Pearson at a glance

Our purpose

Helping people realise the life they imagine through learning

We are the world's lifelong learning company

What we do

1
Create and curate content

- Produce assessments
- Develop learning courseware
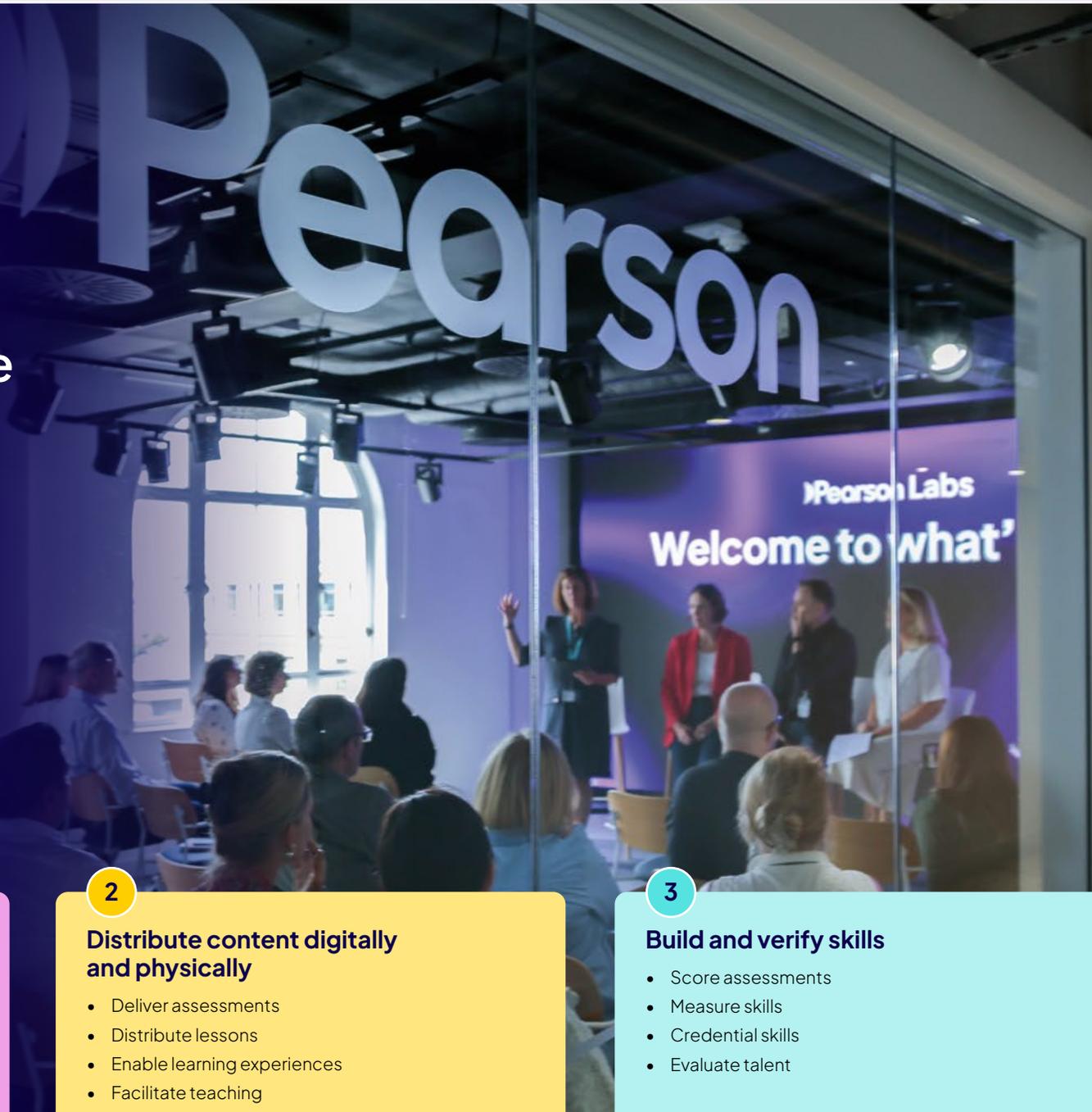- Design courses
- Write curriculum standards

2
Distribute content digitally and physically

- Deliver assessments
- Distribute lessons
- Enable learning experiences
- Facilitate teaching

3
Build and verify skills

- Score assessments
- Measure skills
- Credential skills
- Evaluate talent

2025 highlights: Powering growth through innovation

Pearson continued to deliver strong strategic and operational progress – advancing our purpose to help people realise the life they imagine through learning.

Sales

£3,577m

Underlying growth

4%

Adjusted operating profit

£614m

Underlying growth

6%

Free cash flow conversion*

125%

Free cash flow year-on-year increase

8%

* Free cash flow conversion calculated as free cash flow divided by adjusted earnings. Inclusive of the recovery of £0.1bn of taxes in relation to the State Aid matter.

Improved Group adjusted operating profit margin to 17.2%

Strong cash performance

with free cash flow of £527m. Completed a £350m share buyback

Continued to lead with the application of innovative technologies, deepening and scaling AI across our offering

driving measurable improvements in learner outcomes and saving educators meaningful time, whilst embedding AI as a foundational capability within Pearson

Continued enterprise momentum through strategic partnerships

to help employees and organisations prepare for the future of work

Business unit overviews

2025 sales by business unit

£3,577m
Total sales

4% underlying growth

● Assessment & Qualifications — **£1,604m** (4% underlying growth)

● Virtual Learning — **£511m** (8% underlying growth)

● Higher Education — **£775m** (2% underlying growth)

● English Language Learning — **£405m** (1% underlying growth)

● Enterprise Learning & Skills — **£282m** (6% underlying growth)

● Assessment & Qualifications

Assessment & Qualifications (A&Q) delivers world-class testing, certification and qualification solutions through four sub-business units, all of which contributed to growth in 2025: Pearson Professional Assessments (formerly known as Pearson VUE), Clinical Assessment, US Student Assessment and UK & International Qualifications. Together, these businesses provide trusted knowledge and skills measurements for learners, professionals, enterprises and institutions globally.

In 2025, Pearson Professional Assessments continued to lead the global market in large-scale testing services, supporting workforce certification and reskilling across professional and government sectors. Despite headwinds in PDRI driven by US federal government hiring and spend reductions, the business grew, securing new contracts and expanding enterprise partnerships. We also integrated AI to drive efficiencies in assessment generation, and strengthened our global delivery infrastructure.

Clinical Assessment delivered strong growth due to the continued traction of our products in the market and digital product growth. This was further supported by the first state-wide adoption of our digital platform in Tennessee and our expanded pharmaceutical business. Key innovations included the launch of Revibe, a wearable device designed to support individuals experiencing challenges with focus and attention, the pilot of an AI-powered psychological report writing assistant and the release of D-KEFS Advanced, a fully digital neuropsychology assessment.

US Student Assessment advanced its role as a strategic assessment partner to states and districts, delivering comprehensive assessment systems spanning formative, interim and summative programmes. Although we lost the contract with New Jersey, we subsequently renewed and extended several key contracts, including Maryland and others at a late stage of contract completion. We also launched an integrated partnership with McGraw Hill to embed assessments into core K12 curricula.

UK & International Qualifications delivered strong growth, benefiting from volume and international expansion. We

> **Built on deep expertise, global reach and strong customer relationships, assessments sit at the heart of our strategy – enabling learners to prove their skills in a world where trusted credentials are increasingly important."**
>
> **Art Valentine**
> President – Assessment & Qualifications

commenced the delivery of the new UK Government Test Operations Services contract and we expanded our digital offerings, including increased adoption of onscreen assessment and ActiveHub, our flagship teaching and learning platform.

Across A&Q, priorities for 2026 include continued expansion into adjacent market opportunities, such as moving up the value chain into high-stakes test prep and formative assessments, as well as renewing key contracts and securing new wins. We are also expanding internationally, enhancing operational excellence and accelerating innovation, particularly through AI.

● Virtual Learning

Virtual Learning (VL) delivers high-quality online learning solutions for K12 students through two main offerings: Partner Schools and District Partnerships.

Partner Schools provides state-wide, turnkey virtual school solutions for public K12 students in the US, integrating courseware, platform technology, instructional services and a range of support services to deliver flexible, high-quality online learning. District Partnerships offers customisable virtual education solutions for K12 districts.

In 2025, we made targeted marketing investments to capture demand and completed the launch of a new enrolment portal across the Partner Schools network, helping to remove friction in the enrolment process. We continued to expand our career programmes with new offerings, now available across our Partner Schools network to support students in their transition to the workforce. We opened two new schools, taking our total to 41 across 31 states. We also deepened the integration of AI into our study tools, contributing to higher course scores and end-of-semester pass rates.

Our 2026 priorities focus on continuing to capture growing demand for US virtual schooling, further strengthening of our marketing and enrolment capabilities, targeted school expansion and the ongoing application of AI to personalise teaching and learning.

● Higher Education

Higher Education (HE) provides leading learning experiences across the Post-Secondary and Early Careers markets, with additional reach into K12 education through Honours, AP®, Dual Enrolment, and Career and Technical Education (CTE).

In 2025, we provided AI-powered learning experiences that delivered measurable improvements in learning outcomes. Adoption continued to grow across our key platforms, all of which now integrate advanced learning capabilities to support more personalised, adaptive and engaging experiences. The new 'Go Deeper' functionality in our AI study tools encourages critical thinking by prompting learners with challenging follow-up questions. We continued to see strong traction in our Inclusive Access offerings. We also expanded the successful monetisation of Study Prep (formerly 'Channels') through new AI-driven diagnostics and coaching features, helping students build confidence ahead of assessments, and extended reach into international markets.

In Early Careers, we established a direct sales force to accelerate our College and Career Readiness strategy. Our acquisition of eDynamic Learning (eDL), North America's largest provider of digital CTE, was a significant milestone – strengthening our portfolio and enhancing our ability to support learners as they transition from education into the workforce.

Looking ahead to 2026, our focus remains on product and platform innovation, expanding reach and impact in the sector through strong educator partnerships, and building on our Early Careers offerings. We will continue to enhance access and integration across our Inclusive Access offerings in the US, while focusing internationally on emerging markets, digital expansion and content localisation.

● English Language Learning

English Language Learning (ELL) is a global destination for learners seeking to develop and validate their English proficiency. By combining deep pedagogical expertise with advanced technology, ELL delivers scalable learning and assessment solutions that enable individuals, teachers, enterprises and governments to achieve academic and professional goals. It does this through three main offerings: institutional courseware, including Wizard by Pearson; English proficiency assessments, such as the Pearson Test of English (PTE) for migration and Versant by Pearson for enterprises; as well as our online offering, Mondly by Pearson.

In 2025, Institutional advanced its digital learning capabilities through new AI-powered tools for students and teachers, including Smart Lesson Generator for educators. Wizard by Pearson continued to grow in Brazil, supported by increased online business.

Our assessment portfolio, including PTE, Versant by Pearson and a range of institutional assessments, continued to support learners seeking to demonstrate English proficiency. We launched the PTE Express Test, meeting growing demand for trusted online testing among US-bound learners, and renewed our agreement with Australia's Department of Home Affairs.

Mondly by Pearson expanded its suite of engaging online learning experiences with the launch of the Digital Language Tutor, an AI-driven product designed to support enterprise learners to improve their workplace English proficiency.

In 2025, in collaboration with our Enterprise Learning & Skills business unit and co-developed with Microsoft, we launched Communication Coach, which is designed to improve the communication ability of both native English and non-native English speakers and is aligned with Pearson's Global Scale of English, our proprietary rubric to benchmark English language proficiency.

For 2026, we will continue leveraging AI and digital technologies to enhance learning and assessment offerings. Our priorities include continued strong operational performance, refreshing our Institutional product suite, developing next-generation solutions for institutional and government partners, and supporting enterprise customers with advanced upskilling capabilities.

● Enterprise Learning & Skills

Enterprise Learning & Skills (ELS) provides career-focused qualifications and enterprise talent solutions through Vocational Qualifications (VQ) and Enterprise Solutions, which includes skilling content, assessments and digital credentialing.

Vocational Qualifications continues to be the UK leader in applied, career-focused credentials rooted in real-world work scenarios, with an additional presence in 58 markets globally. One in five working-age individuals in the UK holds a Pearson BTEC qualification and our programmes are adopted by ministries of education globally to support skills reform. In 2025, VQ won contracts with the UK Ministry of Defence, the Uzbekistan Ministry of Education and the Kingdom of Saudi Arabia, reflecting the strength of our apprenticeship and international BTEC expansion strategies.

Enterprise Solutions helps companies address evolving talent needs in a rapidly changing economy, particularly as AI reshapes workforce requirements. Through Credly, TalentLens, Faethm and IT Pro, we support businesses in assessing skills gaps, planning talent strategies, sourcing talent and delivering skills development aligned to commercial objectives. In 2025, we launched a global go-to-market approach, including a Global Enterprise Sales team, supported by marketing and delivery. We secured strategic partnerships with hyperscaler partners (Microsoft, AWS and Google Cloud) and leading professional services enterprises (including HCLTech, Cognizant and IBM).

In the US, General Educational Development (GED) remains a critical pathway for individuals seeking to enter the workforce or pursue higher education and continues to support career advancement. As of 2025, more than 20 million learners have earned the GED, which is recognised in over 90 countries.

Looking to 2026, we will continue to address the growing market need for trusted talent solutions that enable employees to work more effectively with AI. We will drive value from our existing partners while expanding our partner ecosystem, and will also broaden our validated skills data to support workforce mobility at scale.

AI is accelerating demand for trusted skills assessment and verification

Confident in the future due to the mega trends of demographics and AI which are driving upskilling demand, as well as Pearson's unique characteristics and enduring competitive strengths.

Mega trends
- Demographics
- AI

↑ **Upskilling demand**
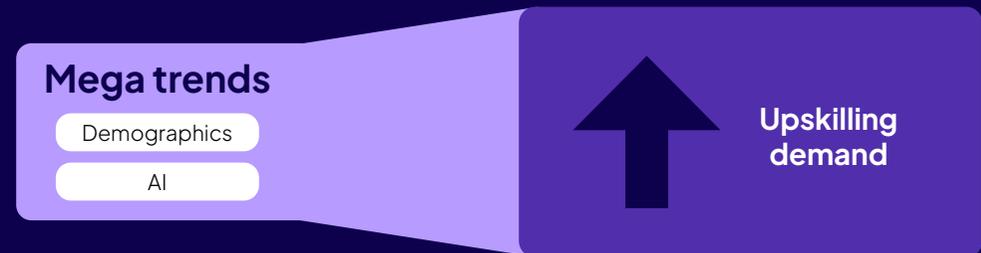
Unique Characteristics & Enduring Strengths

~90% Profit
Operationally complex physical and digital workflows and print

~10% Profit
Digital courseware, embedded in critical workflows

- Leadership positions
- Long history of operational excellence
- Deeply embedded
- Proprietary data sets

Trust

Why AI strengthens Pearson's position

Advances in AI are driving large-scale reconfiguration of industries, occupations and educational approaches, providing secular tailwinds for learning, assessment and verification. Pearson, as the world's lifelong learning company, is perfectly positioned to benefit from this massive wave of human skilling over the next several years.

Our unique characteristics of trust, infrastructure level quality, operational strength, and breadth of services that are embedded in the learning ecosystems alongside our investments in AI driven innovation delivers strong, durable cash flows and profitability. And our deep and enduring competitive advantages provide a unique platform for future growth.

Using AI to improve efficiency, performance and learning outcomes

From operations to products, AI is enhancing execution at scale.

Improving efficiency and speed to market

- AI-enabled authoring and editorial tools that shorten product development cycles
- Multilingual content translation with human-in-the-loop governance
- AI-powered customer support and employee productivity tools that improve speed and consistency

Embedding AI into trusted products

- AI Study Tools in Higher Education, including 'Go Deeper', designed to prompt higher-order thinking
- Communication Coach: a Microsoft Teams–integrated product providing real-time, role-specific feedback
- AI-enhanced exam preparation, including adaptive practice tests and the GCSE Exam Practice Assistant
- AI-enabled tools aligned to trusted frameworks, including speaking practice aligned to the Global Scale of English

Scaling AI through a disciplined operating model

The AI Centre for Enablement (C4E) provides shared standards, tools and expertise to accelerate experimentation and scale reusable AI solutions. It enables faster innovation while ensuring consistency, efficiency and responsible AI practices across Pearson.

Operating AI responsibly

Trust, safety and integrity are central to our AI deployments, supported by robust governance aligned with global standards

Breadth of strategic and innovation partnerships

Hyperscalers
- Microsoft
- AWS
- Google Cloud

Professional services
- Salesforce
- HCLTech
- Cognizant
- IBM
- Deloitte
- TCS

Innovation partners
- Meta for Education
- AndroidXR
- Vū Technologies

"Powered by learning science and data-informed design, our AI tools deliver engaging, personalised experiences that spark critical thinking and drive student success."

Tony Prentice
Chief Product Officer

Chair's note

A year of delivery, performance and progress

Executing with discipline to deliver sustainable returns

I would like to thank everyone at Pearson for their contribution to another successful year. Thanks to the execution of Pearson's people, strong leadership and disciplined financial management, alongside the trust of customers in our market-leading products and services, Pearson has delivered sales and earnings growth in line with expectations. This performance enables the company to continue delivering returns to shareholders.

Pearson's robust results and strong financial position underpin our ability to invest in continuously enhancing our offerings and addressing significant opportunities in faster-growing segments of the learning market, particularly within our medium-term growth vectors of Early Careers and Enterprise Skills.

Reflecting our confidence in the outlook for the business, the Board is recommending an increase in the final dividend, resulting in a full-year dividend of 25.2p per share, payable on 8 May 2026 to shareholders on the register on 20 March 2026. Our dividend is supplemented by a strong track record of share buybacks, with a further £350m programme completed in 2025 and, in January 2026, the announcement of an additional £350m programme – demonstrating our ongoing commitment to shareholder value creation through disciplined capital allocation.

Strategic partnerships and innovation

Pearson's progress in 2025 has been significant and broad-based. Long-term strategic partnerships with Microsoft, AWS and Google Cloud are totemic examples of Pearson's commitment to innovation and impact. These partnerships extend our reach across enterprise, Higher Education and K12, accelerate our cloud transformation and provide unique go-to-market opportunities.

In addition, recently signed professional services strategic partnerships with HCLTech, Cognizant, IBM, Deloitte and TCS are helping Pearson to scale delivery, enhance operational agility and unlock new opportunities. These relationships are instrumental in supporting Pearson's transformation and enabling the company to move faster and more effectively in serving learners, institutions and enterprises worldwide.

Pearson has continued to embed AI more deeply across its products and services, bringing enhanced learning experiences to more people, faster. When applied thoughtfully AI supports higher-order outcomes in reasoning and problem-solving. When a learner uses AI as a teleportation device, taking them straight to the answer, they don't learn, but when AI is used as a map – accompanying them through the different stages to get to the endpoint – it enhances learning.

Investment in AI across products and services is increasingly translating into differentiated offerings, improved customer outcomes and commercial opportunity.

Pearson's role in an evolving world of learning

Reflecting on my observations in last year's annual report, and the extraordinary changes we have witnessed over the last 12 months with the seismic forces of AI and demographic change continuing to reshape our world, it is clear to me that Pearson's purpose – helping people realise the life they imagine through learning – has never been more relevant. Pearson is evolving to meet these challenges and opportunities head-on.

As skills requirements evolve and the pace of change in the workplace continues to accelerate, demand for learning and the validation of skills is increasing. Pearson's deeply embedded position within global learning ecosystems, trusted brands and operational scale position the company well to support learners, institutions and employers as they navigate this transition.

Board and governance

Pearson benefits from the counsel of a strong and effective Board, whose members bring diverse experience and expertise from a range of sectors. This year, we were delighted to welcome two new independent Non-Executive Directors, Arden Hoffman and Costas Maglaras.

Arden is currently Chief Human Resources Officer at General Motors and brings valuable workforce and talent expertise spanning a range of industries. Costas serves as Dean of Columbia Business School and brings deep experience in economics, decision-making and leadership. Together, their insights enhance the Board's focus on ensuring Pearson's strategy remains aligned with the demands of a rapidly changing global landscape.

We also said farewell to Lincoln Wallen, who stepped down from the Board at the end of the year. I would like to thank him for the valuable contribution he has made to Pearson over his long tenure.

During the year, the Board oversaw a managed succession process for the role of Group Chief Financial Officer. I would like to thank Sally Johnson for her significant contribution to Pearson over many years, and welcome Simon Robson, who will join the company in March 2026. The Board is confident that this orderly transition supports continuity, strong financial stewardship and effective execution of Pearson's strategy.

We engage regularly with shareholders on a broad range of topics and welcome the opportunity to hear their views. This engagement helps ensure alignment with shareholder expectations and governance best practice. Further details on the Board's activities and governance arrangements can be found in the Governance report starting on page 70.

Outlook

The Board is pleased with Pearson's performance and progress in 2025. We are confident that Pearson's strategy positions the company well to capitalise on opportunities in its target markets over 2026 and beyond, alongside continuing to deliver sustainable growth and returns for shareholders.

Thank you for your continued support.

Omid Kordestani
Chair

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The company has delivered another year of sales and earnings growth, strengthened its financial position and continued to invest in areas that support sustainable value creation over the medium–term."

Omid Kordestani
Chair

Chief Executive's review

Delivering growth through execution

Dear shareholders,

2025 was another year of financial delivery and significant strategic progress. We set out with a clear set of priorities and I'm proud to say that our teams across Pearson have delivered against these with a customer execution focus, agility and ambition. We've grown our business, strengthened our foundations and accelerated our strategy.

Our financial performance reflects this momentum. In 2025, we achieved underlying sales growth of 4%, with adjusted operating profit of £614m – an increase of 6% on an underlying basis. Free cash flow conversion remains strong at 125%, underscoring the resilience of our model and the discipline with which we execute.

Beyond the numbers, we are encouraged by the growing adoption of our products and the strengthening demand across key markets, which reinforces our confidence in the strategy. As the half-life of skills is shrinking and the pace of change is accelerating, Pearson is uniquely positioned to help learners, institutions and enterprises adapt and succeed.

Powering growth through execution

Great execution on our strategy is at the heart of our progress. It's how we stay ahead of the curve, meet evolving customer needs and unlock new opportunities. In 2025, we made significant strides embedding AI and digital technologies across our portfolio and accelerating our enterprise learning capabilities and business. All our efforts are helping us to drive outcomes for learners and enhancing the experience of customers across the business.

- In Assessment & Qualifications, all sub-business units contributed to growth with standout performances from Clinical Assessment and UK & International Qualifications. Clinical Assessment grew through strong demand for our digital products together with expanding its customer base with the first state-wide adoption of our digital offering. We also launched Revibe, an AI-enabled wearable powered by Samsung Electronics to support focus and self-regulation. In UK & International Qualifications, we introduced the GCSE Exam Practice Assistant – an AI-powered tool for personalised revision. Pearson Professional Assessments secured several new contracts, and US Student

Assessment announced a partnership with McGraw Hill to unlock opportunities in formative assessment.

- In Higher Education, our core US courseware business led the way by delivering a good performance, supported by the expansion of AI features in our offering. The new 'Go Deeper' functionality in our AI study tools encourages critical thinking by prompting learners with challenging follow-up questions. As our AI becomes more embedded in the student learning process, we are seeing learners deepening their cognitive ability and becoming more engaged with our materials.

- In Virtual Learning, we saw strong growth in the second half of the year, driven by capturing strong market demand through targeted marketing, streamlined enrolment processes and enhanced career offerings. We opened two new schools, bringing our total to 41 schools across 31 states, and embedded our career programme across the network. Our AI tools are contributing to improved student outcomes with higher grades and pass rates.

- In English Language Learning, Institutional saw continued growth, with customer wins in key markets, for example in Latin America, and Pearson Test of English continued to show resilience, performing well despite a tough market backdrop. We advanced our offering with the launch of the PTE Express Test and launched Communication Coach, which was co-developed with Microsoft and in collaboration with our Enterprise Learning & Skills business unit, to improve the communication ability of both native and non-native English speakers. The product is aligned with Pearson's Global Scale of English, our proprietary framework for benchmarking English language proficiency.

- In Enterprise Learning & Skills, we refocused our Global Enterprise Sales Team and signed long-term strategic partnerships with a range of key hyperscalers and leading professional services enterprises.

Meeting the moment: skills for an evolving workforce

The world of work is changing – fast. AI is reshaping industries, roles and expectations. Learners, workers and employers alike are grappling with how to keep pace. We believe this gives Pearson a profound opportunity to lead. We're better placed than ever to

strengthen the connection between learning and success, due to our unique characteristics and enduring competitive strengths.

The traditional 'learning to earn' model – where education ends when work begins – is no longer fit for purpose. We must embrace a 'learning to learn' mindset, where education is a lifelong journey, seamlessly integrated into work and life – and where learning becomes the most important skill for success.

That's why we've identified Early Careers and Enterprise Skilling as strategic growth engines. These are not just commercial opportunities; they're areas where Pearson can make a real societal impact. In 2025, we featured in the GSV 150 list of companies transforming digital learning and workforce skills development, validating our impact (https://www.asugsvsummit.com/gsv-150).

In Early Careers, we're helping young people build job-ready skills as they transition from school or university into the workforce. Our Virtual Schools are already delivering career readiness initiatives, and through our career programme, students gain access to internships, employer connections and specialised classes that prepare them for the world of work. This year, we acquired eDynamic Learning, which is a core pillar of our Early Careers strategy. eDynamic Learning is a leader in Career and Technical Education. Combined with Pearson's scale, this creates a powerful platform to equip the next generation with the skills they need to succeed.

In Enterprise Skilling, we're helping those already in work to reskill and upskill. Our unique skills ontology enables employers to understand their workforce capabilities and identify gaps. By combining our expertise in learning with the reach and technology of our strategic partners, we're creating scalable solutions that deliver learning in the flow of work. Our Communication Coach is just the beginning. Imagine a future where employees receive real-time, personalised learning without leaving their daily workflow. That future is already here.

Building AI literacy for all

As AI becomes ubiquitous, AI literacy will be a foundational skill – essential for all learners, workers and organisations. At Pearson, we want everyone to have the tools to understand and harness this transformative technology, and we have

expanded our AI-related content, training programmes and certifications. For example, in 2025 we introduced AI Essentials, a short course that provides a foundational understanding of AI.

We're also investing in our own people. Across Pearson, employees have access to Microsoft Copilot, and we have rolled out live training sessions across the organisation. Our AI Ambassador Community has grown to over 1,000 members, supported by a vibrant programme of training and learning events. This is about more than tools – it's about mindset: we're empowering our teams to reimagine how they work, collaborate and innovate.

Leadership and succession

I would also like to thank Sally Johnson, who will be leaving Pearson in May 2026, for her outstanding contribution to the company over nearly 26 years, including six years as Group Chief Financial Officer. She has been a trusted partner to me and to the Board, and played a pivotal role in strengthening the company and positioning it for the future. I am pleased to welcome Simon Robson, previously Group Chief Financial Officer at Sky, who will join Pearson in March 2026. I am confident he will support the continued delivery of our strategy and long-term value creation.

Looking ahead

We remain focused on disciplined execution, targeted investment and delivering for our shareholders. We've made great strides in 2025: growing our business, deepening our impact and laying the groundwork for future success. But we're only just getting started.

Our unique capabilities, trusted brand and global reach place us at the heart of a societal shift shaped by AI, evolving skills and changing expectations.

Thank you for your continued support.

Omar Abbosh
Chief Executive

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We remain focused on disciplined execution, targeted investment and delivering for our shareholders. We've made great strides in 2025. We've grown our business, deepened our impact and laid the groundwork for future success. But we're only just getting started. "

Omar Abbosh
Chief Executive

4%
underlying sales growth

6%
underlying adjusted operating profit growth

Strategic framework

An integrated strategy

Overview

In 2024, we launched a refreshed strategy with a single, unifying purpose: to help people everywhere to realise the life they imagine through learning (the 'why' section of our framework). This strategy is now deeply embedded across the organisation, and its execution has generated strong momentum across the business. We continue to accelerate our transformation – harnessing the power of AI and capitalising on the demographic shifts reshaping the world.

As we move into the second year of this journey, our execution plan rests on three interconnected components:

1. Drive performance in our core business

We are driving excellence across our business units, focusing on strengthening core performance and capturing market share, with specific examples outlined in the business unit overview section. We will continue to drive value by scaling our presence across multiple verticals and solution types. We will build on our commercial execution and accelerate the introduction of innovative products and services, providing a solid foundation for future growth.

2. Deliver execution synergies

We will unlock value from execution synergies. We remain committed to further advancing our ambition of a fully integrated, customer-centric operation which executes at pace. We are implementing new approaches to company-wide operational systems that will support more effective workflows, such as transforming revenue operations and AI-driven simplification to customer services. We will refine and modernise our software, as well as simplifying our product estate to improve customer navigation and enhance product discovery and development. In parallel, we aim to establish long-term strategic partnerships that support sales expansion, create unique go-to-market pathways and advance innovation.

3. Expand into medium-term growth vectors in Early Careers and Enterprise Skilling

We continue to see significant growth opportunities in our two medium-term growth vectors: Early Careers and Enterprise Skilling. We will further strengthen Pearson's leadership in career and technical education, to support learners as they transition from formal education into the workforce. Additionally, we will support enterprises as they develop the capabilities needed for talent planning, sourcing and development in the AI era.

Lastly, to support the execution of our strategy (the 'how' section of our framework), we will continue to invest in our people, strengthen our performance culture, drive innovation and optimise our capital allocation. Our focus is on creating a highly motivated and customer-centric organisation by delivering a strong employee-employer contract, quickly allocating capital to faster-growing opportunities and making innovation a core part of our DNA. We believe we are well-positioned to capture growth in the rapidly evolving learning market.

1. Why

The world's lifelong learning company

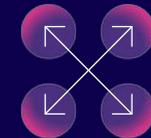Helping people realise the life they imagine through learning

2. What

Driving performance in the core business

Excellence in business units

Execution synergies

Operational systems
Modern software & product development
Strategic partnerships

Medium-term growth vectors

Early Careers
Enterprise Skilling

3. How

Performance culture   **Innovation**   **Capital allocation**

Our business model and value drivers

1. Why   Helping people realise the life they imagine through learning

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. In 2025, we delivered a refreshed Pearson brand, modernising our visual identity, tone of voice and value proposition.

Thought leadership

Our industry expertise and unique position in the learning ecosystem allow us to be a global thought leader. We develop deep, rigorous and analytical perspectives, share domain insights and shape the conversation on key trends. We launched our 'Lost in Transition' and 'Mind the Learning Gap[1]' research reports, anchored in proprietary insights covering skills gaps, digital disruption, learner behaviour and the impact of AI on learning and the workforce.

For our stakeholders

Individuals
Institutions
Enterprises

"

AI is creating transformative opportunities across education and we have a responsibility to harness it for the benefit of those we serve. Through our strategy we are building a stronger business, unlocking new growth, driving better outcomes for our customers and delivering value for our stakeholders."

Sue Kolloru
Chief Strategy Officer

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.

Economically

Socially

Purposefully

Emotionally

Physically

Cognitively

↑

Learning

↓

1. Published in Jan 2026

Our business model and value drivers *continued*

2. What
What we're doing to progress against our strategy

Growth drivers	Progress in FY25	Plans for FY26

Core performance

Excellence in business units

We continued to strengthen our core business through high contract renewal rates, the acquisition of new customers, increased share of wallet and disciplined improvements in execution across our business units. Further detail on strategic progress within our business units is set out on pages 4-5, with performance against our 'power metrics' reported on page 23.

We will focus on delivering strong contract renewals, generating incremental revenue across our established customer base and building a robust pipeline of 'Elite' and 'Advanced' customers as reported in our 'power metrics' on page 23. We will maintain this momentum through a continued emphasis on disciplined execution and ongoing innovation. Our 2026 priorities across the business units are outlined on pages 4-5.

Execution synergies

Operational systems

We merged several teams into a dedicated Revenue Operations unit to standardise sales processes, strengthen pipeline management and unify data sources – delivering clearer, more actionable insights – while launching the next phase of the Pearson Promise to reinforce our high-performance culture and streamline the organisation, bringing teams closer to customers and accelerating decision-making.

At the same time, we significantly expanded our AI capabilities, scaling our Content Generation Suite, leveraging AI code assist capabilities, expanding chatbot use, and embedding AI in customer services to boost efficiency and impact. For example, we are also deploying Claude and Claude Code across engineering and business functions to accelerate development and enhance productivity and quality.

We will accelerate our data-driven, customer-centric sales motion by refining incentives to reward growth and harnessing AI for deeper customer insights, while building on our 'One Marketing & Communications' foundation to elevate our global brand and embed AI-powered tools that amplify creativity and measurable performance.

In parallel, we will increase our use of agentic operations by deploying AI agents, including a transformative knowledge agent that redefines customer support, alongside specialised agents that verify customer identity during enrolment, review statements of work and conduct deep competitive and market analysis – increasing speed, accuracy and intelligence across every touchpoint. Underpinning these efforts is our continued commitment to developing future-ready talent, cultivating adaptive leadership and increasing organisational agility to ensure flawless execution and sustained, profitable growth.

Modern software & product development

We accelerated the shift to true customer-centricity and rolled out our product operating model organisation-wide, delivering significant improvements in product governance and aligning Pearson to a unified architecture. We launched targeted training pilots to deepen customer empathy and embed real-time feedback into every product cycle, while strengthening business reviews to drive disciplined capital allocation and strategic planning – establishing the foundation for consistent, measurable and market-leading product outcomes.

We will continue to roll out our Product Excellence programme to establish a unified product operating model. Key priorities include disciplined discovery, standardised artefacts, as well as tools and training, backed by rigorous governance through roadmap reviews and financial alignment. We will accelerate reusable services and empower cross-functional teams to deliver faster, higher-quality outcomes with greater accountability.

2. What

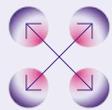### Growth drivers

Execution synergies

Growth pillars

Progress in FY25

Strategic partnerships

We have consolidated our suppliers and deepened our relationships with a smaller number of key partners to create customer impact, drive efficiencies and grow our businesses. We signed and established robust operational governance for 360° partnerships, encompassing balanced trade, joint go-to-market programmes and co-innovation with leading hyperscalers (AWS, Microsoft and Google Cloud) and professional services partners (including Deloitte, IBM, HCLTech and Cognizant). These strategic alliances are unlocking significant commercial opportunities, and enabling innovation and product advancements to deliver market-leading, customer-aligned solutions.

Early Careers

We established a dedicated direct sales force to deepen and expand our relationships with US school administrators and completed the acquisition of eDynamic Learning, strengthening our leadership in digital Career and Technical Education (CTE) and career-pathway programmes while accelerating our vision of a seamless learner journey from exploration through certification. We deepened partnerships with industry associations tackling critical workforce shortages, including early collaboration with the Ohio Health Care Association. Through Certiport, we also forged meaningful enterprise partnerships, engaging students worldwide in Microsoft and Adobe certification competitions.

Enterprise Skilling

We unified our sales, marketing, revenue operations, delivery, product and technology under one cohesive framework. Our newly established go-to-market approach led to nine important strategic enterprise partnerships, piloted high-impact bundles in priority segments and forged new go-to-market collaborations that significantly broaden our reach and accelerate growth in the corporate market. Our enterprise business will contribute meaningful shareholder value over the medium term and we are pleased by the progress so far.

Plans for FY26

We will deepen and expand our strategic partnerships to drive product innovation, co-create solutions for new markets and tap the vast client ecosystems of our global partners. We will also continue to scale collaboration in high-impact domains – sales operations, marketing and software technology – with multiple transformative projects already underway.

We will continue shaping a scalable Early Careers ecosystem: supporting learners from early exploration in middle school to industry-recognised certifications that open pathways to high-demand careers. We see significant potential to deepen partnerships with industry associations, workforce boards and employers in high-demand sectors – building a sustainable, skills-ready talent pipeline. Internationally, we will extend this proven model through localised programmes in technology, digital skills, data and AI. At the same time, we will also leverage existing assets — including our Career and College Readiness portfolio and Certiport assessment capabilities — to expand into adjacent markets such as workforce training within higher education.

We will scale comprehensive Enterprise Skilling solutions built on our DEEP framework:

- Diagnose skill gaps and align talent to business strategy
- Embed learning directly into workflows
- Evaluate mastery with rigorous, data-backed assessment
- Prioritise verified skills, fix signalling gaps, deliver AI-driven coaching and unlock workforce potential at scale – creating clear competitive advantage for our customers

We will also scale bundling globally, embedding it deeply into pricing and incentive structures to accelerate adoption while expanding bundles to include emerging products and services.

Our business model and value drivers *continued*

3. How   How we create long-term stakeholder value

Growth drivers	Progress in FY25	Plans for FY26
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 our identity and achievements as a company.	We will remain committed to the needs, interests and development of our people by continuing to invest in their growth. We will provide greater clarity on what success looks like and what it takes to progress through the evolution of our Career Navigation System and Learning Hub, where we will also empower our people to explore new roles and possibilities.
Innovation	**Data & insight** We established a dedicated data function to enable data as a strategic asset, standardise capabilities and ensure a governed, accessible foundation for better decisions and insights. We are building a scalable data ecosystem with event-driven architecture, positioning us to move from enablement to enterprise-wide execution and strategic impact.	We will drive greater consistency and parity across business units and corporate functions, underpinned by a streamlined, well-governed and accessible data foundation. This foundation will enable better decision-making, deeper insights and measurable outcomes.
	Ventures & labs We unified our Ventures, Ecosystem Partnerships, Responsible AI and Labs into a powerful engine for applied research and emerging-technology acceleration. We officially launched our first Innovation Lab in London – designed for deep customer and stakeholder collaboration – and expanded innovation partnerships with Meta for Education, Google's Android XR, and Vū Technologies.	We will scale our London Innovation Lab into a global hub for prototyping and customer co-creation, and plan to establish a second lab in North America. Across this expanded footprint, our work will remain grounded in learning science and focused on delivering meaningful outcomes for learners and educators.
	Artificial Intelligence We established our AI Centre for Enablement (C4E) to unify standards, tools and expertise, enabling the responsible and scalable deployment of AI solutions. This operating model has accelerated our shift from experimentation to operational scale, highlighted by launches such as Communication Coach in Microsoft Teams and the Exam Prep feature in Study Prep, both based on rigorous learning science principles.	We will further embed AI across our product ecosystem, guided by learning science and enabled by the C4E. We will focus on scaling proven solutions, advancing responsible practices, investing in targeted ventures and leveraging strategic partnerships to deliver innovative, research-driven learning experiences to more learners, educators and enterprise customers worldwide.
Capital allocation	**Capital allocation** We aligned our investment priorities with clear opportunities for growth, returns and value creation. We established a Capital Committee that allocates investment towards faster growth segments across time horizons to optimise capital deployment and drive shareholder returns.	We will continue to apply our disciplined capital allocation policy to drive long-term stakeholder value, including continuing to invest both organically and inorganically in high-growth segments to contribute to a higher, sustained growth rate over time. We demonstrated proactive capital management through the launch of our £350m share buyback programme in January 2026.

Engaging with our stakeholders

Engaging with those who have a direct interest in Pearson's long-term success is an important part of how the Board oversees strategy, performance and governance. The Board considers the perspectives of shareholders, customers, employees, partners and suppliers, and the wider community when making decisions, with a clear focus on sustainable value creation over time.

Investors/shareholders

Why and how we engage

Our shareholders are central to the long-term success of Pearson. They provide the capital that enables investment in the business and play a critical role in holding the Board and management to account for strategy, performance, governance and capital allocation.

We place a high priority on maintaining open, regular and constructive dialogue with shareholders throughout the year. Engagement is led by the executive team, with active involvement from the Chair, Senior Independent Director and Committee Chairs where appropriate, ensuring that investor views are understood at Board level.

In 2025, we held 218 meetings with 198 institutions, across both virtual and in-person formats, through results roadshows, investor conferences, focused teach-ins and our Annual General Meeting. Discussions covered financial performance, strategy execution, portfolio positioning, capital allocation, remuneration and governance, reflecting the breadth of topics of interest to shareholders.

Outcome of engagement

Shareholders consistently emphasised the importance of clear strategic priorities, disciplined execution and capital allocation, and transparency around performance and value creation. Feedback also highlighted the need for a strong and consistent equity story, particularly in the context of market volatility and recent valuation performance. In response, we have:

- Sharpened our external communication on strategy and financial delivery
- Increased the depth of engagement on capital allocation and returns
- Ensured clearer linkage between performance, incentives and shareholder outcomes
- Strengthened Board-level oversight of investor feedback and sentiment

The Board receives regular updates on shareholder views and engagement themes, which inform decision-making on strategy, remuneration, succession planning and governance. Further detail on how investor feedback influenced decisions during the year can be found in the Directors' Remuneration Report (pages 117-152) and the Governance section of this Annual Report.

> "As AI reshapes learning and work, Pearson sits at the nexus of learners, educators and employers – helping people prepare for what's next and converting ambition into meaningful impact."

Naseem Tuffaha
Chief Business Officer

Educational institutions and educators

Why and how we engage

Our engagement with educators is a key part of our ability to understand and cater to the needs of the teaching profession, as well as providing us with insights into the attitudes of learners. We also draw from the experience of educators to shape our approach, inform the development of our AI tools and training, and anticipate trends shaping the world of learning today and in the future.

In our Virtual Learning business unit, 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 US Student Assessment, we held over 400 meetings with school specialists, administrators and educators, and more than 300 professional development sessions, in 2025 to ensure our assessments continue to deliver meaningful insights, support instructional goals, meet compliance requirements and inform decision-making.

We also hold our Annual GED Conference in the US, a gathering of hundreds of educators, leaders and changemakers. The GED exam provides a recognised pathway for those seeking their high school equivalency diploma.

Engaging with our stakeholders *continued*

In our Higher Education business unit, our team of active faculty advisers supports instructors in setting up and using our products. This business unit delivered over 100 in-person and virtual events in 2025 to engage more educators on topics including AI and skill development, which were attended by thousands of college and university instructors from over 120 countries.

The English Language Learning business unit collaborated with teachers globally to refine the Smart Lesson Generator, an AI-powered tool that creates high-quality lessons in minutes. Developed in partnership with AWS, it reduces planning time by up to 45 minutes per lesson plan for educators.

Leading the way in research

In the UK, we released our 2025 Pearson School Report, which brings together more than 14,000 voices from across the education landscape in the UK. This report builds a snapshot of life in schools, including how educators are navigating the application of innovative technologies such as AI. We also once again brought together members of the UK education community as part of The Pearson National Teaching Awards, which champion the impact of teachers and the difference they can make on people's lives.

Outcome of engagement

We have a strong network of relationships with educators, who view us as a trusted partner. Through our educators, we gather valuable insights on attitudes, trends and feedback on our learning tools and content.

Many Pearson authors are educators, as well as experts in their fields. They provide us with deeper insights into how students engage with our tools, and we collaborate with them to develop new features to use in conjunction with the courseware they have written.

In our Virtual Learning business unit, we hold conferences to 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 unit, our faculty engagement provides ongoing feedback on new AI product features and helps us understand how to best tailor those features for the faculty and students, helping to enhance the teaching and learning experience.

The Pearson School Report is another example of how listening to and engaging with educators builds trust in Pearson and provides visibility over student and teacher attitudes towards learning.

Pearson National Teaching Awards

Sally Johnson, Pearson's Chief Financial Officer, and Sherry Coutu CBE, a Non-Executive Director on Pearson's Board, representing the company at the Pearson National Teaching Awards – celebrating the outstanding achievements of educators across the UK.

Employers

Why and how we engage

As technological innovations such as AI accelerate change in the workforce, employers increasingly recognise the need to reskill their people so they are future-ready. Enterprise Skilling is a medium-term growth vector for the business.

We work closely with employers to build a more skilled, certified and adaptable workforce. Through our Enterprise Learning & Skills, English Language Learning and Assessment & Qualifications business units, we deliver career-focused training, professional certifications and talent solutions that support evolving business needs and long-term workforce development.

We also provide employers with data, thought leadership and unique insights on the evolving labour market and skills demands – cementing trust in Pearson as a leader in workforce upskilling and career learning. For example, the Pearson Skills Outlook Report provides employers and HR managers with a deeper understanding of in-demand skills and how they may change in the future.

"

We partner with global enterprises to accelerate talent development, support seamless career transitions and equip workforces to thrive in the era of AI."

Vishaal Gupta
President – Enterprise Learning & Skills

Participation in industry events and executive forums provides the opportunity for us to share insights and reinforce our reputation as a leader in workforce learning. In 2025, we connected with enterprise leaders at events including the Walmart Opportunity Summit, the AWS re:Invent Summit and Microsoft Ignite.

We are also working directly with industry-leading enterprises through our strategic partnership agreements, including with Microsoft, Google Cloud and AWS.

In 2025, we launched our exclusive multi-year collaboration to be the sole provider of Salesforce certifications worldwide, equipping employees and employers with Salesforce skills to drive greater value for their businesses and customers.

Outcome of engagement

Engagement with our enterprise customers is helping us refine our offering and evolve our go-to-market approach. For example, our partnership with Microsoft combines our expertise in learning with Microsoft's cloud and AI technologies to co-create products such as Communication Coach to help workers succeed and employers upskill their workforces, leading to enhanced productivity and performance.

By better understanding the needs of customers and employees, we gain deeper insight into the evolving mindsets of millions of workers. With shared expertise, data and insights, we are able to collaborate on joint go-to-market offerings that deliver learning and skilling solutions to employers while supporting our own long-term growth.

Business partners

Why and how we engage

We work with a range of business partners including strategic partners, innovation partners, vendors and suppliers.

We have made substantial progress over the year in establishing new global strategic partnerships with industry leaders to bring transformative benefits to the business and to our customer offering.

We have also consolidated some of our vendor relationships to select service partners, ensuring better outcomes through deeper 360° partner relationships and opening opportunities for joint go-to-market activities.

As part of our aim to remain at the forefront of technological change, we have forged innovation partnerships with Meta for Education, Android XR and Vū Technologies. Together, we are exploring the potential to incorporate immersive technologies such as XR and VR into our learning products.

We regularly engage with a targeted pool of suppliers to ensure we work efficiently in a mutually beneficial way.

Outcome of engagement

By building out strategic partnerships and continuing to engage with suppliers, we will help to grow Pearson's reputation as a responsible, collaborative and forward-looking business. Over time, we believe that this approach will bring efficiencies and transformative technologies, and more possibilities to collaborate and develop innovative products for our customers.

Learners

Why and how we engage

Our interaction with learners is key to better understanding how they perceive our products and the company, and also in helping us bring to life our ambition to create vibrant and enriching learning experiences designed for real-life impact.

We gain understanding of learners' needs in a number of ways, including studying trends in usage and behaviour, analysing sentiment and the competitive landscape, and conducting focus groups and in-depth surveys.

"

AI in education isn't a trend – it's a transformation that unlocks opportunities, sparking deeper curiosity and critical thinking."

Tom Ap Simon
President – Higher Education and Virtual Learning

Our Connections Academy Virtual Schools conducted two major research initiatives in 2025. One surveyed 1,200 US parents of high school students (grades 9-12) and 12,000 Connections Academy Virtual Schools students to explore college and career preparation needs. The other engaged 1,000 hiring managers to identify industry partnerships and workforce readiness programming.

Our English Language Learning business unit collaborates with learners to inform product research and development. In 2025, this input played a key role in the go-to-market plans for the PTE Express Test.

In 2025, Pearson Professional Assessments launched its 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 Professional Assessments. This global study offers insights into why individuals pursue certifications, how they benefit personally and professionally, and the effect on their organisation's performance.

Clinical Assessment held its 2025 Virtual ADHD Summit and Virtual Autism Summit, bringing together clinicians, educators and allied professionals to advance care and understanding of neurodiversity in learning. Consumer and educator engagement in the clinical space has been key to the development of Revibe, our AI-powered and research-backed wearable powered by Samsung Electronics, designed to build focus and boost learning.

We also aim to cultivate an 'outside-in' approach, making use of employee learning sessions and newsletters, to better understand learners and the trends shaping how they learn.

Engaging with our stakeholders *continued*

"

Our reinvented brand brings our purpose to life and reflects our belief in learning's power to strengthen health, happiness and connection. We have a clearer, more focused identity, which elevates what sets us apart and helps us to build stakeholder trust. "

Ginny Cartwright Ziegler
Chief Marketing Officer

Outcome of engagement

Learner feedback is critical in the development and extension of our generative AI tools. Its role is not only an important consideration throughout all stages of product development, but also in how we measure, evaluate and gain insights into the usage of our products.

For example, we have found that students using the AI tools in our Higher Education courseware were four times as likely to remain or become more active, efficient studiers compared to those who did not use the AI study tools. We have also seen evidence of positive student outcomes through the Pearson AI study tool embedded in Biology and World History learning materials for our Connections Academy Virtual Schools. Biology students using the tools saw an 11% increase in end-of-semester pass rates and a 5% boost in final course scores, while World History students saw a 7% rise in pass rates and a 5% increase in final scores.

Our unique insights into the needs of learners allow us to be thoughtful and effective in ensuring we create our products with them in mind.

Governments and regulators

Why and how we engage

Government policymakers globally want to ensure that children and adults have the right opportunities in their education and work life to achieve their life goals, as well as contributing to economic productivity.

Economies face labour shortages in crucial sectors, while students and workers are seeking to reskill or upskill. Across the globe, countries are exploring how to best facilitate businesses, private citizens and public services to thrive in a changing world, and how to leverage innovation to give people high-quality education and training that meets the needs of rapidly evolving workplaces.

Furthermore, the rise of AI use – particularly in the labour market – is challenging governments to devise policies that take advantage of the opportunities this technology brings while mitigating risks to the labour force, innovation and social equity.

We are an important partner to governments, schools, colleges, universities and the business sector, helping people and organisations to achieve economic and educational goals. Our assessments are a reliable currency of competence and achievement, and we often operate in highly regulated environments.

We support governments on topics such as the impact of technological innovation on the workforce, skills-based hiring, certifications, and training and apprenticeships through meetings, symposia and presentations with elected and appointed government officials.

We are engaging on issues around AI in education and the workforce. For example, we have participated in consultations launched by the UK Government on: narrowing the digital divide in UK schools and colleges and its digital inclusion action plan; developing frameworks and tools to support responsible data and AI use across the public sector; and strengthening AI copyright legislation to protect creative industries while boosting the potential of AI. Additionally, in the United States, Pearson is partnering with schools and universities to deliver AI-powered study tools and personalised learning for students.

We have also joined forces with the federal government through the Pledge To America's Youth: Investing in AI Education, working to upskill high school teachers nationwide by providing AI training and certification, all with the aim of better equipping educators to improve student outcomes.

Outcome of engagement

We work with governments in key markets as they develop policies and programmes to meet their economic needs related to skills, training, education and assessment, and our engagement helps inform policy decisions and share best practice and innovative approaches.

The launch of our Country Ambassador programme in 2025, with dedicated CEOs for our core markets, has enabled us to elevate engagement globally, with our senior executives collaborating with senior politicians and policymakers. For example, our US CEO Art Valentine represented Pearson at the White House Task Force on Artificial Intelligence event, sharing our pledge to provide 250,000 teachers across the US with training on AI. Our UK CEO Sharon Hague joined the UK-China Joint Economic and Trade Commission as part of a UK trade mission led by Peter Kyle, the UK Secretary of State for Business and Trade.

Communities and civil society

Why and how we engage

We play a key role in increasing access to education around the world through high-quality products and services tailored to the needs of learners. Our partnerships and collaborations advance research on key issues and deliver positive social and environmental impact through joint initiatives.

We are supporting more learners through accessible, technology-enabled solutions. In 2025, we continued developing and delivering our suite of AI-driven products, supported by AI Literacy Modules designed to help educators and learners understand how to use AI effectively, building valuable skills for the workforce. We are working with partners such as Code.org to support AI literacy and have launched a strategic partnership with the Digital Education Council to support digital transformation in higher education across global markets.

To address the impacts of our products and our broader digital transformation, we have joined DIMPACT, a coalition that brings together companies through topic-specific working groups to understand the environmental impact of digital products and develop science-based solutions. We are also a member of the Coalition for Sustainable AI, which aims to develop standardised metrics for AI impact reporting.

We have been a member of the B Team (an organisation that works with multinational companies committed to good tax practices) since 2018, and are part of their Responsible Tax Working Group, which includes engagement with civil society organisations.

To support our objective of targeting hard-to-reach learners and communities, we issued a 10-year Social (Education) Bond in 2024 to support eligible projects. The full £350m of proceeds have now been fully allocated to eligible projects in Connections Academy, Clinical Assessments and the GED programme.

We participate in multi-stakeholder initiatives such as: the UN Global Compact to ensure we maintain best practice in the stewardship of our sustainability focus areas; the Responsible Media Forum to identify industry-specific issues and share best practice; and WorldSkills UK, which sets global benchmarks, raises industry standards and empowers young people to build world-class careers.

Outcome of engagement

Governments from all regions are prioritising AI, digital transformation and energy transition when developing policies and allocating investment to education and skills. Our partnerships and collaborations help to inform policy and strategic decision-making, and our engagement means we can share best practice in focus areas related to education, training and recruitment.

Employees

Why and how we engage

In 2025, we advanced the next chapter of our Pearson Promise: to create exceptional employee experiences, meaningful career opportunities and a high-performing culture that empowers our people to deliver for our customers.

As part of our efforts to fully engage employees in Pearson's mission, we delivered more content and higher engagement with our global internal platform for employees ('The Hub'). This platform ensures we're sharing information and support in a timely way across our global workforce. In total, page views rose by 7% year over year, while views per employee increased by 35%.

In 2025, we fully implemented our new Career Architecture to provide clarity of career and growth pathways for our people. We simplified our structure from 1,600 to 140 roles, introduced two career tracks ('Management' and 'Expert'), and standardised our approach to role scope and seniority through a new tier structure.

Building on the simplification of our career architecture, we launched our Career Navigation System (CNS) – a digital-first, personalised system designed to build skills and empower career ownership. So far, we've delivered new CNS capabilities across three releases, with key features including: an interactive 'Role Library' enabling individual interaction with our Career Architecture and clarity of role scope, skills and KPIs; launch of CARA, our interactive career architecture and navigation agent; a career inspiration library; and the 'Learning Hub', our new learning experience platform powered by Degreed, providing personalised learning content and pathways.

We continue to focus on AI as a critical skill for our people to power Pearson's strategy and to help their personal and professional development. In addition to a wealth of learning materials on AI-related topics in the Learning Hub, we delivered 140 live training sessions on Microsoft Copilot in 2025, with 4,722 employees attending a session live. These efforts resulted in a 25% increase in Copilot interactions compared to the number of interactions prior to the training.

Our AI Ambassador Community continues to grow and now has over 1,000 members, an NPS of 69 and a regular programme of learning events. It is one of several professional communities at Pearson, which also includes our AI Developer Community for those who are building AI products and services.

In addition to helping our employees build their skills, we have also established clarity on expectations and how to be successful in role. Our approach to setting performance objectives and key results (OKRs) is informed by our strategic priorities and leadership objectives. To strengthen our performance management approach this year we introduced 'BarUp', a new AI companion that supports individuals in setting their OKRs and assessing their performance.

To encourage the continued development of our leaders, this year we embedded our Leadership Model and activated tools and insights to provide clarity on leadership talents. We've scaled our leadership talent assessments, CliftonStrengths evaluation, and introduced 360° feedback to inform development priorities and strengthen impact.

Outcome of engagement

87% of employees shared their feedback in our 2025 global engagement survey, with our overall Grand Mean score improving by +0.07 to 4.23 out of 5. Across the survey, we saw meaningful progress in areas that reflect how we deliver on our Pearson Promise to our people. This included more support for development and growth, encouraging more frequent conversations about progress and goals, stronger collaboration across teams, and greater adoption of technology to help people work productively.

"

We're transforming talent and careers at Pearson, focusing on the skills and learning our people need in an era of AI."

Ali Bebo
Chief Human Resources Officer

Engaging with our stakeholders *continued*

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 17-22), 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 86-88), which summarises:

  - How Directors have engaged with employees and shareholders, and had regard to their interests

- Sustainability (pages 32-54), 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 45-49.

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 89.

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

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

Key performance indicators for 2025

Monitoring our progress

We have replaced our previous set of strategic KPIs with power metrics to make it easier to track progress against our strategic priorities.

Under Assessment & Verification, we track metrics on renewal and the level of new business growth. For Enterprise, we track the number of enterprise customers in our most commercially and strategically material tiers.

Assessment & Verification

Objective: To track the stability and growth of our core assessments & verification business

Scope: Pearson Professional Assessments and US Student Assessment

Enterprise Skilling

Objective: To monitor how we are tracking against our enterprise growth ambition

Scope: Enterprise customers include all enterprises and non-education government bodies within Assessment & Qualifications, English Language Learning and Enterprise Learning & Skills

Renewals

96%

(2024: 99%)

(2023: 87%)

Definition: Total value of contracts renewed / (total value of contracts renewed + lost). Contracts renewed include wins and scope increases from existing customers.

Growth

£33m

(2024: £36m)

(2023: £7m)

Definition: Average annual bookings for contracts with new customers.
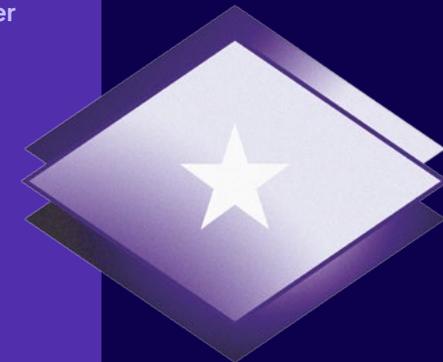
Total 'Advanced' and 'Elite' tier customers

49

(2024: 45 Enterprises)

(2023: 47 Enterprises)

Definition of 'Advanced' and 'Elite' tier customers: Enterprise customers with total recognised sales across Pearson enterprise products in the reported year of £2.5m–£10m (Advanced) or above £10m (Elite).

Key performance indicators for 2025 *continued*

A strong financial position

Sales[b]
This is our sales as reported in our income statement.

Adjusted operating profit[a]
A non-GAAP financial measure that enables management to consistently track the underlying operational performance of the Group.

Operating profit[b]
This is our operating profit as reported in our income statement.

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

Adjusted earnings per share[a]
A non-GAAP financial measure used to evaluate performance.

Basic earnings per share[b]
A measure of the amount of profit that can be allocated to one share of our common stock.

	Sales	Adjusted operating profit	Operating profit	Net debt	Adjusted earnings per share	Basic earnings per share
	£3,577m	**£614m**	**£507m**	**£1,069m**	**64.5p**	**51.4p**
25	£3,577m	£614m	£507m	£1,069m	64.5p	51.4p
24	£3,552m	£600m	£541m	£853m	62.1p	64.5p
23	£3,674m	£573m	£498m	£744m	58.2p	53.1p
22	£3,841m	£456m	£271m	£557m	51.8p	32.8p
21	£3,428m	£385m	£183m	£350m	34.9p	23.5p[d]

Free cash flow and conversion[a]
Free cash flow is an adjusted measure and is presented in order to align the cash flows with corresponding adjusted earnings measures.

Net cash generated from operations[b]
This is our net cash generated from operations as reported in our cash flow statement.

Dividend per share
This is the proposed full-year dividend. Our dividend policy is to be progressive and sustainable.

Total shareholder returns[c]
This is a measure of financial performance of shares over time.

Return on capital[a]
A non-GAAP measure of how efficiently we are generating returns from our asset base.

a. See pages 235–240 for an explanation and reconciliation of these alternative performance measures and non-GAAP measures

b. Statutory measure

c. Source: Eikon from Refinitiv

d. Comparatives were restated in 2022

	Free cash flow and conversion	Net cash generated from operations	Dividend per share		Total shareholder returns		Return on capital
	£527m	**£731m**	**25.2p**		**(16)%**		**11.3%**
25	527m (125%)	£731m	25.2p	1 year	(16)%	25	11.3%
24	£490m (117%)	£811m	24.0p	3 year	+20%	24	10.5%
23	£387m (93%)	£682m	22.7p	5 year	+74%	23	10.3%
22	£222m (58%)	£527m	21.5p			22	8.7%
21	£133m (51%)	£570m	20.5p			21	7.9%

Financial review

Financial Summary

£m	2025	2024
Business performance		
Sales	**3,577**	3,552
Adjusted operating profit	**614**	600
Operating cash flow	**571**	662
Free cash flow	**527**	490
Adjusted earnings per share	**64.5p**	62.1p

£m	2025	2024
Statutory results		
Sales	**3,577**	3,552
Operating profit	**507**	541
Profit for the year	**336**	435
Net cash generated from operations	**731**	811
Basic earnings per share	**51.4p**	64.5p

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 235-240; c) Constant exchange rates are calculated by assuming the average FX in the prior year prevailed through the current year.

> " 2025 was another year of good financial performance, with 4% underlying sales growth, margin expansion and excellent cash generation. Our consistent financial progress over recent years reinforces our confidence in the Group's strategy, the resilience of our portfolio and our ability to deliver sustainable growth and attractive returns in 2026 and over the medium term.

Sally Johnson
Chief Financial Officer

Financial review *continued*

Group Financial Expectations

2026 expectations					Medium term guidance reconfirmed
Underlying sales growth	Adjusted operating profit	Free cash flow conversion	Interest**	Tax**	
Mid-single digit	£640m-£685m at FX rates as at the end of 2025 (£:$ 1.35)	90-100%	c.£80m	c.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.

Operating results

On a headline basis, sales increased by £25m or 1% from £3,552m in 2024 to £3,577m in 2025 and reported operating profit decreased by £34m from £541m in 2024 to £507m in 2025. In addition, adjusted operating profit increased by £14m or 2% from £600m in 2024 to £614m in 2025 (for a reconciliation of this measure see page 27 and note 2 to the consolidated financial statements).

The reported operating profit of £507m in 2025 compares to an operating profit of £541m in 2024 due primarily to unfavourable FX movements, inflation and an £87m non-cash, one-off impairment of legacy product development assets arising from strategic platform convergence, partially offset by operating leverage on sales growth, continued cost savings and the reversal of prior property provisions.

The headline basis simply compares the reported results for 2025 with those for 2024. 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 when relevant. Our portfolio change is calculated by excluding sales and profits made by businesses disposed in either 2025 or 2024 and by ensuring the contribution from acquisitions is comparable year on year. For prior year acquisitions, the corresponding pre-acquisition period is excluded from the current year, and for current year acquisitions, the results for the current year are excluded. Portfolio changes mainly relate to the acquisition of eDynamic Learning and disposal of Copp Clark in 2025.

On an underlying basis, sales increased by 4% in 2025 compared to 2024 and adjusted operating profit increased by 6%. Currency movements decreased sales by £112m and adjusted operating profit by £26m. Portfolio changes increased sales by £7m and adjusted operating profit by £2m. There were no new accounting standards adopted in 2025 that impacted sales or statutory or adjusted operating profits.

2026 outlook

We expect Group underlying sales growth of mid-single digit and adjusted operating profit will be £640m-£685m at FX rates as at the end of 2025 (£:$ 1.35), which includes lower amortisation in 2026 following the 2025 product development impairment. We expect a free cash flow conversion of 90-100%.

By business unit:

- In Assessment & Qualifications we expect sales growth of low to mid-single digit, driven by new contracts, products and pricing.
- In Virtual Learning we expect stronger growth than 2025, particularly in H1, driven by a full year of enrolment growth.
- In Higher Education we expect to grow more than 2025, supported by continued product and platform innovation, pricing and Inclusive Access in our core US courseware business, with improvement in the K12 channel.
- In English Language Learning we expect higher growth than 2025 driven by market share gains and pricing, with PTE returning to growth.
- In Enterprise Learning & Skills we expect growth to be driven by a solid performance in Vocational Qualifications and strategic account growth in Enterprise Solutions.

Our adjusted net finance costs will be c.£80m reflecting the associated costs of funding the recently announced £350m share buyback. We expect the effective tax rate on adjusted profit before tax to be c.25%.

All figures in £ millions	2025	2024
Operating profit	**507**	541
Add back: Cost of major reorganisation	**–**	(2)
Add back: Product development impairment	**87**	–
Add back: Property charges	**(25)**	–
Add back: Intangible charges	**42**	41
Add back: UK pension discretionary increases	**–**	13
Add back: Other net gains and losses	**3**	7
Adjusted operating profit	**614**	600

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, one-off costs related to the UK pension scheme and certain other one-off material items. A summary of these adjustments is included below and in more detail in note 2 to the consolidated financial statements.

In 2025, there are no costs of major reorganisation. In 2024, there was a release of £2m relating to amounts previously accrued.

Product development impairment charges in 2025 relate to the impairment of product development assets as a result of courseware platform convergence. There are no such amounts in 2024.

Property charges in 2025 are a gain of £25m, relating to reversals of impairments of property assets that were previously impaired through property charges. Impairment reversals have arisen from new sublets on previously vacant space in corporate properties. There were no such amounts in 2024.

Intangible amortisation charges in 2025 were £42m compared to a charge of £41m in 2024. This is due to increased amortisation from recent acquisitions partially offset by decreased amortisation from assets reaching the end of their useful economic lives.

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. There were no such amounts in 2025.

Other net gains and losses in 2025 relate to the gain on disposal of Copp Clark, a business in our Higher Education division, a fair value gain relating to a previous disposal and costs relating to current and prior year acquisitions and disposals. Other net gains and losses in 2024 related to costs related to prior year acquisitions and disposals, partially offset by a gain on the partial disposal of our investment in an associate.

Business Unit Results

£m	2025	2024[1]	Headline growth	Underlying growth
Sales				
Assessment & Qualifications	**1,604**	1,591	1%	4%
Virtual Learning	**511**	489	4%	8%
Higher Education	**775**	781	(1)%	2%
English Language Learning	**405**	420	(4)%	1%
Enterprise Learning & Skills	**282**	271	4%	6%
Total	**3,577**	3,552	1%	4%

Adjusted operating profit/loss				
Assessment & Qualifications	**361**	368	(2)%	1%
Virtual Learning	**81**	66	23%	29%
Higher Education	**93**	96	(3)%	0%
English Language Learning	**50**	50	0%	16%
Enterprise Learning & Skills	**29**	20	45%	40%
Total	**614**	600	2%	6%

1. Comparative amounts have been restated to reflect the move between segments of IT Pro from Higher Education to Enterprise Learning & Skills.

Assessment & Qualifications

In Assessment & Qualifications, sales increased 1% on a headline basis and 4% on an underlying basis. Adjusted operating profit increased 1% in underlying terms due to operating leverage on sales growth partially offset by investment and inflation, and decreased 2% in headline terms due to currency movements offsetting trading.

Pearson Professional Assessments sales increased 1% on an underlying basis driven by new contract launches partially offset by the pause in a contract delivered in 2024, which resumed in Q3, and headwinds in PDRI, which has been impacted by US federal government hiring and spend reductions.

In US Student Assessment, sales increased 2% on an underlying basis supported by scope increases with existing customers.

In Clinical Assessment, sales increased 8% on an underlying basis due to the continued traction of our products in the market, pricing and digital product growth.

In UK & International Qualifications, sales increased 9% on an underlying basis driven by volume, pricing and strong International growth.

Financial review *continued*

Virtual Learning

Virtual Learning, sales grew 4% on a headline basis, with a strong performance in the second half of the year driven by enrolment performance, favourable mix and funding, partially offset by currency movements, and 8% on an underlying basis. Adjusted operating profit increased 29% in underlying terms, due to operating leverage on sales growth, and 23% in headline terms due to this partially offset by currency movements.

Enrolments for the 2025/26 academic year increased by 13% in the Fall semester, benefiting from targeted marketing investments to capture demand. We also successfully opened two new schools for the 2025/26 academic year bringing our total number of schools to 41 across 31 states and renewed all six of our long term school contracts.

Higher Education

In Higher Education, sales decreased 1% on a headline basis due to currency movements more than offsetting trading and portfolio changes, and increased 2% on an underlying basis. Adjusted operating profit was flat in underlying terms driven by operating leverage on sales growth offset by investment in the business and inflation, and decreased 3% in headline terms due to currency movements more than offsetting trading and portfolio changes.

In US Higher Education, underlying sales grew 3%, driven by enrolment growth and pricing in our core Courseware business, partly offset by expected declines in the K12 channel due to the transitionary period, with adoption share maintained. We delivered strong growth in Inclusive Access, up 19%, and achieved 2% growth in US digital subscriptions. In addition, we continued to see strong monetisation of our Study Prep tool and sustained engagement with our AI-powered study tools. International Higher Education faced ongoing challenging trading conditions in mature markets, declining 7% for the full year.

English Language Learning

In English Language Learning, sales decreased 4% on a headline basis due to currency movements more than offsetting trading, and grew 1% on an underlying basis driven by Institutional. Adjusted operating profit increased by 16% in underlying terms due to cost savings partially offset by inflation and was flat in headline terms due to currency movements offsetting trading.

PTE continued to perform well against a challenging market backdrop of tightening migration policies. While volumes declined 5%, sales remained flat and we continued to gain market share. Our Institutional business delivered a solid performance, with strength in key Latin American markets and Asia.

Enterprise Learning & Skills

In Enterprise Learning & Skills, sales were up 4% on a headline basis due to currency movements more than offsetting trading, and 6% on an underlying basis. Adjusted operating profit increased by 40% in underlying terms due to operating leverage on sales and increased 45% in headline terms due to trading performance and favourable currency movements.

Vocational Qualifications delivered a solid performance while Enterprise Solutions growth improved quarter on quarter as we build momentum in our enterprise approach and related sales capability, driven by the recently announced partnerships.

Net Finance Costs

Net finance costs increased on a headline basis from a net cost of £31m in 2024 to a net cost of £50m in 2025. The increase is primarily due to increased net borrowing costs given increased average net debt following last year's share buy back and movements on derivatives.

Adjusted net finance costs reflected in adjusted earnings in 2025 was £57m, compared to a net cost of £45m in 2024. The difference is primarily due to increased net borrowing costs given increased average net debt following last year's share buy back and movements on derivatives.

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 fair value through profit and loss (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 2025, the total of these items excluded from adjusted earnings was income of £7m compared to income of £14m in 2024.

All figures in £ millions	2025	2024
Adjusted net finance costs	**(57)**	(45)
Finance income in respect of retirement benefits	**25**	21
Fair value movements on investments held at FVTPL	**(7)**	(11)
Other net finance costs	**(11)**	4
Net finance costs	**(50)**	(31)

Taxation

The reported tax on statutory earnings in 2025 was a charge of £121m compared to a charge of £75m in 2024. This equates to an effective tax rate of 26.5% (2024: 14.7%), with the increase from prior year principally due to the release of the State Aid uncertain tax provision in the prior year.

The total adjusted tax charge in 2025 was £136m (2024: £136m), corresponding to an effective tax rate on adjusted profit before tax of 24.5% (2024: 24.4%).

In 2025, there was a net tax payment of £2m (2024: £119m net tax payment). This includes a £97m receipt from HMRC in respect of the State Aid matter, with an additional £17m of associated interest also received in the period. The interest element is classified within interest received in the cash flow statement. This repayment is a result of the Court of Justice of the European Union handing down its decision on 19 September 2024 determining that the United Kingdom controlled foreign company group financing partial exemption did not constitute State Aid, thereby resulting in a refund of the £97m of tax paid (plus £17m of interest) under the Charging Notices issued by HMRC in 2021. The balance excluding the State Aid repayment, principally relates to tax payments in the US and the UK, and decreased due to lower tax liabilities and instalment payments for 2025.

A net deferred tax liability of £31m is recognised in 2025 compared to a net deferred tax liability of £11m in 2024. The overall amount increased mainly due to the ongoing utilisation of tax losses and other tax attributes. The current tax creditor principally consists of provisions for tax uncertainties.

Earnings per share

Basic earnings per share is 51.4p in 2025 compared to 64.5p in 2024. The decrease in 2025 is mainly due to decreased operating profits, increased tax charges and increased interest charges, partially offset by a decrease in the number of shares following the share buy back.

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 increased 4% to 64.5p (2024: 62.1p) reflecting adjusted operating profit growth and the reduction in issued shares due to the 2025 share buyback, partially offset by increased interest costs. Adjusted earnings per share increased 9% at constant exchange rates.

Other comprehensive income

Included in other comprehensive income are the net exchange differences on translation of foreign operations. The loss on translation of £193m in 2025 compares to a loss in 2024 of £35m. The loss in 2025 arises from an overall weakening of the majority of currencies to which the Group is exposed, in particular the US dollar. A significant proportion of the Group's operations are based in the US and the US dollar closing rate at 31 December 2025 was £1:$1.35 compared to the opening rate of £1:$1.25. At the end of 2024, the US dollar rate was £1:$1.25 compared to the opening rate of £1:$1.27.

Also included in other comprehensive income in 2025 is an actuarial gain of £10m in relation to the retirement benefit obligations of the Group. The gain arises mainly from a decrease in liabilities driven by lower long-term inflation assumptions and updates to commutation factors. The actuarial gain in 2025 of £10m compares to an actuarial gain in 2024 of £5m.

Fair value losses of £7m (2024: losses of £2m) have been recognised in other comprehensive income and relate to movements in the value of investments in unlisted securities held at fair value through other comprehensive income (FVOCI).

Cash flow and working capital

Net cash generated from operations, was £731m in 2025 compared to £811m in 2024. The decrease is largely explained by unfavourable movements in working capital and unfavourable currency 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 2025, reorganisation cash outflow was £nil compared to £8m in 2024.

Operating cash flow decreased on a headline basis by £91m from an inflow of £662m in 2024 to an inflow of £571m in 2025 due to an increase in working capital given high Q4 sales growth.

Free cash flow increased on a headline basis by £37m from £490m in 2024 to £527m in 2025. When compared to operating cash flow, free cash flow includes tax paid, net finance costs paid, special pension contributions and net costs paid for major reorganisation. The increase year on year is mainly due to the receipt of monies in respect of the State Aid tax matter offset by the reduction in operating cash flow.

In 2025, there was an overall £210m decrease in cash and cash equivalents compared to an increase of £234m in 2024. The decrease in 2025 is primarily due to the cash inflow from operations of £731m being more than offset by dividends paid of £160m, share buyback programme payments of £352m, own share purchases of £72m, capital expenditure on property, plant and equipment and intangibles of £134m, payments for the acquisition of subsidiaries of £167m, and payments of lease liabilities of £77m.

Financial review *continued*

All figures in £ millions	2025	2024
Net cash generated from operations	**731**	811
Dividends from joint ventures and associates	**1**	2
Purchase / disposal of PPE and software	**(131)**	(118)
Net addition of right-of-use assets	**(45)**	(46)
Net costs paid for major reorganisation	**–**	8
Other net gains and losses	**13**	5
Special pension contributions	**2**	–
Operating cash flow	**571**	662
Tax paid	**(2)**	(119)
Net finance costs paid	**(40)**	(45)
Special pension contributions	**(2)**	–
Net cost paid for major reorganisation	**–**	(8)
Free cash flow	**527**	490

Liquidity and capital resources

The Group's net debt increased from £853m at the end of 2024 to £1,069m at the end of 2025. The increase is largely due to free cash flow of £527m being more than offset by the share buy back programme, dividend payments and cash outflows related to acquisitions.

In May 2025, the Group repaid its €300m bond and closed out various related derivatives. In June 2025, the Group secured a new three-year, $800 million revolving credit facility (RCF). This facility can be utilised for general corporate purposes, enhancing our liquidity, and is in addition to the Group's existing RCF. At 31 December 2025, the Group had drawn £0.3bn on its Revolving Credit Facilities.

At 31 December 2025, the Group had approximately £1.3bn in total liquidity immediately available from cash and its RCFs, maturing in February 2028 and February 2029, but which have options to extend the maturities until 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 from H1 2026, as well as reverse stress testing to identify what would be required to either breach covenants or run out of liquidity. The severe but plausible scenario modelled a severe reduction in revenue, profit and operating cash flow from risks continuing throughout 2026 and 2027. In all scenarios, the Group would maintain comfortable liquidity headroom and sufficient headroom against covenant requirements during the period under assessment even before modelling the mitigating effect of actions that management would take in the event that these downside risks were to crystallise. The directors concluded that the likelihood of the reverse stress test scenario was remote.

At 31 December 2025, the Group was rated BBB (stable outlook) with Fitch and Baa2 (stable outlook) with Moody's.

Net debt

All figures in £ millions	2025	2024
Cash and cash equivalents (excluding overdrafts)	**333**	543
Overdrafts	**–**	–
Investment in finance lease	**66**	83
Derivative financial instruments	**13**	(7)
Bonds	**(706)**	(955)
Revolving Credit Facilities	**(297)**	–
Lease liabilities	**(478)**	(517)
Net debt	**(1,069)**	(853)

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 £43m in 2025 (2024: £60m), of which a charge of £68m (2024: £81m) was reported in operating profit and income of £25m (2024: £21m) was reported in other net finance costs. In 2024, a charge of £13m related to one-off discretionary pension increases was excluded from adjusted operating profit, with no such amounts in 2025.

The overall surplus on UK Group pension plans of £484m at the end of 2024 has increased to a surplus of £514m at the end of 2025. The increase has arisen principally due to asset returns being higher than expected and inflation over the period being slightly lower than was expected at the beginning of the year. In total, the worldwide net position in respect of pensions and other post-retirement benefits increased from a net asset of £450m at the end of 2024 to a net asset of £482m at the end of 2025.

Businesses acquired and disposed

On 24 July 2025, the Group completed the acquisition of 100% of eDynamic Holdings LP ('eDynamic Learning'), a leading Career and Technical Education (CTE) curriculum solutions provider for cash consideration of £168m.

The cash outflow in 2025 relating to the acquisition of subsidiaries of £167m includes £4m arising from the payment of deferred consideration in respect of the prior year. 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. In addition, there was a cash outflow relating to investments of £5m (2024: £7m).

The Group disposed of Copp Clark in 2025 for consideration of £9m, resulting in a gain on disposal of £8m, which has been recorded within other net gains and losses. There were no disposals of subsidiaries in 2024 with cash outflows relating primarily to prior year disposals. In 2025, the cash inflow relating to the disposal of businesses was £8m (2024: outflow of £7m).

Dividends

The dividend accounted for in our 2025 financial statements totalling £160m represents the final dividend in respect of 2024 (16.6p) and the interim dividend for 2025 (7.8p). We are proposing a final dividend for 2025 of 17.4p bringing the total paid and payable in respect of 2025 to 25.2p. This final 2025 dividend, which was approved by the Board in February 2026, is subject to approval at the forthcoming AGM. For 2025, the dividend is covered 2.6 times by adjusted earnings.

Share buyback

On 27 February 2025, the Board approved a £350m share buyback programme in order to return capital to shareholders. The programme completed in 2025. During 2025, c32m shares have been bought back at a cash cost of £352m. The nominal value of the cancelled shares of £8m has been transferred to the capital redemption reserve.

On 21 January 2026, a further £350m share buyback programme was announced. The programme commenced on 21 January 2026.

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 2025 or the assessment of going concern for the period to June 2027.

Conclusion

2025 was another year of good financial performance, with 4% underlying sales growth, margin expansion and excellent cash generation. Disciplined capital allocation enabled us to increase the dividend and continue returning surplus cash to shareholders through our share buyback programme.

Our consistent financial progress over recent years reinforces our confidence in the Group's strategy, the resilience of our portfolio and our ability to deliver sustainable growth and attractive returns in 2026 and over the medium term.

This will be my last Annual Report for Pearson as I leave this fantastic business after nearly 26 years — including the last six as Group CFO — to take on a new challenge.

I will miss working with this extraordinary group of Pearson people every day. I'm incredibly proud of what we've achieved together: delivering stronger and more consistent financial performance, driving significant business and finance transformation, and sharpening our approach to capital allocation. None of this would have been possible without the talent, commitment, and good humour of the teams I've had the privilege to work alongside.

I'm delighted that Simon Robson will be joining Pearson as the next Group CFO. He is an excellent leader and a great fit for Pearson's culture, and I know the finance team — and the wider business — will be in very good hands.

Thank you in particular to the finance team for the support, hard work and commitment over so many years.

Sally Johnson
Chief Financial Officer

Sustainability at Pearson: Learning for Impact

Letter from our Executive Lead for Sustainability

Guided by our purpose of helping people realise the life they imagine through learning, we focus on excellence in everything we do to protect the trust of learners, institutions, enterprises and governments as we help them upskill and reskill in a rapidly changing world.

Championing innovation and technology leadership

We believe lifelong learning is the cornerstone of a successful digital economy, helping to create a future-ready workforce with the skills to harness the potential of AI and drive growth. Our digital transformation is grounded in learning science and innovation, ensuring technology delivers clear benefits for learners and enhances outcomes for society.

We know that rapid workplace evolution and shortening skill lifespans require an increasingly agile approach to learning and development. Our 2025 research report 'Lost in Transition' (https://plc.pearson.com/en-GB/news-and-insights/lost-in-transition) revealed the huge economic and personal costs that occur without access to effective learning. By responding to this need through our innovative learning solutions, we are creating more accessible, engaging and impactful experiences, helping learners build their capabilities and increase their employability, and driving our own company growth. In 2025, we were featured in the GSV 150 list of companies transforming digital learning and workforce skills development, validating the impact of our approach (https://www.asugsvsummit.com/gsv-150).

We continue to enhance learning for everyone, exploring how purpose-built AI tools can aid conceptual learning. Our Higher Education business unit applied our findings to launch the 'Go Deeper' functionality in our AI Study Tools, which encourages the critical reasoning skills needed for both academic success and real-world problem solving. By integrating AI into resources across selected topics for our Connections Academy Virtual Schools, we are personalising learning, increasing both end-of-year pass rates and final grades.

Investing in our talent

Our success depends on empowering our people to create impactful learning and assessment solutions. We are fostering a culture of belonging and engagement to attract and retain talent. Through continuous learning, we enable our people to fulfil their roles and shape their future careers as the world of work and our business evolve. Our new Career Architecture helps our employees map their career progression, identify clear development pathways and find learning opportunities. We have expanded AI training with courses for every role across the organisation, while our leadership model sets clear expectations on driving a culture of innovation. By building their AI capabilities, our employees not only enhance their careers but also better understand how innovative technology can improve outcomes for learners, businesses and the wider economy.

> "
> **Our digital transformation is grounded in learning science and innovation, ensuring technology delivers clear benefits for learners and enhances outcomes for society."**
>
> **Cinthia Nespoli**
> General Counsel and Executive Lead for Sustainability

Building long-term resilience

Our focus on excellence builds customer trust and business resilience, positioning Pearson for future growth. Our partnerships are integral to balancing our digital transformation with responsible environmental stewardship.

We continue to reduce our greenhouse gas (GHG) emissions, which are down by 44% (location-based methodology) against our 2018 baseline, and drive energy efficiency measures to reduce operating costs. Purchasing 100% renewable electricity increases our energy security and protects our business from price shocks in international fossil fuel markets, while maintaining our path towards decarbonisation. We updated our climate risk analysis in 2025 to ensure we are aware of any potential risks to the long-term value of our business in a rapidly changing world.

Though emissions from our AI use are currently low compared to emissions from other activities, they will represent an increased portion of our footprint in the future as we expand our AI-driven learning experiences. Through our strategic partnerships with organisations and suppliers including Microsoft and AWS, we are supporting the use of responsible, energy-efficient AI across different industries. We are working with others across our industry and beyond to better understand the impacts of AI, including becoming a signatory to the Coalition for Sustainable AI in 2025.

Transforming learning responsibly

Helping learners navigate the technological disruption to skills and careers requires us to look at every aspect of the technology we use – its educational benefits and its impacts, including those related to accuracy, accessibility, cyber security and data privacy. In 2025, we welcomed a new Senior Lead for Responsible AI to lead our Responsible AI function. Our new AI Centre for Enablement (C4E) fosters a unified approach to product development and is founded on trust, safety and the principles of security and accountability. Together, the C4E and our Responsible AI function are laying the foundations to align our AI activities with ethical, legal and compliance standards. Read more on page 38.

Our Interactive Labs' immersive science-based simulations won the 2025 CODiE Award for Best Science Instructional Solution. Designed with accessibility at their core, the simulations reflect the latest Web Content Accessibility Guidelines, the gold standard for website accessibility.[1]

Continuing to drive impact

We are committed to innovating in response to the evolving world of work, making learning more effective, enhancing learning experiences and building a strong foundation for our long-term growth. Guided by our Learning for Impact framework, we will progress our climate commitments while maintaining a sharp focus on the social impact of our products and services. We will advance our employee upskilling and learning programmes to maintain a talented and engaged workforce and will continue to build dialogue with our stakeholders on the issues that matter to them.

I'm excited to share our progress to date as we seek to give everyone the opportunity to participate in the future of education and work.

Cinthia Nespoli
General Counsel and Executive Lead for Sustainability

1. https://www.levelaccess.com/compliance-overview/wcag-web-content-accessibility-guidelines/

Sustainability *continued*

Non–financial and sustainability information statement

As the world's lifelong learning company, we support learners, educators and institutions around the world, delivering sustainable value at each stage of the learning journey.

We integrate content creation, digital distribution, assessment and credentialling within a unified value chain to enable accessible, high-quality learning opportunities for all. For more information about our business model, see pages 12-16.

Our greatest impact is through the learning benefits our products create, driving value for society and for Pearson. We reinvest that value into improving our product offerings and expanding educational opportunities across the world. This allows us to hire the skilled people needed to support our mission and ensure the ongoing development of high-quality products and services. Like any company, our operations and value chain have an impact on the environment and society. We are committed to managing these impacts responsibly to ensure the long-term resilience of our business. By doing this, we help strengthen access to education, an essential human right, and contribute to improved learning outcomes for more people.

The natural alignment between our business strategy and the positive impact delivered through our Learning for Impact framework is one of our core strengths, and reflects our shareholders' expectations. The framework underpins our responsible business strategy, guiding us to focus on areas where we can create the greatest positive outcomes while managing key risks. A foundation of robust corporate governance, a strong culture and a suite of comprehensive policies and practices support us to achieve our ambitions.

Contributing to sustainable development globally

The UN Sustainable Development Goals (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. Pearson uses innovative technology to ensure students maximise the benefits of AI-enabled learning. Our 'Go Deeper' functionality for AI Study Tools encourages critical thinking by providing students with follow-up questions. See page 38.

SDG 8 — Decent work and economic growth. We work closely with organisations around the world to build the skills needed for tomorrow's workforce. For example, we are working with the Digital Education Council to develop research and resources that will drive digital transformation in higher education across global markets. See page 37.

SDG 10 — Reduced inequalities. We develop inclusive products that support every learner's needs. We launched Revibe, an AI-enabled wearable device designed to help learners with ADHD improve focus and self-regulation, supporting access to learning for neurodiverse individuals. See page 39.

Rankings and recognition

Independent rankings help our investors evaluate our performance and management of sustainability risks and opportunities. In 2025, we received the following recognition:

- CDP: Scored A- rating for Climate, B- rating for Forest and C rating for Water
- EcoVadis: Retained Bronze status, placing us in the top 35% of companies assessed
- FTSE4Good: Constituent of the FTSE4Good Index Series in the top 1% of our sector
- ISS: Improved our score to B
- MSCI: Maintained AA rating
- S&P CSA (Dow Jones Sustainability Indices): Achieved the joint highest score in our industry and a listing in the S&P Sustainability Yearbook
- Sustainalytics: Classified as negligible risk

Our sustainability pillars: Learning for Impact

Our purpose – Helping people realise the life they imagine through learning

1. Driving learning for everyone

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 through business growth opportunities powered by technology and application of learning science	Building high-performing teams through a strong sense of purpose	Meeting our environmental and clean energy goals in partnership with our value chain

We maintain stakeholder trust through diligent management of our strategically significant sustainability focus areas:

• Learning science and innovation • Responsible AI • Responsible content • Accessibility • Cyber security and data privacy	• Culture of engagement • Talent development • Employee learning and upskilling • Culture of community and wellbeing	• Greenhouse gas emissions • Energy use • Supply chain due diligence

Our strategy is underpinned by robust governance, human rights and environmental due diligence, strong culture and comprehensive policies

Sustainability continued

Our approach to reporting[1]

This Non-financial and sustainability information statement (pages 34-54) is written in accordance with Sections 414CA and 414CB of the Companies Act 2006 and the UK Corporate Governance Code (2024), which include mandatory requirements for non-financial and sustainability reporting for UK listed companies. For ease of reference, we have produced an index table covering the topics in this Non-financial and sustainability information statement, here: https://plc.pearson.com/en-GB/sustainability/our-sustainability-reporting.

As the sustainability reporting landscape continues to evolve, we are focused on our reports remaining compliant with regulatory standards and comparable and useful for stakeholders.

Our statement outlines significant sustainability topics for our business and our approach to managing them. These topics cover those identified through our most recent materiality assessment and align with our Learning for Impact framework. For more information see our Materiality summary, here: https://plc.pearson.com/en-GB/sustainability/our-sustainability-reporting, which explains how we identify priority topics and assess our key sustainability risks and opportunities.

While this statement focuses on the topics we understand to be of greatest importance to our stakeholders, we continue to manage a broad range of sustainability issues across our operations.

Sustainability governance

The Reputation & Responsibility Committee (RRC) manages the integration of sustainability into Pearson's business strategy, including overseeing related risks and opportunities. It reviews and approves targets associated with our sustainability priorities and monitors performance against them, as well as against other public sustainability commitments.

In 2025, the Committee included two Non-Executive Directors with climate expertise specifically to advise on climate-related risk management, which is also supported by other Board Committees. For more information see pages 99-101. The broader responsibilities of the RRC are detailed in its terms of reference, here: https://plc.pearson.com/en-GB/company/governance.

Information on specific governance and management approaches across the key 'focus areas' within each of our three Learning for Impact pillars is covered in the tables on the following pages.

Our sustainability policies and due diligence processes

We are committed to conducting business with integrity and strive to reflect this in our interactions with colleagues, customers and learners. We uphold a robust governance framework that integrates responsible business conduct into our operational management systems and decision-making processes. This includes enforcing comprehensive policies for employees and business partners, delivering mandatory training to strengthen awareness and accountability, regularly assessing our operations and supply chains to identify potential adverse impacts and conducting regular internal and external audits to monitor compliance and performance.

We work to identify, prevent and address potential adverse impacts related to ethics, human rights and the environment throughout our value chain. When issues arise, we act quickly through established grievance mechanisms and engage directly with affected stakeholders to implement remedial actions. We report all due diligence processes and outcomes as required by law.

Our policies and guidelines support our due diligence processes and reflect our ethical and sustainability commitments. Key documents include:

- Code of Ethics and Business Partner Code of Conduct
- Responsible Procurement Policy
- Environment Policy

- Modern Slavery and Human Rights Statements
- Anti-Bribery and Corruption (ABC) Policy
- Raising Concerns and Anti-Retaliation Policy
- Safeguarding Statement (including data privacy and security principles)

We have outlined how we implement these policies in this report and on our website: https://plc.pearson.com/en-GB/corporate-policies.

Respecting human rights

We require all employees to complete annual Code of Ethics refresher training to reinforce these commitments. We maintain a confidential, third-party-operated ethics hotline for employees and other stakeholders to raise concerns anonymously and securely. Our Ethics and Compliance team investigates all reported issues, including potential Code of Ethics breaches, and oversees anti-bribery and anti-corruption due diligence and sanctions screening, supported by Local Compliance Officers. See page 54 for our performance data related to business conduct.

We comply with all local labour and human rights regulations, including establishing work councils where required.

Due diligence in supply chains

Strong due diligence procedures enable us to identify and prevent potential adverse impacts in our supply chain. All our suppliers must acknowledge and comply with our Responsible Procurement Policy, which includes strict standards relating to the environment, business conduct and human rights. Read more on page 44 and in our Responsible Procurement Policy at: https://plc.pearson.com/en-GB/corporate-policies.

We work with EcoVadis to conduct risk assessments and monitor supplier sustainability, covering approximately 90% of our third-party and supplier landscape in 2025. If we identify any risks, we collaborate with suppliers to implement management processes to mitigate and minimise these issues, and monitor progress to ensure effective corrective actions.

1. This Non-financial and sustainability information statement includes several website addresses and references to additional materials found on those websites. These websites and materials, including the information on the Company's website, as may be referenced in this report, are provided for convenience only, and are not intended to be part of this report and are not incorporated by reference herein.

Driving learning for everyone with our products

The biggest positive impact that we can have on the world is through our products and services.

Our products equip people and communities with the skills and knowledge that accelerate economic growth and power societal progress. As demographic and technological shifts transform industries and the global skills outlook, the need to rapidly reskill has never been more important. This is true not only for individuals seeking opportunities, but also for businesses and economies to remain competitive. By striving to meet this demand for more effective learning and clear skilling pathways, we can help enhance productivity, increase employability, support communities and drive business resilience and growth for Pearson and beyond.

Expanding learning through innovation and technology

Integrating innovative technologies into our learning and assessment tools to help make learning more impactful and effective is a key strategic priority. AI is reshaping education, enabling more personalised learning, more learner-centred assessments and better data insights for educators. However, realising this potential requires stakeholders to trust technology's role in learning and assessments.

We focus on integrating AI and other technologies into our products in a responsible, evidence-driven way. Leveraging technology to create accessible and personalised learning solutions strengthens learner outcomes, reinforces our brand and supports sustainable growth. This in turn helps us balance commercial goals with our commitment to equitable access and long-term stakeholder trust.

Case study

Partnering to transform education through digitalisation and AI

We work with a diverse range of organisations to accelerate growth and unlock new opportunities, from co-creating advanced AI-infused products to supporting industry initiatives that are transforming education through digitalisation. By combining our deep educational expertise with leading capabilities from across the technology ecosystem, our strategic partnerships enable us to scale innovation and deliver more digitally advanced products that better support learners in an AI-enabled world.

Alongside our strategic partnerships with hyperscaler partners and professional services enterprises (see pages 7 and 15), we are working with a number of NGOs to help accelerate the pace of modernisation at Pearson and influence how we leverage AI for positive impact. For example:

- We aim to drive digital transformation in higher education with the Digital Education Council by modernising learning models, co-developing research and providing resources for institutions and policymakers
- We are focused on advancing AI literacy with Code.org, an education innovation non-profit
- We are supporting innovative, AI-driven ventures through our investment in the AI Fund, which operates as a venture studio, building scalable businesses designed to address real-world problems. Through this partnership, we will co-create ventures with the Fund that drive innovation and align with our vision for the future of education

Through these collaborations and investments, we are strengthening our capabilities, expanding our reach and translating AI innovation into meaningful value for learners, educators and institutions.

Sustainability *continued*

Our product focus areas

Focus areas	Approach and governance	2025 actions
Learning science and innovation		
One of Pearson's strengths is delivering trusted, outcome-focused content as part of learning experiences grounded in learning science. Applying evidence-based insights to product design helps us to create more effective and innovative learning products that enhance learner outcomes and secure stakeholder trust.	The Chief Strategy Office has a central team of learning science experts, who ensure that learning science is embedded within our Quality Standards and applied across all our products and services. Our Learning Design Principles help us integrate learning theory throughout our products, processes, methodologies and organisational structures. Read more here: https://www.pearson.com/en-gb/efficacy/learning-evidence.html. Pearson Labs and our dedicated team of researchers and developers are committed to developing scalable solutions through generative AI and immersive learning technologies. Working closely with learning scientists, they have developed a strategy to guide the integration of new technologies across our portfolio, including a focus on grounding innovation in educational research.	• We remain committed to investing in research and innovation aimed at understanding large-scale educational challenges and to help develop scalable technology-driven solutions. Examples include: • 'Lost in Transition: Fixing the 'Learn to Earn' Skills Gap' report: reviews the global skills outlook and identifies strategies to transform workforces and unlock trillions in trapped value. Read more here: https://plc.pearson.com/en-GB/news-and-insights/lost-in-transition. • 'Asking to Learn': our large-scale analysis of students' interactions with AI Study Tools, informing development of the 'Go Deeper' functionality, which supports deeper learning in higher education by prompting students with follow-up questions to encourage critical thinking skills. Read the report here: https://plc.pearson.com/AskingToLearn. • Launched Pearson Labs, a new research space in London dedicated to accelerating emerging learning technologies and innovation.
Responsible AI (RAI)		
Ensuring the AI we use and embed in our products is safe, fair, transparent and contributes to improved learning outcomes is essential to protect learners, maintain trust with customers and support responsible innovation across our portfolio.	We have established consistent technology standards, and our Chief Technology Officer oversees the digital experience at Pearson. Our Senior Lead for Responsible AI leads this area of work, ensuring all AI activities align with ethical, legal and compliance standards. We continue to strengthen our strategy and governance processes around AI to ensure we use and apply this technology responsibly: • Our RAI Principles and AI Governance Framework were established in 2025 to support our AI strategy and underpin our AI-related research and product development. Based on internationally-recognised frameworks and aligned with our policies and Global Quality Standards, the principles cover fair, reliable and effective experiences, transparency and accountability, and trustworthy and safe AI. • The Governance Framework provides a structured approach to managing AI systems and aligns to the NIST AI Risk Management Framework, the EU AI Act, ISO 42001/27001/27701, and SOC2.	• Launched AI Literacy Modules to help educators instruct students about using AI. These modules cover topics such as validating AI-generated results and appropriately citing AI outputs. Ongoing research into how students are using our AI tools already shows promise in relation to course scores and pass rates. • Expanded our portfolio of RAI learning content, including certifications across multiple formats and disciplines, featuring agentic AI, large language models, machine learning and ethical AI implementation. • Continued to upskill employees on AI, focusing on using AI responsibly and how to avoid introducing bias. Read more on page 42.

Focus areas	Approach and governance	2025 actions
Content		
We are committed to the highest standards of quality to help protect learner wellbeing, maintain trust with educators and institutions and meet educational standards.	The Global Quality Standards Governance Board, comprising leaders from each business unit, will be active from Q1 2026, and will oversee our Global Quality Standards. Our Global Quality Standards are structured across six pillars: accessibility, learning science, AI, breakthrough technology, user experience and social impact. These standards support our employees and business partners to deliver accurate, trusted, evidence-based learning experiences that meet our user-centred and data-led standards of excellence.	• Introduced our AI-enabled AI Quality Standards Agent, OBI, to embed the Global Quality Standards directly into our workflows to ensure consistency, accountability and adherence to quality practices across Pearson.
Accessibility		
We strive to provide products, services and solutions that are accessible to all users, including people with disabilities. This expands the reach of our products, supports global regulatory compliance, enhances user experience and reinforces our commitment to high-quality education for all.	The Global Accessibility Steering Committee, composed of representatives from across Pearson, is responsible for embedding accessibility initiatives throughout the organisation. Our Global Accessibility framework requires each business unit to adopt accessibility standards and processes aligned with their specific customers, geographies and regulatory environments. Read more here: https://plc.pearson.com/sites/pearson-corp/files/pearson/corporate-policies/pearson-global-accessibility-framework-sept-2024-v1.pdf.	• Our Interactive Labs tool is designed to meet Web Content Accessibility Guidelines 2.1 AA standards for screen reader compatibility and keyboard navigation. It won the 2025 CODiE Award for Best Science Instructional Solution, which recognises innovation and accessibility in science education. • Continued to produce assessments transcribed into Braille as part of ongoing efforts to provide inclusive educational experiences. • Launched Revibe, an AI-enabled wearable device designed to help learners with ADHD improve focus and self-regulation, to enhance accessibility of learning for neurodiverse individuals.
Cyber security and data privacy		
Protecting the information we manage is essential for safeguarding learners, maintaining trust with customers, meeting global regulatory requirements, preventing operational disruptions and ensuring the integrity and reliability of our digital learning products and assessments.	Our Chief Information Security Officer oversees our global information security programme. We are maturing our 'Zero Trust' security approach ('never trust, always verify') as our proactive defence stance against modern cyber threats. We are embedding automation throughout our policies and processes to support the Zero Trust approach: we apply the 'least privilege' principle to ensure our data is secure and compliant by default. Our data privacy programme addresses compliance with applicable data protection legislation. Our programmes are based on the NIST Cybersecurity Framework and NIST Privacy Framework, respectively.[1] We provide mandatory training to all employees to raise awareness of cyber security and data privacy risks and equip them with the skills, knowledge and resources to safeguard all personal information entrusted to us. Our cyber security hub offers a range of resources across topics such as data privacy, incident reporting, supplier onboarding and data classification.	• Implemented additional data protection initiatives to protect the data we manage, including major platform upgrades, cyber security investments and platform consolidation. • Expanded the use of tools such as Microsoft's Cloud Access Security Broker to automate and scale our privacy and cyber security programmes. • Introduced AI Security Agent and privacy bots – agentic AI assistants integrated into Microsoft Teams providing employees with fast, user-friendly access to essential cyber security and data privacy resources. • Strengthened our employee cyber security training programme with a new dynamic, easily consumable series on reducing risks related to human error, accessible on the third-party platform, KnowBe4. • Organised interactive webinars, Q&A sessions and live demos during Cybersecurity Awareness Month to empower employees to safeguard their data and systems. For more information on the Board's oversight and management actions during the year, see page 107.

1. Read more here: https://www.nist.gov/cyberframework and https://www.nist.gov/privacy-framework

Sustainability *continued*

Empowering our people to make a difference

Our success depends on the knowledge, skills and leadership abilities of our employees.

Investing in employee development enhances performance, deepens commitment and improves employee retention. We foster a culture of performance, focusing on engagement, talent development and belonging, to enable everyone to leverage their strengths and contribute to growth. Our three Power Skills – Learning to Learn, Adaptability and AI – underpin our approach to employee development, supporting our digital transformation to create a sustainable competitive advantage.

2025 was a transformational year for human capital development at Pearson. We launched a new Career Architecture and Career Navigation System, providing clarity and consistency across our business on how we describe roles and career progression, and support employee growth. Through our people and culture strategy, we maintain an unwavering focus on high performance, enhancing employee experience and career opportunities, tightening our customer focus and driving growth for our people and our business. We were proud to be recognised with a Gallup Exceptional Workplace Award (https://www.gallup.com/workplace/657323/announcing-2025-gallup-exceptional-workplace-award-winners.aspx) acknowledging our progress across these areas.

Case study

Building a future–ready workforce

Building a modern workforce with the skills to maximise the potential of AI is at the core of what we do. Our new Career Navigation System builds on our deep expertise in technology and skills development for the benefit of our employees and our business. The platform enables employees to understand their role, explore possible career directions in the era of AI and create a path for development. It empowers them to take control of their careers, while building a highly skilled workforce to drive our long-term success.

The Career Navigation System establishes the foundation for career progression and growth at Pearson. With the help of a digital assistant, employees can assess the skills proficiency required in their current role and the evolution needed to progress to the next level. The integrated Learning Hub, which is powered by Degreed, provides seamless access to career guidance and over 800 learning pathways. Courses are personalised, and include microlearning, podcasts and curated specialist content related to Pearson's three Power Skills.

Empowering our people to take control of their careers is part of how we are driving a culture of performance. The Career Navigation System connects employees to future possibilities, encouraging them towards higher performance standards and stretching them to reach their goals. For Pearson, investing in our workforce is the key to unlocking future growth.

Our people focus areas

Focus areas	Approach and governance	2025 actions
Culture of engagement		
We believe empowered employees are more productive and help to create more innovative learning experiences for our consumers.	Our Chief Human Resources Officer leads our HR strategy, inclusive of the topics listed in this table. For more information on the Board and Pearson Executive Management's oversight of human resources, see pages 84-85. Since 2022, we have used Gallup's employee engagement survey to track engagement through scientifically validated questions that capture our people's daily experiences and behaviours most strongly tied to performance outcomes.	• Continued to analyse and apply the results of our engagement survey to inform our approach to engagement, at both the company and team levels. We achieved an overall Grand Mean score of 4.23 out of 5 (2024: 4.16) in our 2025 survey. The biggest improvement related to learning and growth, for which we scored 82% (2024: 77%)[1], reflecting the effectiveness of our investment in talent and development.
Talent development		
When employees have a sense of ownership over their own careers, they are more motivated, proactive and have higher levels of job satisfaction. This boosts performance and their ability to support our purpose of helping people realise the life they imagine through learning.	Our structured performance management approach enables employees to understand how their role aligns with Pearson's strategic aims. We use objectives and key results in goal setting and performance management to unite around shared priorities, fostering motivation and clarity. Pearson's leadership model defines the behaviours we expect to scale and the culture we need to succeed. For leaders, we provide a robust development framework combining talent assessments, 360° feedback, and the CliftonStrengths evaluation to deepen self-awareness and leadership impact.	• Redesigned Pearson's Career Architecture to provide a clear and consistent structure for every role across Pearson, and a shared language for career progression and growth. This resulted in a refresh of the nomenclature applied to employee career levels across Pearson. We have reported our employee data for 2025 in accordance with these new career levels, as shown on page 54. • Introduced Pearson's Role Library and a digital Career Architecture assistant, CARA, to help employees explore their own and other roles within our Career Architecture. • Introduced BarUp, an AI companion that supports individuals and managers, from goal setting to assessing performance and delivering feedback. • Equipped our managers with strengthened guidance on providing personalised feedback and coaching. • Over 90% of the senior leadership team have completed a talent assessment, in line with our leadership framework.
Employee learning and upskilling		
Our ability to delight learners within an evolving education landscape depends on building and maintaining a talented and engaged workforce. Our learning and development programmes focus on building the diverse skills needed to fuel our growth.	Our three Power Skills – Learning to Learn, Adaptability and AI – combined with our core job family and role-based skills are multipliers for performance and growth. Pearson's Learning Hub sits at the core of our Career Navigation System to help employees achieve actionable skills growth through rating themselves on the skills that matter, getting personalised learning recommendations, building habits and applying learning in the flow of work.	• Launched the Learning Hub, powered by Degreed and integrated with LinkedIn Learning, as a key component in our Career Navigation System. Employees have completed 23,521 hours of learning and 376,352 microlearning items since March 2025. • Established professional communities across Pearson aligned to job families and priority skills to foster collaboration and knowledge sharing across the organisation.

1. Data represents the % of respondents who agree or strongly agree with the relevant Gallop Q12® survey questions.

Sustainability *continued*

Focus areas	Approach and governance	2025 actions
Learning and Responsible AI (RAI)		

Applied responsibly, AI and digital technologies can transform access to learning and acquisition of knowledge. We upskill our employees so they can integrate technology responsibly and effectively in our products and operations, accelerating progress for individuals, businesses and wider society.	Equipping employees with the knowledge and skills they need now and in the future is central to our success. With this in mind, Pearson has introduced an AI upskilling development goal for all Pearson employees. We integrate AI skills into individual development plans and performance reviews, ensuring RAI literacy is embedded in our work.
	
	For our Product Development teams, the Centre for Enablement (C4E) – created in 2025 – brings together AI knowledge, tools and resources from across Pearson. The C4E supports collaboration and innovation by enabling our teams to share best practices and apply AI in a responsible and consistent way. Working in close partnership with the RAI team, the C4E ensures we have embedded ethical principles and robust governance in our AI initiatives.
		• Continued to develop our employees' technical capabilities. Our workforce completed 48,000+ hours of AI-related learning.
		• Provided resources on using AI responsibly, including:
		  • 140 training sessions in partnership with Microsoft, upskilling 4,700 employees on Copilot and boosting adoption by 25%
		  • A new AI Developer Excellence Community for those who build our AI products and services
		  • AI literacy content integrated into our Learning Hub
		  • Guidance to employees on understanding and addressing bias when using AI
		  • Regular live sessions and newsletters on the latest trends and tools in AI
		• Hosted the first internal AI Summit, attended by colleagues including members of our AI Ambassador Professional Community. The Community, which has more than 1,000 members, also provided expert advice to curate learning pathways for everyone.

Culture of community and wellbeing		
Having a positive state of mind ensures our employees can thrive at work and contribute fully towards creating impactful learning and assessment solutions.	We promote fairness in the workplace, fostering an open and accessible environment where all employees, including those with disabilities, feel supported. We also give full and fair consideration to all applicants and support the employment of people with disabilities, making reasonable adjustments in line with our reasonable accommodations and accessibility guidelines, to address individual needs. Recruitment, promotion and training are conducted based on merit, against objective criteria that avoid discrimination. We are committed to promoting the importance of positive mental and physical health for employees, and to providing solutions that support their health and wellbeing. All employees have access to a comprehensive suite of mental health services, including our Global WELL platform, working with Unmind, a mental health app that offers clinically backed tools. We model our proactive approach to health and safety on best practice and internationally recognised frameworks, including ISO 45001. We offer eligible employees five days of paid leave every year for volunteering to support educational or charitable causes. We also organise community programmes and events, supporting our employees in making a meaningful local impact.	• Developed new Neurodiversity Guidelines to help managers accommodate differences in how every employee thinks and works. Designed with our Able Employee Resource Group, they outline what neurodiversity is and how to make adjustments to accommodate it. These guidelines will be rolled out across Pearson in 2026. • Introduced a dedicated section for managers in Unmind to help them support team mental health, including guidance on handling mental health conversations sensitively.

Leading responsibly for a better planet

We implement environmental management systems throughout our business to promote compliance with regulatory requirements, achieve our targets and meet stakeholder expectations.

Our targets, approved by the Science Based Targets initiative (SBTi), include:

- Achieve a 50% reduction in greenhouse gas (GHG) emissions across our operations and value chain by 2030 from a 2018 baseline
- Achieve at least 90% reductions in GHG emissions across our value chain from a 2018 baseline, and meet our net zero target by 2050

As we expand our digital products and services, energy reduction remains at the heart of our decarbonisation strategy. We are committed to ongoing procurement of 100% renewable electricity using renewable virtual power purchase agreements, spot market Energy Attribute Certificates (EACs) and grid supply. These actions contribute towards our target of halving our GHG emissions by 2030 from a 2018 baseline.

By aligning our sustainability principles with business objectives, we aim to deliver lasting value for learners while safeguarding the environment. Embedding effective environmental management into our business strategy plays an important role in reducing costs and enabling business resilience. In turn, this will enable us to reinvest in innovation, grow our business and reach more learners.

Case study

Understanding the environmental impact of AI

AI is rapidly reshaping how we design and deliver transformative learning experiences, and our goal is to harness AI's potential for society and the environment while managing its impacts.

Though the GHG emissions associated with Pearson's AI usage are relatively low compared to other emissions sources, we anticipate they will continue to steadily rise alongside demand for data storage and processing.

Managing this growth carefully is key to our long-term climate strategy and future business resilience. Our approach centres on maintaining our commitment to renewable energy use, and ensuring the efficiency of our data usage and AI systems.

To achieve more at a bigger scale, we are also pursuing best practices around transparency. For example, we are working with DIMPACT, a network dedicated to deepening members' understanding of the environmental impact of digital products and creating science-based solutions.

Sustainability *continued*

Our planet focus areas

Focus areas	Approach and governance	2025 actions
Greenhouse gas (GHG) emissions		
We aim to reduce GHG emissions across our operations and value chain to effectively manage climate-related risks and opportunities, support long-term business resilience and meet external targets and expectations.	Our General Counsel serves as the Executive Sponsor for our sustainability strategy and leads the Environmental Steering Group. The Steering Group convenes quarterly to oversee the execution of our GHG emissions reduction plan, supported by the central Sustainability team and relevant subject matter experts throughout the business. Our global environmental management system is based on ISO 14001 principles, and our four main UK sites (production sites and offices) are third-party-certified against the ISO 14001 framework. For more detailed information on our approach and targets, see pages 45–49 and our Climate Action Plan: https://plc.pearson.com/en-GB/sustainability/our-sustainability-reporting.	• Achieved an overall reduction of 44% in GHG emissions against our 2018 baseline (location-based methodology). See page 51 for a detailed breakdown. Reductions in our value chain GHG emissions were primarily driven by shifting our supplier base in higher-emitting categories, such as paper and printing, to lower-emitting categories, including technology. We also increased in-market printing, reducing associated transportation emissions. • Decreased our operational energy consumption by 15% from 2024. This was mainly driven by the reduction of our overall physical footprint by 6%, and the introduction of more stringent environmental criteria for building selection, which helped us reduce our natural gas and electricity consumption.
Responsible AI and digital supply chain management		
As we continue to expand our AI-enabled learning experiences, our demand for data storage and processing will increase accordingly. To use AI responsibly, we must ensure we manage and reduce any potential adverse environmental impacts.	Our approach to minimising the impacts of our digitally enabled products will continue to evolve in line with the business. We are currently focusing on: • Further understanding the complexity, data use and energy needs of our AI usage. • Identifying and assessing the environmental impacts of the processing centres our partners use to host Pearson's data. • Working with cloud service providers that invest heavily in renewable power and directly funding projects that bring additional renewable energy to the grid. See pages 6-7 and 38 for information on how we govern AI.	• Continued to consolidate our data centres for energy efficiency, and transitioned to cloud-based infrastructure for greater resource efficiency. • Worked with our sustainability data and analytics partner, Watershed, to identify two renewable energy projects for Pearson to invest in, increasing the proportion of renewable energy in the grid and, in turn, accelerating sector-wide decarbonisation. Combined, these projects are estimated to cover approximately 50% of our annual electricity consumption by 2026.
Physical supply chain management		
Taking a proactive approach to identify, prevent and address potential adverse impacts across our value chain is crucial to meeting legislative requirements, maintaining stakeholder trust and protecting our reputation.	Our approach to supply chain due diligence is covered in detail in our Responsible Procurement Policy, which sets out our minimum standards for suppliers: https://plc.pearson.com/sites/pearson-corp/files/pearson/our-corporate-policies/pearson-responsible-procurement-policy-v3.pdf. We aim to procure our paper from certified sources (FSC, PEFC and SFI)[1] that set standards for sustainable forest management. We implement standard Master Service Agreement terms to guide requirements for our print suppliers, supported by specific Book Manufacturing Product and Services standards, and we use Book Chain to conduct due diligence in our direct supply chain.	• Achieved our target to procure our paper from certified sources (FSC, PEFC and SFI).[2] This will be our minimum standard going forward. Our total paper consumption increased by 2% from 2024 due to increased customer demand and business growth. • Continued the consolidation of suppliers and third-party payees to strengthen our supply chain, improve supplier relationships and support long-term business resilience. Active suppliers and third-party payee numbers dropped by 13% in 2025 from 17,998 to 15,660.

1. The Forest Stewardship Council (https://fsc.org/en), Programme for the Endorsement of Forest Certification (https://pefc.org), and Sustainable Forestry Initiative (https://forests.org).
2. Of the paper purchased by Pearson in 2025, 83 tonnes were not certified due to local market constraints. This represents 0.4% of all paper purchased across the year.

Task Force on Climate–related Financial Disclosures (TCFD)

Identifying, assessing and managing climate-related risks and opportunities

Introduction and objectives

The following report sets out our climate-related financial disclosures in alignment with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations and subsequent annex and implementation guidelines, available here: https://www.fsb-tcfd.org/. We engage with TCFD recommendations to minimise business risk and ensure our continued financial performance and growth.

This year, Pearson engaged SLR, a specialist environmental consultancy, to update the analysis previously conducted in 2022. Each year, we use these comprehensive external assessments to guide our internal reviews and annual reporting obligations.

The aim of this report is to outline the risks and opportunities that may impact Pearson's operations and resilience across various climate scenarios and timeframes. Our analysis specifically aims to:

- Evaluate how transition and physical climate risks may affect Pearson over the short, medium and long term.
- Quantify potential cost and sales impacts under alternative climate pathways to inform Pearson's strategic planning and scenario analysis.
- Support compliance readiness with evolving regulatory requirements, including TCFD, which require companies to disclose anticipated financial effects of material climate-related risks and opportunities.
- Ensure Pearson's climate disclosures support decision-making, enabling a more robust link between sustainability and enterprise risk management.

It is worth noting that this analysis is not intended to forecast actual financial outcomes, but to provide directional estimates of exposure and sensitivity under different plausible climate scenarios, helping Pearson prioritise adaptation and transition strategies.

Sustainability governance
Board oversight

The Board retains overall oversight of Pearson's climate change strategy and progress towards our targets. Responsibility for Pearson's sustainability strategy, including climate-related risks and opportunities, is delegated to the Board's Reputation & Responsibility Committee (RRC).

The RRC is responsible for managing the integration of sustainability into Pearson's business strategy, including overseeing sustainability and climate risks and opportunities. It reviews and approves targets associated with key sustainability and climate priorities and monitors performance against them through oral or written updates in July and December, as well as against any other public sustainability commitments. The Committee keeps abreast of developments in the regulatory landscape and oversees external sustainability reporting to ensure transparency and compliance. In addition, it reviews due diligence processes within the organisation's supply chains and business partnerships to promote responsible and ethical practices, and monitors sustainability rankings and ratings to benchmark progress and identify opportunities for continued improvement. These responsibilities are reflected in the Committee's terms of reference which can be found on the Governance section of our website: https://plc.pearson.com/en-GB/company/governance.

The RRC includes two Non-Executive Directors with climate expertise, in addition to a wide range of capabilities relevant to Pearson's wider strategy, business model and organisational characteristics.

The RRC meets at least three times per year. The committee receives written and oral presentations on sustainability-related topics, including progress against our decarbonisation pathway twice a year. It keeps the Board informed through reports produced following each Committee meeting, which highlight material decisions, discussion points and challenges, and offer recommendations accordingly.

Other Board Committees support the RRC on sustainability-related risk management, ensuring alignment with Pearson's business strategy, controls, and audit procedures. The Audit Committee oversees risk management and governance – including those related to sustainability – and provides assurance to the Board through audits and targeted risk reviews.

The General Counsel serves as the Executive Sponsor for our sustainability strategy and leads the Environmental Steering Group, which convenes quarterly to oversee the execution of our greenhouse gas (GHG) emissions reduction plan, supported by the central Sustainability team and relevant subject matter experts throughout the business. For more information on the management of climate and the sustainability agenda more broadly, please see the 'Sustainability governance' section on page 36 and the table showing governance structures for risk management on page 56.

Our Climate Action Plan provides the framework for delivering our objectives. For more detailed information visit: https://plc.pearson.com/en-GB/sustainability/our-sustainability-reporting.

Sustainability *continued*

Strategy

Our 2025 climate risk and opportunity analysis shows that Pearson remains resilient to climate change and is not materially affected by current climate conditions. In making this assessment, we considered the actions needed to achieve our decarbonisation commitments, as well as the strategic and financial impacts 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 2025, or the assessment of going concern, as we explain in further detail in note 1c to the financial statements.

By aligning our environmental priorities and business objectives, we are well placed to advance our sustainability commitments. For Pearson, most physical climate-related risks are associated with the company's print-based value chain, as these risks are influenced by physical hazards that can disrupt production or increase operating costs (including paper procurement, printing, logistics and distribution). Therefore, the company's drive towards digitalisation will further enhance our long-term resilience.

Our analysis also shows that large-scale cloud providers – including our business partners – are continuing to make significant investments in renewable energy. The increased availability of renewable energy overall is anticipated to accelerate the global transition towards cleaner power sources, supporting Pearson's own decarbonisation ambitions and helping to reduce operational costs.

Nonetheless, effective environmental management remains a priority, as climate change could raise the cost of doing business across the board due to increasingly scarce resources and rigorous regulations. We will therefore continue to pursue our decarbonisation objectives, collaborate with key partners, and comply with evolving requirements.

Thematic consolidation of identified risks and opportunities

To better understand how climate-related risks and opportunities relate to external drivers, all risks and opportunities were categorised under five overarching themes. These themes reflect the primary market, operational, regulatory and stakeholder dynamics influencing Pearson's risk exposure:

- **Digital transformation:** Captures transition and physical risks associated with Pearson's increasing reliance on digital infrastructure and hyperscaler partnerships. This includes exposure to rising energy costs, grid instability, and potential physical hazards affecting data centres, as well as opportunities linked to the efficiency and resilience of the digital value chain.

- **Operational delivery and non–digital product:** Encompasses impacts linked to Pearson's print-based value chain - in particular paper procurement, printing, logistics, and distribution. These risks are influenced by evolving carbon pricing mechanisms and climate-related hazards that can disrupt production or increase operating costs within Pearson's print-based product lines.

- **Climate policy and regulation:** Relates to the direct and indirect impacts of climate policy on Pearson's business operations and compliance obligations. This includes regulatory costs from emerging disclosure and reporting frameworks, emissions-reduction requirements, carbon offsetting, and energy-price volatility arising from shifts in policy ambition and regional carbon markets.

- **Changing markets:** Reflects the financial and strategic implications of shifting market dynamics driven by the global low-carbon transition. This theme captures both the risks and opportunities arising from evolving consumer preferences, investor expectations, and macroeconomic responses to climate change.

- **Stakeholder relations:** Encompasses reputational risks associated with meeting stakeholder expectations on climate performance and target delivery. This theme covers exposure to scrutiny from investors, governments and customers, including reputational consequences of delayed decarbonisation or misalignment with supplier sustainability commitments.

The table below provides an overview of Pearson's climate-related risks and opportunities:

Risk/opportunity description	Scale*	Mitigation levers
Physical risks		
Digital transformation — Potential interruption to digital content provision and purchasing platforms due to electricity power outages	Timeframe: Short-term Likelihood: Low Magnitude: Low Impact: Sales	Migrating content from cloud regions impacted by power outages to more resilient regions
Operational delivery and non-digital products — Physical hazards disrupting production and distribution from manufacturing, test centres and offices	Timeframe: Long-term Likelihood: Medium-High Magnitude: Low Impact: Sales	Shifting services to alternative locations. We have insurance policies in place that would cover the costs of structural damage and some lost sales.
Operational delivery and non-digital products — Physical hazards disrupting print production	Timeframe: Short-term Likelihood: High Magnitude: Low Impact: Opex	Shifting services to alternative locations and accelerating our transition to digital
Operational delivery and non-digital products — Increase in insurance cost/premium driven by climate and physical hazards	Timeframe: Long-term Likelihood: Low Magnitude: Low Impact: Opex	Reducing our property portfolio and shifting to lease agreements
Transition risks		
Digital transformation — Increased operating costs associated with electricity demand of digital infrastructure from data centres and hyperscalers	Timeframe: Long-term Likelihood: High Magnitude: Low Impact: Opex	Partnering with hyperscalers using high share of renewable electricity. Strengthening cloud efficiency and digital architecture optimisation
Operational delivery and non-digital products — Increased cost of raw materials and commodities as price of carbon grows and becomes more tangible in supply chain	Timeframe: Medium-term Likelihood: High Magnitude: Low Impact: Opex	Accelerating our transition to digital
Changing markets — Fluctuating operating costs due to fossil fuel derived energy versus renewables	Timeframe: Medium-term Likelihood: Medium-High Magnitude: Low Impact: Opex	Securing long-term virtual power purchase agreements

Risk/opportunity description	Scale*	Mitigation levers
Climate policy and regulation — Increased costs of climate-related compliance with uptick in regional regulatory requirements	Timeframe: Short-term Likelihood: Low Magnitude: Low Impact: Opex	Part of Pearson's compliance approach
Climate policy and regulation — Increased costs of compensating 10% of GHG emissions or less in 2050 and beyond	Timeframe: Long-term Likelihood: High Magnitude: High Impact: Opex	Included in Pearson's Climate strategy
Stakeholder relations — Missing decarbonisation goals due to value chain partners missing GHG emission reductions	Timeframe: Long-term Likelihood: Medium-High Magnitude: Low Impact: Sales	Working with companies that are also implementing and strengthening climate mitigation strategies
Opportunities		
Digital transformation — Having a less carbon intensive value chain due to digitalisation and reducing exposure to transition risks	Timeframe: Long-term Likelihood: Medium-High Magnitude: Moderate Impact: Opex	NA
Changing markets — Expanding climate-related learning and qualification services in response to greater demand for green skills	Timeframe: Long-term Likelihood: Medium-High Magnitude: High Impact: Sales	NA

*   Impact scales:

Time horizons:
Short-term: within one year (2026)
Medium-term: between one and three years (2027-2029)
Long-term: more than four years (2030-2050)

Likelihood:
Low: 25%
Medium: 50%
High: 75%

Magnitude of impact:
Low: below £5m
Moderate: £5 - £20m
High: £20m and above

Financial impact
Sales – Sales generation
Opex – Operating costs

Sustainability *continued*

Risk management

The following section outlines the process used to analyse Pearson's climate-related risks and opportunities (R+Os):

Steps	Description	Methodology
1. Risk and opportunity identification and streamlining	Refreshed the long list of climate-related R+Os and grouped these by overarching themes (listed on page 47). A long list of 36 risks and seven opportunities were identified at this stage. After internal workshops, the list of R+Os has been refined with some items consolidated to improve clarity. At this stage, 11 physical R+Os and 23 transition R+Os were shortlisted.	• Integrate list of R+Os from Double Materiality Assessment. • Internal refinement workshops.
2. Impact scenario analysis	Independent environmental specialists, SLR, conducted in-depth research, climate scenario modelling and targeted data extraction (including web-scraped datasets) to obtain relevant emission factors, carbon price projections and macroeconomic indicators. Internal inputs were also used to ensure the analysis reflected business-specific exposure, including paper procurement volumes, energy consumption, operational expenditure and decarbonisation commitments. After several validation sessions, we were able to identify a list of ten key risks and two key opportunities as priority for further financial quantification.	• Three time horizons were defined and three climate scenarios were selected. • For each R+O, three aggregated risk scores were used, averaging the impact score under each climate scenario and three time horizons. • Each score was computed by combining the assigned magnitude and likelihood ratings. • An absolute materiality rating was derived using a normalised scale from 0% to 100%. This standardisation allowed all R+Os to be plotted along a common scale and prioritised based on their relative financial significance.
3. Financial risk scenario analysis	The financial materiality assessment was designed to ensure direct alignment with Pearson's Enterprise Risk Management (ERM) framework, enabling consistency between climate-related financial analysis and existing corporate risk processes.	• Modelled financial impacts by linking internal value drivers (e.g. spend on hyperscalers) to external scenario projections (e.g. electricity price forecasts). • The most stringent/conservative scenario attached to each risk and the maximum annual value for the period covering 2026 – 2050 was used to define the financial quantification.
4. Internal and external validation	Results are reviewed and validated to ensure alignment with internal risk materiality thresholds and financial reporting.	• The current analysis has been verified and validated by SLR's independent quality control team. • Results were validated by Internal Risk and Financial Reporting teams. • Relevant Executive team members, and the RRC, examined the results.
5. Building resilience	Results are embedded into the strategy to transition to a low emissions economy.	• Integrate climate risks into ERM processes. • Improve data and analytical systems to monitor ongoing climate exposure. • See our Climate Action Plan for transition-specific strategies: https://plc.pearson.com/en-GB/sustainability/our-sustainability-reporting.

Assessment parameters

Business scope and boundaries: The analysis of climate-related risks and opportunities was conducted across Pearson's global operations, covering the company's five core business units, key geographies, and value chain stages to ensure comprehensive representation of both operational and market exposure.

Climate scenarios: Climate scenario analysis is used to help organisations develop a more comprehensive and robust climate-ready business strategy. It entails examining how future changes in our climate could impact our business operations, finances, markets and supply chains in order to mitigate the impacts and build resilience.

To assess the potential impacts of climate-related risks and opportunities, SLR, a specialist environmental consultancy, applied a multi-scenario approach designed to test Pearson's exposure and resilience to physical risks (such as extreme weather events) and transition risks linked to policy changes, technological advances and market evolution towards a low-emissions economy. SLR used multiple reference models to define overarching scenario 'families' for the analysis:

Scenario 1. Orderly Transition — Represents a rapid, coordinated policy response consistent with limiting global warming to below 1.5°C. This scenario reflects decisive action and assumes early implementation of global carbon pricing and energy system transformation.

Scenario 2. Disorderly Transition — Reflects a delayed policy response, where substantive global climate action only occurs late in this decade or early 2030s. The result is a steeper and more disruptive decarbonisation pathway characterised by higher carbon prices, stranded asset risks, and accelerated cost escalation, resulting in a 1.6°C–2.7°C temperature rise.

Scenario 3. Hot House World — Assumes minimal further policy intervention beyond current commitments, leading to a high-warming trajectory (2.8°C–4.4°C) and significant increases in physical climate impacts, such as heat stress, flooding and supply chain disruption.

Our climate-related 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.

The Sustainability team and the relevant Communications team share the responsibility of managing wider stakeholder expectations and stakeholder engagement.

Metrics and targets

Our GHG emissions reduction targets, which have been approved by the Science Based Targets initiative (SBTi), include:

- Achieve a 50% reduction in GHG emissions across our operations and value chain by 2030 from a 2018 baseline
- Achieve at least 90% reductions in GHG emissions across our value chain from a 2018 baseline, and meet our net zero target by 2050

Our GHG emissions data (metric tonnes CO_2e)[1]

	2025	2024
Scope 1	3,701	4,094
Scope 2 (location-based)	11,598	13,938
Scope 2 (market-based)	9	11
Scope 3 (location-based)	248,645	261,700
Scope 3 (market-based)	250,005	263,048
Total — location-based	263,945	279,732
Total — market-based	253,715	267,153
Intensity ratio — tCO_2e/£m sales (market-based methodology)	71	75

Our full set of environmental data and the methodology used for calculations can be found in the next section of this report.

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 approximately 90% of our location-based emissions.

A breakdown of data for each category can also be found in the external assurance report on our website: https://plc.pearson.com/en-GB/sustainability/our-sustainability-reporting.

1. In 2025, we updated our 2018 baseline alongside our 2023 and 2024 GHG emissions data to reflect methodology changes as well as acquisitions and disposals, contributing to more granular data insights. An independent third party, SLR, verified and assured this process.

Sustainability continued

Our sustainability performance data

Notes on our data

This report provides a summary of Pearson's business and sustainability governance, strategy, risk management approach and performance for the financial year 2025. Qualitative and quantitative information in the sustainability-related disclosures refers to 1 January 2025 to 31 December 2025, aligned with our financial reporting period.

We have included all Pearson entities in the sustainability-related disclosures, across all material topics and data. The Reputation and Responsibility Committee has reviewed progress against our key areas of responsibility throughout this report.

We continue to provide information about sustainability-related risks and opportunities in line with the Global Reporting Initiative (GRI) standards and the Sustainability Accounting Standards Board (SASB) standards. See our GRI and SASB disclosures here: https://plc.pearson.com/en-GB/sustainability/our-sustainability-reporting.

Environmental data: GHG emissions and energy calculation methodology

We calculate our GHG emissions data following the requirements of the GHG Protocol Corporate Accounting and Reporting Standard (revised edition: https://ghgprotocol.org/sites/default/files/standards/ghg-protocol-revised.pdf). For scopes 2 and 3, we use the dual reporting methodology (location- and market-based approaches), in accordance with best practice. We use some of the latest emission factors from recognised public sources, including (but not limited to) the UK Department for Energy Security and Net Zero (DESNZ), the International Energy Agency, the US Energy Information Administration, Watershed's Comprehensive Environmental Data Archive (CEDA) and the Intergovernmental Panel on Climate Change (IPCC). We also use the latest global warming potential projections from the IPCC's Fourth Assessment Report (https://www.ipcc.ch/assessment-report/ar4/).

In 2025, we updated our 2018 baseline alongside our 2023 and 2024 GHG emissions data, contributing to more granular data insights. An independent third party, SLR, verified and assured this process.

Our energy use data includes fuel combustion and purchase of electricity, heat, steam and cooling consumption in MWh, and vehicle fuel use converted from mileage into MWh using DESNZ conversion factors.

For more information, including a breakdown of our GHG emissions data per category, see SLR Consulting's assurance statement, here: https://plc.pearson.com/en-GB/sustainability/our-sustainability-reporting.

Environment

Pearson was not subject to any environmental fines in 2025.

Greenhouse gas (GHG) (carbon dioxide equivalent) emissions overview (metric tonnes CO_2e)[1]

	2025	2024[1]	Notes
Scope 1	**3,701**	4,094	Our GHG emissions reduction targets include:
Scope 2 (location-based[2])	**11,598**	13,938	
Scope 2 (market-based[3])	**9**	11	• Achieve a 50% reduction in GHG emissions across our operations and value chain by 2030 from a 2018 baseline
Scope 3 (location-based[2])	**248,645**	261,700	
Scope 3 (market-based[3])	**250,005**	263,048	• Achieve at least 90% reductions in GHG emissions across our value chain from a 2018 baseline, and meet our net zero target by 2050
Total – location-based[2]	**263,945**	279,732	
Total – market-based[3]	**253,715**	267,153	Our total market-based GHG emissions decreased by 5% and total location-based GHG emissions decreased by 6% from 2024.
Total scope 1 and 2 (location-based[2])	**15,299**	18,032	
Total scope 1 and 2 (market-based[3])	**3,710**	4,105	Compared to our 2018 baseline, we have cut total market-based emissions by 43% and location-based emissions by 44%, putting us on track to achieve our target of halving our emissions by 2030.
UK scope 1	**550**	561	
UK scope 2 (location-based[2])	**818**	831	We have achieved our 2030 target for market-based GHG emissions (scope 2 – emissions from purchased electricity), primarily by downsizing our property portfolio, decommissioning emissions-intensive buildings and shifting to renewable electricity.
UK scope 2 (market-based[3])	**6**	5	
Total UK scope 1 and 2 (location-based[2])	**1,368**	1,392	
Total UK scope 1 and 2 (market-based[3])	**556**	566	
Intensity ratio			Our scope 3 GHG emissions decreased 5% from 2024, primarily by downsizing our property portfolio, decommissioning emissions-intensive buildings and shifting to renewable electricity. We achieved a 43% decrease in scope 3 GHG emissions (location-based methodology) from our 2018 baseline, reflecting our transition to digital supply chains, reduced business transport and distribution operations and adoption of a hybrid working model.
tCO_2e/£m revenue (market-based methodology)[3]	**71**	75	
Energy			
% electricity from renewable sources	**100%**	100%	
Total electricity consumption from renewable sources (MWh)	**30,770**	36,876	
Total electricity consumption from non-renewable sources (MWh)	**0**	0	Read more about our net zero strategy and progress in our Climate Action Plan and external assurance report, both accessible here: **https://plc.pearson.com/en-GB/sustainability/our-sustainability-reporting.**
On-site generated electricity (MWh)	**0**	216	
Total gas consumption (MWh)	**12,610**	14,364	
Total fossil fuel consumption (MWh)	**13,266**	14,813	
Total energy consumption (gas, fuel, electricity, transport and other sources) (MWh)	**44,090**	51,851	
Total energy consumption UK (gas, fuel, electricity, transport and other sources) (MWh)	**5,764**	6,058	

1. In 2025, we updated our 2018 baseline alongside our 2023 and 2024 GHG emissions data to reflect methodology changes as well as acquisitions and disposals, contributing to more granular data insights. An independent third party, SLR, verified and assured this process.
2. The location-based methodology reflects the average emissions intensity of what is physically consumed through the grid.
3. The market-based methodology reflects emissions from electricity we have purposefully chosen through the purchase of unbundled EACs and green tariffs. We purchase renewable electricity in countries of consumption wherever possible. Where this is not possible due to market constraints or instrument availability, we purchase from neighbouring countries/regions.

Sustainability *continued*

	2025	2024	Notes
Resource use			
Paper used (t)	**19,720**	19,255	We achieved our target to procure our paper from certified sources (FSC, PEFC and SFI)[1] that set standards for sustainable forest management use. This target will be our minimum standard from 2026 onwards.
% Forest Stewardship Council (FSC)	**72%**	59%	
% Programme for the Endorsement of Forest Certification (PEFC)	**2%**	4%	
% Sustainable Forestry Initiative (SFI)	**26%**	30%	

	2025	2024[2]	Notes
Waste[2]			
Total waste generated (t)	**2,070**	1,754	We note an increase in year-on-year figures and this is due to an improvement in data quality.
% office waste recycled	**13%**	33%	

	2025	2024	Notes
Water			
Total water consumption (m^3)	**193,537**	127,014	We note an increase in year-on-year figures and this is due to an improvement in data quality.

1. Of the paper we purchased in 2025, 83 tonnes were not certified due to local market constraints. This represents 0.4% of all paper purchased across the year.
2. In 2025, alongside our GHG rebaselining process, we updated our 2024 waste data to reflect methodology changes as well as acquisitions and disposals. An independent third party, SLR, verified and assured this process.

Social

Our employees

	2025	2024
Total average number of employees for the year[1]	**17,062**	17,024
Employees by geography (regional representation)[2]	**16,665**	17,116
US as of 31 December	**8,260**	8,821
UK as of 31 December	**3,472**	3,394
Rest of world as of 31 December	**4,933**	4,901
Gender diversity breakdown		
% permanent, regular employees	**98%**	98%
Male	**41%**	40%
Female	**58%**	59%
No data	**0%**	1%
% temporary, limited-term employees	**2%**	2%
Male	**31%**	31%
Female	**68%**	67%
No data	**1%**	2%
% full-time, regular employees	**82%**	79%
Male	**44%**	44%
Female	**56%**	56%
Not disclosed	**1%**	1%
% part-time, regular employees	**18%**	21%
Male	**28%**	28%
Female	**71%**	71%
Not disclosed	**0%**	0%

1. We calculate total average number of employees 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 as at 31 December 2025.
2. The 2025 employee volume excludes approximately 500 seasonal workers that have been reclassified to align with Pearson's current business structure and broader casual/seasonal worker policies.

Our Board and Pearson Executive Management team*

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in Pearson Executive Management	Percentage of Pearson Executive Management
Board and Pearson Executive Management team's gender identity or sex					
Male	5	42%	3	7	58%
Female	7	58%	1	5	42%
Other categories	0	0%	0	0	0%
Not specified/prefer not to say	0	0%	0	0	0%
Board and Pearson Executive Management team's ethnic background					
White British or other White (including minority-white groups)	8	67%	3	7	58%
Mixed/multiple ethnic groups	2	17%	0	1	8%
Asian/Asian British	1	8%	0	2	17%
Black/African/Caribbean/Black British	0	0%	0	0	0%
Other ethnic group	1	8%	1	2	17%
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 2025. As prescribed by this rule and for the purpose of this disclosure, the Pearson Executive Management includes the Company Secretary. We collected the data contained in the tables above as part of the annual declaration process, whereby the Board and the Pearson 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.

Sustainability *continued*

Female leadership breakdown (%)

	2025[1]	2024[2]
Senior leadership	**29%**	33%
Operational leadership	**47%**	46%
Management	**54%**	47%

Turnover

	2025	2024
Turnover rate, total average for the year[3]	**3,031/18%**	3,331/19%
Voluntary turnover	**2,192/13%**	2,309/13%
Involuntary turnover	**839/5%**	1,022/6%
Turnover by gender		
Total female	**1,854/11%**	2,052/12%
Total male	**1,118/7%**	1,239/7%
Non-binary	**13/0%**	8/0%
Not disclosed	**46/0%**	32/0%
Turnover by age group		
Under 30 years old	**789/5%**	901/5%
30–50 years old	**1,307/8%**	1,462/8%
Over 50 years old	**914/5%**	961/6%
No data	**21/0%**	7/0%

New hires

	2025	2024
Total number and rate of new employee hires (number of hires/average headcount)[3]	**3,117/18%**	2,799/16%
Total number of new hires – female	**1,849/59%**	1,710/61%
Total number of new hires – male	**1,144/37%**	1,018/36%
Total number of new hires – non-binary	**11/0%**	13/0%
Total number of new hires – not disclosed	**113/4%**	58/2%
New hires by age group		
Under 30 years old	**1,007/32%**	893/32%
30–50 years old	**1,396/45%**	1,248/45%
Over 50 years old	**695/22%**	647/23%
No data	**19/1%**	11/0%

1. 2025 employee leadership categories and data reflect Pearson's new career architecture, rolled out in 2025.
2. For comparability with 2025 data, our 2024 employee leadership data has been recalculated to align with the new Career Architecture. Relevant employees who left the company by 31 December 2024 have not been included in these calculations as it is not possible to determine what their positions would have been within the new Career Architecture.
3. % calculated using average annual headcount (17,062 in 2025), not year-end position.

Governance

	2025	2024
Total number of concerns raised and investigated	**130**	115
Percentage of employees completing Code of Ethics certification or training*	**99%**	100%

* The figure stated here was correct at 31 December 2025. 100% was achieved by 31 January 2026.
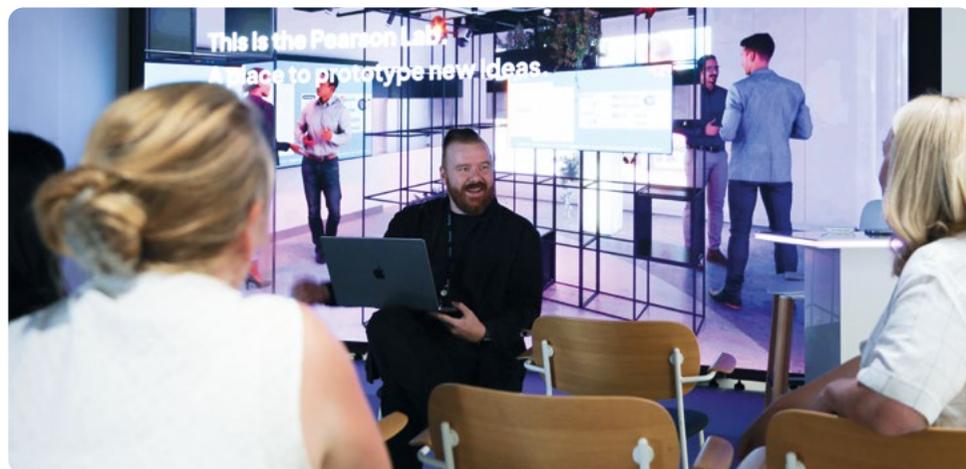
Risk management

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

Risk oversight

Risks are managed by members of the Pearson Executive Management (PEM) team, either on a business unit basis or by function (as set out in the Accountability for principal risks section on pages 66-67.

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.

We have also been looking at addressing the requirements of the new UK Corporate Governance Code Provision 29, effective 1 January 2026. We aim to achieve a proportionate and practical response to the new declaration, and we have identified 'material controls'. We have worked with peers, accountancy firms and our auditors to understand emerging best practice in this area. Throughout 2025, the team has been reviewing the mapping of controls to principal risks, and we have worked closely with the Audit Committee which has oversight of this process. Further information can be found in the Governance section on page 110.

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 management *continued*

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

1. Pearson 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
- Monitors and reviews the internal control framework, covering all material controls as identified by the requirements of the new UK Corporate Governance Code Provision 29, and their effectiveness, with support from its Committees as it deems appropriate.
- Conducts targeted reviews of key risks

2. 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

3. 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

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

- Comprises the CEO, CFO and other senior leaders (see pages 76-78)
- 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

5. 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 PEM
- Provides oversight over risk management activity
- Reports to the Audit Committee on risks

6. Senior leadership (identification, assessment and mitigation)

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

7. 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

8. 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

9. Pearson personnel (identification, assessment and mitigation)

- Personnel across Pearson are trained in relevant risk management to identify, assess, mitigate and escalate risks
- Responsible for operation and effectiveness of individual controls, including SOX controls

Internal Audit function (assurance)

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

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 2024 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 58-65 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

Risk management *continued*

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. Regulatory 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 increases from moderate-high to a high level. There are ongoing geopolitical developments alongside proposed modifications to UK immigration testing and vocational qualification frameworks, all of which present potential disruptions to markets where we have a leading presence. Nonetheless, no significant reforms in US markets have occurred and we have successfully retained a high level of Assessment & Qualifications contracts in 2025. Pearson has long-standing relationships and delivery capability across key markets, and Pearson's brand and track record are seen as competitive advantages in a changing environment. 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.

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 regulatory 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 a focus on flawless or near-flawless execution of marking and delivering assessment results 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. Pearson has long-standing relationships, delivery capability and country ambassadors across key international markets and Pearson's brand and track record are seen as competitive advantages in a changing environment.

Link to strategy	Assessment and verification 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 • 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.

Artificial Intelligence (AI), content and channel risk

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. How learners access content presents a medium-term risk, as institutions and students may question the value of traditional models. We are also conscious that public sentiment and regulatory considerations have also emerged around the use of AI in high-stakes assessments. Nonetheless, Pearson's strength lies in delivering outcome-focused, trusted, pedagogically sound content at the intersection of instructor, learner and content.

Significant progress has been made in our use of large language models. We have taken a proactive approach in leveraging advanced AI technology positions and have successfully integrated AI tools into courses. We have continued to develop AI tools across all business units, seeing evidence of it driving commercial success as well as driving improved learning outcomes and higher grades, as noted among Virtual Schools students. Our strategic partnerships with hyperscalers are accelerating the modernisation of Pearson's products, facilitating us to leverage AI to better serve our customers. We are also implementing AI-driven tools to customer service and enhance overall experience. Furthermore, in 2025, we hired a new Chief Business Officer to support sales teams in capturing upsell and cross-sell opportunities.

The risk is projected to remain heightened for the near term and beyond.

Management actions

1. Establishing a centralised data and AI solutions hub to set governance, and oversight, supported by AI delivery squads that enable a cohesive, Pearson-wide Responsible AI function.
2. Embedding AI into content creation products and services, creating efficiencies and helping us reach the market quickly. For example, the broad roll-out of custom AI assessment tools to all teachers in Virtual Schools is driving increased adoption and usage.
3. Driving innovation and development of next-generation products that infuse AI into products across our business units and enable us to align to individual learning needs: for example, creating AI chatbot integration in the Longman English app, and AI study tools in Connections Academy Virtual Schools which have led to improved outcomes and higher grades among students.
4. Reducing piracy and managing and enforcing intellectual property rights including via 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.
6. Strategic partnerships with hyperscalers accelerating the modernisation of Pearson's products, enabling us to leverage AI for greater customer value.

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 learner 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 2025 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 learners to learn how to use new products and services, it is more likely that any impact will be felt over years.

Risk management *continued*

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 reduces from a moderate-high to moderate level as we shift to execution against an evolved strategy, although we are cognisant of risks around talent, operational capacity and governance. Nevertheless, disciplined oversight of talent expenditure, alongside continued workforce investment, positions the organisation to strengthen capabilities and maintain operational resilience in the coming years. During 2025, a unified marketing organisation and e-commerce strategy has been established, enhancing both strategic alignment across our business units and our operational efficiency. Strategic partnerships have been announced and progressed across hyperscalers and professional services partners.

We expect the outlook to be similar for the near future.

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. Dedicated resources to focus on testing and developing AI products and to understand evolving market capabilities.
4. Business continuity planning to ensure that we are able to respond should a key customer or supplier fail.
5. Enhanced focus on developing products that serve new markets and user groups, and cross-selling between business units, as well as product bundling.
6. Monitoring employee engagement and investing in our leaders to support key talent retention and effective succession planning.
7. Increasing clarity on our performance expectations for every role across the company, driving collaboration in pursuit of value.
8. Regularly reviewing our cost base to ensure competitiveness and identifying options for efficiencies.

9. 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.
10. Robust governance over our strategic transformation initiatives is in place with strong executive sponsorship.

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 12 months.

Competitive marketplace risk

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 remains high due to competitive pressures affecting business units, for example, increased migration policy restrictions and tight migration policies impacting market size and demand for Pearson Test of English and demographic headwinds in Higher Education. Nonetheless, we remain focused on monitoring and proactively managing the evolving competitive landscape throughout our businesses.

Across many of our business units, we are increasing exposure to markets with favourable demographic shifts, successfully incorporating innovative technologies into our products and launching new offerings that expand our addressable market, such as the PTE Express Test offering an accessible test for US-bound learners, and Communication Coach launched inside Microsoft 365. We are also expanding into faster-growing adjacent segments of the learning market such as Early Careers.

In Virtual Learning we have seen strong enrolment growth for the 2025/2026 academic year as well as operational improvements and have expanded academic offerings including career programmes.

Our Enterprise Solutions product pipeline remains a key priority, complemented by the development of strategic partnerships with hyperscalers and other major partners to increase visibility and expand our presence within the enterprise market. Notably, we have secured a strategic vocational skilling contract for the construction sector in Saudi Arabia.

The risk is expected to remain elevated for the next 12 months, due to the ongoing competitive landscape in many of our business units.

Management actions

1. Working in partnership with customers, including IP owners, in 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. We are advancing Pearson's presence within the enterprise market by making strategic partnerships with hyperscalers including Microsoft, AWS and Google Cloud, while expanding our reach with professional services partners such as HCLTech, Deloitte and Cognizant.

3. Undertaking competitive analysis to monitor and respond to competitive threats, with decentralised teams able to mobilise quickly to maximise opportunities and manage risk.

4. Our strategy involves targeted expansion into adjacent markets, including Early Careers, supported by the acquisition of eDynamic Learning, alongside increased investment in emerging markets with positive demographic trends.

5. Accelerating Pearson Test of English recognition in key student mobility markets through targeted marketing initiatives to drive growth, alongside expanding our offerings such as the recent launch of the PTE Express Test to serve the US-bound study market.

6. The implementation of a unified brand architecture to clarify Pearson's product offerings and plans to reinforce market differentiation in the enterprise sector by leveraging its established learning and assessment brands.

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.

Risk management *continued*

Customer expectations risk

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. Our delivery across business units has met customer expectations.

Efforts across business units are focused on developing products to enhance customer experience, such as the implementation of AI for personalised lessons, as exemplified by the Digital Language Tutor and AI Study Tools launched in 2025. We are also integrating our assessment capabilities directly into McGraw Hill's K12 curriculum solutions, thereby enhancing the personalised learning experience for students. We have also launched Revibe, an AI-enabled wearable designed to help individuals build skills in focus, attention and self-regulation, and our NPS in Virtual Learning remains strong.

The newly established Revenue Operations team aims to enhance the alignment between marketing, sales and customer success operations, thereby providing Pearson's customers with a more seamless experience.

The creation of the Global Enterprise Sales team within Enterprise Learning & Skills has consolidated Pearson's enterprise sales efforts into a single, cohesive unit, enabling us to meet customer needs with a comprehensive suite of solutions.

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 Study Prep 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 learners 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 risk

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 at low-moderate. In 2025, we announced the acquisition of eDynamic Learning, a leading Career and Technical Education (CTE) curriculum solutions provider, enabling us to broaden capabilities and scale our position in the fast-growing Early Careers space.

We expect the outlook to be similar for the next 12 months.

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 management *continued*

Reputation and responsibility risk

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. The market has experienced several high-profile data breaches and incidents of fraud perpetrated through the use of deep fakes, and training has been ramped up for both employees and contractors.

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 continue to implement targeted initiatives to uplift cyber and data governance capabilities and protect against emerging threats in an evolving threat landscape.

The risk is expected to remain elevated for the next 12 months.

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 which are monitored by the Controls Steering Committee and Compliance teams, as well as local management.
7. An Incident Management Framework operates 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 are completed by business units annually. A Speak-Up/ethics hotline is available for employees.
10. Comprehensive steps to safeguard students are in place including staff vetting, training and escalation processes. Staff sign an annual Code of Ethics declaration.
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.
12. A highly skilled Legal team, supported by a global network of compliance officers, ensures our adherence to all applicable laws and regulations across our worldwide operations.
13. Governance is in place which ensures the timely and accurate reporting of all material and relevant information to comply with UK and US stock exchange regulations, including protocols relating to inside information.

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.

Risk management *continued*

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 2025, we added one new sub-risk, we created a new position of Chief Business Officer and we combined the roles of Chief Technology Officer and Chief Information Officer, which has led to changes in accountability (marked in the table below).

Risks	Accountability	Change since 2024
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	No

Risks	Accountability	Change since 2024
Capability risk		
Capability in sales	Chief Business Officer	Yes
Business resilience	General Counsel and Business Unit Presidents	No
Business transformation and change	Chief Executive Officer and Business Unit Presidents	No
IT resilience	Chief Technology Officer and Business Unit Presidents	Yes
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	No
Competitive marketplace risk		
Consumer learning preferences	Business Unit Presidents	No
Market pricing	Business Unit Presidents, Chief Business Officer	Yes
Product differentiation	Business Unit Presidents	No
Substitutes	Business Unit Presidents	No

Risks	Accountability	Change since 2024
Customer expectations risk		
Customer experience	Chief Product Officer, Chief Business Officer and Business Unit Presidents	Yes
Accessibility	Chief Human Resources Officer, Chief Product Officer and Business Unit Presidents	No
Data architecture and usage	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

Risks	Accountability	Change since 2024
Reputation and responsibility risk		
Compliance with laws and regulations	General Counsel and Business Unit Presidents	No
Cyber security	Chief Technology Officer	Yes
Safeguarding	General Counsel and Business Unit Presidents	No
Test failure	Assessment & Qualifications, English Language Learning and Enterprise Learning & 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	No

Risk management *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 2024
Climate transition	Risks relating to sustainability and climate are outlined on pages 45-49. 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 chain 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.	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.

We identify and monitor emerging and near-term significant risks in several ways:

- Horizon scanning by teams
- Consulting with external advisers and subject matter experts
- Drawing on external and academic publications such as the World Economic Forum Global Risk Report
- Keeping up to date with regulatory changes and industry benchmarks
- Bottom-up reviews by the management of each business unit
- A top-down review of the business risk registers to identify any new or emerging risks

Emerging risk management ensures that potential threats are identified early, with response plans assessed to strengthen the Group's readiness should they arise. Our processes are designed to detect new and evolving risks promptly and to analyse them in depth to understand the potential impact on the Group.

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 2027 and viability to 31 December 2030. The five-year period corresponds to 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 and other significant risks to the Group, product and capital investment levels, as well as available funding. Pearson's strategy and business model are 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 or its subsidiaries have no debt maturities within the going concern assessment period.

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 cash flow during the 18-month going concern assessment period by 41%.

At 31 December 2025, the Group had available liquidity of £1.3bn comprising central cash balances and the undrawn element of its $1.8bn Revolving Credit Facilities (RCFs) maturing June 2028 and February 2029. While the current extension options for both RCFs 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 2027 was calculated. The model showed that significant profit declines in excess of the severe but plausible scenario were required in both 2026 and 2027 to exhaust liquidity.

For viability, the profit reduction and consequent reduction in cash flow needed to exhaust liquidity in 2030 was calculated, requiring a cumulative reduction in excess of those identified in the severe but plausible downside case.

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 2030. Further details of the Group's liquidity are shown in the Financial review on pages 25-31.

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

Accreditation

- 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 for Pearson Test of English

AI, Content and Channel

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

Capability

- Risks associated with transformation and efficiency programmes if not executed or implemented with sufficient speed, or failure to deliver successfully
- Strategic initiatives and partnerships affecting short-term capability risk

Competitive Marketplace

- Long-term competitive pressure on US Student Assessment contracts
- Revenue declines in Higher Education due to demographic shifts as well as the general competitive environment
- Enrolment growth declines in Virtual Learning
- Strategic initiatives and partnerships affecting short-term competitive market risk
- Challenging market environment in English Language Learning

Customer Expectations

- Additional costs to provide higher than planned functionality and levels of user experience

Portfolio Change

- Failure to achieve anticipated acquisition synergies

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