assessment process described on p6, 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.

Recognising that systemic issues such as modern slavery require joint action, during 2016 Pearson joined the economic chapter of the Stakeholder Working Group set up by FSC to help confirm a roadmap to end the disassociation of Asia Pulp & Paper – a company with extensive operations in Indonesia – from the FSC system. This multistakeholder group is considering both environmental and human rights issues in forest concessions, and its successful conclusion would open a new source of FSC-certified supply to Pearson.

Print production risk management

We rely on third-party suppliers to print 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.

In the UK, Pearson purchases around £29m in print services from 47 third party printers. Of these, we consider 21 as being material, defined as having a threshold spend that exceeded £100,000 in 2017. In turn, we have rated our 5 printers based in Malaysia and China as medium-risk with regard to modern slavery through our risk assessment process (p6).

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. These audits are carried out through Book Chain (see below).

All such printers for the UK market have been audited.

Our due diligence process includes print production departments visiting suppliers around the world to assess compliance with our standards and to encourage suppliers to address issues with non-compliance. 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 labour standards.

These visits provide a valuable opportunity to reinforce our commitments to eliminating all forms of child, forced and compulsory labour as well as promoting environmental stewardship and other standards covered by the Global Compact. We also intend for these visits to help improve suppliers' business practices. These visits complement the audit and training processes carried out as part of our involvement with Book Chain, described below.

The Book Chain Project – supplier labour and environmental audits for print and paper

Pearson is a founder signatory of The Book Chain project, a collaborative effort in the publishing industry to promote a responsible supply chain.

Pearson participates in all three elements of the project:

- PREPS – responsible forestry and paper sourcing
- PRELIMS – labour, human rights and environmental standard checks at print suppliers
- PIPS – product chemical safety.

PRELIMS (Publishers Resolution for Ethical International Manufacturing Standards) is a shared database which allows the publishing industry to ensure that supplier sites meet recognised standards for labour and environmental practice. PRELIMS has a Code of Conduct which collates standards that are based on existing internationally-recognised codes and laws. The code outlines what the publishers expect from their suppliers, and also the publishers' commitments to their suppliers.

By engaging with Book Chain, suppliers benefit by easily sharing their audit results with multiple publishers, saving them time and money by avoiding duplication.

Independent third-party audits must be consistent with the PRELIMS code. We also recognise comparable codes and audit processes including the audits carried out under the International Council of Toy Industries (ICTI) Care Process, and Sedex Members Ethical Trade Audit (SMETA) audits against the Ethical Tradition Initiative (ETI) Base Code.

The audits cover issues including checks for employment contracts for all workers (including migrants), existence of policies and training relating to standards on forced labour, whether migrant workers were recruited through an agency as well as the existence and use of grievance procedures.

When issues are raised by auditors, these are assessed and corrective action plans are put in place.

For 2018, we are participating and have put forward print suppliers to participate in a Book Chain project to proactively tackle the systemic issue of remuneration through improved access to social insurance for workers in China. Social Insurance is a problem that is being flagged in the audits we are seeing and is becoming an increasingly pertinent issue with an ageing population. The project will target around 10 suppliers, working with them to engage employees on this issue.

Managing other areas of risk

In addition to our policies and approach described above, we have adopted additional processes to help us address risk in the other areas outlined on p6. In particular, we:

- Require compliance as an integral part of our HR recruitment processes including for temporary agency contractors. Pearson is a certified living wage employer in the UK in our directly managed operations. As such, we abide by the certification principles for our permanent, contract and agency workers. In a modern slavery context, paying a living wage reduces the risk of debt bondage.
- Adopted the Food for Life Served Here award scheme for in-house catering in the UK. Previously known as the Catering Mark, Food for Life is an independent award guaranteeing that the food in our cafeterias is made from fresh local ingredients, meets UK welfare standards and complies with national nutrition standards. Award holders are inspected annually to ensure compliance. Agriculture is an industry identified as higher risk of slavery.

- Plan to work with the teams that lead on technology procurement during 2018 to consider whether any additional response is needed above our standard.
- Engaged with our purchasing team in India on the Modern Slavery Act.

Enforcement

All our suppliers and their employees can make use of pearsonethics.com – our whistleblowing service. Individuals can ask an ethics or compliance question anonymously and confidentially or make an inquiry regarding a company policy. Incidents can also be reported and individuals can track the progress of any investigation. Our policy is one of no retaliation against any person reporting concerns in good faith.

As outlined on p5, our responsible purchasing principles of behaviour are contractually enforceable because our business terms of reference provide us with the power of audit and if necessary, the right to terminate a relationship if we find issues of non-compliance.

Training

We provide briefings and training for production teams on the 10 principles of the Global Compact which includes forced and compulsory labour. To date, Pearson has:

- Carried out face-to-face training for the book publishing production team on the Modern Slavery Act in April 2017.
- Briefed the indirect procurement leadership team on key sustainability issues including modern slavery.
- Introduced the issue to the purchasing team in India as a higher-risk geography.
- Held a briefing session of the Global Compliance team on the issue.
- Engaged the indirect procurement leadership team in the wider review of human rights working with BSR referenced on p8.

Transparency

We commit to transparency in the implementation of this statement by making available reports on our progress to relevant stakeholders and to the public.

This statement has been approved by the Board of Directors, Pearson plc:

Signed by:

John Fallon
Chief Executive Officer

To provide feedback on the content of the policy, please contact: amanda.gardiner@pearson.com

For more information on our organisation structure, business and supply chain management, please visit our [Annual Report and Sustainability Report](#).

Definition of Slavery

Slavery, in accordance with the 1926 Slavery Convention, is the status or condition of a person over whom all or any of the powers attaching to the right of ownership are exercised. Since legal 'ownership' of a person is not possible, the key element of slavery is the behaviour on the part of the offender as if he/she did own the person, which deprives the victim of their freedom.

Definition of Servitude

Servitude is the obligation to provide services that is imposed by the use of coercion and includes the obligation for a 'serf' to live on another person's property and the impossibility of changing his or her condition.

Definition of Forced or Compulsory Labour

Forced or compulsory labour is defined in international law by the ILO's Forced Labour Convention 29 and Protocol. It involves coercion, either direct threats of violence or more subtle forms of compulsion. The key elements are that work or service is exacted from any person under the menace of any penalty and for which the person has not offered him/her self voluntarily.

Definition of Human Trafficking

Human trafficking requires that a person arranges or facilitates the travel of another person with a view to that person being exploited including where the victim consents to the travel. This reflects the fact that a victim may be deceived by the promise of a better life or job or may be a child who is influenced to travel by an adult.