

Anti-Bribery and Corruption (ABC) Policy August 2011

Adapted for use with External Parties

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1. Introduction

Pearson¹ is committed to conducting its business ethically in every country where we do business, as well as complying with all applicable laws. This includes compliance with anti-bribery and anti-corruption ("ABC") laws such as the USA's Foreign Corrupt Practices Act ("FCPA") and the UK Bribery Act 2010.

The purpose of this document is to provide guidance to third parties who work with Pearson concerning compliance with ABC. This guidance relates to specific acts of bribery and corruption and Pearson's selection and management of agents and other company intermediaries.

Pearson has created a Designated Manager role in each country or region to monitor compliance with policy.

2. Pearson's Policy on Bribery and Corruption

Pearson has a zero tolerance policy towards bribery and corruption.

Pearson employees and others working on its behalf may not offer, promise or give a bribe to anyone, and may not request, agree to accept, or take a bribe from anyone.

3. Bribery is Illegal

Bribery is a crime in most countries where Pearson operates, and penalties can be severe, including prison sentences and large financial penalties. Legislation in the UK (the Bribery Act 2010) not only makes paying or taking a bribe illegal, i.e., the person who pays or takes a bribe has committed a crime, but also holds UK companies liable for failing to prevent bribery by those working on its behalf, even indirectly (such as through non-UK subsidiaries, agents, contractors, suppliers and intermediaries).

The only defence a company has to the crime of failing to prevent bribery is if the company can prove that it had in place adequate procedures designed to prevent bribery by those performing services on its behalf (which includes third parties). The Bribery Act 2010 applies to Pearson and those performing services on its behalf worldwide.

In addition, under the US Foreign Corrupt Practices Act ("FCPA") it is a crime to bribe a foreign official for the purpose of obtaining or retaining business or to secure an improper advantage.

4. Recognizing Bribery and Corruption

A bribe could involve:

- The direct or indirect promise, offer, authorization, or provision of anything of value
- The offer or receipt of any kickback, loan, fee, commission, reward, or other advantage
- The giving of contributions or donations designed or stipulated to influence the recipient to act in the giver's favour

¹ References in this policy to Pearson also include Pearson's operating companies where applicable.

The purpose of a bribe is often to obtain, retain or “facilitate” business, where the person receiving the bribe is, or may be, in a position to provide that kind of business advantage to the party offering the bribe. This may involve sales initiatives, such as tendering and contracting; or, it may simply involve the handling of administrative tasks such as licences, customs, taxes or import/export matters. It does not matter whether the act of bribery is committed before or after the tendering of a contract or the completion of an administrative task.

The party offering a bribe might be:

- An employee, officer or director
- Any person acting on behalf of Pearson (e.g., third parties)
- Individuals and organisations representing Pearson that authorise someone else to carry out these acts.

And the recipient of a bribe could (but not always) be a government official.

For the purposes of this policy, a **government official** could be any of the following or their relatives:

- A public official, whether foreign or domestic
- A political candidate or party official
- A representative of a government-owned/controlled organisation
- An employee of a public international organisation or non-governmental organization (e.g., World Bank)

5. Where do Bribery and Corruption Risks Typically Arise?

This section deals with some specific situations that may present concern about the potential for bribery or corruption.

A. Use of Agents

Because the actions of an Agent² can expose Pearson to liability under ABC laws, a level of due diligence appropriate to the market should be undertaken prior to their appointment and retention or at renewal of any agreement.

If required by a risk assessment, certain provisions should be included in an Agent’s agreement regarding the Agent’s compliance with appropriate laws.

Particular care must be taken before Pearson establishes an agency arrangement to understand that Agent’s connection, if any, to a government official. Any concerns about an Agent’s relationship with a government official must be discussed with and approved by the Designated Manager.

B. Hospitality and Entertainment

Bona fide hospitality and promotional, or other business expenditure which seeks to improve the image of Pearson, better to present products and services, or establish cordial relations, is recognised as an established and important part of doing business.

Hospitality, entertainment, or other business expenses provided to government officials, business partners and customers **for these purposes** are permitted, as long as they are reasonable and proportionate. In the case of government officials, hospitality entertainment or other similar expenses require prior authorisation from the Designated Manager.

² The term Agent is defined as agents, representatives, consultants, brokers, contractors, suppliers, co-publishers or any other intermediary that provides services on behalf of Pearson.

Hospitality, entertainment or other similar expenses are not permitted IF:

- it might influence the outcome of a business transaction, whatever the value of the expense, or a reasonable individual could interpret it that way
- for the purpose of facilitating or expediting any decision to award new business, to renew existing business or to take any other action
- given for personal benefit, friendship, personal acquaintances or family purposes

C. Giving and Receiving Gifts

In many countries where Pearson does business there are generally accepted customs regarding the exchange of business gifts to strengthen business relationships. They should never be used to obligate, or appear to obligate, the recipient.

They are never gifts of cash, cash vouchers, certificates with a set negotiable value, or other cash equivalents.

Pearson employees may never seek or request gifts, or personal preferential treatment in any matter, from any person or organization.

Pearson policy generally permits the giving and receiving of business gifts of 'Nominal Value' that are customary business courtesies and are reasonable in value and frequency.

In addition, during holidays or festivals, it may be customary for gifts to be given on a personal basis. Employees are required to ensure there is a clear distinction between the gifts given on a personal basis and those given on behalf of Pearson.

D. Facilitation Payments

Facilitation payments are defined as "any facilitating payment or expediting payment to a foreign official, political party, or party official the purpose of which is to expedite or to secure the performance of a routine governmental action." They are illegal under UK law and the laws of many other countries, and are against Pearson policy.

No Pearson employee or Agent may willingly offer to make, or make, a facilitation payment.

E. Payments to Facilitate Tax Evasion

Pearson will not facilitate the evasion of tax by a customer, supplier or other third party, including government officials and contractors, by making payments to off-shore bank accounts or by other means which have no commercial basis or clearly could be construed by tax authorities to be to facilitate tax evasion by the recipient.

(End)