Growth through strategic execution

Annual report and accounts 2024

Growth through strategic execution

Pearson is a strong, trusted and diversified business fuelled by a compelling purpose. By executing against our strategy we will continue to enable and enrich lifelong learning journeys while driving growth and delivering value for all our stakeholders.

Omar Abbosh
Chief Executive

Strategic report

Governance report

Financial statements

Other information

The strategic report, up to and including page 67, was approved for issue by the Board on 13 March 2025 and signed on its behalf by:

Sally Johnson

Chief Financial Officer

Use this QR code to visit our Pearson plc website where you can find the online version of this report.

https://plc.pearson.com/en-GB/investors/2024-annual-report-accounts

SCAN ME

At a glance

Our purpose

We help people realise the life they imagine through learning.

2024 highlights: Growth through strategic execution

Sales

£3,552m

(2023: £3,674m) headline decrease of 3%

Underlying sales growth increase of

3%*

Free cash flow conversion**

117%

increase year-on-year of 26%

Adjusted operating profit

£600m

increase year-on-year of 10% on an underlying basis

* Taking portfolio adjustments and FX into account and excluding the OPM and Strategic Review businesses.

** Free cash flow conversion calculated as free cash flow divided by adjusted earnings.

Strong Group adjusted operating profit margin of 16.9%

Read more on pages 26-32

Strong cash performance, with free cash flow of **£490m**, and completed a multiyear £500m share buyback

Read more on pages 26-32

Scaled AI across our products and services, enhanced and extended the generative AI tools in our Higher Education courseware, and developed new AI tools in English Language Learning and Virtual Learning

Read more on page 6

Signed deals with ServiceNow, Degreed, Microsoft and AWS to help employees and organisations prepare for the future of work

Read more on page 7

What we do

1 Create and curate content

Produce assessments
Author Learning IP
Design courses
Write curriculum standards

2 Distribute content digitally and physically

Deliver assessments
Distribute lessons
Learning experiences
Facilitate teaching

3 Build and verify skills

Score assessments
Measure skills
Credential skills
Evaluate talent

Business unit overviews

Assessment & Qualifications

We deliver world-class testing and certification solutions through four distinct hubs: Pearson VUE, Clinical Assessment, US Student Assessment, and UK & International Qualifications.

Pearson VUE excels as a global leader in scaled testing services, serving a range of industry sectors with an extensive test centre network and flexible delivery options. We meet the critical need for workforce reskilling and professional certification, underpinning professional development.

In Clinical Assessment, we provide high-quality, research-backed assessment products for mental health and learning evaluations, serving the healthcare and education sectors.

Our US Student Assessment business specialises in customised large-scale testing programmes for US K-12 education, focusing on state-specific criteria and providing insights to stakeholders. Outside the US, we offer globally recognised UK-curriculum-based qualifications, such as GCSEs and A levels, as well as courseware for English-speaking regions throughout the world, supporting foundational student progression worldwide. These qualifications, coupled with our content expertise and scale of delivery, make us a key player in shaping global education standards and students' futures.

In 2024, Assessment & Qualifications continued to demonstrate strong financial performance, growth and overall customer retention. Pearson VUE is expanding its test prep offering and growing its enterprise assessment offering, while US Student Assessment is expanding into the formative assessment space.

In UK & International Qualifications, we are capitalising on the growing demand for international education, and Clinical Assessment is building out its international portfolio, creating new digitally-enabled business subscription models and providing solutions to be used in pharmaceutical trials.

In 2025, we will focus on maintaining our market-leading positions through contract renewals and new wins, while actioning emerging growth opportunities that include movement up the value chain, growth into adjacent market segments and geographic expansion.

Virtual Learning

We provide high-quality, highly accountable online learning solutions for K-12 students through two main offerings: Partner Schools (c.96% sales) and District Partnerships (c.3% sales).

Partner Schools provides tailored virtual school solutions to public K-12 districts in the US, combining Pearson's courseware, instructional services and support for high-quality, flexible online learning.

District Partnerships offers customisable virtual education solutions for K-12 districts, focusing on smaller student cohorts with a more disaggregated approach than Partner Schools, ensuring access to quality, adaptable remote learning for various needs.

We scaled our career and college readiness programmes and enhanced curriculum in 2024, and will expand the offering portfolio-wide in 2025. We also piloted a new enrolment portal, cutting the average time to enrol in half and driving underlying enrolment growth. Our 2025 goals include scaling our career and college readiness programmes, and continuing to drive efficiencies in enrolment.

Assessments are at the core of what we do and are a thread that runs across Pearson. We're proud of the global market-leading offer we have developed as a result of our quality products and excellent customer relationships.

Art Valentine

President – Assessment & Qualifications

Business unit overviews *continued*

Higher Education

We are the market leader in providing world-class learning experiences in the post-secondary market. We also compete in select disciplines for students in Secondary School Honours, Advanced Placement, International Baccalaureate, Dual Enrolment and Career and Technical Education (CTE) programmes.

We create teaching and learning experiences that are built on the front end of innovation to deliver positive outcomes at scale.

We bring learning to life for millions of students to help them succeed and create pathways to careers. We also leverage our strong relationships with educators to address their needs.

Our active learning is powered by features including AI study tools, formative assessments, audio and video media and practice modules. Our eText, MyLab and Mastering, and Revel products are created by expert authors, backed by learning science and personalised with interactive features.

In 2024, Higher Education returned to growth and grew adoption share, led by the expansion of AI study tools products in the US.

In 2025, we will focus on continuing to scale AI-enhanced offerings, winning adoption share and expanding our footprint in secondary education (e.g. Honours, Dual Enrolment, CTE), post-secondary and international markets – delivering exceptional value for learners and educators through continuous product innovation.

English Language Learning

We aim to become the world's leading destination for language learners to build and prove their proficiency in English. Our comprehensive language learning and assessment solutions include institutional courseware, Wizard by Pearson and Mondly by Pearson, designed for varied learning environments. For individuals looking to demonstrate their English proficiency, we provide the Pearson Test of English (PTE), Versant by Pearson and institutional proficiency assessments. We blend pedagogical expertise in English language education with advanced technology to deliver personalised, scalable learning and assessment solutions for individuals pursuing personal, academic, or professional objectives. In 2024, we achieved significant milestones, including the launch of PTE Core, our newest test designed to meet Canada's specific migration requirements. Wizard by Pearson in Brazil expanded, driven by its new online business and new government partnerships. During the year, we also developed two new AI products: one assisting teachers in generating lesson plans and another offering digital language tutoring. In 2025, we will continue to leverage AI and technology to enhance learning and assessment, with a focus on growth in key regions.

With demographic shifts and the transformative impact of AI in the jobs market, the importance of language learning as a differentiating skill will continue to grow.

Sharon Hague
President – English Language Learning

* Includes sales from the IT & Professional Learning (ITP) business which will move to the Enterprise Learning and Skills business from January 2025.

Workforce Skills**

We offer career-focused qualifications and enterprise talent solutions through two distinct offerings: Vocational Qualifications (VQ) and Workforce Solutions, which includes the General Education Development (GED) US High School certification alternative. Workforce Skills will evolve to become Enterprise Learning and Skills, incorporating IT & Professional Learning (ITP).

Our VQ business is a global leader in career-focused qualifications, offering programmes that are rooted in real-world work scenarios. These qualifications enable students, apprentices and workers in the UK and globally to develop and apply knowledge, skills and behaviours essential for employability. One in five working-age individuals in the UK holds a BTEC from Pearson, and its vocational qualifications are adopted by ministries of education globally to advance skills reform.

Workforce Solutions addresses the evolving needs of businesses for skilled talent in a rapidly changing economy, including responding to the opportunity and challenge of AI. We assist companies in understanding and bridging their skills gaps, through talent planning and sourcing and genuine skills development to deliver commercial objectives. Workforce Solutions will be renamed Enterprise Solutions from January 2025.

The GED helps individuals enter the workforce and pursue higher education, in addition to enabling employees to advance in their careers. It has over 20m graduates and is recognised across 90 countries.

In 2024, we delivered a strong performance, with our qualifications, learning and skills solutions performing well in institutional and corporate markets. We continued to acquire new customers and expand existing relationships, landing strategic partnerships with ServiceNow, AWS*** and Microsoft**** and expanding our partnership with Degreed.

In 2025, we will develop our talent planning, talent sourcing and talent development solutions, and drive market share by joining up Enterprise go-to-market (GTM) across Pearson and increasing customer value.

* Excludes sales from the IT & Professional Learning (ITP) business which sat in the Higher Education business in 2024.

** In January 2025, Workforce Skills evolved to become Enterprise Learning and Skills, bringing together Pearson's enterprise sales capabilities globally (excluding those of Pearson VUE) and incorporating IT & Professional Learning (ITP). The Enterprise Learning and Skills business unit will be led by Vishaal Gupta.

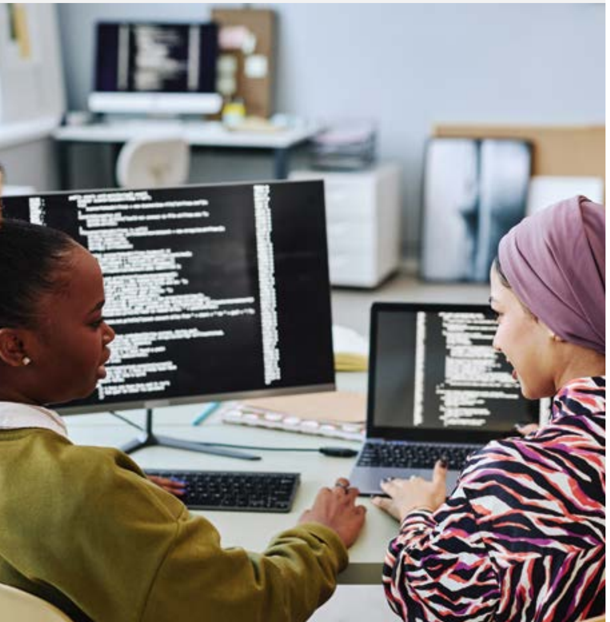
*** Announced in February 2025.

**** Announced in January 2025.

Accelerating our AI capabilities

Pearson's AI-driven innovation spans all our business units and corporate functions, each harnessing AI's transformative power to enhance learning experiences and drive efficiency and growth.

Each of our AI initiatives has the appropriate strategies and infrastructure in place to ensure that AI is being embraced and utilised in a responsible way. By integrating AI thoughtfully across our products and services, we are positioning Pearson to lead the next generation of learning – where every student can achieve their full potential through intelligent, personalised experiences and every teacher can benefit from maximum support and efficiency, allowing them to focus on pedagogy and students.



Higher Education

We have significantly expanded our AI-powered study tools across Pearson+ eTextbooks, Pearson+ Channels, MyLab and Mastering (MLM). This includes growing the number of eTextbooks and MLM titles that use AI tooling capabilities, as well as adding AI instructor tools to assist educators across a number of MLM titles. Select new AI features include automated creation of content based on a professor's curriculum, 'ask the video' capabilities and quiz-me study tools with AI-generated flashcards.

We have rolled out our AI study tools into global editions of leading higher education titles.

Virtual Learning

We have embedded AI study tools into Biology and World History homework questions to provide high school students with step-by-step assistance when they are faced with tricky course material. For teachers, we've launched AI-generated custom assessments for high school English Language Arts. The goal is to expand both the student and teacher AI tools to additional grades, including more subjects, as well as adopt the AI study tools from Pearson eTextbooks.

English Language Learning

We piloted Smart Lesson Generator, which leverages Pearson's trusted IP with generative AI to simplify educators' work and saves them time by creating customised lesson content and activities. In the 2024 pilot with selected institutions, 80% of activated users generated activities to support their lessons. In 2025, the focus will be on enabling educators to create personalised activities tailored to students' diverse needs, from those requiring extra support to those ready for advanced challenges.

We have also launched an AI-powered Digital Language Tutor, as part of Mondly by Pearson solution bundles, specifically designed to help businesses improve English proficiency at scale and unlock employee potential. The AI-tutor offers highly realistic, personalised training underpinned by trusted learning science, and builds on a successful pilot programme conducted with corporate clients.

Group-wide

We are deploying AI-driven code assistance to help the organisation develop and deploy code faster. Transitioning to a unified solution has resulted in consistent, secure coding practices and enhanced AI code generation capabilities. The result is a demonstrable increase in developer productivity and code quality.

Additionally, we are adopting a variety of data and analytical AI solutions to enable better data-driven decision making across our finance functions. Select initiatives include automating intelligent balance sheet reconciliation and adopting AI-enabled propensity to pay models to aid our cash conversion efforts.

Technology is transforming the skills and learning landscape at a faster pace than ever before. Our goal is to be at the cutting-edge of this technology, while ensuring we deliver on accuracy, safety and compliance.

Dave Treat
Chief Technology Officer

Capitalising on the enterprise opportunity

At Pearson, we help enterprises lead by enhancing workforce capability in the age of AI.

Organisations need flexible and connected solutions that can effectively prepare tomorrow's talent and foster resilience. Our enterprise solutions enable people-leaders to plan for, source and develop critical future skills that drive business outcomes and help them remain competitive in today's dynamic economy.

We help organisations unlock employee potential and trapped value, build agile teams and boost productivity. Our collaborations with global companies and industry leaders position Pearson as a trusted partner in enterprise upskilling.

As the skills landscape continues to shift as a result of transformational trends such as AI and demographic change, we will continue to refine and expand our enterprise capabilities to meet the evolving demands of businesses across multiple sectors.

At Pearson, we have the opportunity and a responsibility to help employers and employees upskill, so they can meet the future needs of a world increasingly shaped by AI.

Vishaal Gupta

President – Enterprise Learning and Skills

Assessment & Qualifications

In 2024, VUE secured several meaningful new enterprise customer contracts and renewals. One notable new customer is a Global Big Tech leader renowned for its comprehensive set of IT certification programmes in Customer Relationship Management (CRM) and Cloud Computing. The contract extends over five years, showcasing our focus on enterprise market expansion.

VUE's comprehensive suite of services addresses the intricate requirements of multinational organisations, providing end-to-end testing and certification capabilities across diverse technological and geographical landscapes. From establishing sophisticated sponsor systems to creating integrated test administration programmes, we are meeting the rigorous demands of enterprise clients worldwide. Our offerings span both in-person and online testing platforms, proctoring models and web service integrations, enabling us to solve complex challenges for global enterprise customers with precision and technological innovation.

Enterprise Learning and Skills

ServiceNow

Pearson is collaborating with ServiceNow to supercharge workforce development and employee experiences in the age of AI. Pearson's talent intelligence, credentialling and training solutions will allow ServiceNow to enhance learning for its teams and broader communities.

In the first phase of the engagement, ServiceNow will collaborate with Pearson on research and insights that analyse how emerging technologies will impact the workforce and will use Credly by Pearson to transform internal learning accreditation.

This multi-year deal will reshape how ServiceNow employees and professional communities develop critical skills for the AI era, enhancing workforce productivity, agility and adaptability.

Degreed

Pearson's partnership with Degreed empowers organisations to adapt their workforce skills to rapidly evolving technologies and market dynamics, ensuring long-term business resilience.

We will leverage Faethm data sets into Degreed's Skills dashboard to offer insights into trending and valuable skills across industries. With this capability, organisations will be able to compare their workforces' skills to industry benchmarks to identify gaps and prioritise upskilling investments.

Further integration between our respective products holds the promise of improved creation of learning pathways for a new level of market responsiveness.

Microsoft

In January 2025, Pearson and Microsoft announced a strategic partnership to address one of the most pressing global challenges: preparing the workforce for the AI-driven economy. This collaboration focuses on equipping employers, workers and learners with innovative AI-powered products and services designed to support skilling and reskilling across industries.

Partnership initiatives centre on personalised learning at scale, expanding existing Microsoft credentials and developing new ones. They include powering Pearson content, assessment, upskilling and certification services with Microsoft Azure Cloud Computing and AI infrastructure, rolling out new AI credentials and certifications, and collaborating on AI-enabled tools to help people develop skills and identify skills gaps while they work.

The partnership also extends Microsoft's relationship with Pearson VUE through 2029, emphasising a shared commitment to advancing skills development globally.

Amazon Web Services (AWS)

In February 2025, Pearson and AWS announced a global partnership to accelerate the delivery of AI-powered learning for millions of people around the world. As a strategic cloud provider to Pearson, AWS provides infrastructure and AI capabilities that enable Pearson to enhance the experience of its products and services and deliver them to learners at scale and speed. Building on a long-standing collaboration, AWS and Pearson are driving innovation in education and skills development to make learning more effective, efficient and accessible.

Chair's note

Pearson has come a long way in the short time that I have had the privilege of serving as its Chair, and I believe its best years lie ahead.

Omid Kordestani
Chair

2024 full year dividend growth

6%

Return on capital in 2024

10.5%

Overview

I would like to start by thanking all of Pearson's employees for their great contribution to another successful year under the guidance of Omar Abbosh, Pearson's new Chief Executive. We have witnessed huge and unprecedented change in our external environment such as the rapid development of AI and the need for upskilling employees, as well as significant progress within Pearson. Our company's purpose of helping people realise the life they imagine through learning is more relevant than ever, and the business continues to improve its ability to deliver on it.

A year of strong delivery

Pearson set three priorities for 2024: to deliver on market expectations, to sharpen its focus on the enterprise market and to increase the intensity with which it infuses products and services with a wide range of AI capabilities. I am pleased to say that by focusing on these priorities, Pearson has generated strong operational and financial outcomes across its five business units with a strategy to deliver long-term profitable growth.

This has resulted in a strong performance for shareholders, with distributions of £474m through dividends and the share buyback programme, and a total shareholder return for 2024 of 36%. I am confident in Pearson's ability to continue to deliver attractive sales growth with improving margins and strong cash flows to support both investment and shareholder distributions.

Reflecting on Pearson's robust performance in 2024, and the Board's confidence in the outlook for the business, the Board is recommending a 6% increase in the final dividend, for a full-year dividend of 24.0p per share. This will be paid on 9 May 2025 to shareholders on the register on 21 March 2025.

Significant strategic progress

During 2024, the Board oversaw a comprehensive review of Pearson's business and its markets. This process shone a light on the essence of Pearson and three core elements that span every market it serves: creating and curating content; distributing that content digitally and physically; and building and verifying skills.

In a world that is being shaped by powerful demographic shifts and rapid advances in AI, the review has reinforced the Board's conviction in Pearson's vital role as a trusted provider of learning and assessment services and the relevance of our intellectual property. As a digital-first business, Pearson is accelerating its use of AI across the company and using it as a growth driver to improve efficiencies and to enhance learning and assessment services.

The review has also informed Pearson's potential for growth, and it is re-orienting to take advantage of the growth opportunities in faster-growing adjacent markets in which it is well-positioned to succeed, with a particular focus on Early Careers and Enterprise Skilling.

Learning for impact

We know that business success relies on talented employees, who are motivated to lead. Pearson is strengthening its culture of engagement through embedding performance-driven values and behaviours, and empowering people to make a difference, underpinned by our shared belief in the important role we all play in helping people realise the life they imagine through learning. This will support sustained performance over the longer term as we support learning for everyone. Pearson is fully committed to ensuring an ethical and responsible application of advanced technologies in its products and services. It continues to enhance processes and systems to ensure adherence to the highest standards of compliance and reporting.

The Board

Pearson has a strong, effective and highly experienced Board, which offers valuable perspective, insight and leadership. There was one change to the membership of the Board in 2024 as Tim Score stepped down in April from his role as Deputy Chair and Senior Independent Director. I would like to thank him again for his long-serving contribution to Pearson, and I am delighted that Graeme Pitkethly has taken over as Deputy Chair and Senior Independent Director.

Governance

We have interacted with shareholders over the past year on a range of topics including strategy, corporate governance, environmental and social issues, as well as operational and financial performance. As ever, we take on board their feedback and seek to enhance our disclosures in the Annual Report. This is a journey of continuous improvement, and I look forward to hearing how we can continue to develop our approach.

As a Board, we are also committed to ongoing dialogue with our shareholders on remuneration, and in 2024 our outreach covered shareholders representing over 80% of Pearson's equity as well as certain proxy agencies and representative groups. We would like to thank all those who have participated in this engagement who provided us with constructive feedback. While there is a diverse range of views on this topic, a clear majority support our approach, which is designed to enable the business to attract and retain the talent required to drive Pearson's success. A number of shareholders have suggested that it would be beneficial to provide more comprehensive narrative disclosure on our engagement activities, our response to feedback, and the talent markets that inform our remuneration policies. We have sought to do this in the Directors' Remuneration Report on pages 113-136.

Outlook

The Board is pleased with Pearson's performance in 2024. It is confident that the updates to Pearson's strategy announced by Omar last year set the business up for sustained profitable growth that will continue to produce attractive returns for shareholders in 2025 and beyond. Pearson has come a long way in the short time that I have had the privilege of serving as its Chair, and I believe its best years lie ahead.

Omid Kordestani

Chair

Chief Executive's review

Pearson is a strong, trusted business that is well positioned to capitalise on emerging opportunities.

Omar Abbosh
Chief Executive

Adjusted operating profit in 2024

£600m

increase year on year of 10% on an underlying basis

Dear Shareholders,

After what has been a busy and exciting first year in my role as CEO, I have been able to dig deep into Pearson, its businesses and the opportunity ahead of us. I am pleased to report that my initial observations of Pearson still ring true. We are a strong business with a platform for growth. The strength of our high-quality content, assessments and qualifications, gives us a strong launch pad for our future aspirations. And, importantly, we are a trusted business and a brand seen as the gold standard in learning.

This year we once again delivered a strong financial performance with underlying sales growth of 3% (excluding OPM and the Strategic Review businesses) and adjusted operating profit of £600m, up 10% compared to 2023. Operating cash conversion was also strong at 110% and we achieved a free cash flow conversion of 117%.

Growth through strategic execution

These results reflect continued strategic progress against the priorities we set at the beginning of the year, along with the ongoing momentum we are seeing across the business. Our focus on execution in 2024 has resulted in a number of crucial wins and has laid the foundation for our future growth, specifically:

- In Assessment & Qualifications, Pearson VUE continued to deliver good growth despite a particularly strong prior-year performance. It also won and renewed a number of key contracts, supporting pipeline growth. PDRI also delivered strong growth following the completion of its acquisition last year. In recognition of the need to better equip professionals and students with AI skills we launched a new Generative AI Foundations certification, to be delivered on Pearson VUE's online testing platform (OnVUE) and in physical test centres.
- In English Language Learning (ELL), our Pearson Test of English continues to gain market share, despite challenging market dynamics. Additionally, ELL continues to be a leader in the use of AI across its products. In 2024, we piloted Smart Lesson Generator, to help educators create customised lesson content. And, we launched our first AI-powered Digital Language Tutor in our Mondly product in the fourth quarter.

- Higher Education returned to growth this year. This is an important milestone, as the business continues to drive improved execution in sales, while enhancing and expanding the AI tools integrated into our courseware.
- Within Enterprise Learning and Skills, we have signed strategic partnerships with ServiceNow, Degreed, Microsoft and AWS, all of which are designed to address issues that enterprises are facing in talent planning, sourcing and development. These significant, multi-year partnerships are an important part of our commitment to scale in the enterprise market.
- In Virtual Learning, we opened three new schools and added a further 19 career programmes. This brings our total number of schools to 40, with 24 career programmes across 30 states for the 2024/25 academic year. Students now have access to expanded college and career readiness offerings, including through credentials via Credly.
- Across the business, we have implemented and built AI powered tools supporting our efforts in customer service and content generation. We are now putting those into the hands of our people, with the goal of driving increased productivity and efficiencies supporting improved operational performance.
- Finally, we have implemented the foundations of driving a performance culture, with work to distinguish clear career tracks for our people. We are also optimising organisational spans of control within our management structure which has identified additional operational efficiencies within the business.

Closing the skills gap

As I've gotten to know the business and the environment in which we operate, I've been telling you about two seismic trends shaping learning and work: the breathtaking pace of AI change and massive demographic shifts. These are creating a global skills gap that, without intervention, risks becoming a global skills chasm. Pearson is uniquely placed to help solve this issue and create more opportunities for millions of people at all stages of their lives. This, in turn, creates opportunity for Pearson.

We see evidence of this as we increase our focus on the enterprise market and on our collaboration with partners who can help grow our business and solve important workforce challenges. Our multi-year deal with ServiceNow is aimed at accelerating the identification, development and validation of skills. As part of this, ServiceNow will collaborate with Pearson on research and insights, while Pearson will use ServiceNow's AI powered Now Platform to boost employee productivity, efficiency and talent retention.

Our renewed partnership with Microsoft extends the commercial relationship with Pearson VUE, drives incremental growth and provides an opportunity for us to enhance our AI and technology capabilities across the business. Importantly, it also addresses one of the key challenges facing organisations today: skilling in the age of AI. Together, we will launch a series of strategic, go-to-market collaborations aimed at helping people build AI proficiency. This way we drive joint innovation and growth for both companies.

Pearson also announced the expansion of the company's long-standing strategic partnership with AWS, which will enhance the learner experience of Pearson products through cloud and AI tools. This partnership allows Pearson to further scale its learning experience products, reaching more learners globally, with more personalised experiences, equipping them with the tools they need to succeed. In addition, this partnership also includes opportunities to co-develop innovative go-to-market products to help propel growth.

You can expect us to continue building the roster of capabilities with some of the world's leading players.

At the start of 2024, we set out to increase the intensity by which we infuse AI into our products and services. There are some wonderful examples across the business of how we're integrating AI into our offerings to enhance and personalise experiences for learners and educators.

In Higher Education we have continued to evolve and expand the AI tools embedded into our courseware since launching them in September 2023. We have received very encouraging feedback from students, and early results show that those using the tools were more likely to engage in active studying methods such as note-taking or self-testing. In addition, new tools for higher education faculty are helping them automate time-consuming tasks such as lesson planning. We've also applied our AI technology in our Connections Academy schools, where we have embedded AI study tools into our content, providing step-by-step guidance to help high school students through tough material.

I'm particularly encouraged to see the growing commercial momentum of these AI enhanced offerings alongside the strategic enterprise partnerships that we have established. As we look ahead, our priorities for 2025 won't stray from what we already have set out to do. We will deliver on market expectations, continue to lead on the application of innovative technologies such as AI, and grow our business across the enterprise customer segment.

I am excited about what the future holds and I believe that Pearson – fuelled by our purpose of helping people to realise the life they imagine through learning – is well positioned to capitalise on the opportunities presented by the shifting dynamics within the worlds of education and work.

Omar Abbosh
Chief Executive

Strategic framework

An integrated strategy

Overview summary

As the world's lifelong learning company, we are committed to delivering on our mission of helping individuals realise the life they imagine through learning. To do this, we are leveraging the strength of our brand and depth of our thought leadership to execute a simple but powerful strategy built on three interconnected pillars: (i) unlocking value from our core business, (ii) driving execution synergies, and (iii) capitalising on medium-term growth vectors.

We have a strong **core business** in Assessments & Verification, which is a significant part of our business today. By focusing on organic growth and performance management, we will continue to drive value by scaling our presence across multiple verticals and solution types. We are also prioritising targeted market expansion via capital allocation to faster growth segments and driving operational performance through areas ranging from sales, to sales operations, go-to-market execution and process optimisation, all leveraging the power of AI.

In addition to this focus, we will unlock additional value through execution-based **synergies** across all our business units, specifically from bundling products and services, a modern approach to software and product development, and a focus on strategic partnerships.

Finally, we will drive incremental **growth** by building on two critical growth vectors: demographic shifts and the expansion of AI, which we'll capture through additional solutions for Early Careers and Enterprise Skilling.

In Early Careers, we see a strong need for new approaches and alliances for talent development, based around career and technical education and apprenticeships, along with partnerships with educational institutions and enterprises. We continue to see the Enterprise Skilling market as significant, and we have several relevant capabilities that will scale through expanded go-to-market capabilities.

We will support these strategies through several operational enhancements. First, we have established a capital allocation approach that will invest more quickly into higher-growth segments and contribute to a higher, more sustained growth rate for the business over time. Second, we will maintain a deep focus on product innovation and aggressive deployment of modern technology, built upon our robust data and AI capabilities. Finally, we will lean on the excellence of our people and increase our execution orientation through a performance-based culture that will drive increased customer centricity, investment in our leaders and external collaboration in pursuit of value.

Pearson's Integrated Strategic Framework

Why	**The World's Lifelong Learning Company** Helping people realise the life they imagine through learning	
What	**Core**	Assessments & Verification
	Synergies	Product Bundling | Product Development | Strategic Partnering
	Growth Pillars	Early Careers | Enterprise Skilling
How	Capital Allocation | Innovation | Performance Culture	

Our business model and value drivers

A powerful **why**

Helping People Realise The Life **They Imagine** Through Learning

Why

Brand

Our brand stands as a symbol of trust, respect and excellence, embodying the quality that defines our company and strengthens our position in the marketplace.

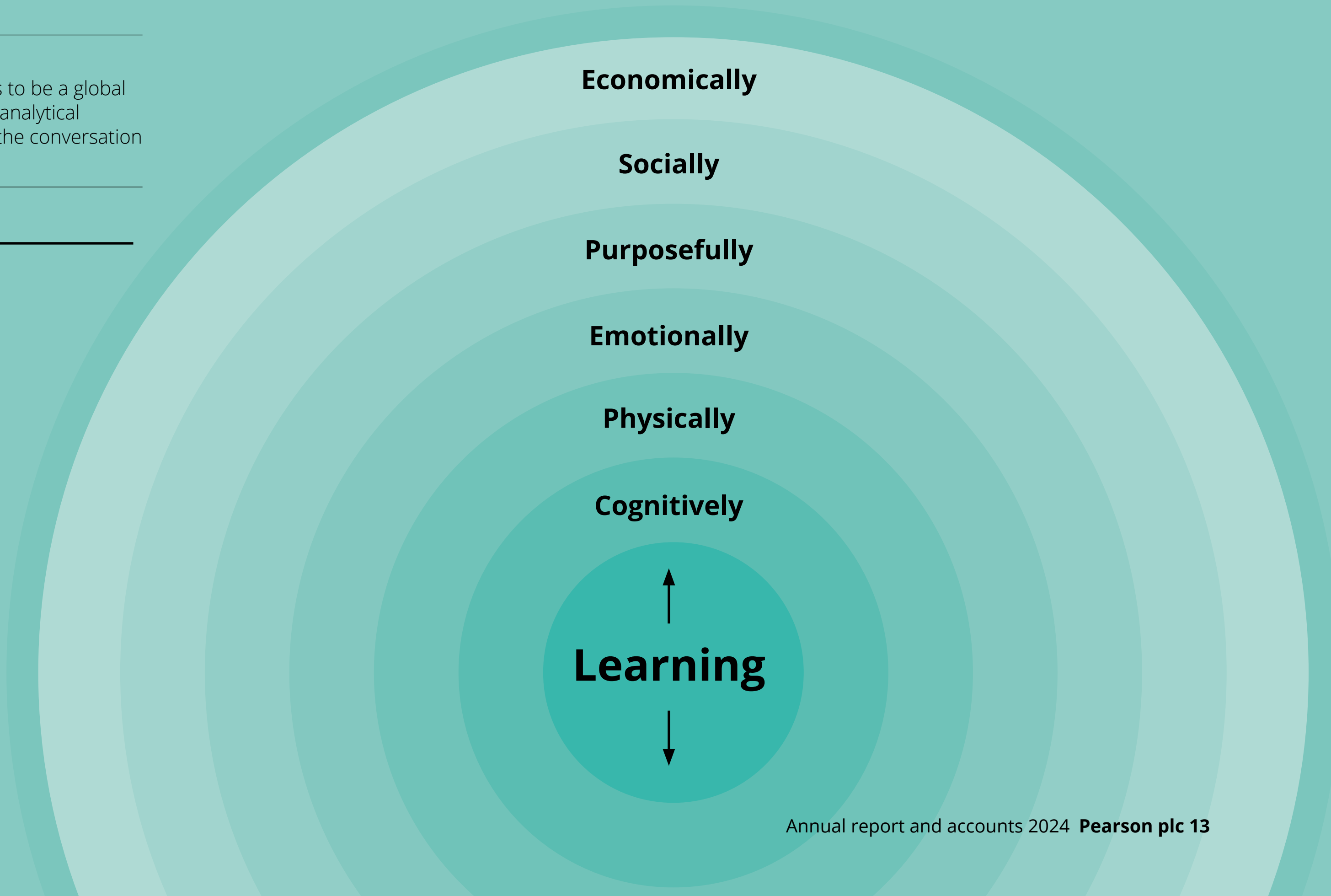
Thought Leadership

Our industry and customer knowledge allows us to be a global thought leader. We develop deep, rigorous and analytical perspectives, share domain insights and shape the conversation on key trends.

Our stakeholders

- **Educators**
- **Employers**
- **Business Partners**
- **Governments**
- **Consumers**
- **Communities**
- **Employees**
- **Shareholders**

Learning is a very human trait. Like sleep and nutrition, learning is vital in our lives, and we know that when we learn more, we get happier, we get healthier, we live longer and we can earn more.



* See pages 24 and 25 for our KPIs.

Our business model and value drivers *continued*

What we're doing to progress against our strategy

Growth driver			Progress in FY24	Plans for FY25
What	Core	**Assessments & Verification**	We built on our strengths in Assessments & Verification by enhancing our AI tools and capabilities, exploring opportunities for geographic and vertical sector expansion, driving cross-selling and assembling dedicated product and sales teams to support key growth initiatives. These efforts were underpinned by our unwavering commitment to maintaining customer trust and delivering a consistently high level of operational excellence.	We plan to expand our market presence by strengthening our formative assessment capabilities, while broadening our enterprise customer base through pre-hire assessments that support talent acquisition and workforce development. We are also building a strategy around the future of assessment and exploring new expansion opportunities across new verticals and solution types.
What	Synergies	**Product Bundling**	We reconfigured our incentive schemes, encouraging sales teams to bundle products and make it easier for customers to purchase them. We targeted the enterprise sector, where we built bundled solutions to address hiring and skill development challenges, streamline badge issuance and simplify contracting, while also bundling formative and summative assessment products in the US Student Assessment space.	We will expand our focus in enterprise by taking modular, commercial bundles to market, helping companies accelerate skilling in the era of AI. Solutions will integrate into existing talent lifecycles and tech stacks, addressing core challenges for business executives and HR teams. We will also implement key account management processes to enable more seamless experiences for our top customers.
What	Synergies	**Product Development**	We are adopting modern approaches to product design, development and deployment to drive sales and margin synergies. This includes platform modernisation, common services and data platforms, harmonised tech stacks and the adoption of tooling best practices, with an early achievement being the launch of our Digital Language Tutor. Our new 'Product Excellence' programme provides centralised oversight and governance, ensuring consistent quality and continued leadership in the application of innovative technology, like GenAI.	We are extending our platform modernisation initiatives to the enterprise sector, leveraging AI to enhance learning and experience platforms. We will improve our data architecture, establish a robust, enduring product governance framework and align the organisation to a unified architecture. Our adaptive product roadmap review cycle will drive courseware evolution and an optimised product mix while we continue to implement AI and data-driven solutions for content generation, enablement and customer support.
What	Synergies	**Strategic Partnering**	We are distinguishing between transactional and strategic relationships, opening up possibilities for reciprocal trade, joint go-to-market and joint innovation, while simultaneously consolidating vendor spend. We've expanded several relationships, including those with Microsoft and AWS, which are set to drive transformative change across our business.	We will focus on maximising value from our recently announced partnerships with Microsoft and AWS, while also finalising agreements with new strategic partners. We intend to leverage the capabilities and expertise of our key partners to drive scale, enhance our go-to-market strategies and deliver customer solutions aligned with evolving market demands.

What we're doing to progress against our strategy *continued*

Growth driver			Progress in FY24	Plans for FY25
What	**Growth Pillars**	**Early Careers**	We continued to build upon our unrivalled intellectual property and expertise in GED and vocational qualifications, grow our virtual career and technical education offering, and invest in our strong network of institutional and enterprise partners. We shared thought leadership focused on the future of work, implications of technological advancements and evolving roles of governments, educational institutions and enterprises. These efforts enabled us to support key stakeholders as they navigate the transformative impact of AI and demographic shifts on the future workforce.	We are advancing our commitment to future workforce readiness, launching new learning solutions that leverage our extensive career, technical, and professional content and expertise. We are also expanding industry association and employer partnerships to address critical skill gaps and labour shortages, and expand the scope of education pathways to employability.
		Enterprise Skilling	We demonstrated our commitment to growth in the Enterprise Skilling space through dedicated efforts to address several enterprise needs, including pre-assessing new employees, identifying high-value skills and aptitudes for Early Careers, creating learning and upskilling pathways, and supporting the redesign of the future workforce. Our recent collaborations with ServiceNow and Degreed, as well as the creation of Faethm's patented skill proficiency framework, further exemplify our commitment to impactful human capital investment.	The formation of Enterprise Learning and Skills as a dedicated business unit will enable a more focused execution model. We will continue to develop end-to-end Enterprise Skilling solutions that enable people-leaders to plan for, source, and develop future skills that drive business transformation and unlock employee potential. We will leverage our data analytics and insights capabilities to enable personalisation, while leveraging strategic partnerships and our new enterprise sales organisation to streamline go-to-market and enable flexible, cohesive offerings for our customers.

Our strategy is evolving to drive value from existing strengths while addressing emerging opportunities in order to deliver sustainable growth.

Sue Kolloru Barger
Chief Strategy Officer

How we create long-term stakeholder value

Our operational foundations

How

Performance Culture

People
Our people are the driving force behind our mission, passionately dedicated to empowering learners worldwide. Their commitment and expertise form the foundation of our success, shaping who we are and what we achieve as a company.

Partners
Our partners share Pearson's values and commitment to education. Our strong relationships with governments, customers, non-governmental organisations (NGOs) and other global organisations help us to amplify our positive impact on learners around the world.

We will remain committed to the needs, interests and development of our people and partners by continuing to invest in their growth, including in the evolution of our career architecture, pathways and internal mobility processes aimed at helping our people connect, learn and reskill.

Innovation

Data & Insight
Through the effective and responsible use of data, we are able to know our customers better and serve them more effectively. We are further developing our capabilities in data analytics and insights to help identify skill gaps and provide compelling solutions to workforce challenges.

R&D and Product Innovation
Our dedicated learning efficacy and product teams are committed to creating learning products that offer a great user experience and improved learning outcomes. Through ongoing innovation and Research and Development (R&D), we develop and incorporate the most advanced technologies, including generative AI, into our products and services.

Artificial Intelligence
We are integrating AI-driven tools across the company to enhance learning outcomes, personalise educational experiences and streamline operations. Our AI tools cater to both students and educators, enabling effective, impactful learning to take place at every stage of the educational journey.

We will continue to explore new technologies and methodologies to enhance learning experiences and outcomes, while also leveraging our innovation architecture to systematically identify, experiment with, and scale innovations to build a strong foundation for long-term growth. Through this journey, we will remain committed to responsible AI and ethical data practices, ensuring transparency, fairness and impact in education.

Capital Allocation

Capital Allocation
We align our investment priorities around where we see the best opportunities for growth and returns. Firstly, Assessments & Verification and then Enterprise Skills and Early Careers. English Language Learning is relevant to each of these areas of investment focus.

We will invest both organically and inorganically in high-growth segments to contribute to a higher, sustained growth rate over time, while keeping a net debt to EBITDA of around two times on average and upholding our dividend policy.

Evolving our brand

As the world's lifelong learning company, our purpose is clear: to help people realise the life they imagine through learning. This isn't just what we do, it's who we are, and we must reflect this in how we show up every day. With a focused business strategy that positions us for growth, we're seizing the moment to make our brand the driver it should be – a force that accelerates our ambitions and brings clarity and strength to everything we do.

We will launch our new brand in 2025, taking bold steps to strengthen our position as the leader in lifelong learning. We have developed a comprehensive brand strategy that not only differentiates us in a competitive marketplace but also amplifies the value we bring to our customers and stakeholders. We see a significant opportunity to reframe how people think about the role learning plays in their lives, elevating it to be as vital as sleep, nutrition and exercise. While achieving a specific grade, securing a new job or upskilling a workforce are significant outcomes, learning science has shown us that the effects are even more far-reaching. The research shows us that learning impacts us cognitively, physically, emotionally, purposefully, socially and economically. Our brand strategy is designed to highlight the true power of learning, its multi-faceted outcomes and our unique expertise, cementing our role as the partner of choice for learners and customers worldwide.

At the heart of this transformation is a new visual identity that unifies our portfolio under a modern, cohesive and impactful presence. Our refreshed brand will present us as a breakthrough leader, making it easier for our customers to understand and navigate the breadth of what we offer.

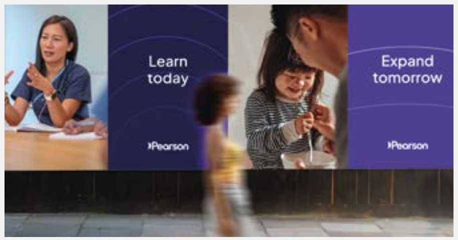
This clarity will drive deeper connections with our audiences, ensuring that we continue to stand out in the crowded landscape of learning and assessments.

We recognise that rolling out a new brand is a strategic journey, not an overnight change. To maximise its impact, we will implement this transformation in carefully planned phases, beginning with the areas that are most critical to our growth. This includes a focused emphasis on enabling key initiatives such as Enterprise Skilling and Early Careers – two segments where we see significant opportunities to expand our reach and deliver measurable value. By aligning our brand launch with these priorities, we are positioning ourselves to accelerate growth and enhance our impact on individual learners and organisations alike.

As we move forward, our new brand will be a powerful engine for progress, supporting our purpose and company behaviours. This evolution marks a significant milestone in our journey, underscoring our commitment to driving innovation and delivering meaningful outcomes for all those we serve.

This rebrand reflects our ambition to activate our purpose, strengthen our differentiated position, and deepen trust with our stakeholders through an even stronger, more focused brand identity.

Ginny Cartwright Ziegler
Chief Marketing Officer



Stakeholder engagement

Engaging with our stakeholders

Pearson has a diverse network of trusted relationships with stakeholders, allowing us to leverage their insights and create real impact. All of these stakeholders – shareholders, educators, employers, business partners, consumers, governments, communities, and employees – can contribute to driving growth for the company while helping people realise the life they imagine through learning.

Educational Institutions & Educators

Why and how we engage

Our engagement with educators not only enables us to better understand the evolving needs of the teaching profession, but also provides unique insights on the needs of learners at all levels. We also draw from the experience of educators to inform the development of our digital tools, which are designed to enhance the teaching and learning experience.

In our Virtual Schools business, our annual teacher and school leader conferences bring together teachers, school staff and Pearson teams to attend sessions facilitated by experts across the learning and education industry.

In our US Student Assessment business, we hold working sessions with educator committees in customer states as assessments are being developed.

In our Higher Education business unit, we employ a full-time team of active faculty advisers dedicated to supporting instructors in the set-up and use of our products. We conducted two surveys with faculty in 2024, measuring and tracking educator sentiment on the use of generative AI in learning and other topics. The business unit delivered nearly one hundred professional development webinars, including some dedicated exclusively to AI, that were attended by thousands of college and university instructors.

In our English Language Learning business unit, we are shaping our AI-powered Smart Lesson Generator tool with input and feedback from educators as part of its development. This tool is designed to help create customised lesson content and activities.

In the UK, we released the third Pearson School Report in 2024, which brings together the perspectives of over 9,000 educators and 2,000 students. The most recent report expanded in size and scope to build an even richer snapshot of life in schools and to articulate how educators are rising to meet challenges while embracing opportunities such as digital innovation.

Outcome of engagement

Our strong relationships with educators act as a differentiator for Pearson and allow us to become a trusted partner to them. Our engagement nurtures a better understanding among educators of our market offering, while also providing us with insights on attitudes and engagement with our products.

Many of our Pearson authors are also educators, as well as experts in their fields. They give us valuable insights about how their own students use our products, and they help us test new ways of using digital tools in the courseware they author.

Our Virtual Schools conferences ensure that educators learn from one another in peer-to-peer engagement, tailoring solutions and exploring learnings that support the needs of students.

In our Higher Education business, our faculty engagement provides ongoing feedback on new AI product features and helps us understand how to best tailor those features to the needs of faculty and students, helping to enhance their learning experience.

The Pearson School Report is another example of how listening to and engaging with educators builds trust and visibility with this important customer group.

We're engaging with learners and educators to inform how we evolve our AI tools and content, so we can create a frictionless and personalised learning experience.

Tom ap Simon

President – Higher Education and Virtual Learning

Employers

Why and how we engage

Employers are a key stakeholder for Pearson, with their views becoming increasingly important as demographic shifts and AI drive demand for new skills and new pools of talent. As a result of these dynamic shifts, we have identified Enterprise as a medium-term growth vector for the business, and ongoing consultation and conversations with employers have helped shape our offering and realise the opportunities we see in this space. We also provide useful insights that help employers understand the evolving labour market and shifting skills demands linked to the impact of AI.

Our Enterprise Learning and Skills business unit helps workers gain the skills they need to boost their employability and open new career opportunities. We also help employers understand, maintain and enhance the value of their most important asset – their people. In our Vocational Qualifications unit, we design Pearson's BTEC, Higher National and T Level qualifications with relevant sector experts and employers to ensure they cover the most relevant content.

We also provide employers with data, thought leadership and unique insights – shaping their business decisions and helping to raise the profile of Pearson as a leader in workforce upskilling, career learning and development.

This year Pearson VUE will launch its '2025 Value of IT Certification Candidate Report', the ninth in an ongoing series, analysing the experiences of nearly 24,000 professionals worldwide who have earned IT certifications with Pearson VUE. This global study offers insights into why individuals pursue certifications, how they benefit personally and professionally, and the effect on their organisation's performance.

The Pearson Skills Outlook reports, a thought leadership series that uses data to forecast skills trends, have become an important outreach and engagement tool with employers. Our Skills Outlook reports not only help with lead generation; they also provide data and information to employers and HR managers looking for a deeper understanding of in-demand skills and how they may change in the future.

English Language Learning has also published a large research report in 2024 that analyses the habits of English learners in five countries and explores how employers can better support them in the workplace.

Outcome of engagement

Engagement with employers helps us create offerings that meet the evolving needs of technology-driven labour markets and appeal to large enterprise customers. Specifically, engagement with our enterprise customers is helping us refine our offering and go-to-market approach. For example, we have signed a global multi-year deal with ServiceNow, the AI platform for business transformation, through which we aim to supercharge workforce development and employee experiences in the age of AI.

Business Partners

Why and how we engage

Working with partners that share our belief in doing business responsibly strengthens our supply chain relationships and reduces risk. This helps us to improve our product offerings and progress our commitments.

We continue to analyse the carbon performance of our major suppliers, including the use of language in our major supplier contracts. We regularly engage directly with a targeted pool of suppliers and encourage them to take steps to improve their maturity.

Outcome of engagement

These actions are having a direct impact on how we execute our procurement strategies and help grow our reputation as a responsible business.

We are investing in the success of high-performing organisations and contributing to the decarbonisation progress of those suppliers.

We are also seeking suppliers that enrich Pearson's products and services with a wider range of perspectives, and further earn the trust of our learners, while also investing in communities

We've made real progress building a tech strategy that supports a cross-functional approach to data, content delivery and product development.

MaryKay Wells
Chief Information Officer

Stakeholder engagement *continued*

Consumers

Why and how we engage

With our efforts to engage more deeply with consumers, Pearson is bringing to life its mission to create vibrant and enriching learning experiences designed for real-life impact. Our interaction with consumers helps us better understand how they use our products, perceive our company and feel about the trends driving learning in an era where digital consumption and AI are shaping the landscape.

We research and engage with consumers holistically by studying how they use our products, how they think and the culture that shapes their behaviour. This includes conducting consumer focus groups and ethnographic research, trend and sentiment analysis, and competitive analysis. We also survey consumers directly to gain unique insights.

This kind of engagement has been used inside Pearson+ and in Mastering to gauge user opinions on the effectiveness of our generative AI study tools.

Our Product teams also engage indirectly with consumers by analysing layers of student usage data and testing enhancements.

Our Connections Academy programme conducted research in 2024 on the impact of school/life balance on career planning, with over 1,000 US K-12 students and over 1,000 US parents.

As part of research on the impact of strong English skills on job satisfaction and pay, Pearson interviewed 1,000 speakers of English as a second or additional language from Japan, Saudi Arabia, Brazil, Italy and Florida (USA). According to 85% of respondents, English is important for their work life, and 88% think it will grow in importance over the next five years.

We are also making a concerted effort to push consumer insights further into the company, through newsletters, employee learning sessions and other resources. This helps us cultivate an ‘outside-in’ approach to understand the people who buy and use our products and services and generates greater awareness of the culture and trends that are impacting our business.

Outcome of engagement

Understanding our consumers allows us to be more effective in how we design and create our products, along with go-to-market strategies and ongoing implementation.

Consumer feedback has been critical in the roll-out of our generative AI tools in our Higher Education Courseware, and we take it into consideration throughout all stages of the product innovation process, including design and development, roll-out and expansion into new titles and continued iteration and feature enhancement.

In autumn 2024, feedback was positive, with 75% of students using the AI study tools ranking them as ‘helpful’ or ‘very helpful’ in achieving their academic goals. Early results also suggest that students who use the study tools are four times as likely to also be regularly employing non-AI study methods in the eText, meaning they are engaging more holistically. Our product managers act on other user feedback to improve AI experiences in real time.

We’re combining the gift of learning with innovation to deliver exceptional experiences for Pearson’s consumers – opening doors and creating transformational opportunities that can change lives.

Ginny Cartwright Ziegler
Chief Marketing Officer

Government & Regulators

Why and how we engage

Government policymakers across the world are charged with implementing policies to grow and sustain productive economies, ensuring that individuals have the educational and skill-development opportunities to achieve their life goals.

Pearson acts as an important partner to governments, schools, colleges, universities and the business sector to help achieve economic and educational goals within the countries in which we operate. The importance of our assessments means they often operate in highly regulated environments.

Governments everywhere are focused on how to position themselves for the future of work, and how to take advantage of technological advances to provide people with the requisite high-quality education and training that meets the needs of a rapidly evolving workforce.

Increasingly, the rise of AI use – particularly in the labour market – challenges governments to devise sound policies that take advantage of opportunities this technology brings, but also mitigate against risks to the labour force.

Governments need support as economies face labour shortages, particularly in high-demand sectors, and as students and workers seek accelerated learning opportunities and skill development. We engage with governments through meetings and presentations with elected and appointed government officials, and discuss key concepts including the impact of technological innovation on the local labour force, skills-based hiring, certifications and apprenticeships, which are all vital to economic growth in their region.

Outcome of engagement

Our engagement helps inform policy decisions and share best practice in focus areas related to education, training and recruitment. Countries from all regions are prioritising the critical topics of AI, digital transformation and energy transition when developing policies and allocating investment on education and skills.

Accordingly, we work with government leaders in key markets as they develop policies and programmes to meet their economic needs related to skills, training and education.

Communities

Why and how we engage

Pearson has a role in increasing access to education around the world through our products and services, as well as our participation in multi-stakeholder initiatives such as the UN Global Compact, WorldSkills UK and the Responsible Media Forum. Enabling more people to learn and develop skills empowers communities and drives socio-economic development.

We are supporting more learners through accessible, technology-enabled solutions. For example, in 2024 we provided immigrants with free access to our Pearson Test of English (PTE) in partnership with Talent Beyond Boundaries, and we offered free career planning and assessment support for girls in Afghanistan through online learning provider Victory Afghanistan.

Our employees engage with their local communities through volunteering, benefitting from five days of paid leave per year to support educational or charitable causes. Credly badges recognise the skills they develop through volunteering. We also piloted interactive sustainability learning sessions with our not-for-profit partners Fresk and Planet on Stage.

Outcome of engagement

Our engagement helps inform policy decisions and share best practice in focus areas related to education, training and recruitment. Countries from all regions are prioritising the critical topics of AI, digital transformation and energy transition when developing policies and allocating investment on education and skills.

In 2024, our employees volunteered over 33,000 hours in support of 360 causes. Employee participation in Learning for Impact activities increased in 2024 to 11%, exceeding the global average.

We also donated $90,360 in humanitarian aid to the American Red Cross for hurricane relief.

Read more about our community engagement initiatives in Learning for Impact on page 38.

Stakeholder engagement *continued*

Employees

People and culture

We are committed to creating exceptional employee experiences, meaningful career opportunities and a high-performing culture that empowers our people to work in service to our customers. Our purpose is clear: we help people realise the life they imagine through learning.

This is the foundation that makes Pearson a great place to work. We strive to be a company where people bring our purpose to life, raise the bar and advance in their careers. When our people's needs are met, we believe we can better meet the needs of our customers and drive sustainable growth.

Our business success and ability to positively impact society heavily rely on our people, who are Pearson's greatest asset. We also know that managers account for as much as 70% of the variance in employee team engagement. We empower our managers with ongoing training and the right tools to foster a culture of engagement and drive performance, so our people can reach their full potential.

At the enterprise level, we regularly communicate with our people through interactive forums, town halls and newsletters.

Outcome of engagement

Throughout 2024, we encouraged managers to hold regular one-to-one meetings with their direct reports. Additionally, in 2024, 88% of employees actively participated in our engagement survey with a Grand Mean score of 4.16 on a 5-point Likert scale, up from 82% and 4.09 respectively in 2023.

Investors/Shareholders

Why and how we engage

Our shareholders play an important role in both monitoring and safeguarding the governance of our company and in providing access to capital. Some shareholders are also employees, who have a critical role to play in the continued success of our business.

We have strong and constructive relationships with our key institutional investors and shareholders and regularly communicate with them on key issues, including at our financial results, our AGM and at investor meetings and conferences. We held nearly 400 meetings with over 200 institutions over 2024, both virtually and in person, and discussed financial, operational and strategic matters.

Outcome of engagement

Our investors appreciate the time we spend with them providing updates on our strategy and progress, and we continue to develop how to communicate effectively to investors across a range of formats.

Our 2024 AGM was held as a hybrid (combined physical and electronic) meeting, enabling shareholders to participate, ask questions and vote on resolutions via a live webcast, without being physically present.

We have sought to respond to shareholders' requests to provide more comprehensive narrative disclosure on our engagement activities, our response to feedback, and the talent markets that inform our remuneration policies. You can read more in the Directors' Remuneration Report on pages 113-136.

Directors' duties statement

In accordance with Section 172 of the Companies Act 2006 (see box to the right), the Directors fulfil their duties to promote the success of the company through a well-established governance framework. Typically, in large and complex businesses such as Pearson, this framework includes delegation of day-to-day decision-making to employees of the Group.

This governance framework, summarised throughout this document, is far more than a simple delegation of financial authority, and includes the values and behaviours expected of our employees and business partners, including the standards to which they must adhere; how we engage with stakeholders, including understanding and taking into account their views and concerns; and how the Board ensures that we have a robust system of control and assurance processes in place.

In this annual report, we provide examples of how the Directors promote the success of Pearson while taking into account the consequences of decisions in the long term, building relationships with stakeholders (including our eight key stakeholder groups, as mentioned previously), and ensuring that business is conducted ethically and responsibly.

While there are many parts of this annual report that illustrate how the Directors do this, with the support of the wider business, the following sections in particular are relevant:

- Engaging with our stakeholders (pages 18-22), which outlines:
  - How we serve and engage with each of our eight key stakeholder groups, listen to their key concerns and provide our responses.
  - How we have adapted our business to meet their needs.
  - How we have had regard to the need to foster the company's business relationships with each of the stakeholder groups.
- Understanding our stakeholders (pages 84-85), which summarises:
  - How Directors have engaged with employees and shareholders, and had regard to their interests.
- Sustainability (pages 33-56), which describes:
  - Initiatives through which we strive to enable more engaging learning experiences, that are accessible to more people, and with a smaller carbon footprint.
  - Our commitment to creating a culture that prioritises our customers, employees and sustainable procurement practices.
  - How we align with widely accepted Sustainability reporting frameworks including GRI, SASB and TCFD. For further details on TCFD reporting, please see pages 44-48.

A continued understanding of the key issues affecting stakeholders is an integral part of the Board's decision-making process. The insights that the Board gains through its engagement mechanisms form an important part of the context for all the Board's discussions and decision-making processes. For an insight into how the Board has considered the interests of various stakeholders in its decision-making, and the matters the Directors considered when balancing various stakeholder perspectives, please see our case study on page 86.

Section 172 of the Companies Act

In summary, as required by Section 172 of the Companies Act 2006, a Director of a company must act in the way they consider, in good faith, would most likely promote the success of the company for the benefit of its shareholders as a whole. In doing this, the Director must have regard, among other matters, to:

a. the likely consequences of any decisions in the long term,

b. the interests of the company's employees,

c. the need to foster the company's business relationships with suppliers, customers and others,

d. the impact of the company's operations on the community and environment,

e. the company's reputation for high standards of business conduct, and

f. the need to act fairly as between members of the company.

Key performance indicators for 2024

Monitoring progress

Non-financial measures

See how this aligns strategy to management reward: page 119

Digital Growth

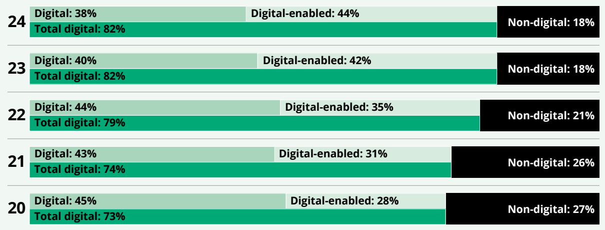
Objective: Drive digital sales growth

Digital sales

Underlying growth in group digital and digital-enabled sales

+3%
(2023: +3%)

+4%*
*Excluding OPM and Strategic Review



Partner Schools US enrolments[a]

96k
(2023: 100k)

OnVUE volumes

2.3m
(2023: 2.7m)

PTE volume

1,108k
(2023: 1,231k)

Higher Education US digital subscriptions

10.1m
(2023: 9.8m)

Consumer Engagement

Objective: Create engaging and personalised consumer experiences

NPS for Connections Academy

+67
(2023: +67)

NPS for PTE

+60
(2023: +55)

Mondly paid subscriptions

495k
(2023: 432k)

Credly new registered users

6.0m
(2023: 5.3m)

Pearson+ registered users

3.06m
(2023: 3.03m)

Product Effectiveness

Objective: Improve the effectiveness of our products to deliver better outcomes

PTE speed of score return

1.3 days
(2023: 1.0 days)

VUE test volumes[b]

20.7m
(2023: 20.7m)

VUE partner retention

99%
(2023: 94%)

Workforce Skills number of enterprise customers

1,509
(2023: 1,547)

Credly enterprise customer net retention rate[c]

91%
(2023: 88%)

Higher Education product usage – text units

4.7m
(2023: 4.5m)

Culture of Engagement & Community

Objective: Build a high performance culture, community and highly engaged workforce

Employee engagement

Pearson uses the Gallup Q[12®] survey to measure engagement, annually

4.16
Grand Mean on a 5-point Likert scale

(2023: 4.09)

Investing in talent

The % of responses who agree or strongly agree to Gallup Q[12®] survey questions

In the last six months, someone at work has talked to me about my progress

78%
(2023: 73%)

This last year, I have had opportunities at work to learn and grow

77%
(2023: 76%)

Culture index

The Grand Mean of 3 Gallup Q[12®] survey questions

- At work, I am treated with respect
- My company is committed to building the strengths of each employee
- If I raised a concern about ethics and integrity, I am confident my employer would do what is right

4.24
Grand Mean on a 5-point Likert scale

(2023: 4.21)

Increasing talent R

Objective: Increase BIPOC/BAME representation at all manager levels and maintain overall gender parity

Representation of BIPOC/BAME employees at manager level and above

23%
(2023: 22%)

Global % of female employees

59%
(2023: 59%)

Sustainability Strategy

R **Objective: Reduce emissions by 50% by 2030 vs 2018, and achieve Net Zero Carbon by 2050 as measured through % carbon reduction**

Reduction in total tCO_2 in 2024 (vs 2018)[d]

41%

Reduction in total tCO_2 in 2023 (vs 2018)[d]

38%

a. Measure definition has changed to number of government-funded student enrolments at partner schools within the US as of 30 September 2023. Excludes private-pay students at Pearson Online Academy and district partnerships. This is more closely aligned to business processes.

b. VUE test volumes include PTE and GED tests but sales for each of these tests are reflected in the English Language Learning and Workforce Skills business units respectively. From 2024 Pearson VUE test volumes now include PDRI tests.

c. Previously reported 'Workforce Skills enterprise customer net retention rate' which combined Credly and Faethm. Methodology change to only include Credly customer retention going forward as Faethm is not a retention based business.

d. The net emissions reduction figures have been assured by an independent third-party, SLR Consulting Ltd. % reduction in total tCO_2e above is calculated using a location-based methodology. In 2024, we updated our 2018 and 2023 GHG emissions baselines to reflect recent acquisitions and disposals, and to align with changes in data methodology as a result of transitioning to a new emissions data management system. Annual reductions include a 5% reduction in total tCO_2e in 2024 vs 2023.

- Please find further details on our Strategic KPIs here **https://plc.pearson.com/en-GB/company/our-targets-kpis**

Delivering results

Financial measures

Sales[b]

R

£3,552m

24	£3,552m
23	£3,674m
22	£3,841m
21	£3,428m
20	£3,397m

This is our sales as reported in our income statement.

Adjusted operating profit[a]

R

£600m

24	£600m
23	£573m
22	£456m
21	£385m
20	£313m

A non-GAAP financial measure that enables management to consistently track the underlying operational performance of the Group.

Operating profit[b]

£541m

24	£541m
23	£498m
22	£271m
21	£183m
20	£411m

This is our operating profit as reported in our income statement.

Net debt[a]

£853m

24	£853m
23	£744m
22	£557m
21	£350m
20	£463m

This is a non-GAAP financial measure and is used by management to assess the Group's cash position.

Adjusted earnings per share[a]

62.1p

24	62.1p
23	58.2p
22	51.8p
21	34.9p
20	28.7p

A non-GAAP financial measure used to evaluate performance.

Basic earnings per share[b]

64.5p

24	64.5p
23	53.1p
22	32.8p
21	23.5p[d]
20	43.7p[d]

A measure of the amount of profit that can be allocated to one share of our common stock.

Operating cash flow and cash conversion[a]

R

£662m

24	£662m (110%)
23	£587m (102%)
22	£401m (88%)
21	£388m (101%)
20	£315m (101%)

Operating cash flow is an adjusted measure and is presented in order to align the cash flows with corresponding adjusted operating profit measures.

Net cash generated from operations[b]

£811m

24	£811m
23	£682m
22	£527m
21	£570m
20	£450m

This is our net cash generated from operations as reported in our cash flow statement.

Dividend per share

24.0p

24	24.0p
23	22.7p
22	21.5p
21	20.5p
20	19.5p

This is the proposed full year dividend. Our dividend policy is to be progressive and sustainable.

Total shareholder returns[c]

R

36%

1 year	36%
3 year	+125%
5 year	+130%

This is a measure of financial performance of shares over time.

Return on capital[a]

R

10.5%

24	10.5%
23	10.3%
22	8.7%
21	7.9%

A non-GAAP measure of how efficiently we are generating returns from our asset base.

a. See pages 219-224 for an explanation and reconciliation of these alternative performance measures and non-GAAP measures.
b. Statutory measure
c. Source: LSEG Workspace Datastream
d. Comparatives were restated in 2022

Note: See pages 219-224 for full reconciliation of the alternative performance measures to the equivalent statutory measure.

R **See how this aligns strategy to management reward: page 119**

Financial review

2024 was another year of good financial performance. The progress we have made over recent years shows real momentum in the business, which gives us confidence in delivering our guidance for 2025 and beyond.

Sally Johnson
Chief Financial Officer

Financial Summary

£m	2024	2023
Business performance		
Sales	**3,552**	3,674
Adjusted operating profit	**600**	573
Operating cash flow	**662**	587
Free cash flow	**490**	387
Adjusted earnings per share	**62.1p**	58.2p

£m	2024	2023
Statutory results		
Sales	**3,552**	3,674
Operating profit	**541**	498
Profit for the year	**435**	380
Net cash generated from operations	**811**	682
Basic earnings per share	**64.5p**	53.1p

Throughout this section: a) Growth rates are on an underlying basis unless otherwise stated. Underlying growth rates exclude currency movements and portfolio changes; b) The ‘business performance’ measures are non-GAAP measures, and reconciliations to the equivalent statutory heading under IFRS are included in the financial key performance indicators section on pages 219-224; c) Constant exchange rates are calculated by assuming the average FX in the prior year prevailed through the current year.

Group Financial Expectations

2025 expectations					Medium term guidance reconfirmed
Underlying sales growth	Adjusted operating profit	Free cash flow conversion	Interest**	Tax**	
In line with current market expectations		90-100% + £0.1bn State Aid repayment	c.£65m	24% to 25%	Mid-single digit underlying sales Compound Annual Growth Rate (CAGR) Average margin growth of 40 basis points (bps) per annum* 90-100% free cash flow conversion, on average, across the period

* Adjusted operating profit margins. ** As reflected in adjusted earnings.
NB: 2025 consensus on the Pearson website dated 27 January 2025; underlying sales growth 4.4%, adjusted operating profit of £656m at £:$ 1.23.
For reference, each 1c move in USD FX rate equates to £5m of adjusted operating profit.

Operating results

On a headline basis, sales decreased by £122m or 3% from £3,674m in 2023 to £3,552m in 2024 and reported operating profit increased by £43m from £498m in 2023 to £541m in 2024. In addition, adjusted operating profit increased by £27m or 5% from £573m in 2023 to £600m in 2024 (for a reconciliation of this measure see page 28 and note 2 to the consolidated financial statements).

The reported operating profit of £541m in 2024 compares to an operating profit of £498m in 2023 due primarily to unfavourable FX movements, investment and inflation costs being offset by operating leverage on sales growth and cost efficiencies.

The headline basis simply compares the reported results for 2024 with those for 2023. We also present sales and profits on an underlying basis which excludes the effects of exchange, the effect of portfolio changes arising from acquisitions and disposals and the impact of adopting new accounting standards that are not retrospectively applied. Our portfolio change is calculated by excluding sales and profits made by businesses disposed in either 2024 or 2023 and by ensuring the contribution from acquisitions is comparable year on year. Portfolio changes mainly relate to the disposals of the Group's interests in Pearson Online Learning Services ('POLS'), Pearson College, our international courseware local publishing business in India and businesses within Higher Education in 2023, and the acquisition of PDRI in 2023.

On an underlying basis, sales increased by 2% in 2024 compared to 2023 and adjusted operating profit increased by 10%. Currency movements decreased sales by £104m and decreased adjusted operating profit by £26m. Portfolio changes decreased sales by £97m and decreased adjusted operating profit by £6m. There were no new accounting standards adopted in 2024 that impacted sales or statutory or adjusted operating profits.

2025 outlook

We expect Group underlying sales growth and adjusted operating profit will be in line with current market expectations. Our interest charge will be c.£65m reflecting the impact of the Education Bond and our intention to commence a £350m share buyback. We expect the effective tax rate on adjusted profit before tax to be between 24% and 25%. From January this year, Workforce Skills became Enterprise Learning and Skills, bringing together Pearson's enterprise sales capabilities globally (excluding those of Pearson VUE).

- In Assessment & Qualifications we expect sales growth of low to mid-single digit.
- In Virtual Learning we expect to return to growth in H2 and the full year, driven by enrolment increases, partially from new school openings, for the 25/26 academic year.
- In Higher Education we expect sales growth in 2025 to be higher than in 2024 as we build on the successful results of our sales team transformation and product innovations, particularly using AI.
- In English Language Learning we expect that sales growth will moderate given the likely impacts of elections on immigration rates in 2025 affecting our PTE business.
- In Enterprise Learning and Skills we expect sales to grow high single digit with Vocational Qualifications seeing solid growth and the addition of several new contracts for Enterprise Solutions.
- Included within this guidance is new investment to support our strategy and drive growth, including brand and innovation spend, as well as transformation costs. This investment is more than offset by the margin on sales growth, and operational improvements which drive the Group's margin expansion.
- We expect a free cash flow conversion of 90-100% plus the anticipated £0.1bn State Aid repayment in 2025.

Financial review *continued*

All figures in £ millions	2024	2023
Operating profit	**541**	498
Add back: Cost of major reorganisation	**(2)**	–
Add back: Property charges	**–**	11
Add back: Intangible charges	**41**	48
Add back: UK pension discretionary increases	**13**	–
Add back: Other net gains and losses	**7**	16
Adjusted operating profit	**600**	573

Adjusted operating profit includes the results from discontinued operations when relevant but excludes charges for acquired intangible amortisation and impairment, acquisition related costs, gains and losses arising from disposals, the cost of major reorganisation and associated property charges and one-off costs related to the UK pension scheme. A summary of these adjustments is included below and in more detail in note 2 to the consolidated financial statements.

In 2024, the costs of major reorganisation relate to a release of £2m for amounts previously accrued that are no longer required.

In 2024, there are no property charges. In 2023, charges of £11m relate to impairments of property assets arising from the impact of updates in 2023 to assumptions initially made during the 2022 and 2021 reorganisation programmes.

Intangible amortisation charges in 2024 were £41m compared to a charge of £48m in 2023. This is due to decreased amortisation from recent disposals partially offset by additional amortisation from recent acquisitions.

UK pension discretionary increases in 2024 relate to one-off pension increases awarded to certain cohorts of pensioners in response to the cost of living crisis.

Other net gains and losses in 2024 relate to costs arising from prior year acquisitions and disposals, partially offset by a gain on the partial disposal of an investment in an associate. In 2023, other net gains and losses relate largely to the gain on disposal of the Pearson Online Learning Services (POLS) business and gains relating to the releases of accruals and a provision related to previous acquisitions and disposals, which were more than offset by losses on the disposal of Pearson College and costs related to disposals and acquisitions.

Business Unit Results

£m	2024	2023	Headline growth	CER Growth	Underlying growth
Sales					
Assessment & Qualifications	**1,591**	1,559	2%	4%	3%
Virtual Learning	**489**	616	(21)%	(19)%	(4)%
Higher Education	**826**	855	(3)%	(1)%	1%
English Language Learning	**420**	415	1%	8%	8%
Workforce Skills	**226**	220	3%	4%	6%
Strategic Review	**–**	9	(100)%	(100)%	(100)%
Total	**3,552**	3,674	(3)%	0%	2%
Total, excluding OPM[1] and Strategic Review[2]					3%
Adjusted operating profit/loss					
Assessment & Qualifications	**368**	350	5%	8%	7%
Virtual Learning	**66**	76	(13)%	(9)%	(9)%
Higher Education	**108**	110	(2)%	2%	12%
English Language Learning	**50**	47	6%	30%	30%
Workforce Skills	**8**	(8)	200%	188%	200%
Strategic Review	**–**	(2)	100%	100%	100%
Total	**600**	573	5%	9%	10%

1. We completed the sale of the Pearson Online Learning Services (POLS) business in June 2023 and as such have removed it from underlying measures throughout. Within this specific measure we exclude our entire OPM business (POLS and ASU) to aid comparison to guidance.
2. Strategic Review is sales in international courseware local publishing businesses which have been wound down. As expected, there are no sales in these businesses in 2024.

Assessment & Qualifications

In Assessment & Qualifications, sales increased 2% on a headline basis and 3% on an underlying basis. Adjusted operating profit increased 7% in underlying terms due to operating leverage on sales growth partially offset by inflation, and 5% in headline terms due to this and portfolio changes partially offset by currency movements.

Pearson VUE sales were up 3% in underlying terms driven by favourable mix, with PDRI seeing good growth. Pearson VUE test volumes remained stable year on year and we improved upon our already high contract renewal track record, reporting a rate of 99% across the business for 2024.

In US Student Assessment, sales increased 1% in underlying terms supported by several key contract renewals.

In Clinical Assessment, sales increased 4% in underlying terms due to pricing, digital product growth and successful new product launches.

In UK and International Qualifications, sales increased 8% in underlying terms benefitting from volume, pricing, and International growth.

Virtual Learning

In Virtual Learning, sales decreased 21% on a headline basis primarily due to the final portion of the OPM ASU contract in the first half of 2023, the disposal of the POLS business and currency movements, and 4% on an underlying basis. Adjusted operating profit decreased 9% in underlying terms, with the prior year comparator benefitting from the ASU contract. Adjusted operating profit decreased 13% in headline terms due to this coupled with the disposal of the POLS business and currency movements.

Virtual Schools sales were down 1%, due to the previously announced partner school losses. Enrolments for the 2024/25 academic year were up 4% on a same school basis and we also opened 3 new schools in 2024 taking our total to 40.

Higher Education

In Higher Education, sales decreased 3% on a headline basis and grew 1% on an underlying basis. Adjusted operating profit increased 12% in underlying terms driven primarily by cost savings partially offset by inflation, restructuring charges and one off investment in building a K-12 direct sales channel, and decreased 2% in headline terms due to this, portfolio changes and currency movements.

In the US, sales grew 2% driven by continued gains in adoption share, enrolments, and pricing, partially offset by mix impacts. There was strong growth in Inclusive Access, up 24%, and we delivered 3% growth in US digital subscriptions. Pearson+ registered users increased 1% compared to the prior Fall semester, with paid subscriptions flat over the same period. In addition, we have been successful in monetising our Channels product.

English Language Learning

In English Language Learning, sales were up 1% on a headline basis due to strong growth in Institutional offset by currency movements and 8% on an underlying basis. Adjusted operating profit increased by 30% in underlying terms due to operating leverage on sales and increased 6% in headline terms as this was partially offset by currency movements.

PTE performed well against a tough market backdrop of tightening migration policies. While volumes declined 10% we grew the business and continued to gain market share. Our Institutional business continues to deliver a strong performance especially in the Middle East and Latin America markets. Our Online Self-Study business, Mondly, performed well with paid subscriptions increasing 14% versus the prior year.

Workforce Skills

In Workforce Skills, sales were up 3% on a headline basis and 6% on an underlying basis. The business unit turned profitable in 2024 delivering an adjusted operating profit of £8m due to trading and cost efficiencies.

Sales growth was driven by solid performances in both the Vocational Qualifications and Workforce Solutions businesses. The Vocational Qualifications business grew by 5% in underlying terms. The Workforce Solutions business grew by 6% in underlying terms with the Credly enterprise customer net retention rate increasing to 91%.

Net Finance Costs

Net finance costs increased on a headline basis from a net cost of £5m in 2023 to a net cost of £31m in 2024. The increase is primarily due to increased borrowings and losses on investments held at fair value through profit and loss (FVTPL) compared to gains in 2023, partially offset by gains arising from mark to market movements on derivatives compared to losses in 2023 and the recognition of interest related to the favourable decision on the State Aid matter (see Taxation section and note 7 to the consolidated financial statements for further details).

Adjusted net finance costs reflected in adjusted earnings in 2024 was £45m, compared to £33m in 2023. The difference is primarily due to increased interest costs on borrowings, partially offset by interest recognised in relation to the State Aid matter (see Taxation section and note 7 to the consolidated financial statements for further details).

Net finance income in respect of retirement benefits has been excluded from our adjusted earnings as we believe the income statement presentation does not reflect the economic substance of the underlying assets and liabilities. Also included in the net finance costs (but not in our adjusted measure) are interest costs relating to acquisition or disposal transactions as it is considered part of the acquisition cost or disposal proceeds rather than being reflective of the underlying financing costs of the Group. Foreign exchange, fair value movements on investments classified as FVTPL and other gains and losses on derivatives are excluded from adjusted earnings as they represent short-term fluctuations in market value and are subject to significant volatility. Other gains and losses may not be realised in due course as it is normally the intention to hold the related instruments to maturity. Interest on certain tax provisions is excluded from our adjusted measure in order to mirror the treatment of the underlying tax item. In 2024, the total of these items excluded from adjusted earnings was income of £14m compared to income of £28m in 2023.

All figures in £ millions	2024	2023
Adjusted net finance costs	**(45)**	(33)
Finance income in respect of retirement benefits	**21**	26
Fair value movements on investments held at FVTPL	**(11)**	13
Other net finance costs	**4**	(11)
Net finance costs	**(31)**	(5)

Financial review *continued*

Taxation

The reported tax charge on a statutory basis in 2024 was £75m (14.7%) compared to a £113m charge (23.0%) in 2023. The reduction in the statutory rate of tax in 2024 is principally due to the release of provisions held in relation to the State Aid matter. In September 2024, the Court of Justice of the European Union ('CJEU') handed down its decision, finding that no State Aid had been provided and as a consequence annulling the European Commission's previous decision in full and setting aside the judgment of the EU General Court. In light of the CJEU decision, the Group has now fully released the £63m provision for tax and £5m provision for interest on tax held in relation to this matter, leaving on the balance sheet a receivable for the £97m tax and £8m interest on tax paid under the Charging Notices issued by HMRC in 2021. These receivables have now been reclassified as current assets. In addition, HMRC Guidance issued to facilitate these pending repayments confirms that interest will be paid on the tax element of the amounts previously collected and a £9m interest accrual has also therefore been recorded as mentioned in net finance costs sections above.

The tax on adjusted earnings in 2024 was a charge of £136m (2023: £124m), corresponding to an adjusted effective tax rate on adjusted profit before tax of 24.4% (2023: 23.0%). The increase in the effective rate from the prior year is primarily due to reduced availability of tax credits in key jurisdictions. For a reconciliation of the adjusted measure see the financial key performance indicators section on pages 219-224.

In 2024, there was a net tax payment of £119m (2023: £97m). The overall amount increased due to an increase in profits and a reduction in the level of tax credits available in key territories.

A net deferred tax liability of £11m is recognised in 2024 compared to a net deferred tax liability of £11m in 2023. The current tax creditor principally consists of provisions for tax uncertainties.

Earnings per share

Basic earnings per share is 64.5p in 2024 compared to 53.1p in 2023. The increase in 2024 is mainly due to increased operating profits, decreased tax charges and a decrease in the number of shares following the share buy back, partially offset by increased interest charges.

Adjusted earnings includes adjusted operating profit and adjusted finance and tax charges. The reconciling items between the statutory inputs to earnings per share and the adjusted inputs are discussed in the previous sections.

Adjusted earnings per share is 62.1p in 2024 compared to 58.2p in 2023 reflecting adjusted operating profit growth and the reduction in issued shares as a result of share buybacks, partially offset by increased interest and tax charges.

Other comprehensive income

Included in other comprehensive income are the net exchange differences on translation of foreign operations. The loss on translation of £35m in 2024 compares to a loss in 2023 of £177m. The loss in 2024 arises from an overall weakening of the majority of currencies to which the Group is exposed, partially offset by a slight strengthening of the US dollar. A significant proportion of the Group's operations are based in the US and the US dollar strengthened in 2024 from an opening rate of £1:$1.27 to a closing rate at the end of 2024 of £1:$1.25. At the end of 2023, the US dollar had weakened from an opening rate of £1:$1.21 to a closing rate of £1:$1.27. The loss in 2023 was driven by this movement in the US dollar.

Also included in other comprehensive income in 2024 is an actuarial gain of £5m in relation to the retirement benefit obligations of the Group. The gain arises mainly from a decrease in liabilities driven by higher discount rates, largely offset by losses on assets and experience losses. The actuarial gain in 2024 of £5m compares to an actuarial loss in 2023 of £85m.

Fair value losses of £2m (2023: gain of £1m) have been recognised in other comprehensive income and relate to movements in the value of investments in listed and unlisted securities held at fair value through other comprehensive income (FVOCI).

In 2023, a gain of £122m was recycled from the currency translation reserve to the income statement in relation to the disposal of the POLS business.

Cash flow and working capital

Net cash generated from operations, was £811m in 2024 compared to £682m in 2023. The increase is largely explained by the drop-through of increased trading profits, a reduction in reorganisation cash outflow and favourable working capital movements.

Our operating cash flow measure is an adjusted measure used to align cash flows with our adjusted profit measures. Compared to net cash generated from operations, this measure excludes reorganisation costs and acquisition costs but includes regular dividends from associates. It also includes capital expenditure on property, plant, equipment and software, and additions to right-of-use assets as well as disposal proceeds from the sale of property, plant, equipment and right-of-use assets (including the impacts of transfers to/from investment in finance lease receivable). In 2024, reorganisation cash outflow was £8m compared to £63m in 2023.

Operating cash flow increased on a headline basis by £75m from £587m in 2023 to £662m in 2024. The increase is largely explained by the drop-through of increased trading profits and favourable working capital.

Free cash flow increased on a headline basis by £103m from £387m in 2023 to £490m in 2024. When compared to operating cash flow, free cash flow includes tax paid, net finance costs paid and net costs paid for major reorganisation.

In 2024, there was an overall £234m increase in cash and cash equivalents compared to a decrease of £234m in 2023. The increase in 2024 is primarily due to the cash inflow from operations of £811m and net proceeds from borrowings of £344m, offset by payments for acquisitions of subsidiaries of £39m, dividends paid of £156m, share buyback programme payments of £318m, other own share purchases of £40m, tax paid of £119m, net interest payments of £45m, capital expenditure on property, plant and equipment and intangibles of £124m, and repayments of lease liabilities of £78m.

All figures in £ millions	2024	2023
Net cash generated from operations	**811**	682
Dividends from joint ventures and associates	**2**	–
Purchase / disposal of PPE and software	**(118)**	(121)
Net addition of right-of-use assets	**(46)**	(41)
Net costs paid for major reorganisation	**8**	63
Other net gains and losses	**5**	4
Operating cash flow	**662**	587
Tax paid	**(119)**	(97)
Net finance costs paid	**(45)**	(40)
Net cost paid for major reorganisation	**(8)**	(63)
Free cash flow	**490**	387

Liquidity and capital resources

The Group's net debt increased from £744m at the end of 2023 to £853m at the end of 2024. The increase is largely due to free cash flow being more than offset by the share buy back programme and dividend payments.

In 2024, the Group issued a new £350m 5.375% GBP denominated 10 year Education Bond. The bond was admitted to trading on the London Stock Exchange. The proceeds from the bond will be used to finance or refinance projects or expenditure that meets the Eligible categories set out in the Group's Social Bond Framework.

At 31 December 2024, the Group had available liquidity of £1.2bn comprising central cash balances and its undrawn $1bn Revolving Credit Facility (RCF) which matures in February 2028, but which has options to extend the maturity to February 2030. In assessing the Group's liquidity and viability, the Board analysed a variety of downside scenarios including a severe but plausible downside scenario, where the Group is impacted by a combination of all principal risks, as well as reverse stress testing to identify what would be required to either breach covenants or run out of liquidity. The Group would maintain comfortable liquidity headroom and sufficient headroom against covenant requirements during the period under assessment in the severe but plausible scenario, even before modelling the mitigating effect of actions that management would take in the event that these downside risks were to crystallise.

In all scenarios it is assumed that the Revolving Credit Facility is available.

At 31 December 2024, the Group was rated BBB (stable outlook) with Fitch and Baa2 (stable outlook) with Moody's.

Net debt

All figures in £ millions	2024	2023
Cash and cash equivalents (excluding overdrafts)	**543**	312
Overdrafts	**–**	(3)
Investment in finance lease	**83**	100
Derivative financial instruments	**(7)**	5
Bonds	**(955)**	(611)
Lease liabilities	**(517)**	(547)
Net debt	**(853)**	(744)

Post-retirement benefits

Pearson operates a variety of pension and post-retirement plans. The UK Group pension plan has by far the largest defined benefit section. The Group has some smaller defined benefit sections in the US and Canada but, outside the UK, most of the companies operate defined contribution plans.

The charge to profit in respect of worldwide pensions and post-retirement benefits amounted to £60m in 2024 (2023: £45m), of which a charge of £81m (2023: £71m) was reported in operating profit and income of £21m (2023: £26m) was reported in other net finance costs. In 2024, a charge of £13m related to one-off discretionary pension increases has been excluded from adjusted operating profit.

The overall surplus on UK Group pension plans of £491m at the end of 2023 has decreased to a surplus of £484m at the end of 2024. The decrease has arisen principally due to the one-off discretionary pension increases granted in the year, partially offset by the actuarial gain noted in the other comprehensive income section above. In total, the worldwide net position in respect of pensions and other post-retirement benefits decreased from a net asset of £455m at the end of 2023 to a net asset of £450m at the end of 2024.

Financial review *continued*

Businesses acquired and disposed

There were no material acquisitions of subsidiaries in 2024. In March 2023, the Group completed the acquisition of 100% of the share capital of Personnel Decisions Research Institutes, LLC ('PDRI') for cash consideration of £152m ($187m).

The cash outflow in 2024 relating to acquisitions of subsidiaries was £39m, arising from the payment of deferred consideration in respect of prior year acquisitions, mainly Credly and Mondly, which were acquired in 2022. There were also £5m of acquisition related costs. In addition, there were £7m of cash outflows relating to the acquisition of investments. The cash outflow in 2023 relating to acquisitions of subsidiaries was £171m plus £4m of acquisition costs. In addition, there were cash outflows relating to the acquisition of associates of £5m and investments of £8m.

There were no disposals of subsidiaries in 2024. In 2023, the Group disposed of its interests in its POLS businesses in the US, UK, Australia and India, Pearson College and the international courseware local publishing business in India. In 2024 and 2023, the cash outflow from the disposal of businesses of £7m (2023: £38m) mainly relates to the businesses disposed in 2023.

Dividends

The dividend accounted for in our 2024 financial statements totalling £156m represents the final dividend in respect of 2023 (15.7p) and the interim dividend for 2024 (7.4p). We are proposing a final dividend for 2024 of 16.6p bringing the total paid and payable in respect of 2024 to 24.0p. This final 2024 dividend, which was approved by the Board in February 2025, is subject to approval at the forthcoming AGM. For 2024, the dividend is covered 2.6 times by adjusted earnings.

Share buyback

On 20 September 2023, the Board approved a £300m share buyback programme in order to return capital to shareholders, with a £200m extension being announced by the Group on 1 March 2024. This programme and the extension completed in 2024. During 2024, approximately 32m (2023: 20m) shares were bought back and cancelled at a cost of £318m (2023: £186m). The nominal value of these shares, £8m (2023: £5m), was transferred to the capital redemption reserve, and the remainder of the purchase price was recorded within retained earnings. At 31 December 2024, no further liability remains (2023: £118m) for shares contracted to be repurchased but where the repurchases are still outstanding.

On 27 February 2025, the Board approved a £350m share buyback programme in order to return capital to shareholders.

Climate change

The Group has assessed the impacts of climate change on the Group's financial statements. The assessment did not identify any material impact on the Group's significant judgements or estimates, the recoverability of the Group's assets at 31 December 2024 or the assessment of going concern for the period to June 2026.

Conclusion

2024 performance was in line with expectations, with excellent margin expansion. We saw strong free cashflow and this, combined with our strong balance sheet, means we are announcing a further £350m share buyback.

Our confidence in the future and the strength of the business is reflected in our guidance for 2025 and beyond.

Sustainability

Learning for Impact

Why sustainability matters for Pearson

Significant demographic shifts and rapid advances in AI are increasingly important growth drivers for education and work. There is a growing demand and pressing need for high-quality learning that is available for people of all ages and circumstances.

As the world's lifelong learning company, enabling transformative learning journeys is fundamental to everything we do. With a constant focus on learner needs and accessibility, we combine content and technology responsibly to improve operational performance and productivity, minimise our environmental impact and ensure that we remain a key player in our industry. This enables us to create engaging products that fuel a desire to learn.

Learning for Impact framework

Our approach to sustainability is founded on our Learning for Impact framework and deeply rooted in our strategy. We strive for impact across three pillars:

- Driving learning for everyone with our **products**.
- Empowering our **people** to make a difference.
- Leading responsibly for a better **planet**.

We continually review and refine our approach, ensuring we prioritise the areas of greatest impact for our business, our learners and other stakeholders – including developing the skills of learners and employees, protecting our consumers' data and decarbonising our business.

Strong governance and effective policies underpin our approach. Our Reputation & Responsibility Committee (RRC) monitors our environmental and social impact topics, reporting to the Board on our sustainability progress. We keep our governance approach under continuous review to ensure it remains fit for purpose. Read more about our governance structure on pages 96-98.

We measure our progress against material topics and our Learning for Impact framework through our corporate non-financial KPIs (see page 24). Stakeholder engagement ensures we are delivering on our purpose to help people realise the life they imagine through learning. Independent ratings and rankings validate that we are improving shareholder value, while contributing to a more equitable world. Our KPIs are subject to regular Board review and are linked to Directors' remuneration (see page 113).

Expanding our impact and outlook

During 2024, we made substantial progress towards our Learning for Impact objectives and laid the foundations to deliver our social and environmental ambitions in 2025 and beyond. Key highlights include:

- Actively preparing our business for compliance with the Corporate Sustainability Reporting Directive (CSRD) and additional mandatory reporting requirements. We are finalising our double materiality assessment.
- Increasing use of AI across our portfolio to unlock additional learning opportunities. Pearson remains deeply committed to the responsible use of AI. We focused on further strengthening our policy framework and building partnerships to define best practice and establish common standards.
- Ongoing improvements in employee engagement. Our development programmes have empowered managers and helped them effectively support their teams to drive performance.
- Significant expansion of learning opportunities for all employees, focusing on advanced technologies, leadership and development, helping employees grow their careers and play their part in delivering our strategy.
- Opening up additional employee communication channels, giving our people more opportunities to provide feedback and help shape the future of our business.
- Continuing to use our learning and credentialling platforms to develop the skills individuals in our communities need to thrive, including on AI.
- 5.3% reduction in greenhouse gas (GHG) emissions (since 2023, location-based), moving us even closer to our short-term decarbonisation goals and updating our Climate Action Plan, setting out our long-term path to decarbonisation.
- Launching an Education Bond to support eligible projects targeting hard-to-reach learners and communities.

We appreciate the transformative power of learning and focus on using technology to build vibrant and engaging products that make learning accessible to all throughout their lives.

Cinthia Nespoli

General Counsel and Executive Leader for Sustainability

We are proud of our 2024 achievements. The following sections expand on our progress and demonstrate how we create value for stakeholders, grow our business and contribute to the UN Sustainable Development Goals (SDGs) through our business model and Learning for Impact framework.

Our main areas of focus in 2025 are:

- Ongoing stakeholder engagement to shape the evolution of our Learning for Impact framework and how we measure progress towards our ambitions.
- Establishing new career and performance management frameworks to transform talent development at Pearson, enhancing productivity and career development opportunities and driving growth.
- Developing innovative partnerships that align with our brand and purpose and further benefit learners.
- Enhancing our long-term environmental strategy to reflect our increased use of AI and evolving our technology platforms to continue to run on renewable energy.

Sustainability *continued*

Measuring progress on our commitments

Our purpose — To help people realise the life they imagine through learning

Our sustainability pillars – Learning for Impact

1. Driving learning for everyone with our **products**
2. Empowering our **people** to make a difference
3. Leading responsibly for a better **planet**

We create impact and contribute to shareholder value by…

Widening access to learning and enhancing consumer engagement and business growth opportunities through technology and application of learning science.

Read more on page 35

Building a culture of engagement and community to support high performance and impact.

Read more on page 38

Reducing our environmental impact in partnership with our value chain.

Read more on page 41

Underpinning everything we do with robust governance, a strong culture and effective policies.

Read more on page 56

Contributing to sustainable development globally

The UN SDGs exist to achieve a better and more sustainable future for all. Through our Learning for Impact framework, we contribute to the following SDGs:

SDG 4 — Quality education. With our focus on lifelong learning, we recognise that Pearson can play a unique role in increasing access to education around the world. We monitor our progress on extending our product reach through our consumer engagement metrics. See page 24.

SDG 8 — Decent work and economic growth. We work closely with governments, educators and employers around the world to build the skills needed for tomorrow's workforce. For example, over one million professionals have completed AI-related learning on Credly. See page 35.

SDG 10 — Reduced inequalities. We strive to develop inclusive products that support every learner's needs. Our collaboration with Saint Louis University to develop Inclusio — an AI-powered solution for the visually impaired — is making science, technology, engineering and mathematics more accessible to blind learners. See page 36.

Rankings and recognition

Independent rankings help our investors evaluate our performance and management of sustainability risks and opportunities. In 2024, we received the following recognition:

- **Sustainalytics.** Included in the Global Top 50 list. Again classified as Negligible Risk, ranking as the leading company in our industry.
- **S&P CSA (Dow Jones Sustainability Indices).** Achieved the best score in our industry and a listing in the S&P Sustainability Yearbook.
- **FTSE4Good Index.** Constituent of the FTSE4Good Index Series in the top 1% of our sector.
- **ISS.** Improved our score to B-.

Driving learning for everyone with our products

The development and adoption of AI and digital technologies rapidly increased in 2024. If applied responsibly, these new technologies can transform access to learning and acquisition of knowledge. At Pearson, we combine technology and best-in-class learning science to bring positive change to the way people learn throughout their lives. We maintain a constant focus on making learning more accessible and engaging to reach more people, from schools to workplaces.

Over 80% of our products are digital or digitally-enabled, contributing to overall sales growth in 2024 of 4% (excluding the OPM and Strategic Review businesses).

Access powered by technology

Learning fuels the critical breakthroughs needed to resolve societal challenges and realise personal goals. New technologies can spur more effective learning and remove obstacles that learners face, accelerating progress for individuals, businesses, and wider society. As discussed throughout this report, and summarised on pages 6 and 7, we continue to infuse AI into more products, guided by learning science and our Learning Design Principles, and we are committed to incorporating technology responsibly to enhance learning outcomes.

Pearson is spearheading research into the use of AI in education, sharing our findings and insights on an ongoing basis. Our early studies published in 2024 have revealed that AI study tools may encourage more effective study habits, such as note-taking and self-testing. The research also indicated that students using Pearson's AI tools engage in more sessions with their eTextbooks than those not using the technology. We presented this research to more than 5,000 registrants at the ED.tech Symposium in October 2024, as part of Pearson's ongoing efforts to upskill teachers on AI in education. In September 2024, our English Language Learning business ran a webinar series on AI in language teaching. As members of the TeachAI Advisory Committee, we contribute to developing policy resources that help education leaders to mitigate the risks and realise the benefits of AI. We have also started collaborating with TeachAI on a new AI literacy framework.

We are committed to providing products and solutions that are accessible to all consumers, including those with disabilities.

Tony Prentice
Chief Product Officer

Case study: Building the skills of tomorrow

We are committed to helping learners adapt to workforce changes and supporting businesses to build skills for future success. Our Skills Outlook series explores future skills needs, as well as how AI can increase individual productivity. A dedicated Skills Map of the US explores automation, AI and demographic shifts to help businesses and policymakers prepare for the future.

As more businesses integrate AI into their operations, employees will need to upskill. In 2024, Credly issued its one millionth badge for AI-related learning. We also offer Certiport Gen AI certification and an Extended Project Qualification for young people on AI. Our partnership with Degreed helps businesses identify AI skills gaps and prioritise training needs. Our strategic collaboration with Microsoft will expand learning opportunities, accelerate AI proficiency in the workforce and enable organisations to realise the full value of AI.

English is a critical skill for the global workforce, but it is challenging to accurately define the level of proficiency required for individual roles. Based on Pearson's Global Scale of English (GSE) framework, GSE Job Profiles set accurate English language benchmarks for nearly 1,400 job roles. This helps to improve candidate matching and reduce time to hire.

Sustainability *continued*

At a national level, policymakers are looking to regulate AI to ensure it is deployed responsibly and ethically. We welcome these initiatives and remain committed to working with policymakers and using our expertise — directly and through forums like TeachAI — to inform debate for the benefit of all learners. Read more about our approach and guidance for employees and business partners on political activity in our Global Government Relations Policy and our Code of Conduct available on our corporate policy hub (https://plc.pearson.com/en-GB/corporate-policies).

Technology already enables more individuals to learn remotely, and offers opportunities for new and valuable early careers experiences that are essential for a smooth transition into work. We have increased internship and mentoring opportunities for students in our Connections Academy Virtual Schools programme. Our new partnerships with Future Business Leaders of America and SEMI Foundation will give more students an insight into IT and technical careers, providing learners with career direction, confidence and connections, and encouraging them to pursue the jobs in core sectors that are fuelling economic growth.

Responsible and sustainable content

Every day, people trust Pearson to provide learning content that is engaging, credible and supports their development goals. They will only continue to do this if we provide products that are accessible and accurate.

Our Global Content Policy provides clear and consistent guidance for employees and third-party contributors to develop content that is ethical, accurate and adheres to legal requirements. From 2024, the policy includes guidelines for authoring content using AI, including the appropriate tools to use and the processes for reviewing content.

We recognise that with increased digitalisation comes a growing digital divide. As we continue our digital transformation, our priority will be to assess how we bridge this gap and ensure that learners have the resources they need and are not left behind.

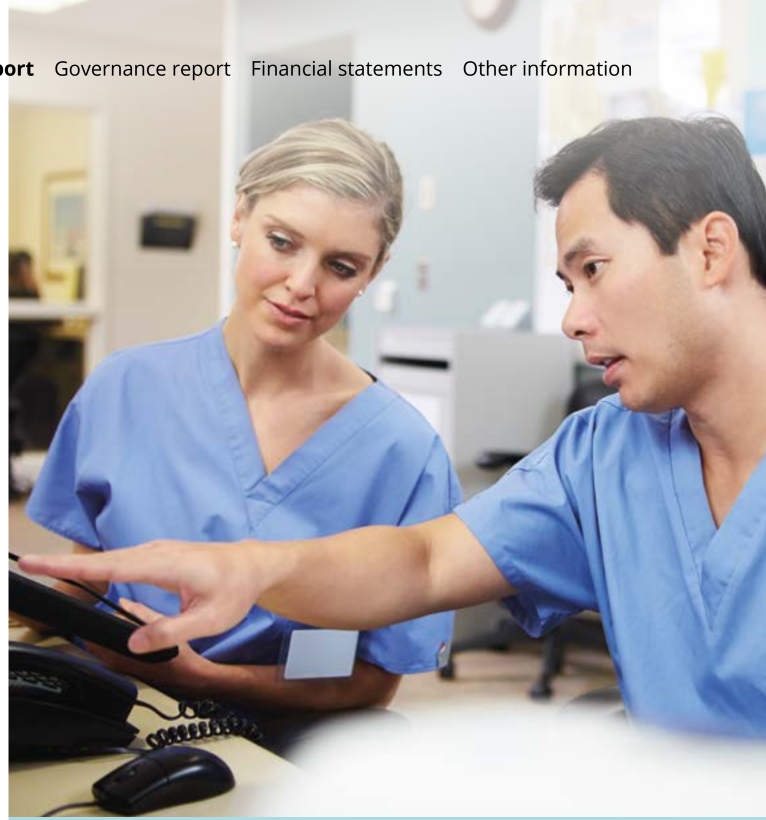
Designing accessibility requirements into our products and services

Accessibility is core to our mission to drive lifelong learning for all. We apply best practice from learning and measurement sciences to design and develop products, and to open up education for all. Working with CAST, we have embedded Universal Design for Learning in our Learning Design Principles. We also offer specialist clinical assessments that help to improve diagnosis and treatment for people with cognitive, behavioural and speech conditions, enabling them to access the right support and enjoy lifelong learning.

We have enhanced our accessibility framework in 2024, providing increased guidance on building products to reflect learners' needs. This will form part of our Global Content Policy from early 2025.

One example of our commitment to accessibility is the work our Braille Services team is undertaking to meticulously transcribe school assessments into Braille to improve accessibility for blind learners. In 2024, we delivered 400,000 pages of tests and examinations. We partnered with Saint Louis University to develop Inclusio, using AI to improve product design and deliver Pearson's content to blind learners so they can study science, technology, engineering and mathematics.

We are also making science more accessible wherever students are based through our Pearson Interactive Labs — an immersive experience simulating practical laboratory work. Students receive guided feedback as they master new techniques. In 2024, we expanded our offering, with labs for Microbiology and Anatomy & Physiology. For parents from a wide variety of backgrounds, we are enabling them to play an active role in their child's education. In the US, Spotlight translates student progress reports into multiple languages or user-friendly videos for parents. In 2024, it was named a 'Cool Tool' in the EdTech Digest Awards.



Case study: Supporting people with ADHD

With an estimated 17 million children and adults with attention deficit hyperactivity disorder (ADHD) in the US alone, there is a growing need to understand the condition. Our ADHD Virtual Summit in October 2024 updated almost 4,000 attendees on the latest ADHD-related research and featured practical insights from social media influencers advocating for better ADHD support.

In 2024, Pearson acquired Revibe Technologies, which uses third-party smartwatches to gather insights on behaviours and enables clinicians to tailor therapy. Vibration and text reminders help improve focus, supporting ADHD management. We plan to incorporate Revibe's technology into Pearson's clinical assessment tools and resources to improve outcomes for those with ADHD.

Case study: Education Bond Framework

In September 2024, we launched a £350m education bond to finance initiatives aligned with our Education Bond Framework. The net proceeds will support initiatives that advance UN SDG 4 (Quality education) by:

- Providing access to education and advancing socio-economic development.
- Supporting underserved learners and communities, including people living below the poverty line, those with disabilities and the unemployed.

Potential programmes identified include:

- Delivering teaching, technology, student materials and curriculum development to help provide free online education services through, for example, the Connections Academy.
- Product development for alternative secondary education credentials and foundational learning to enable progress in post-secondary education through, for example, the General Education Development programme.
- Initiatives for those requiring testing for special needs and underserved learners with special needs.

We commit to reporting the allocation and impact of our contributions annually. More information on the Education Bond and future reporting can be found on our website.

“We’ve built robust compliance processes that enable the business to use AI responsibly and still move at speed.”

Cinthia Nespoli

General Counsel and
Executive Leader for Sustainability

Data privacy and cyber security

We are committed to ensuring learners can access content safely and securely. This means applying the highest standards to minimise the risk of attacks and to protect the personal information that is entrusted to us.

In 2024, we continued to strengthen our approach, aligning more closely with the National Institute of Standards and Technology (NIST) frameworks for cyber security and data privacy, and met the industry average NIST Cybersecurity Framework score. We have deployed the Cyturus platform to improve management of governance, risk and compliance. In 2025, we will launch a new Trust and Safety Centre, providing greater information to suppliers, business partners and end users on our risk management approach. It will help us demonstrate the protections built into our services and afforded to our learners.

Training on Pearson’s AI, data privacy and cyber security principles is mandatory for all employees. From 2025, we plan to introduce regular short modules, keeping employees up to date as technology and regulations evolve. Through ongoing employee training and our 2024 ‘See Something, Say Something’ campaign, more employees can identify phishing emails, helping to improve our phishing test results and enhance business security.

We have integrated AI into our trust and safety governance framework, ensuring consistent standards across AI, data privacy and cyber security. Our AI guidance supports responsible technology use, while maintaining flexibility to experiment and create the best user experience. It replicates our product development playbook, which supports consistently high data management standards across Pearson.

The playbook is part of our ongoing effort to evolve and strengthen our data management approach to maintain product quality and integrity while making learning safe, affordable and accessible for all.

Case study: Empowering the next generation of cyber security professionals

For the last five years, our UK employees have been mentoring students aged 14 and 15 from disadvantaged backgrounds on cyber security and technology, including internationally recognised principles, frameworks and risk management approaches. The mentorships involved a visit to Pearson’s headquarters to put their new knowledge into practice. The programme has inspired students to further their technology careers, with several going on to study at leading UK universities.

Sustainability *continued*

Empowering our people to make a difference

We aim to foster a culture of performance where everyone can leverage their strengths to create impactful learning and assessment solutions.

Our people strategy has three focus areas:

- Employee engagement: driving better employee engagement and high performance
- Investing in talent: providing continuous learning, growth and progress for our employees
- Culture of community: driving a culture of community and aiming for a welcoming culture throughout the company

These areas are reflected in our non-financial KPIs on page 24, which highlight our annual progress in driving sustainable growth and shareholder value while contributing to a more equitable world. Key human resources policies, including our Human Rights Statements and Modern Slavery Statement, are available on our corporate policy hub (https://plc.pearson.com/en-GB/corporate-policies).

Our purpose

We help people realise the life they imagine through learning.

To achieve this, we set out the following essential behaviours that all Pearson employees should embody:

1. Customer centricity
2. Raising the performance bar
3. Exceptional collaboration for value
4. Our leaders inspire

Employee engagement

Engaging our employees is essential to ensure they feel heard and valued. We believe empowered employees are more productive and help to create more innovative learning experiences for our consumers. In 2024, we continued prioritising employee engagement across Pearson. We have improved our mean scores for every question in our engagement survey conducted by Gallup, and our overall engagement Grand Mean score increased to 4.16 out of 5 (2023: 4.09). We now rank in the 79th percentile for engagement against similar-sized companies in Gallup's overall company database.

Communicating across our workforce

With most of our workforce based in the UK and US, we engage with our employees through multiple channels to keep them connected with our growing business. Employees receive updates about Pearson from business unit leaders and the CEO through regular communications, virtual and in-person town halls and the corporate intranet, The Hub. You can learn more about how the Board engages with employees on page 85.

Our nine voluntary and employee-led Employee Resource Groups (ERGs) are open to everyone and help foster a supportive workplace culture at Pearson, as well as promote collaboration and community. We renewed our focus on working with ERGs to increase network opportunities, offer support to communities in times of need and provide the business with valuable insights and data.

Our workforce consists of regular and limited-term employees (full-time and part-time), casual/seasonal employees (primarily for test scoring) and contingent workers (individual contractors, consultancy workers, and agency workers).

We follow local labour and human rights regulations, including having work councils where needed by regulation.

We are focused on ensuring that all employees have the skills needed to contribute to Pearson's expanding digital learning solutions. This year, our upskilling initiatives have ranged from developing AI-related capabilities to enhancing leadership techniques at management level.

Ali Bebo

Chief Human Resources Officer

Employee volunteering

Through our Learning for Impact volunteering programme, we have increased opportunities for employees to foster relationships with educational non-profits and community organisations that align with our mission to provide world-class learning solutions. We now have more targeted events and programmes, both virtual and in-person, which leverage employee skills and resources (skills-based volunteering) to make a meaningful impact within communities. During 2024, we were pleased to note a significant upward trend in volunteer hours, with more than 33,000 hours spent supporting 360 organisations. We also increased our volunteer participation to 11% this year — above the global average of 9.2% according to a recent report.

Investing in talent

Effective employee engagement starts with upskilling our managers, who are essential in ensuring that employees feel heard and valued. We invest heavily in developing our managers and leaders, empowering them to support our transformation into a digital business with a high-performance culture. In 2024, we continued building manager and leadership capabilities through multiple initiatives:

- **Coaching for Performance series:** 770 employees participated in our peer-led, highly practical events, focused on developing our managers as coaches.
- **Leadership Uplift:** We introduced new talent assessments using the Pearson Leadership model for Directors and above. Individuals received feedback and are able to access self-paced support and learning or additional coaching.
- **Internal forums:** We initiated internal leadership forums and manager meet-ups that occur monthly and quarterly, respectively. There are approximately 2,500 line managers and approximately 120 leaders involved in these meetings.

We measure our progress towards building our managers' capabilities to act as performance coaches using Gallup's Coaching Index, combining two questions into an index to assess the extent to which managers exhibit key coaching behaviours. Our Coaching Index score has improved to 4.08 from 3.95 in 2023 (out of 5).

As we transition to a digital-first business, we must continue to encourage our entire workforce to upskill responsibly and attract new talent with diverse skills to fuel our growth. In 2024, we focused on evolving our career architecture, guiding employees to plan their career paths and support learning, aligning their career development with the skills necessary to drive Pearson's strategy and equipping them for the future of work.

In 2024, we emphasised the importance of technological skills to our employees for future-proofing Pearson. There were over 12,000 attendees at our 2024 Technology Summit across 74 sessions led by external experts and Pearson leaders. We rolled out our Generative AI channel, which enables a broader proportion of our workforce to understand how to use AI in their work to create impactful learning solutions. Since it launched, the channel has had over 5,000 visits and employees have completed over 3,700 modules of learning content.

We continue to develop the next generation of Pearson employees by expanding our opportunities for young people. We have created an Early Careers team in the UK that supports our apprenticeships and internships. These pathways are an investment not only in our employees, but also in the future of our business. We currently have 75 individuals enrolled in our apprenticeship programme. As a result of our efforts, we were finalists for Best Apprenticeship Programme at the 2024 Investors in People Awards.

Our work in continuous employee development is reflected in the increased percentage of employees who agree or strongly agree in our Gallup engagement survey that they have 'had opportunities to learn and grow', which rose to 77% from 76% in 2023.

In 2025, we will continue to evolve our people strategy to ensure our employees advance our purpose in an even safer and more uplifting environment.

Culture of engagement

We continue to cultivate an environment of community where everyone at Pearson can thrive. We believe that bringing people from different backgrounds and experiences together helps us create more innovative, effective products for our consumers.

In 2024, we continued to meet the FTSE Women Leaders Review target of 40% of women in leadership roles (defined as the Executive Committee and their direct reports). Our Board diversity reporting is on page 54.

Following the 2023 Parker Review Committee's ruling for FTSE 350 companies to establish ethnic minority targets by 2027, we continue progressing our goal of 20% ethnic diversity for the Executive Management team and the senior leaders who report to them. Currently, 23% of our Executive Management team and senior leaders in the US and UK self-identify as ethnically diverse.

We are committed to fostering an open and accessible environment where all employees, including those with disabilities, feel supported. In 2024, we revised our reasonable accommodations and accessibility guidelines for employees. We also give full and fair consideration to all applicants and support the continued employment of disabled people, making reasonable adjustments to address individual needs. Recruitment, promotion and training are conducted based on merit, against objective criteria that avoid discrimination.

Our suppliers

Pearson has a long history of working with a broad range of suppliers. The varied perspectives they bring to our products and services help foster innovation and create more robust learning experiences.

Case study: Volunteering for impact

In 2024, we commissioned Impact Genome to provide an Employee Volunteering Impact Report. The report highlights our commitment to advancing the SDGs through offering dedicated volunteering hours. Our efforts influenced youth development by enhancing educational persistence, fostering essential social-emotional skills, and ensuring access to basic needs, thereby improving overall wellbeing and community engagement:

SDG 4 – Quality education: Employees volunteered 1,855 hours with at least 75 organisations focused on improving educational outcomes, resulting in increased school attendance.

SDG 3 – Good health and wellbeing: Employees contributed 1,025 volunteering hours with at least 41 organisations that help young people improve their social-emotional skills, provide access to quality healthcare, and improve mental and physical wellbeing.

SDG 2 – Zero hunger: Volunteers invested 771 hours with at least 34 organisations tackling hunger, improving food distribution and access to nutritious meals.

Sustainability *continued*

Rewards and benefits

Ensuring our employees feel supported and recognised is a big part of maintaining our high-performance culture. We pride ourselves on our extensive rewards, benefits and wellbeing packages that help us attract and retain the world's best talent.

We are committed to providing fair and equitable pay and benefits for all our employees. We offer a holistic Total Reward package, underpinned by our guiding pay principles, so that our employees know how pay and benefits are managed and understood at Pearson. As part of our offering, we have consistent and robust reward structures and clear guidelines for determining and rewarding individuals' contributions.

Our employees are the reason that we continue to be a successful global learning provider, and we want them to share in the value they help create. We encourage employees to become shareholders and owners of Pearson. Around one in five eligible employees choose to save to purchase Pearson shares via our savings-related employee share plans ('Save for Shares' and the 'Employee Stock Purchase Plan').

Pearson's vision for reinventing the way we learn, combined with its unmatched global presence, creates a unique opportunity to transform lives at scale around the world.

Naseem Tuffaha
Chief Business Officer

Health and wellbeing

Having a positive state of mind and body ensures our employees can thrive at work. To continue providing strong wellbeing benefits we are focused on improving mental health at work and outside of it. We recently launched Pearson's Global WELL – a digital therapy and wellbeing platform, supported by Unmind and designed by psychologists. The platform is completely confidential. All employees have access to a comprehensive suite of mental health services to help them lead a stress-free and more fulfilling life. We have also launched a global network of wellbeing champions, who led a series of talks for World Mental Health Day on topics including 'Crafting workplaces where mental health can flourish'.

Our employee health and safety KPIs are reflected in the nine standards in our Global Health and Safety Policy, and performance on those standards is reported to the Board's Reputation & Responsibility Committee. Our strategy is modelled on best practice and internationally recognised standards, including ISO 45001. Our UK headquarters maintains ISO 45001 certification. In 2024, we commissioned a review of our global occupational health provision to better understand our impacts and provide solutions for our workforce. We are evaluating the findings to assess next steps.

Leading responsibly for a better planet

Learning is essential to help people adapt to the realities of climate change. Pearson has an important role to play in supporting global sustainability solutions, and we're working to position the business to create maximum impact. This year, we aligned our long-term net zero target with the latest climate science, which will support us to drive more meaningful change for our communities and the planet.

Cinthia Nespoli

General Counsel and Executive Leader for Sustainability

Our environmental strategy supports us to manage and mitigate negative environmental impacts within our operations and across our value chain. The alignment between our business and environmental strategies provides an exciting opportunity for us across our operations and value chain to achieve our commitments.

Building on a steep decarbonisation journey so far, we have refined our climate targets to better reflect the nature of an increasingly digitally-led business, and align with global milestones. In 2024, our new long-term targets were approved by the Science Based Targets initiative (SBTi), setting us on an externally-validated course to become a net zero organisation by 2050. The following targets drive our strategy:

- Achieve a 50% reduction in greenhouse gas (GHG) emissions across our operations and value chain by 2030 from a 2018 baseline. This target was historically approved by the SBTi since its adoption.
- Achieve a 90% reduction in GHG emissions across our value chain and meet our science-based (SBTi approved) net zero target by 2050.

Our updated Climate Action Plan guides our approach to deliver on our goals. The plan is underpinned by three focus areas, aligned with the three interrelated action areas of the UK Transition Plan Taskforce's disclosure framework:

- Decarbonising our business
- Contributing to an economy-wide transition
- Responding to climate risks and opportunities

Read more about our journey to net zero in our Climate Action Plan (https://plc.pearson.com/en-GB/sustainability/our-sustainability-reporting).

Decarbonising our business and our value chain

Pearson's business transformation is changing the profile of our environmental impacts. As we build our digital learning capabilities, Pearson will continue to shift away from physical products and services, continuing a path of decarbonisation.

With increased use of AI and other advanced technologies in education, renewable and alternative sources of energy will play an important role in our industry and critically for our technology-based suppliers. We will continue to work with our larger suppliers to align our mutual objectives and encourage their decarbonisation progress.

	2018 previously reported	2023 previously reported	2018 rebaselined figures	2023 re-stated figures	2024
Location-based	584,648	321,285	425,932	265,677	**251,508**
Market-based	548,452	307,247	399,780	253,991	**238,926**
Emission reduction (location-based)		-45%		-38%	**-41%**
Emission reduction (market-based)		-44%		-36%	**-40%**

During the year, business transformation activities such as changes in our property portfolio, limitations on air travel, adjustments to the talent base and reductions in some key areas of procurement spend, including emission-intensive paper, resulted in marked carbon efficiencies throughout the business.

Sustainability *continued*

In 2024, these trends resulted in a 5.3% reduction in location-based GHG emissions compared to 2023. Additionally, there was a 5.9% reduction in market-based GHG emissions compared to 2023. Overall, this amounts to a total reduction of 41% since 2018 for location-based emissions and 40% for market-based emissions, against our 2018 baseline, positioning us to achieve our target of halving our emissions by 2030.

We have already achieved our 2030 target for direct (scope 1) and market-based GHG emissions (scope 2 – emissions from purchased electricity), driven by downsizing our property portfolio, decommissioning emissions-intensive buildings and dismantling our company vehicles fleet.

Reducing our value chain (scope 3) GHG emissions remains a challenge, but is essential to meeting our long-term net zero target. Since 2018, scope 3 emissions have decreased by 39%, reflecting our transition from paper-based to digital supply chains, reduced business travel and adopting a hybrid working model.

In 2024, we updated our 2018 baseline and re-stated our 2023 GHG emissions data to reflect recent acquisitions and disposals, and to align with changes in data methodology as a result of transitioning to a new emissions data management system. This process will improve our data accuracy moving forward.

Our own operations

Ensuring we manage our own operations responsibly is essential to managing our direct impacts.

Process management

We manage our impacts and reduction activities through a 'Plan – Do – Check – Act' approach, and in some instances, we use formalised management systems. In 2024, we re-certified our four main UK sites to the ISO 14001 framework (Environmental Management). In addition, our VUE test centres are certified to ISO 22301 standards (Security and Resilience), which have been amended to integrate climate risk analysis. This robust approach allows us to deliver our climate strategy more effectively.

Energy

Energy is a critical resource for Pearson's future as we minimise our reliance on direct natural resources. Since our scope 1 and 2 GHG emissions primarily come from our buildings, we are improving the energy efficiency of our sites and re-aligning our property portfolio to our business needs. We are focused on having smaller and more shared office spaces globally, which has led to a 10% reduction in our physical footprint in 2024 compared to 2023.

We have also developed stringent environmental requirements for the selection of new buildings, enforceable in 2025, including environmental risk assessments, accessibility requirements, resource efficiency and management of environmental data collection. We purchase 100% of our electricity through green tariffs, on-site generation or Energy Attribute Certificates (EACs).

Since 2022, Pearson has worked to consolidate our data centres, improve their energy efficiency and move to cloud-based data centres, which are more resource efficient. This year, we have shut down three data centres and opened a new, more energy-efficient data centre. The outcomes of our 2024 consolidation actions will impact reporting in 2025.

We will continue to push for industry-wide change by establishing partnerships that support decarbonisation, particularly in the technology sector as we advance our digital transition. We recognise that as part of the shift to renewables, new jobs will require us to upskill not only our existing workforce but also wider stakeholders.

Waste and water

Though our office-based operations have a limited impact on overall water use and waste generation, we are encouraging teams at our largest offices to reduce water and waste at a local level.

Logistics and operations

We continue to increase investment in print-on-demand services instead of holding paper-based inventory, to reduce the risk of overproduction and holding out-of-date content, as well as minimising waste and operational costs.

Moving towards an inventory-free system has reduced our need for warehouse space and freight carriers. We selected our two transport partners due to their strong sustainability credentials, among other business and cost-driven factors. Together, we are working to further optimise our logistics routes.

We are committed to expanding print service agreements where vendors can use local printers, reducing the distance that books are transported (book miles). In 2024, we achieved a reduction of nearly eight million book miles, mainly from air freight.

Our value chain

We believe in doing business with partners who share our commitment to human rights and the environment, as collaborating with our supply chain is essential to leading sustainably and managing any associated risks. We outline our expectations for suppliers in our Responsible Procurement Policy. We also conduct detailed risk assessments of our larger suppliers through the third-party sustainability ratings platform EcoVadis. We continuously monitor our highest-risk suppliers through the EcoVadis IQ tool, covering 90% of our supply chain in 2024.

Supplier engagement

We purchased £1.2bn of goods and services in 2024, with around 80% of our global spend represented by 350 large-scale suppliers. As 93% of our total location-based GHG emissions occur indirectly within our value chain, we see a huge opportunity to support our suppliers to improve their sustainability performance and efficiency. Our Global Procurement team is dedicated to strengthening our ethical, sustainable and efficient procurement practices. It works with our business units to implement an end-to-end supplier engagement process, including assessing performance, driving growth and increasing accountability to accelerate value-chain decarbonisation and efficiency.

Stakeholder engagement

We have an important role to play in delivering the knowledge and skills required for a more sustainable future.

In the UK, Pearson was a co-signatory with other RE100 companies to lobby the UK Government to increase transparency and effectiveness of Renewable Energy Guarantee of Origin (REGO) certificates.

Where applicable, we incorporate sustainability language into our supplier contracts, ensuring continuous improvement and greater transparency in costs and other factors. We have directly engaged with a number of suppliers through one-on-one coaching sessions, supporting them to reduce their environmental impact and future-proof their own workforces. We continue to consolidate our supply chain to ensure we work with the right suppliers that share our purpose and are committed to collaborating on our sustainability and product goals.

Paper sourcing and nature-related impacts

In 2024, our overall paper consumption decreased to 19,255 tonnes (2023: 22,859 tonnes) due to continued digitalisation. We continue to manage the use of paper and print production to minimise any potential associated environmental impacts in our supply chain.

We remain committed to procuring 100% of our paper from certified sources (FSC, PEFC and SFI) that set standards for sustainable forest management including banning deforestation, enhancing biodiversity and protecting nature – achieving 92% in 2024. We are on track to achieve our target by the end of 2025.

Our Manufacturing Terms of Trade detail our requirements for print suppliers. In 2024, we updated our trade terms for print suppliers to strengthen provisions on piracy, AI tools, carbon maturity, third-party sustainability audits and data protection.

We maintain strong due diligence procedures in our direct supply chain through Book Chain – a tool designed to help companies identify labour and environmental risks in the supply chain. We use Book Chain's Forest Sourcing and Chemicals & Materials tools to reduce the likelihood of purchasing paper from sources associated with endangered species, reduce our exposure to deforestation and ensure our suppliers are complying with safety legislation. In 2024, we strengthened our process by asking printers to submit an environmental questionnaire through the platform to improve supplier-specific insights and prioritise areas for risk mitigation.

In 2024, we assessed our paper supply chain for human rights and nature-related risks. The results highlighted the importance of robust supply chain data. We see opportunities to drive improvement in this area moving forward, particularly as our supply chain becomes increasingly tech-focused.

Looking ahead, we are focused on further quantifying GHG emissions associated with the use of our digital products, though additional work is required to fully incorporate these emissions into our reduction roadmap.

Contributing to an economy-wide transition

To shape a better tomorrow for people, planet and our company, we must continue collaborating with a wider range of stakeholders to promote collective sustainability action – both within our value chain and beyond. We are active members of the Responsible Media Forum, a partnership of leading media companies dedicated to identifying and addressing our industry's social and environmental challenges.

We are also looking to build a long-term plan for beyond our value chain mitigation activities. As a lifelong learning company, we have a unique opportunity to develop educational programmes that raise awareness about climate change and support the development of adaptation mechanisms.

Our full set of environmental data and the methodology used for calculations can be found in the sustainability performance tables on page 53.

Sustainability *continued*

Task Force on Climate-related Financial Disclosures

The following sets out our climate-related financial disclosures in alignment with the four Task Force on Climate-related Financial Disclosures (TCFD) recommendations and the 11 recommended disclosures featured in the 'Recommendations of the TCFD' report, together with its subsequent annex and implementation guidelines. We engage with TCFD recommendations to minimise business risk and ensure our continued financial performance and growth.

Governance

Board oversight

The Board has ultimate oversight of Pearson's climate change strategy, climate-related risks and opportunities and achieving our targets. Responsibility for managing Pearson's sustainability strategy sits with the Board's Reputation & Responsibility Committee (RRC). It meets three times a year to develop plans for delivering and embedding the Responsible Business Strategy across the Group (including the climate strategy); to monitor and track progress against plans; to provide support to management, Group leadership and functions on sustainability-related matters; and to discuss recommendations for the wider Board. The RRC receives updates on our greenhouse gas (GHG) emissions twice a year.

Members of the RRC include two Non-Executive Directors who have a deep understanding of climate and sustainability and their impact on our business. The Group Chief Executive is a standing attendee. For information on the Board's composition and skills profile, see page 70.

Pearson's other Board Committees work alongside the RRC on several sustainability topics; for example, the link between climate and remuneration or in relation to reporting compliance and audit. Read more about our governance structure and approach, including our organisational structure on climate governance, on pages 97-98.

Strategy management and implementation

Responsibility for identifying, assessing and managing climate-related risks and opportunities is shared across Pearson. Our General Counsel is the Executive sponsor for our sustainability strategy and chairs the Environmental Steering Group, which includes our Chief Financial Officer, Chief Strategy Officer and Head of Procurement. The Environmental Steering Group meets quarterly to review and update our strategy, communicating revised objectives to the rest of the Executive Management team for approval. It also oversees the implementation of our overall carbon reduction plan.

Each business unit has appointed senior representatives to lead sustainability actions and ensure that risks and business opportunities are embedded into planning and business unit management. Pearson's central sustainability function meets quarterly with business unit management to provide expertise and guidance on implementing carbon reduction activities at both a central and individual business unit level. The Sustainability team is also responsible for monitoring and reporting on our goals, and for representing Pearson in wider partnerships aimed at achieving transformational change.

Throughout our business, we have subject matter experts on specific areas of our climate-related plan. For example, our Global Procurement team engages with our suppliers on a regular basis and ensures relevant policies and procedures exist to enable a transition to a green economy.

Strategy and risk management

Identified risks and management approach

In 2022, we worked with a specialist consultancy, ERM to undertake a group-level climate risk assessment to identify and quantify the potential impacts of climate change risks and opportunities on our business, strategy and financial planning. We refreshed the process in 2024 through an internal review, and included a range of alternative scenarios.

In total, we identified 113 individual climate-related risks and opportunities. We then assigned cross-cutting criteria to each, enabling effective comparison and ensuring coverage of the full business model. We evaluated business impacts and shortlisted the most meaningful risks using an evidence-based approach, drawing on climate scenarios and Pearson's financial data, to assess their materiality, likelihood and velocity. Finally, we identified Pearson's management responses and mitigation actions for each of the key risks identified. The shortlist of risks is detailed in Table 1 on page 45.

As part of the 2024 refresh, we updated ERM's assessment to take into account changes in our Responsible Business Strategy. We also discussed each risk with management to ensure we focus on risks that are most important to Pearson. The conclusion of this exercise was that the risks remain consistent with 2023, as described in Table 1 on page 45.

These risks are integrated into our various risk management processes, depending on the nature of the risk. For example: physical risks are integrated into business continuity planning by the Central Workplace team; the Centralised Procurement team oversees the costs and availability of paper; and other transition risks, such as changes in regulations, are managed by regulatory alert systems held in the legal function. Management of wider stakeholder expectations and stakeholder engagement is a shared responsibility between the Sustainability team and the relevant Communications team.

We have assessed climate-related impacts on the Group's financial statements, including our commitment to achieve net zero by 2050 and the actions we intend to take to achieve those targets. Our climate risk assessment did not identify any material impact on the Group's significant judgements or estimates at 31 December 2024, or on the assessment of going concern for the period to June 2026 and the Group's viability over the next five years.

Table 1 — Key risks identified

Risk description	Scale*	Pearson mitigation actions
Physical risks		
Facility damage due to acute hazards: Two assets included in the physical risk screening have relevant exposure to acute hazards. — Melbourne has present day exposure to a flood; and — Manila experiences a hurricane once every three years on average, with a maximum observed wind speed of 127mph.	Time frame – short Likelihood – possible Magnitude of impact before any mitigation action – low Magnitude of impact with mitigation actions – low	We have insurance policies in place that would cover the costs of structural damage and some lost sales. Therefore, the impact is expected to be minimal.
Wildfire interruption to Assessment & Qualifications: Wildfire has the potential to trigger widespread disruption to transportation and prevent access to facilities. Our Assessment & Qualifications business unit is not fully digitalised and relies on physical locations for provision of its instruction and examinations. Under a pessimistic warming scenario, wildfire risk may increase across the US, Canada and Australia.	Time frame – medium Likelihood – likely Magnitude of impact before any mitigation action – low Magnitude of impact with mitigation actions – low	We have insurance policies in place that would cover the costs of structural damage. Therefore, the impact is expected to be partially mitigated.
Increased water scarcity: According to data from WRI Aqueduct, Pearson has a relatively low number of properties with exposure to water scarcity across its portfolio of operating locations.	Time frame – medium Likelihood – likely Magnitude of impact before any mitigation action – low Magnitude of impact with mitigation actions – low	We expect water usage to remain minimal, and any increased costs or consumption will be offset by property upgrades (e.g. taps automatically switching off).
Increased paper costs: The global paper market is inherently exposed to physical risk, such as exposure to potential increased destruction from thunderstorms, wildfires, hurricanes and flooding. These events can also cause logistical disruptions that further impact the paper market. Accordingly, paper costs may increase.	Time frame – long Likelihood – likely Magnitude of impact before any mitigation action – moderate Magnitude of impact with mitigation actions – low	In the short term, pricing changes will be reflected in operational and strategic plans. In the medium term, we expect digital product/service alternatives to be widely available, reducing the need for paper.
Increased use of cloud services: Data centres use increasing quantities of electricity and water to cool their systems. As Pearson increases its reliance on digital products and services, exposure to the physical risks of data centres owned by cloud service providers may materialise. For example, this could be increased costs to use services, should data centre owners face increased costs to run and cool their systems.	Time frame – short Likelihood – likely Magnitude of impact before any mitigation action – low Magnitude of impact with mitigation actions – low	Mitigation actions would include shifting services to alternative locations or servers. Any incremental increase in costs would be reflected in operational and strategic plans.

* Impact scales:

Time frame	Likelihood:	Magnitude of impact
Short: within 5 years	Possible	Low: below £5m
Medium: between 5 – 10 years	Likely	Moderate: £5m – £20m
Long: more than 10 years		High: £20m or above

Sustainability *continued*

Risk description	Scale*	Pearson mitigation actions
Transition risks		
Building efficiency standards: Buildings efficiency and performance standards are becoming more stringent and are being imposed by regulation.	Time frame – short Likelihood – likely Magnitude of impact before any mitigation action – low Magnitude of impact with mitigation actions – low	We continuously update our property strategy, and our selection criteria for newly leased properties is well above minimum building efficiency requirements.
Procurement of sustainably-certified paper: There have been issues relating to procurement prices and supply chain shortages during and following the COVID-19 pandemic.	Time frame – short Likelihood – likely Magnitude of impact before any mitigation action – low Magnitude of impact with mitigation actions – low	We expect to reduce paper use based on our ongoing digitalisation strategy and the increased availability of digital alternatives. Impact will also be decreased through improved product design and appropriate pricing strategies. Therefore, the impact is expected to be minimal.
Increased cost EU ETS certificates for mills in Belgium, Germany, Italy and Sweden: As a result of the Paris Climate Agreement and the resulting Nationally Determined Contributions (NDCs) framework, there will be an increase in cost of EU Emissions Trading System (ETS) certificates as more EU countries work to meet their decarbonisation commitments. This is due to the limited supply of, and growing demand for, ETS certificates.	Time frame – medium Likelihood – likely Magnitude of impact before any mitigation action – low Magnitude of impact with mitigation actions – low	The risk of impact is decreased through digitalisation, which assumes a lower ETS exposure level through product design.

* Impact scales:

Time frame	**Likelihood:**	**Magnitude of impact**
Short: within 5 years	Possible	Low: below £5m
Medium: between 5 – 10 years	Likely	Moderate: £5m – £20m
Long: more than 10 years		High: £20m or above

Opportunities

There are significant contributions Pearson can make to an economy-wide transition in order to best position the company and our products. In the short and medium term, this includes promoting the use and production of renewable energy. We will ensure our purchase of Energy Attribute Certificates (EACs) is genuinely supporting generation of new or additional renewable energy, and we are working in partnership with our value chain to promote renewable energy consumption. We are also looking to build a long-term plan for beyond our value chain mitigation activities. As a lifelong learning company, we are well-placed to increase awareness about climate change and support the development of adaptation mechanisms through education.

Resilience to climate change

Our climate risk analysis covers multiple time periods up to 2050 to help us assess if and when various scenarios might impact our business model and reflect the critical future dates for reducing GHG emissions. The articulation of short-, medium- and long-term time horizons aligns with our goals and processes. The short-term horizon reflects our risk forecasting process, including our going concern and viability statements. The medium-term horizon to 2030 alludes to the date of our reduction targets, and the long-term horizon marks societal goals for achieving net zero by 2050.

The physical risks to our business were assessed using both the RCP 2.6 scenario (low GHG emissions that keep the world below 2°C warming by 2100, aligned to current commitments under the Paris Climate Agreement), and the RCP 7 scenario (high GHG emissions with average warming greater than 3°C by 2100). Our financial quantification in Table 1 on page 45 was based on a pessimistic scenario such as RCP 7 and IEA Beyond 2°C.

Six physical assets were assessed for exposure to material physical risk. These were chosen because they represent a sample of assets and provide a range of critical Pearson services. Disruption caused or aggravated by climate physical risks could result in delivery failures. Each physical hazard was mapped on a materiality matrix and changes in materiality from 2023 to 2050 were projected.

The analysis concluded that Pearson's business is moderately vulnerable to climate change from physical risks in the medium and long term. The main areas of exposure are climate change-driven extreme heat and water scarcity, which may affect the operations of cloud-based data centres that play a central role in our business strategy.

Some of Pearson's physical locations, such as testing centres, are also moderately vulnerable to wildfires or flooding that could impact normal business operations. However, we have business contingency plans, including insurance, in place to reduce our potential financial exposure to such impacts.

The transition risks on Pearson's business were also assessed using four scenarios from the IEA's World Energy Outlook 2021 (WEO-2021). The analysis concludes that Pearson is minimally vulnerable to transition risk in the 2030 time frame, but risk increases for longer time horizons across all risk categories.

The main transition risk in the original analysis related to the reputational risk associated with having a net zero target for 2030, which was heavily reliant on offsetting unabated GHG emissions and had not been approved by the Science Based Targets initiative (SBTi). We have since aligned our climate targets with the latest climate science. Our approach is now focused on achieving a 50% reduction in GHG emissions across our operations and supply chain by 2030 from a 2018 baseline, and cutting emissions by 90% across all scopes. Our new long-term net zero target was approved by the SBTi in 2024, setting us on an externally-validated course to becoming a true net zero organisation by 2050.

The transition risks identified in the table on page 46 are mitigated by the opportunities identified in our analysis, including the ongoing digitalisation of our business, developing climate-related educational content and services, and adopting more ambitious reduction plans (see pages 41-43 of this report).

Impacts of climate-related risks and opportunities

The Board of Directors has undertaken a robust assessment of the current risks facing Pearson, as disclosed in the risk section on pages 57–67 of this report. This assessment identifies principal risks as well as several emerging risks and risks that, while modest, could have a significant near-term impact. The corporate risk register reflects these conclusions:

- Climate change overall does not represent a principal risk for Pearson. The financial impact of climate change-related risks and opportunities individually and in aggregate are well below the threshold for an item to be considered a principal risk for the company.
- The physical and transition risk assessment above highlighted no significant material risks arising from climate change in the short term (within the next five years).
- There are no substantial transition risks identified in the short to medium term.
- There are no material short-term substantial physical risks identified once the impact of mitigating activities is taken into account. In the medium to longer term, the most significant physical risk is water scarcity. In addition, while certain sites were identified as having exposure to impacts from wildfire, such as potential temporary closure of VUE test centres, or from storms, the impact of these is currently expected to be mitigated through insurance policies and business continuity insurance.

In making this assessment, we considered the actions needed to achieve our commitments, as well as the strategic and financial impact of potential risks and opportunities. We concluded that these did not have a material impact on the carrying value of any assets and liabilities as of 31 December 2024, as we explain in further detail in note 1c to the financial statements.

Strategic outlook

Our business model places the end user at the heart of everything we do, reaching learners across all their life stages. As we build out our digital learning capabilities, we will continue to shift away from physical paper-based products and services in line with our growth strategy, and, in turn, accelerate our decarbonisation trajectory. In addition, we continue to reduce our property footprint by improving the energy efficiency of our sites, which also contributes to reducing our risk exposure to physical and transitional risks. We expect these trends to continue.

With the increased use of AI and other advanced technologies in education, renewable and alternative energy solutions will play an important role in our industry, and, more importantly, for our technology-based suppliers. We will continue to work on driving industry-wide change by establishing partnerships and actively engaging our suppliers to ensure alignment of our values and support progress in their decarbonisation journeys.

Nonetheless, Pearson is well-poised to achieve our goals. Our Climate Action Plan identifies key actions to further decarbonise our own operations, value chain and through our products and services.

Sustainability *continued*

Metrics and targets

Our primary target is to reduce our absolute scope 1, 2 and 3 GHG emissions by 50% by 2030 (validated by the SBTi) from a 2018 baseline. We have made good progress this year, achieving a 41% reduction in GHG emissions since 2018. More detailed information on our performance can be found on page 53.

Climate-related metrics

In addition to our carbon reduction targets, Pearson has business-relevant non-financial KPIs that address the climate-related risks and opportunities discussed throughout this report, namely:

Metric category	Metrics	Page
GHG emissions	**Responsible Business Strategy** Progress against achieving our near-term emission reduction target of 50% by 2030.	41
Strategy	**Digital growth** Drive digital sales growth	24
Governance	**Remuneration** Sustainability-related weighting	129

Our GHG emissions data

Our full set of environmental data and the methodology used for calculations can be found in the sustainability performance tables on page 53. The most material categories of scope 3 GHG emissions represented in our figures include: Purchased goods and services; Upstream transportation and distribution; Business travel and Employee commuting. These categories represent more than 90% of our scope 3 emissions. A breakdown of data for each category can be found in the external assurance report on our website: https://plc.pearson.com/en-GB/sustainability. Our emissions data is calculated following the GHG Protocol Corporate Accounting and Reporting Standard and can be summarised as follows:

tCO_2e	2024	2023 (re-stated figures*)
Scope 1	**4,095**	4,683
Scope 2 location-based	**13,942**	14,004
Scope 2 market-based	**11**	1,719
Scope 3 location-based	**233,471**	246,990
Scope 3 market-based	**234,820**	247,590
Total location-based	**251,508**	265,677
Total market-based	**238,926**	253,991
Intensity ratio – tCO_2e/£m sales revenue (market-based methodology)	**67**	69

* Figures have been re-stated to reflect acquisitions, disposals and data methodology improvements, assured by an independent third party, SLR Consulting Ltd. The statement can be found on our website: https://plc.pearson.com/en-GB/sustainability.

TCFD Index

Section	Section	Page Reference
Governance	Board's oversight of climate-related risks and opportunities	44-48
	Management's role in assessing and managing climate-related risks and opportunities	44
Strategy	Climate-related risks and opportunities over the short, medium and long term	44-47
	Impact of climate-related risks and opportunities	47
	Pearson's resilience taking into consideration different climate-related scenarios	47
Risk management	Processes for identifying and assessing climate-related risks	44
	Processes for managing climate-related risks	44
	Integration of climate-related risks into the organisation's overall risk management	44
Metrics and targets	Metrics used to assess climate-related risks and opportunities	48
	Scope 1, 2, and 3 GHG emissions	48
	Performance against targets	48

Sustainability data

Our performance

About our reporting

This report provides a summary of Pearson's business and sustainability strategy and performance for the calendar year ended 31 December 2024. The Board's Reputation & Responsibility Committee has reviewed progress against our key topic areas as disclosed throughout this report.

Global Reporting Initiative (GRI)

Our report is in accordance with the GRI standards, using the GRI 1: Foundation 2021 guidance. There is no relevant GRI sector standard for our industry.

Sustainability Accounting Standards Board (SASB)

We continue to report in line with the SASB's standards to provide industry-based insights into the most relevant sustainability-related risks and opportunities for the media and professional services sectors.

UN Global Compact (UNGC) and the UN Sustainable Development Goals (SDGs)

We were proud to participate in the Early Adopter Programme of the UN Global Communication on Progress (CoP) designed to add value and streamline sustainability reporting for all participating companies of the UNGC. Our CoP is publicly available on our participant profile.

Lifelong learning and education have an important role to play in achieving all the UN SDGs, but we focus our efforts on those where we have the greatest impact. Our priority SDGs are: 4 (Quality education), 8 (Decent work and economic growth), and 10 (Reducing inequalities).

Sustainability material issues reporting against GRI and SASB

Material issues	GRI	SASB	Page/web reference	Comments/omissions
Product effectiveness	GRI 203-2: significant indirect impacts		Risks, opportunities and management approach: Pages 35-37 Performance: Page 24	
Consumer engagement	GRI 203-2: significant indirect impacts		Risks, opportunities and management approach: Pages 35-37 Performance: Page 24	
Digital growth	GRI 203-2: significant indirect impacts		Risks, opportunities and management approach: Pages 35-37 Performance: Page 24	
Employee learning and development	GRI 404-1: average hours of training per year, per employee GRI 404-2: programmes for upgrading employee skills and transition assistance programmes GRI 404-3: percentage of employees receiving regular performance and career development reviews		Risks, opportunities and management approach: Pages 38-40 Performance: Pages 24	We do not report on average hours of training, or % of employees receiving reviews.

Sustainability data *continued*

Material issues	GRI	SASB	Page/web reference	Comments/omissions
Employee engagement	401-1 New employee hires and employee turnover	SV-PS-330a.2. (1) Voluntary and (2) involuntary turnover rate for employees SV-PS-330a.3. Employee engagement %	Risks, opportunities and management approach: Page 38-39 Performance: Page 55	
Inclusion and diversity	405-1 Diversity of governance bodies and employees	SV-PS-330a.1. & SV-ME-260a.1. Percentage of gender and racial/ethnic group representation for: (1) Executive Management (2) professionals (3) all other employees	Risks, opportunities and management approach: Page 38-39 Performance: Pages 24, 39, 54-55	
Reducing our environmental impact	GRI: GHG emissions scope 1, 2 and 3. Baseline and methodology. Any offsets including type, amount, criteria		Risks, opportunities and management approach: Pages 33, 41-43 TCFD Report: Pages 44-48 Performance: Pages 24, 41-43, 53	
Data privacy and cyber security	GRI 418-1 Substantiated complaints received concerning breaches of customer privacy and losses of customer data	SV-PS-230a.1. Description of approach to identifying and addressing data security risks SV-PS-230a.2. Description of policies and practices relating to collection, usage and retention of customer information SV-PS-230a.3. Number of data breaches percentage involving customers' confidential business information or personally identifiable information number of customers affected	The following sections of our report detail: — Our approach to data security risks: Page 102 — Governance of data privacy, cyber security and technology resilience: Pages 100, 102 — Approach to customer data and safeguarding and training provided, data privacy and cyber security: Page 37 — Responsible Security Disclosure Policy (https://www.pearson.com/en-gb/legal-information/our-policies/responsible-security-disclosure-policy.html) — Safeguarding statement (https://plc.pearson.com/sites/pearson-corp/files/pearson/footer/our-corporate-policies/safeguarding-statement.pdf) — Data security and protection schedule for suppliers (https://www.pearson.com/content/dam/one-dot-com/one-dot-com/global/Files/suppliers/Pearson-Data-Privacy-Security-Schedule.pdf) — Consumer-facing privacy centre explaining how Pearson uses personal information (https://www.pearson.com/en-gb/privacy-center/privacy-notices.html)	In the event of a reportable breach, we would disclose information about the incident and commit to contact any affected data subjects in a timely way. In line with regulations, we will disclose material lapses to the relevant regulators. To the extent that any relevant regulator should find fault with our data management and/or data security practices, they will publish their findings/sanctions.
Journalistic integrity & sponsorship identification		SV-ME-270a.3. 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	— Business Partner Global Content Policy (https://plc.pearson.com/sites/pearson-corp/files/pearson/corporate-policies/global-contents-standards-policy-for-business-partners.pdf) Page 36	Pearson does not engage in journalism but we have a publicly available Global Content Policy.

GRI General Disclosures Index

Disclosure	Page	Comments/omissions
2-1 Organisational details	156	Headquarters location: Pearson plc, 80 Strand, London, WC2R 0RL, UK
	2-5	At a Glance – What we do, Highlights, Business unit overviews – Assessment & Qualifications, Virtual Learning, Higher Education, English Language Learning and Enterprise Learning and Skills (formerly Workforce Skills).
	234	Property, plant and equipment
2-2 Entities included in the organisation's sustainability reporting	213-216	All entities within Pearson plc are included in the sustainability-related disclosures within this annual report, across all material topics and data. External assurance of data is based on Group-wide data consolidation and reporting as noted in the 2024 assurance statement, found on our corporate website: https://plc.pearson.com/en-GB/sustainability.
2-3 Reporting period, frequency and contact point		Qualitative and quantitative disclosures in the Sustainability section refer to the calendar year 1 January 2024 to 31 December 2024 in alignment with our financial reporting period. Reporting frequency is annual. Publication date: 14 March, 2025 Contact point: sustainability@pearson.com
2-4 Restatements of information	42, 48, 53	2018 GHG emissions data has been rebaselined 2023 GHG emissions consequently re-stated to reflect acquisitions, disposals and data improvements (see footnote, page 48). New figures are disclosed in data tables.
2-5 External assurance		2024 ISAE 3000 (2020) independent assurance statement covering Pearson's GHG emissions, energy use and social data can be found on our corporate website: https://plc.pearson.com/en-GB/sustainability.
2-6 Activities, value chain and other business relationships	12-16	An integrated strategy
	18-22	Stakeholder engagement
2-7 Employees	22	Stakeholder engagement (Employees)
	38-40	Empowering our people to make a difference
	54-55	Social data tables – Our employees
	82	Talent and culture
2-8 Workers who are not employees		We do not currently report on workers who are not employees. The most common type of workers are regular and limited term employees (17,116) and the most common type of work performed is in testing centres, technology, sales, customer services, and professional development.
2-9 Governance structure and composition	39, 54-55	Gender and ethnicity composition of the Board
	44, 96-98	Sustainability governance is explained in the TCFD disclosure and the Reputation & Responsibility Committee report.
	68-141	Governance report
2-10 Nomination and selection of the highest governance body	44, 96-98	Sustainability governance is explained in the TCFD disclosure and the Reputation & Responsibility Committee report.
	68-141	Governance report
2-11 Chair of the highest governance body	70	Board of Directors
2-12 Role of the highest governance body in overseeing the management of impacts	70	Board of Directors
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	78-80	Board activities
2-13 Delegation of responsibility for managing impacts	70	Board of Directors
	77	Division of responsibilities
	78-80	Board activities
2-14 Role of the highest governance body in sustainability reporting	44, 96-98	Sustainability governance is explained in the TCFD disclosure and the Reputation & Responsibility Committee report.
2-15 Conflicts of interest	73	Independence of Directors
	79	Board activities
	81	How the Board is kept informed
	236	Additional information for US listing purposes

Sustainability data *continued*

Disclosure	Page	Comments/omissions
2-16 Communication of critical concerns	81-82	How the Board is kept informed
2-17 Collective knowledge of the highest governance body	44 70-72	TCFD disclosure, Governance section Board of Directors
2-18 Evaluation of the performance of the highest governance body	89-91	Board performance review
2-19 Remuneration policies	113-136	Director’s Remuneration Report
2-20 Process to determine remuneration	113-136	Director’s Remuneration Report
2-21 Annual total compensation ratio	113-136	Director’s Remuneration Report
2-22 Statement on sustainable development strategy	33-34	Learning for Impact framework
2-23 Policy commitments	33-48	Sustainability section, policy commitments and approaches noted across all content covering our Learning for Impact framework Corporate policies (https://plc.pearson.com/en-GB/corporate-policies)

Disclosure	Page	Comments/omissions
2-24 Embedding policy commitments	33-48	Sustainability section, policy commitments and approaches noted across all content covering our Learning for Impact framework
2-25 Processes to remediate negative impacts		Corporate policies (https://plc.pearson.com/en-GB/corporate-policies)
2-26 Mechanisms for seeking advice and raising concerns		Raising concerns and anti-retaliation policy (https://plc.pearson.com/sites/pearson-corp/files/2023-08/raising-concerns-and-anti-retaliation-policy/raising-concerns-and-anti-retaliation-policy-english.pdf)
2-27 Compliance with laws and regulations	64 65 99-109	Risk management Accountability for principal risks Audit Committee report
2-28 Membership associations		Pearson is a member of a number of associations, including the Responsible Media Forum, TeachAI, the American Association of Publishers, the Software Information Industry Association and the Publishers Association.
2-29 Approach to stakeholder engagement	18-22 84-85	Engaging with our stakeholders Understanding our stakeholders
2-30 Collective bargaining agreements	235	Additional information for US listing purposes (Employees)

Sustainability performance tables

Environment

Methodology: We follow the requirements from the greenhouse gas (GHG) Protocol Corporate Accounting and Reporting Standard (revised edition) to calculate our GHG emissions.

For scope 2 and 3, we use the dual reporting methodology (location and market-based approach), together with some of the latest emission factors from recognised public sources, including, but not limited to, the UK Department for Business, Energy and Industrial Strategy (BEIS), the International Energy Agency, the US Energy Information Administration, the US Environmental Protection Agency, and the Intergovernmental Panel on Climate Change (IPCC). Energy use includes combustion of fuel as well as purchase of electricity, heat, steam or cooling consumption in MWh, and vehicle fuel use converted from mileage into MWh using BEIS conversion factors. We are also using the latest global warming potential from the IPCC's Fourth Assessment Report.

Following our re-baselining policy, in line with best practice standards, we have re-stated our emissions to reflect the change in reporting scope and categories, as well as reviewed and updated calculation methodologies for the reporting years 2018 and 2023. This process has been verified and assured, alongside our environmental and social KPIs (unless otherwise noted) by a third-party auditor, SLR Consulting.

For more information, see our SLR Consulting assurance statement on our corporate website – https://plc.pearson.com/en-GB/sustainability/.

Greenhouse gas (GHG) (carbon dioxide equivalent) emissions overview (metric tons CO_2e)

	2024	2023 re-stated figures
Scope 1	**4,095**	4,683
Scope 2 (location-based[1])	**13,942**	14,004
Scope 2 (market-based[2])	**11***	1,719
Scope 3 (location-based[1])	**233,471**	246,990
Scope 3 (market-based[2])	**234,820**	247,590
Total – location-based[1]	**251,508**	265,677
Total – market-based[2]	**238,926**	253,991
Total scope 1 and 2 (location-based)[1]	**18,037**	18,687
Total scope 1 and 2 (market-based)[2]	**4,106**	6,401
UK scope 1	**559**	693
UK scope 2 (location-based[1])	**831**	1,177
UK scope 2 (market-based[2])	**5**	7
Total UK scope 1 and 2 (location-based[1])	**1,390**	1,871
Total UK scope 1 and 2 (market-based[2])	**564**	700

	2024	2023 re-stated figures
Intensity ratio		
tCO_2e/£m sales revenue (market-based methodology)	**67**	69
Energy		
% electricity from renewable sources	**100**	89
Total electricity consumption from renewable sources only (MWh)	**36,777**	33,066
Total electricity consumption from non-renewable sources only (MWh)	**0**	3,953
On-site generated electricity (MWh)	**216**	177
Total gas consumption (MWh)	**14,369**	17,215
Total fuel oil consumption (MWh)	**501**	585
Vehicles (MWh)	**4**	1
Total energy consumption (gas, fuel, electricity, transport and other sources) (MWh)	**51,726**	54,960
Total energy consumption UK (gas, fuel, electricity, transport and other sources) (MWh)	**6,056**	8,313
Resource use		
Paper used (t)	**19,255**	22,859
% Forest Stewardship Council (FSC)**	**59**	50
% Programme for the Endorsement of Forest Certification (PEFC)**	**4**	6
% Sustainable Forestry Initiative (SFI)**	**30**	13
Waste		
Total waste generated (t)	**1,749**	1,371
% waste recycled in office space	**32.6**	14.6
Water		
Total water consumption (m^3)	**127,014**	137,954

1. The location-based approach reflects emissions from purposefully sourced electricity. It derives emission factors from a contract for the sale and purchase of energy.
2. The market-based approach reflects the average emissions intensity of grids on which energy consumption occurs.

* We purchase renewable electricity in countries of consumption. For American Samoa, North Mariana Islands, US Virgin Islands, Guam, South Korea and Romania, Pearson was not able to purchase country-specific Energy Attribute Certificates and we had to buy from neighbouring countries/regions such as the United States, the European Union and China. For the Philippines, we purchased hydro technology as the only available in-country option. However, this represents only 0.8% of Pearson's total electricity consumption.

** These data points were not included in SLR Consulting's assurance scope.

Sustainability data *continued*

Social

All employee figures, with the exception of total average number of employees (as noted below), are based on employee volumes as at 31 December 2024. We will review data provided in future years, in alignment with evolving reporting regulations.

Our employees

	2024	2023
Total average number of employees for the year†	**17,024**	18,360
Employees by geography (regional representation)	**17,116**	17,612
US as of 31 December	**8,821**	9,241
UK as of 31 December	**3,394**	3,359
Rest of world as of 31 December	**4,901**	5,012
Gender diversity breakdown		
% permanent, regular employees	**98**	97
Male	**40**	40
Female	**59**	59
Non-binary	**0**	0
No data	**1**	1
% temporary, limited-term employees	**2**	3
Male	**31**	36
Female	**67**	63
Non-binary	**0**	0
No data	**2**	1
% full-time, regular employees	**79**	79
Male	**44**	44
Female	**56**	56
Non-binary	**0**	0
Not disclosed	**1**	1
% part-time, regular employees	**21**	21
Male	**28**	27
Female	**71**	72
Non-binary	**0**	0
Not disclosed	**0**	1

† Total average number of employees is calculated using a Full-time Equivalent (FTE) methodology, as an average across the reporting period. Seasonal/temporary staff are excluded from the calculation. All other data in this table is calculated using a headcount methodology.

Board and Executive Management team's gender identity or sex

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in Executive Management*	Percentage of Executive Management
Male	4	40%	3	7	58%
Female	6	60%	1	5	42%
Other categories	0	0%	0	0	0%
Not specified/prefer not to say	0	0%	0	0	0%
Board and Executive Management team's ethnic background					
White British or other White (including minority-white groups)	6	60%	3	8	67%
Mixed/Multiple ethnic groups	2	20%	0	1	8%
Asian/Asian British	1	10%	0	2	17%
Black/African/Caribbean/Black British	0	0%	0	0	0%
Other ethnic group	1	10%	1	1	8%
Not specified/prefer not to say	0	0%	0	0	0%

* Prepared in accordance with UK Listing Rule 6.6.6R(10) as at 31 December 2024. As prescribed by this rule and for the purpose of this disclosure, the Executive Management includes the Company Secretary. The data contained in the tables above was collected as part of the annual declaration process, whereby the Board and the Executive Management team received declaration forms for self-completion. The declaration forms included, for all individuals whose data is being reported, the same questions relating to ethnicity and gender. The data is used for statistical reporting purposes and is provided with consent.

Female leadership breakdown (%)

	2024	2023
Senior leadership	**49**	47
VP and Director	**49**	47
Manager	**51**	51

Employee racial and ethnic diversity breakdown (%)

	2024	2023
Total workforce (US and UK)	**32 (US)/18 (UK)**	32 (US)/17 (UK)
Senior leadership (US and UK)	**17 (US)/17 (UK)**	15 (US)/14 (UK)
VP and Director (US and UK)	**19 (US)/16 (UK)**	18 (US)/16 (UK)
Manager (US and UK)	**27 (US)/19 (UK)**	27 (US)/18 (UK)

	2024	2023
Employee racial and ethnic diversity breakdown – US (%)		
Total workforce	**32**	32
Asian	**11**	11
Black or African American	**11**	11
Hispanic or Latino	**9**	9
Other	**2**	2
White	**68**	68
Not stated	**0**	0
Employee racial and ethnic diversity breakdown – UK (%)		
Total workforce	**18**	17
Asian	**10**	10
Black	**3**	4
Hispanic or Latino	**0**	0
Other	**4**	4
White	**63**	64
Not stated	**20**	18
Total management workforce (US and UK) (%)		
Asian	**12**	12
Black or African American	**4**	4
Hispanic or Latino	**3**	4
Other	**2**	2
White	**76**	76
Not stated	**2**	2
Turnover		
Turnover rate, total average for the year[1]	**3,331/19%**	6,446/34%
Voluntary turnover	**2,309/13%**	3,037/16%
Involuntary turnover	**1,022/6%**	3,409/18%
Turnover by gender		
Total female	**2,052/12%**	3,840/20%
Total male	**1,239/7%**	2,475/13%
Non-binary	**8/0%**	21/0%
Not disclosed	**32/0%**	110/1%
Turnover by age group		
Under 30 years old	**901/5%**	1,693/9%
30-50 years old	**1,462/8%**	3,324/18%
Over 50 years old	**961/6%**	1,414/7%
No data	**7/0%**	15/0%

	2024	2023
New hires		
Total number and rate of new employee hires (number of hires/ average headcount)[2]	**2,799/16%**	3,770/20%
Total number of new hires – female	**1,710/61%**	2,289/61%
Total number of new hires – male	**1,018/36%**	1,374/36%
Total number of new hires – non-binary	**13/0%**	19/1%
Total number of new hires – not disclosed	**58/2%**	88/2%
New hires by age group		
Under 30 years old	**893/32%**	1,444/38%
30-50 years old	**1248/45%**	1,642/44%
Over 50 years old	**647/23%**	674/18%
No data	**11/0%**	10/0%
Employee engagement measures[3]		
Engagement^	**4.16**	4.09
Inclusion^	**4.24**	4.21
Progress	**78%**	73%
Learning and growth	**77%**	76%
Volunteering hours	**33,130**	20,694
Governance		
Total number of concerns raised and investigated	**115**	92
Percentage of employees completing Code of Conduct certification or training*	**100%**	100%

1. % calculated using average 2024 headcount of 17,024, not 2024 year-end position. Both voluntary and involuntary turnover is reducing, the latter was significantly down compared with 2023 as there were no major divestiture activities in 2024.
2. % calculated using average 2024 headcount of 17,024, not 2024 year-end position.
3. Sourced from Gallup Access.

^ Grand Mean on a 5-point Likert scale.
* This data point was not included in SLR Consulting's assurance scope.

Non-financial and sustainability information statement

In accordance with Sections 414CA and 414CB of the Companies Act 2006, which outline requirements for non-financial reporting, the table below signposts to content in this Strategic report, relevant to the management, performance and position of the company, and the impact of our activities in specific non-financial areas.

Non-financial matter and relevant sections of annual report	Page/link reference
Business model	Business model: Pages 13-16 Stakeholders: Pages 18-22
Environmental matters Climate Resource use	Corporate policies: (https://plc.pearson.com/en-GB/corporate-policies) Position and performance: Pages 41-43 Risks/opportunities: Pages 45-47 KPIs: Page 24 Climate-related financial disclosure as defined in Section 414CB(2a) Companies Act 2006: Governance – (a) on page 44; Strategy – (d), (e) and (f) on pages 44-47; Risk management – (b) and (c) on pages 44-47; Metrics and targets – (g) and (h) on page 48.
Social and community matters Driving learning for everyone with our products Social engagement	Corporate policies: (https://plc.pearson.com/en-GB/corporate-policies) Position and performance: Pages 35-37 Risks/opportunities: (https://plc.pearson.com/sites/pearson-corp/files/pearson/materiality-2024.pdf) KPIs: Page 24
Employee matters Employee engagement Investing in talent	Corporate policies: (https://plc.pearson.com/en-GB/corporate-policies) Position and performance: Pages 38-40 Risks/opportunities: (https://plc.pearson.com/sites/pearson-corp/files/pearson/materiality-2024.pdf) KPIs: Page 24
Human rights matters Customer welfare (data privacy, security and safeguarding) Empowering our people to make a difference	Corporate policies: (https://plc.pearson.com/en-GB/corporate-policies) Position and performance: Page 102 Risks/opportunities: (https://plc.pearson.com/sites/pearson-corp/files/pearson/materiality-2024.pdf)
Anti-corruption and bribery matters	Corporate policies: (https://plc.pearson.com/en-GB/corporate-policies) Position and performance: Pages 105 and 232 Risks/opportunities: Pages 103-105

Pearson has a wide range of policies that underpin our sustainability commitments, including:

- Pearson Code of Conduct
- Pearson Business Partners' Code of Conduct (Partner Code)
- Responsible Procurement Policy and our Modern Slavery and Human Rights Statements
- Anti-Bribery and Corruption (ABC) Policy; Raising Concerns and Anti-Retaliation Policy
- Pearson's safeguarding principles (include data privacy/security)
- Global Content Policy

The implementation of these policies is discussed throughout this report and on our website.

Risk management

Effective risk management is essential to executing our strategy, achieving sustainable shareholder value, protecting our brand and ensuring good governance.

The table below sets out our governance structure for risk management.

Plc Board (oversight)

- Responsible for Pearson's strategy
- Responsible for reviewing management's assessment of our principal risks
- Approves the annual budget and long-term financial plans
- Determines risk appetite in line with our strategy
- Conducts targeted reviews of key risks

Audit Committee (oversight)

- Provides oversight to the Board concerning the integrity of Pearson's procedures for identifying, assessing, managing and reporting on risk and obtains assurance from internal / external auditors
- Monitors and evaluates our compliance and risk management processes and control programmes
- Approves our risk management framework
- Approves internal audit plans

Reputation & Responsibility Committee (oversight)

- Considers our impact on the communities in which we operate, including ensuring that we have risk management processes in place to manage relevant risks

Pearson Executive Management (PEM) (identification, assessment, and mitigation)

- Comprises the CEO, CFO and other senior leaders (on pages 74-76)
- Accountable for ensuring that risks are mitigated in line with risk appetite
- Responsible for executing our strategy
- Responsible for reviewing and approving our principal risks, mitigation plans and controls
- Reports to the Audit Committee on risks, where required

Internal audit function (Assurance)

Our internal audit function is responsible for providing independent assurance to management and the Audit Committee on the design and effectiveness of internal controls, to mitigate strategic, financial, operational and compliance risks.

Enterprise Risk Management function (identification, assessment, and mitigation)

- Prepares our risk management framework
- Maintains our risk register and list of principal risks
- Reviews risks with business units to assess and monitor risk exposures
- Prepares a consolidated risk view for the Pearson Executive Management
- Provides oversight over risk management activity
- Reports to the Audit Committee on risks

Senior leadership (identification, assessment and mitigation)

- Responsible for monitoring, mitigating and reporting on risk
- Risk committees within each business unit assess the principal risks and implement further sub-committees as appropriate for business unit-specific exposures

Technical specialists (identification, assessment and mitigation)

- Functional heads work in conjunction with Group technical experts to monitor and manage significant risks. These experts provide operational support, guidance, policy and advice

Risk management experts (identification, mitigation and assurance)

- Dedicated teams providing guidance, review and assurance over key operational and financial risks including finance, legal and compliance

Pearson personnel (identification, assessment and mitigation)

- Personnel across Pearson are trained in relevant risk management to identify, assess, mitigate and escalate risks

Risk *continued*

Risk oversight

Risks are managed by members of the Pearson Executive Management team (PEM), either on a business unit basis or by function (as set out in the Accountability for principal risks section on page 65).

Risk owners conduct regular risk reviews with their leadership teams, consulting others where appropriate, including technical specialists, within their business unit or operating in one of the centres of expertise. Risk reports are shared with key stakeholders, including the Enterprise Risk Management team, and are discussed at PEM meetings.

The Audit Committee has the delegated responsibility for reviewing the effectiveness of our procedures for identifying, assessing, managing and reporting risk.

Each business unit is expected to present an overview of its risk register to the Board at least annually, and to provide an annual deep dive on key risks, supported by central risk team experts as required. Deep-dive sessions are also held at the Audit Committee with enterprise-wide functions such as tax, treasury and cyber security.

The Board uses these deep-dive sessions to understand the rigour of management's risk scanning and to challenge any judgements in response to risks.

The internal audit team provides independent assurance to the Audit Committee on the design and effectiveness of internal processes, to mitigate strategic, financial, operational and compliance risks. Internal audit plans are aligned to the principal risks but also consider other key risk areas and other assurances available. Plans are agreed in advance with the PEM team and the Audit Committee.

Risk environment

We operate in markets in learning, content, assessment and qualifications where we have held leading positions over several years as businesses and markets have become more digital.

Factors affecting the markets in which we operate include our position as an accredited provider of high-stakes tests, organisational capability, competitive dynamics, learner preferences and delivery methods, including the growing adoption of AI tools and the reputation of companies operating in the market. We seek to maximise the opportunities arising from these changing market conditions, balanced with appropriate monitoring and understanding of associated risks.

Further information on our business units and key markets are in the Strategy section on pages 12-16.

Risk identification and monitoring

Our risk identification processes follow a dual approach. Firstly, we take a top-down view that considers strategic risks across Pearson. We then take a bottom-up approach at a business unit or functional level, to identify and assess a complete list of each business unit's risks, with key risks highlighted in management reporting and in each business unit's long-range plan.

We conduct detailed interviews throughout the year with each business unit to assist with risk assessment and management. We then rank risks according to their likely impact as principal risks, significant near-term risks, emerging risks or other risks.

Classification as principal risks, significant near-term risks and emerging risks

We define our principal risks as those that could have a significant and ongoing effect on the Group's valuation by reducing the demand for, or profitability of, our products and services. Our Group assessment considers multiple dynamics including the duration, velocity and size of the potential impact. Effective management of these risks is essential to executing our strategy, achieving sustainable shareholder value, maintaining our reputation and ensuring good governance. However, these risks do not comprise all risks associated with our business and are not set out in priority order. Additional risks that are as yet unknown to management, or currently deemed to be less material, may also have an adverse effect on our business.

Significant near-term risks are risks that could have a significant near-term cash impact or affect our short-term results but would not be expected to have a significant ongoing effect on the Group's valuation.

Emerging risks are risks that we believe are well mitigated in the short term but may represent a significant future opportunity or threat. These include company-specific risks and risks affecting the macro economy.

Principal risks

The Board has undertaken a robust assessment of the current risks facing Pearson, in accordance with Provision 28 of the 2018 UK Corporate Governance Code. This assessment identified the following principal risks, as well as a number of emerging risks and risks that, while more modest, could have a significant near-term impact. For each of our principal risks, the tables on pages 59-64 identify:

- change in the risk over the last 12 months
- movement and outlook for that risk
- management actions
- link between the risk and Group strategy
- our risk tolerance
- examples of the risk
- risk 'contagion', i.e. the extent to which issues in one area could increase the risk in other areas
- assessed risk 'velocity', i.e. an indication of the speed at which a risk could materially impact the Group

Accreditation risk

Description	Termination or modification of accreditation due to policy changes or failure to maintain the accreditation of our courses and assessments by states, countries, and professional associations, reducing their eligibility for funding or attractiveness to learners. Awarding bodies may also require modification of tests to continue to receive accreditation which may reduce the convenience to learners or increase the cost of delivery.
Movement and outlook	The risk has reduced from a high to a moderate-high level. There is still uncertainty around political outcomes with recent elections in the UK and US, and upcoming elections in Canada and Australia, which could affect many of our business units. However, no major policy changes have been proposed that would significantly affect our business in the near term. Furthermore, significant reforms in US and UK school assessments have not recently occurred and we have successfully retained a high level of Assessment & Qualifications' contracts in 2024. International expansion is a key focus for many of the business units and assumptions are made that there are no major geopolitical situations, or government policy changes, in key growth areas. Despite concerns about lower federal funding post-COVID-19, Clinical Assessment sales have grown in 2024 due to pricing strategies, digital product growth and new product launches. The risk is expected to remain at an elevated level for the foreseeable future.
Management actions	1. Focus on creating a culture where learners and awarding bodies can depend on Pearson and know that we will meet their standards. We recognise our obligations, particularly in the testing space, to ensure prompt and accurate exam grading, and take actions accordingly. 2. Continuing to evolve and enhance our security, data and governance standards to ensure we continue to meet and exceed required standards to be an accredited provider. 3. Broadening the range of services we offer and our range of stakeholders. 4. Continue to grow a full-service offering. This helps to ensure our products cater for customers' many needs, especially in the global assessment market. 5. Focus on flawless or near-flawless execution of marking and delivering assessment results.

Link to strategy	Assessments & Verifications is at the core of our strategy.
Risk tolerance	Low – We seek to operate in stable, well-regulated markets with known requirements to be accredited, and have a low tolerance for taking risks that may jeopardise that accreditation.
Examples of risks	• Political and regulatory
Risk contagion	Accreditation risks are likely to have a financial impact but have limited risk of contagion.
Risk velocity	Changes in regulation or loss of contracts could occur within a 12-month period.

Risk *continued*

Artificial Intelligence (AI), content and channel risks	
Description	The risk that our intellectual property is harder to protect as a result of increased content generation through AI, and that our content and method of delivery (channel) is, or is perceived to be, insufficiently differentiated in terms of outcomes or learner experience. This could lead to lost sales and a significant decline in our market value.
Movement and outlook	The risk remains at a moderate-high level. Significant progress has been made in our use of large language models. We have successfully integrated AI tools into courses, and have continued to develop AI tools across all business units, seeing evidence of it driving commercial success. In 2024, we made a number of new hires including Chief Technology Officer and Chief Marketing Officer, to strengthen our technology and innovation leadership. We have taken a proactive approach in leveraging advanced AI technology positions, with our ongoing developments likely to sustain this momentum.
Management actions	1. Establishing a centralised data and AI solutions hub for governance and oversight, as well as forming AI delivery squads to drive a cohesive Pearson-wide AI approach. 2. Embedding AI into content creation products and services, creating efficiencies and helping us reach the market more quickly, as well as enabling us to align to individual learning needs: for example, creating an AI tutor in Pearson+ Channels and Connections Academy. 3. Driving innovation: infusing AI into our English Language Learning business unit with the development of Smart Lesson Generator, an AI-powered tool designed to simplify educators' work by creating customised lesson content and activities, leveraging our trusted IP. 4. Reducing piracy and managing and enforcing intellectual property rights including legal enforcement, where appropriate. 5. Targeted approach to capital allocation focused on opportunities in the higher growth segments of the markets which we serve and a deep focus on product innovation.
Link to strategy	AI has been identified as a key seismic trend providing growth opportunity.
Risk tolerance	Medium – this is a strategic risk, and we should be rewarded for successfully developing and delivering products and services that consumers value. Some risk is accepted to ensure the consumer remains at the centre of what we do.
Examples of risks	• Intellectual property protection • Method of delivery • Speed of innovation
Risk contagion	Failure to deliver high-quality and engaging products and services may have an impact on our reputation and responsibility risks and on meeting customer expectations.
Risk velocity	Significant short-term impacts are less likely due to our 2024 product strategy using AI as a growth driver and scaling AI across our products and services. Due to longer-term contracts or the time required for educators or consumers to learn how to use new products and services, it is more likely that any impact will be felt over years.

Capability risk

Description	Inability to meet our contractual obligations or to transform as required by our strategy, due to infrastructure, systems or organisational challenges.
Movement and outlook	This risk has increased from moderate to moderate-high due to the need to shift to execution against an evolved strategy. In October, Higher Education began to directly distribute our proprietary Advanced Placement (AP ®), Dual Enrolment and Career Technical Education (CTE) materials into states and school districts, which were previously distributed by a third party, investing in an in-house dedicated sales team. Our performance is contingent on how our existing customers respond to the shift from the third party and our ability to establish a robust go-to-market strategy and high-quality customer service. We have been successful in the migration of a number of data centres and have developed our relationships with a number of key technology companies. Higher Education's return to growth demonstrates our product and sales strategies have been effective. We have made improvements in data and cyber governance and resilience during 2024. Capability remains a fundamental requirement for achieving our objectives, with heightened risk when we enter new markets or develop new products and services. However, we have effectively managed talent costs and workforce investment will support capability growth and operational resilience over the next few years.
Management actions	1. Risk ratings are assigned to each system, with plans to ensure system uptime. Recovery strategies are established to minimise disruption, enabling customers to maintain functionality or resume operations as quickly as possible in the event of downtime. 2. Regular patching, employee training and security measures, such as multi-factor authentication, help to ensure the stability and security of our key systems. 3. Migration of servers for platform products to the cloud to enhance resilience. 4. Dedicated resources to focus on testing and developing AI products and to understand evolving market capabilities. 5. Business continuity planning to ensure that we are able to respond should a key customer or supplier fail.
Management actions *continued*	6. Enhanced focus on developing products that serve new markets and user groups, and cross-selling between business units, as well as product bundling. 7. Monitoring employee engagement and investing in our leaders to support key talent retention and effective succession planning. 8. Increasing clarity on our performance expectations for every role across the company, driving collaboration in pursuit of value. 9. Regularly reviewing our cost base to ensure competitiveness and identifying options for efficiencies. 10. A focus on the remediation of technical debt, supporting platform consolidation, and creating a unified user profile, providing an integrated view of Pearson for users across multiple products.
Link to strategy	Core performance has been identified as a key strategic growth opportunity.
Risk tolerance	Medium – we aim to ensure we have the capability to deliver strategic objectives, requiring strong coordination and planning, without stifling innovation.
Examples of risks	• Business resilience • Business transformation and change • IT resilience • Safety and corporate security • Talent
Risk contagion	Failures in capability could result in increased reputation and responsibility risk and failures to meet customer expectations.
Risk velocity	Failures of capability could impact within six to twelve months.

Risk *continued*

Competitive marketplace

Description	Significant changes in our target markets could make those markets less attractive. This could be due to significant changes in demand or in supply, which impact the addressable market, market share and margins (e.g. changes in enrolments, in-sourcing of learning and assessment by customers, open educational resources, a shift from in-person to virtual learning or vice versa, or innovations in areas such as generative AI).
Movement and outlook	The risk has increased to high from moderate-high driven by tighter migration policies in key markets affecting the market size for Pearson Test of English. The Higher Education International business has suffered sales declines, notably in Canada, Australia and New Zealand, and there has been market pressure in English institutional sales, especially in Europe. Meanwhile, the content space faces ongoing risk of price compression due to the rise of open education resources, especially those powered by large language models. US Higher Education has seen a significant improvement in sales, driven by enhanced sales team capabilities, stability and improved product offerings. Recent contract retention rates for Assessment & Qualifications have been encouraging. In Virtual Learning, we anticipate favourable trends in retention as part of operational improvements, and have invested in growth drivers such as career and custom curriculum. The risk is expected to remain elevated for the next 12 months, due to the risk of continuing tight migration rules, demographic factors and potential for price compression and disruption in the content space.
Management actions	1. Working in partnership with customers, including IP owners, at our Assessment & Qualifications and Virtual Learning business units, to ensure that our customers' needs are being met, resulting in high retention rates on the long-term contracts in place. 2. Progressing in Enterprise: signed a new multi-year enterprise deal with ServiceNow, a multi-year strategic Enterprise AI partnership with Microsoft and the expansion of the company's long-standing strategic partnership with AWS. Leadership and sales team changes are propelling this momentum. 3. Our Higher Education strategy has prioritised reducing dependence on channel partners by building an in-house salesforce team to strengthen and streamline our go-to-market abilities. 4. Undertaking competitive analysis to monitor and respond to competitive threats, with decentralised teams able to mobilise quickly to maximise opportunities and manage risk. 5. Monitoring our pipeline of contracts by renewal date and business unit, and building relationships with our customers to ensure proactive renewal management.
Link to strategy	Targeted market expansion has been identified as a key strategic growth opportunity.
Risk tolerance	Medium – this is a strategic risk associated with successfully selecting attractive global opportunities and seizing them. We seek to lead the shift to digital ways of learning and consequently to maintain strong market positions.
Examples of risks	• Substitutes • Market pricing • Product differentiation • Consumer learning preferences
Risk contagion	Changes in the competitive marketplace could increase portfolio change.
Risk velocity	We expect changes in the global learning market over our five-year planning horizon, but the timing and pace of such changes is uncertain. Assessment & Qualifications and Virtual Learning benefit from long-term contracts, which reduce potential velocity in these business units.

Customer expectations

Description	Rising end-user expectations increase our need to offer differentiated value propositions, risking margin pressure to meet these expectations and potential loss of sales if not successful.
Movement and outlook	The risk has remained at a moderate level. We have met customer expectations across business units. Higher Education is experiencing growth, with positive reception for new products. We have retained all major contracts in US Student Assessment. Our NPS score in Virtual Learning remains strong and Pearson VUE has shown positive performance with strong retention rates. Enhancing the reporting and use of proactive metrics will improve engagement and customer experience across digital products, and we expect the outlook to be similar for the next 12 months.
Management actions	1. Monitoring and targeting strong NPS scores, responding to customer feedback. 2. The Group's direct to consumer offerings such as Mondly, Pearson+ Channels provide valuable insights about usage. 3. Our service businesses conduct regular reviews with customers to ensure that their expectations are well understood and met and, where gaps arise, we are taking steps to address these concerns. 4. A unified global enterprise sales team sharpens our focus and enables us to better meet enterprise customers' needs.
Link to strategy	Focus on delighting our customers and meeting their expectations.
Risk tolerance	Medium – This is a strategic risk, and we should be rewarded for successfully developing and delivering products and services that consumers value. Some risk is accepted to ensure the customer remains at the centre of what we do.
Examples of risks	• Customer experience • Data architecture and usage • Accessibility
Risk contagion	Failure to produce products and services meeting customer expectations could also impact reputation and responsibility risks.
Risk velocity	Typically, one to three years, as long-term contracts run off.

Portfolio change

Description	Failure to effectively execute desired or required portfolio changes to promote scale or capability and increase focus on key business units and geographic markets, due to either execution failures or inability to secure transactions at appropriate valuations.
Movement and outlook	The risk remains low-moderate as recent acquisitions are integrated and disposals have been successfully executed. The risk level will remain at a similar level until further portfolio activity is undertaken.
Management actions	1. Including investment plans in our strategic plans, aligning requirements with business unit structure. 2. A capital committee governance structure is in place with an executive committee for the review, analysis and approval of M&A transactions, as well as reviewing integration of acquisitions. 3. An experienced Corporate Finance team to execute transactions, supported by a dedicated post-deal Operations team. 4. Pearson Ventures allows us to take stakes in companies in early funding rounds supporting growth through innovation. 5. Clear rules of engagement for any M&A activity.
Link to strategy	Capital allocation is a core element of our strategy.
Risk tolerance	Medium – we seek to carefully balance the opportunity to achieve growth through increasing capability and/or scale with the execution risk of portfolio change.
Examples of risks	• Identification of requirements • Achieving value on acquisitions/disposals • Integration of acquisitions
Risk contagion	Failures in managing portfolio change could impact capability and the ability to meet customer expectations.
Risk velocity	The speed of achieving the full benefits of an acquisition will vary depending on the size and scope of the acquisition, but typically from six months for a simple small acquisition, to two years for a larger complex transaction.

Risk *continued*

Reputation and responsibility

Description	Reputational and responsibility risks involve failing to meet obligations and demands of key stakeholders, including legal, regulatory, ethical and behavioural expectations. These risks extend beyond direct consequences to include broader societal and cultural perceptions. Risks arise not only from our actions, but also from being perceived as misaligned with societal expectations or ideological divides, especially in a polarised environment.
Movement and outlook	This risk remains at moderate-high. There are high ongoing cyber security threats and reputational risks, including data privacy and biometric risks, and the complexity of navigating different regional regulatory environments. We aim to operate in a highly reputable and responsible manner and so we intend to maintain strong mitigations to reputation and responsibility risks. However, numerous threats exist including from those who seek to do harm to the Group or to its customers, including nation-state actors, organised criminal rings and ransomware attackers, so constant vigilance is required. We are undertaking initiatives that will enhance our capabilities in cyber and data governance, ensuring robust protection against emerging threats.
Management actions	1. Dedicated risk management teams throughout Pearson monitor and respond to key risks. These teams provide regular updates to senior management and report to the Reputation & Responsibility Committee or Audit Committee as relevant. 2. Mandatory training for all employees covers key reputational risks including cyber and data risks. 3. Insurance cover, where available, supports the Group financially in the event of major incidents. 4. Significant investment to ensure high levels of IT resilience, including enforcement of multi-factor authentication for all critical systems. Tools are in place to repel cyber threats and safeguard customer information. 5. A trust and safety governance framework is in place that covers data privacy, security and risk, assessing business impacts and ensuring accountability. We also conduct several industry assessments to benchmark against security best practices, namely National Institute of Standards and Technology Cyber Security Framework (NIST CSF), The NIST Privacy Framework (NIST PF) and Security Scorecard. 6. Strong financial controls are in place and monitored by the Controls Steering Committee and Compliance teams, as well as local management.
Management actions *continued*	7. An Incident Management Framework for effective incident management across a wide range of events and concerns. We undertake reviews after incidents and significant near-misses to allow lessons to be learned and any remedial actions to be put in place. 8. A going concern model is reviewed by senior management and is completed twice a year, or more often if there is a material event. We have a comprehensive treasury policy that addresses key financial risks, including capital risk, liquidity risk, foreign exchange risk and interest rate risk, with measurable targets and regular reporting to the Audit Committee. 9. Fraud assessments completed by business units annually. 10. Comprehensive steps to safeguard students including staff vetting, training and escalation processes. Staff sign an annual code of conduct. 11. Our Government Relations team fosters constructive partnerships with policymakers and regulatory bodies to ensure we are aware of and have appropriate safeguards against emerging policy and political risks. It reports regularly to our Reputation & Responsibility Committee.
Link to strategy	Our reputation and commitment to behaving responsibly underpin our strategy to be a trusted partner.
Risk tolerance	Low – We seek to be a highly trusted education and learning brand. Any significant failures could negatively affect our relationship with customers today and in the future.
Examples of risks	• Compliance with laws and regulations • Cyber security • Data privacy • Fraud • Insolvency • Safeguarding • Test failure • Use of third parties • Culture wars/polarisation of political views
Risk contagion	Significant failures in this area could increase our capability and accreditation risks, and weaken our position in the competitive marketplace.
Risk velocity	Reputational risks could have a significant impact in a short period in the event of a significant issue.

Accountability for principal risks

For each of our principal risks (shown in bold), the table below lists the accountable senior executive(s) for each sub-risk. In 2024, we added three new sub-risks, and we created a new position of Chief Technology Officer which has led to changes in accountability (marked in the table below).

Risks	Accountability	Change since 2023
Accreditation risk		
Political and regulatory	General Counsel and Business Unit Presidents	No
Artificial Intelligence, Content and Channel risk		
Effective method of delivery (podcast, video, test, in-person, online)	Chief Product Officer and Business Unit Presidents	No
Intellectual property protection	General Counsel and Business Unit Presidents	No
Products and services – effective investment in own and third-party content	Chief Product Officer and Business Unit Presidents	No
Balance of content creation vs content purchased	Chief Product Officer and Business Unit Presidents	No
Speed of innovation	Chief Executive Officer, Chief Product Officer, Chief Strategy Officer, Chief Technology Officer and Business Unit Presidents	Yes
Capability risk		
Business resilience	General Counsel and Business Unit Presidents	No
Business transformation and change	Chief Executive Officer and Business Unit Presidents	No
IT resilience	Chief Information Officer and Business Unit Presidents	No
Safety and corporate security	General Counsel and Business Unit Presidents	No
Talent	Chief Human Resources Officer and Business Unit Presidents	No
Failure to attract talent/succession planning	Chief Human Resources Officer	Yes
Competitive marketplace risk		
Consumer learning preferences	Business Unit Presidents	No
Market pricing	Business Unit Presidents	No

Risks	Accountability	Change since 2023
Product differentiation	Business Unit Presidents	No
Substitutes	Business Unit Presidents	No
Customer expectations risk		
Customer experience	Chief Product Officer and Business Unit Presidents	No
Accessibility	Chief Human Resources Officer, Chief Product Officer and Business Unit Presidents	No
Data architecture and usage	Chief Information Officer, Chief Technology Officer and Business Unit Presidents	Yes
Portfolio change risk		
Achieving value on acquisitions/disposals	Chief Financial Officer and Chief Strategy Officer	No
Identification of requirements	Chief Executive Officer, Chief Financial Officer and Chief Strategy Officer	No
Integration of acquisitions	Chief Financial Officer	No
Reputation and responsibility risk		
Compliance with laws and regulations	General Counsel and Business Unit Presidents	No
Cyber security	Chief Information Officer	No
Safeguarding	General Counsel and Business Unit Presidents	No
Test failure	Assessment & Qualifications, English Language Learning and Enterprise Learning and Skills Business Unit Presidents	No
Data privacy	General Counsel and Business Unit Presidents	No
Use of third parties	Chief Financial Officer and Business Unit Presidents	No
Polarisation of political views/cultural wars	General Counsel and Business Unit Presidents	Yes

Risk *continued*

Significant near-term and emerging risks

The main near-term and emerging risks are shown in the table below, which also notes accountabilities and where the risk represents a change since the previous year.

Risks	Description	Accountability	Classification and change since 2023
Climate transition	Risks relating to sustainability and climate are outlined in pages 45-46. Expectations around climate change commitments and measurements change on a regular basis.	General Counsel and Business Unit Presidents	Emerging risk. No change.
Economic changes	Economic changes including high global inflation risks, recessions in global markets, high interest rates and supply change disruption could increase the cost of production for Pearson and put pressure on school, enterprise and consumer budgets, reducing demand for our products and services.	Chief Financial Officer, Chief Executive Officer and Business Unit Presidents	Significant near-term risk. No change.
Tax	The outcome of tax decisions relating to prior year transactions in Brazil and the UK could lead to significant cash costs. In 2024, the EU State Aid case was successfully settled in the Group's favour.	Chief Financial Officer	Significant near-term risk. No change.
Sanctions and geopolitics	High levels of geopolitical volatility have led to the increased use of sanctions, which could inhibit our ability to trade or, if inadvertently breached, could lead to fines, penalties and actions against officers. We have offices in Israel, which could be affected by the ongoing conflict in the region and further new conflicts also pose risks.	Chief Executive Officer and General Counsel	Significant near-term risk. No change.

Risk assessment of prospects and viability

Corporate planning process

The Board assessed the prospects of the Group using the Group's five-year plan, reviewing going concern over the period to 30 June 2026 and viability to 31 December 2029. The five-year period corresponds with Pearson's strategic planning process which is discussed by the Board at least annually and represents the time over which the Group can reasonably predict market dynamics and the impact of additions to the product portfolio.

The strategic plan takes account of a range of factors including market conditions, the likely impact of principal risks to the Group, product and capital investment levels, as well as available funding. Pearson's strategy and business model is discussed in more detail on pages 12-16.

Viability assessment approach and outputs

Base case five-year plan

In considering going concern and the viability of the Group, the five-year plan was used as the base case model for assessment. Sales, profits and cash are forecast to grow in the base case. The company's subsidiary Pearson Funding plc has a debt maturity of €300m due within the going concern assessment period and it is assumed that this is repaid with available liquidity.

Severe but plausible downside model

A severe but plausible model was prepared based on the base case adjusted for the probability weighted impact of all principal risks as well as other significant risks. The net impact of the risks modelled was to reduce free cashflow by around 30% per year.

At 31 December 2024, the Group had available liquidity of £1.2bn comprising central cash balances and its undrawn $1bn Revolving Credit Facility (RCF) which matures in February 2028. The RCF can be extended by a further year in November 2025, extending the maturity to February 2029 and a further year in November 2026, extending the maturity to February 2030. While the current extension options allow for a potential maturity in 2030, consistent with historical practice, Pearson anticipates refinancing the facility within the next five years to ensure liquidity beyond the testing period.

Under the severe but plausible downside case, the Group would maintain comfortable liquidity headroom and sufficient headroom against covenant requirements during the period under assessment before considering mitigating actions.

Reverse stress tests

Two reverse stress tests were modelled to determine the reduction in profit versus the plan that would be required to exhaust liquidity.

In the case of the going concern assessment, the profit reduction needed before 30 June 2026 was calculated. The model showed that significant profit declines in excess of the severe but plausible scenario were required in both 2025 and 2026 to exhaust liquidity.

For viability, the profit reduction and consequent reduction in cashflow needed to exhaust liquidity in 2029 was calculated, requiring a cumulative reduction in excess of those identified in the severe but plausible downside case.

In each case, the downside required to exhaust liquidity exceeds the downside in the severe but plausible scenario, before allowing for any mitigation.

Conclusion

Based on the results of these procedures, and considering the Group's strong balance sheet, the Directors have a reasonable expectation that Pearson will be able to continue in operation and to meet its liabilities as they fall due over the five-year period ending 31 December 2029. Further details of the Group's liquidity are shown in the Financial review on pages 26-32.

Below are the major inputs included in the severe but plausible scenario:

Accreditation

- Loss of accreditation for Pearson Test of English in a major market
- Risks associated with potential political and regulatory changes in US Student Assessment, UK & International Qualifications and Virtual Learning
- Migration policy changes in key markets and the effect they may have on demand and market size of Pearson Test of English

Capability

- Capability challenges in sales and technology reduce sales and result in increased costs
- Strategic initiatives affecting short term capability risk

Competitive Marketplace

- Sales declines in Higher Education due to demographic shifts as well as the general competitive environment
- Enrolment growth declines in Virtual Learning
- Long term competitive pressure on US Student Assessment contracts

AI, Content and Channel

- Loss of sales due to AI related risks and poor choice of content and/or channel

Customer Expectations

- Additional costs to provide higher than planned functionality and levels of user experience
- Failure to achieve desired growth in Channels sales

Portfolio Change

- Not applicable: no recent disposals or acquisitions

Reputation and Responsibility

- Potential cyber and data breaches negatively impacting reputation on an ongoing basis
- Potential safeguarding incidents negatively impacting reputation on an ongoing basis

Recession and inflation

- Potential for increased costs and lower sales because of a weak macro environment