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INTO THE CULTURE, PRACTICES AND ETHICS OF THE PRESS

EXHIBIT JR2

PEARSON

ALWAYS LEARNING

**Anti-Bribery and
Corruption (ABC)
Policy and
Procedures**

May 2011

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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 Pearson employees concerning compliance with ABC. This guidance relates to specific acts of bribery and corruption and also to related matters such as proper reporting and accounting and the selection and management of agents and other company intermediaries.

This policy may be 'localized', as necessary, with Pearson Business CFO² approval (provided that localisation does not affect in any way the need to comply with Pearson policy and/or ABC laws). A '**DESIGNATED MANAGER**' in each country or region will be appointed to monitor compliance with policy and to grant approvals as required by this document.

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.

Pearson has in place anti-corruption measures to maintain its high ethical standards and protect its reputation against any allegations of bribery and corruption. These measures are scheduled in Appendix A.

It is Pearson's policy to compete fairly. We want to win business because of the quality and competitiveness of our products and services. We will not attempt to win on any other basis.

We seek to influence others wherever practical by setting an example and openly refusing to undertake or support bribery as a way of doing business anywhere in the world.

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

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

² This means one of the following – the CFOs for North America Education; International Education; Penguin; FT Group & VUE; Pearson Shared Operations and Technology or the US or International Controller.

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), no matter who is bribed or where the bribe takes place. 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 its employees 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. The FCPA applies to Pearson and its employees worldwide.

4. Recognizing Bribery and Corruption

Bribery and corruption have a number of definitions. Here are two –

Bribery means giving or receiving an undue reward (or offering to do so) to influence the behaviour of someone in government or business, in order to obtain business or financial or commercial advantage in a way which breaches an expectation of good faith or impartiality.

Corruption means the abuse of an entrusted power for private gain.

Some specific situations in which bribery and corruption risks typically arise are scheduled in Appendix B.

It is irrelevant whether the person who receives the bribe works in the public or private sector.

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

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. How to Raise a Concern

This policy cannot provide employees with comprehensive solutions to every potential bribery or corruption situation that may arise. In case of uncertainty about the correct response to any situation employees are required to discuss the situation with their manager, who will consult with their **DESIGNATED MANAGER** and/or then if necessary with General Counsel or Group Internal Audit about any ethical or legal problems.

We all have a responsibility for helping detect, prevent and report instances of bribery and any other suspicious activity or wrongdoing. Pearson is absolutely committed to ensuring that all of us have a safe, reliable, and confidential way of reporting any suspicious activity. We want each and every employee to know how they can speak up without fear of doing so.

If an employee is concerned that a corrupt act of some kind is being considered or carried out – either within Pearson, by any of our third-parties or by any of our competitors – they should, in the first instance, report it to their **DESIGNATED MANAGER** immediately and also thereafter to either:

- Group Legal Counsel (Bob Dancy, [redacted] or [redacted])
- Head of Group Internal Audit ([redacted])

If the employee feels uncomfortable with these options, we have a confidential reporting site – PearsonEthics – to use to report their concerns, if it is available in the particular country. The PearsonEthics reporting site is accessible via internet or by phone. To report via the internet, the web address is www.PearsonEthics.com. To report by phone, the employee can find the appropriate phone numbers on the same website. PearsonEthics is manned by an external party and confidentiality is assured. When the employee makes a report, they can remain anonymous.

Investigation, Remediation, Discipline

If Pearson determines that an employee or Agent³ has not complied with any provision of this policy, it will take appropriate action which may include ending of an employee's employment or an Agent's contract, initiating proper legal action and/or notifying the proper authorities regarding the violation.

³ The term Agent is defined as agents, representatives, consultants, brokers, contractors, suppliers, co-publishers or any other intermediary that provides services. This could include a joint venture in which Pearson participates if the degree of Pearson's control or other facts relevant to potential acts of bribery might indicate that in connection with those acts the JV was performing a service for Pearson itself.

APPENDICES

- A: Related ABC Policies and Specific Procedures**
- B: Where do Bribery and Corruption Risks Typically Arise?**
- C: Country Specific Information**

Appendix A

Related ABC Policies and Specific Procedures

A. Code of Conduct – General Policy

The Code requires all employees, agents and others working on behalf of Pearson to comply with all applicable laws in all countries where Pearson operates.

B. Localized Risk Assessment [See Guidelines]

Business practices around the world can be deeply rooted in the attitudes, cultures and economic prosperity of a particular region – any of which can vary. Business management must regularly and at least annually assess the vulnerability of each country business unit to the risk of bribery and corruption. Proper risk assessment allows for evaluation and mitigation of the risk of bribery and corruption in a particular country or region.

C. Due Diligence [See Guidelines]

Depending upon the degree of risk, as determined by localized risk assessments, anti-corruption due diligence reviews may be needed for hiring of employees and the vetting of agents and other third-parties who work or will work on behalf of Pearson. ABC due diligence should also be performed as part of an acquisition process and when establishing a joint venture.

D. Accurate Books and Record-Keeping

Many serious global bribery and corruption offences have been found to involve some degree of inaccurate record-keeping. Various laws (including the FCPA) and the Code of Conduct require that Pearson keep accurate books and records, and Pearson's financial policies and procedures define proper accounting practices. Pearson's records must accurately reflect all transactions.

E. Effective Internal Control and Monitoring

Pearson maintains a system of internal accounting controls which can be found in other documentation.

Business management are responsible for monitoring adherence to this policy and procedures designed to prevent or detect bribery and corruption. Group Internal Audit also provides independent assurance over the design and execution of controls surrounding these processes. The approvals and documentation standards identified in this policy and procedure document will be subject to regular review.

F. Training and Awareness

Anti-bribery training is provided for Pearson employees and will be provided (as appropriate, dependent upon risk) for our agents and other third-parties working on Pearson's behalf. This could include a joint venture as defined in this policy (see 'Agent'). Those who work in businesses identified as being particularly high risk will receive additional training and support in identifying and preventing corrupt activities. Regular training will be conducted at all levels of the business (including at the Pearson Board level) and records of the training maintained. Training materials will include illustrative scenarios that may be encountered.

Appendix B

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 Agent¹ 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. Relationships with Agents that do not comply with this policy or raise red flags should be brought to the attention of the **DESIGNATED MANAGER** who will decide what will happen with the relationship; this may include additional compliance steps or an immediate cessation of the relationship.

If required by the risk assessment, provisions to the following effect should be included in an Agent's agreement:

- a) Agent will not pay or take bribes.
- b) Agent will be paid by check or wire to the Agent and not to another third party organization.
- c) Agent must acknowledge familiarity with and adherence to ABC laws.
- d) Agent will be required to maintain adequate books and records and allow them to be inspected by Pearson.
- e) Agent will inform Pearson if Agent learns of actual or attempted bribery affecting Pearson's business, and will cooperate with any ABC related investigation by Pearson.
- f) Pearson will be able to terminate the Agent's agreement if, in Pearson's view, that Agent has violated any of the ABC provisions of the agreement.

Particular care must be taken before Pearson establishes an agency arrangement to understand that Agent's connection, if any, to a government official. In selecting Agents, it is important to establish whether:

- g) A **government official** has any ownership connection with the Agent,
- h) The Agent is a candidate for political office or a consultant to a government, or
- i) The Agent is a **government official** or has close family or business ties with a **government official**

Any concerns about an Agent's relationship with a **government official** must be discussed with and approved by the **DESIGNATED MANAGER**.

¹ 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. This could include a joint venture in which Pearson participates if the degree of Pearson's control or other factors relevant to potential acts of bribery might indicate that in connection with those acts the JV was performing a service for Pearson itself.

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**.

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

In addition:

- i. Entertainment events attended must always be ethically acceptable and not against applicable law and Pearson policy. For example, so-called "adult entertainment" events and events at venues such as massage parlours or the like are not acceptable, nor is any event that would insult a person's race, religion, or sex.
- ii. Hospitality or entertainment given or received in the form of cultural and sporting events is permitted without prior approval as long as it does not violate the above provisions of this policy and is not more than of a **NOMINAL VALUE**.
- iii. Any travel arrangements for **government officials**, business partners or customers must be pre-approved. Reasonable meeting, travel or accommodation expenses are permitted if:
 1. a bona fide business expense (i.e., within the normal scope of the business),
 2. related to the promotion, demonstration or explanation of products or needed for the performance of a contract, and
 3. only for persons directly related to the business (e.g., not spouses, relatives, etc.)
- iv. Travel arrangements which could be deemed to be excessive must be approved by the **DESIGNATED MANAGER**.
- v. With respect to consumables, these must be consumed at the event, otherwise they should be considered a gift (see E below)

Payments for all hospitality and entertainment must be made directly by Pearson to the service provider. Detailed and itemized receipts of such expenses must be

submitted with the appropriate method for payment or reimbursement, i.e., employee's expense claim.

A log of all entertainment received and given by Pearson staff above a **NOMINAL VALUE** must be maintained which includes:

- the attendees by name,
- attendees position in Pearson or other company,
- location/type of venue,
- purpose of the meeting, and
- the cost per attendee (estimated if not known)

All requests, approvals, entertainment logs and expense claims must be filed and maintained for review by management or Group Internal Audit.

When this policy refers to a '**NOMINAL VALUE**' that amount will be defined in local currency for each country, with the Pearson Business CFO approval, such that hospitality and entertainment below that value will not cause any concern under ABC laws or this policy.

C. Marketing Events

Distribution of marketing or promotional materials, in accordance with industry customs and practices is permitted, such as the following:

1. trials, samples, review or desk copies of Pearson product in reasonable quantities,
2. promotional events open to a wide audience,
3. premium items/promotion goods of **NOMINAL VALUE** such as t-shirts, bags, etc., are allowable if they are clearly connected to Pearson promotions and marketing efforts and items clearly carry irremovable Pearson branding.

Where joint promotional activities are carried out, there should be a proper written arrangement, approved by the **DESIGNATED MANAGER**, with full details and supporting documentation for any of the costs being reimbursed.

When this policy refers to a '**NOMINAL VALUE**' that amount will be defined for each country, with the approval of Pearson Business CFO, as a local currency value such that premium/promotion items below that value will not cause any concern under ABC laws or this policy.

D. Donations, Contributions and Sponsorships

Pearson supports and encourages the right of all employees to personally participate in the political process on an individual basis but does not permit the use of corporate resources (such as Pearson property and/ or employee work time) for political activities.

Pearson has also established a charitable contributions and donations program for qualified organizations. To ensure that charitable contributions, donations and

sponsorships made on behalf of Pearson are not used to circumvent Pearson anti-bribery policies all charitable contributions, donations and sponsorships require the prior written approval of the **DESIGNATED MANAGER**. The following will not be reimbursed by Pearson:

- direct or indirect contributions by employees or agents to political parties at any level of government, party officials or organizations or individuals engaged in politics
- direct or indirect contributions by employees or agents to parties seeking election to political office (as above)

E. 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.

Gifts that are repetitive (no matter how small) may be perceived to be an attempt to create an obligation to the giver and are therefore inappropriate to give or receive.

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

When this policy refers to a '**NOMINAL VALUE**' that amount will be defined in local currency for each country, with the Pearson Business CFO² approval, such that gifts below that value will not cause any concern under ABC laws or this policy.

Gifts of **NOMINAL VALUE**

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. Under no circumstances are employees to misrepresent personal gifts and/or use such customs to circumvent Pearson's gifts policy.

² This means one of the following – the CFOs for North America Education; International Education; Penguin; FT Group & VUE; Pearson Shared Operations and Technology or the US or International Controller.

Gifts greater than **NOMINAL VALUE**

In order for any gift greater than **NOMINAL VALUE** to be made by an employee to a person or organization that has or seeks a business relationship with Pearson or with which Pearson seeks such a relationship, approval must be obtained from the **DESIGNATED MANAGER**.

If a gift is offered to an employee that is greater than **NOMINAL VALUE** it should normally be refused. However, if offence may be caused or return is impractical then it must be discussed with the **DESIGNATED MANAGER**. If return is not practical Pearson may elect to donate it to charity or make some other appropriate disposal of the gift to charity.

Gifts involving **government officials**

In all cases when a gift is made to or received from a **government official** that has or seeks a business relationship with Pearson or with which Pearson seeks such a relationship, approval must be obtained from the **DESIGNATED MANAGER** and must be recorded.

Recording gifts

A log of gifts greater than **NOMINAL VALUE** given or accepted will be kept and will include a record of the gift's nature and value, the names of the giver and the recipient, the reason or occasion for the gift, and the fact of the approval of the giving or retention of the gift. Such logs must be filed and maintained for review by management or group internal audit.

F. 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. There may be circumstances in which individuals are left with no alternative but to make payment in order to protect against loss of life, limb or liberty. If these payments are made, they should be reported to the **DESIGNATED MANAGER** as soon as practical.

G. 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.

Appendix C

A. Country Specific Information (This is an example)

China

For holidays such as Chinese New Year and the Mid-autumn Festival, the relevant gifts will be allowed with the type and value of the gifts decided with the approval of the **DESIGNATED MANAGER** AND the Regional HR Director and Regional Finance Director.

PE China should properly account for all such gifts to ensure that they are fully logged and tracked in terms of value, receiver, receiver's position, purpose, etc.

B. Country Specific Designated Manager and Nominal Values

Designated Manager for ABC purposes:

Location:

Name:

Title:

Nominal value/amount for ABC purposes:

Hospitality/Entertainment	(per event)
Gift received	(per gift)
Gift made	(per gift)
Promotional goods	(per item)

NOTE: The information in Appendix C must be prepared for each company or region, as appropriate and the information should be reviewed and approved by the **DESIGNATED MANAGER**.