Chair's letter

The Board is focused on ensuring Pearson is a successful, effective and purposeful company for the benefit of all stakeholders.

Omid Kordestani
Chair

Dear fellow shareholders,

It is a pleasure to introduce our Governance report for 2024. This was an exciting year, with Omar Abbosh joining the Board as Chief Executive and the development of our strategic goals, in which the Board played an important role, and which you can read more about throughout this annual report.

Strategy and performance

The Board has been heavily engaged with the management team in the development and implementation of our strategic goals, including participation in workshops with staff during the strategic planning initiatives, as well as formal Board meetings as part of the comprehensive review of Pearson's business and its markets led by Omar during the year.

Since his appointment at the beginning of the year, the Board and I have been highly impressed with Omar's energy and systematic analysis of the company's opportunities and his plans to capture those over the coming years. The Board has been delighted to welcome Omar to Pearson and to support his strategic and operational evolution of the company.

The Board continued to pay close attention to maintaining a strong financial position, which enabled us to increase the dividend again in 2024, in line with our progressive and sustainable dividend policy. We also launched an extension of our share buyback programme to repurchase a further £200m of shares to return capital to shareholders. On 28 February 2025, we announced our intention to launch a £350m share buyback programme during 2025, in line with the priorities and discipline embodied in our capital allocation policy, which enables Pearson to create sustainable, long-term value for every stakeholder. You can read more about our capital allocation approach on page 16.

As part of monitoring execution and performance, the Board regularly receives a dashboard that allows Directors to monitor progress on Pearson's financial and strategic priorities, supported by agreed indicators and milestones identified as key measures of performance. You can read more about those KPIs on pages 24-25 of this annual report.

The Board's oversight of performance and risk is underpinned by the excellent work of our Audit Committee, which you can read more about on pages 99-112. This includes a number of strategic risk deep dives and a continued focus on data privacy and cyber security, as well as overseeing our financial controls and internal audit programmes, together with the delivery of the external audit plan, and planning for the changes relating to audit, risk and internal control matters in the revised UK Corporate Governance Code. Board members have found the strategic risk deep dives to be hugely valuable in gaining insight into the operations of the business, therefore these have been given more prominence by being integrated into the full Board meeting agendas with effect from late 2024.

Sustainability, stakeholder engagement and culture

As the world's lifelong learning company, Pearson recognises its enormous potential to make a positive impact on people and the planet, as outlined in our Learning for Impact framework, which you can learn more about on page 33. The Reputation & Responsibility Committee has primary responsibility for monitoring and inputting into Pearson's sustainability strategy and initiatives on behalf of the Board, with more on this described in the Committee's report starting on page 96.

Understanding the views and priorities of all our stakeholders is key to running a successful, sustainable company that meets the needs of learners, educators, governments and employers. You can read more about the Board's engagement activities in the Stakeholder engagement section on page 18.

During the year, the Board held engagement sessions with employees in our major employee hubs in London and in the US in Hoboken, New Jersey, and Durham, North Carolina, to hear employee views. Read more about this engagement, and plans for Board engagement with the workforce in 2025, on page 85. Promoting a culture of community in the workforce environment throughout Pearson remains a Board priority, and relevant KPIs form part of the regular dashboard reviewed by the Board. We have continued our focus on fostering community in our workforce. More information on our community can be found on page 38.

Talent development and succession planning are also ongoing themes in the work of the Board and its Committees. The Board has continued to work with Ali Bebo, Pearson's Chief Human Resources Officer, to assess our culture and employee engagement levels, through analysing the results of the engagement survey and annual deep dives into succession and the talent pipeline. During the year, we introduced a 'Leadership Uplift' programme, which is a valuable enhancement to our leadership and talent review process and will enable us to have more meaningful discussions about talent across the organisation and sharpen our ability to identify and prioritise leadership development opportunities that align with the evolving needs of our business. You can read more on page 39. The Board is also supporting the Executive Management team to drive a culture of performance and accountability throughout the organisation, which is covered in more detail on page 39.

Board composition, succession and evaluation

We have a fully engaged Board, with varied backgrounds, perspectives and skill sets, whose range of expertise includes technology, education and workforce learning, and leadership of global, complex organisations. You can read more about the Board's skills and experience on page 70.

During the year, Tim Score stepped down after serving nine years on the Board, having held several key roles, including as Deputy Chair and Senior Independent Director, and I would like to thank him again for his long-serving contribution to Pearson. I am pleased that Graeme Pitkethly has taken over as Deputy Chair and Senior Independent Director.

During 2024, we commenced a Non-Executive Director search process and on 7 March 2025 we were delighted to announce the appointment of Arden Hoffman as an independent Non-Executive Director, who will join the Board on 1 June 2025. Arden brings strong expertise and business perspective on workforce and talent development in an era of innovation and AI and her insights will prove invaluable as Pearson continues to execute against its strategy. We will continue to monitor the Board's composition to ensure we maintain the range of skills, experience and perspectives needed to support the company's strategy and complement our succession planning. More detail about the Board's search process and succession planning can be found in the Nomination & Governance Committee report on pages 92-95.

In order to maintain continuity on the Board and to support a smooth transition of his particular knowledge and expertise to our new Non-Executive Director, we will be recommending to shareholders that Lincoln Wallen, who has served for nine years on the Pearson Board, is re-elected for a further period until the end of 2025. Lincoln is a valuable member of the Audit and Reputation & Responsibility Committees, and a steady and knowledgeable voice on the Board, particularly bringing his deep expertise in the areas of technology and AI. The Board is confident in Lincoln's continued independence, while the opportunity for him to support our new Board member for a period of handover will be invaluable.

The annual Board performance review in 2024 was internally facilitated by the Deputy Chair and Senior Independent Director, Graeme Pitkethly. The review demonstrated that our Board is highly engaged, with a strong relationship between the Non-Executive Directors and the Executive Directors, and operates a robust governance approach that will support Pearson in driving our strategy forwards. Good progress has also been made on the recommendations from the 2023 review. You can read more about the 2024 performance review, and how the Board implemented recommendations from the previous performance review, on pages 89-91.

Conclusion

I hope this report explains clearly to you how Pearson is run and how we align governance and our Board agenda with our strategic direction. Shareholders are always welcome to put their questions or feedback to us, either via our website (www.pearsonplc.com) or at our AGM. Once again this year, shareholders will be able to join us and vote at our AGM either in person or virtually. Details will be included in the forthcoming AGM notice.

It only remains for me to thank our shareholders for their continued support and interest in this fantastic company. I look forward to maintaining our stakeholders' confidence as we seek to capture Pearson's enormous growth potential as a lifelong digital partner for learners everywhere.

Omid Kordestani

Chair

Compliance with the UK Corporate Governance Code

For 2024, we are reporting against the 2018 edition of the UK Corporate Governance Code (the Code). The principles set out in the Code emphasise the value of good corporate governance to the long-term sustainable success of listed companies. The Pearson Board is responsible for ensuring that the Group has in place appropriate frameworks to comply with the Code's requirements, or otherwise for explaining any instances of non-compliance. This Governance report and the Strategic report set out how Pearson has applied the principles of the Code throughout the year.

The Board believes that during 2024 the company was in full compliance with all applicable principles and provisions of the Code.

The Board is mindful of the revisions made to the UK Corporate Governance Code in 2024, which will apply to our 2025 financial year (with the exception of Provision 29, which will apply to our 2026 financial year). You can read more about our preparations on page 93 and page 106.

A copy of the Code can be found on the Financial Reporting Council's (FRC) website, www.frc.org.uk.

Board of Directors

Leading the way

All Board members have strong leadership experience at global businesses and institutions.
Our Board members' biographies illustrate the contribution each Director makes to the Board by way of their individual experience.

Key to Committees

- A **Audit**
- NG **Nomination & Governance**
- RR **Reputation & Responsibility**
- R **Remuneration**
- ◯ **Committee Chair**

Current notable commitments reflect other listed company directorships and full-time or executive roles.

Omid Kordestani

Chair
Age: 61

Appointment

First appointed to the Board
1 March 2022
Chair since 29 April 2022

Skills and experience

Omid is an international businessman who serves on the boards of Klarna Bank AB and Klarna Holding AB and is a Council Member for Balderton Capital. He was Executive Chair of Twitter, Inc. between October 2015 and May 2020, and a Board Member until October 2022. From August 2014 to August 2015, Omid served as Senior Vice President and Chief Business Officer at Google and previously from May 1999 to April 2009 as Senior Vice President of Global Sales and Business Development.

From 1995 to 1999, Omid served as Vice President of Business Development at Netscape Communications Corporation. Prior to joining Netscape Communications Corporation, Omid held positions in business development, product management and marketing at The 3DOCompany, Go Corporation and Hewlett-Packard Company.

Omar Abbosh

Chief Executive
Age: 58

Appointment

Chief Executive
since 8 January 2024

Skills and experience

Omar has a career spanning more than 30 years driving growth and transformation for leading multinational companies. He joined Pearson with a background steeped in technology and innovation, and with a deep understanding of how to shape and execute successful strategies in a world of disruption.

Most recently, Omar was the President of Microsoft Industry Solutions with responsibility for driving sales, service and solutions across Microsoft's largest customers. While there he led industry and technical business units, including strategy, engineering, partnering and sales teams that shaped product roadmaps and strategic campaigns. Prior to Microsoft, Omar spent three decades at Accenture where he helped to orchestrate the company's digital transformation, and led a large and highly successful business unit. He served in numerous senior leadership roles at Accenture, including Chief Strategy Officer and ultimately as Chief Executive of the global Communications, Technology and Media business.

Omar was previously a Non-Executive Director of Zuora, Inc., an enterprise SaaS company. He holds a degree in electronic engineering and information sciences from the University of Cambridge and a Master's degree in business administration from INSEAD.

Sally Johnson

Chief Financial Officer
Age: 51

Appointment

Chief Financial Officer
since 24 April 2020

Skills and experience

Sally joined Pearson in 2000 and has held various finance and operations roles across the business, both at a corporate level and within the business units, including The Penguin Group. She brings to the Board extensive commercial and strategic finance experience, as well as expertise in transformation, treasury, tax, risk management, business and financial operations, investor relations and mergers & acquisitions.

Sally is a Non-Executive Director of Rentokil Initial plc and Chair of its Audit Committee, a member of the Institute of Chartered Accountants in England and Wales and trained at PricewaterhouseCoopers. She was also a Trustee for the Pearson Pension Plan from 2012 to 2018.

Current notable commitments

Rentokil Initial plc (Non-Executive Director)

Sherry Coutu, CBE

Non-Executive Director
Age: 61

Alison Dolan

Non-Executive Director
Age: 55

Alex Hardiman

Non-Executive Director
Age: 43

Esther Lee

Non-Executive Director
Age: 66

Appointment

Sherry Coutu: Non-Executive Director since 1 May 2019

Alison Dolan: Non-Executive Director since 1 June 2023

Alex Hardiman: Non-Executive Director since 1 June 2023

Esther Lee: Non-Executive Director since 1 February 2022

Skills and experience

Sherry is an experienced non-executive director, having held numerous senior leadership positions, including Chair, Senior Independent Director and Chief Executive Officer in the financial services, technology and education sectors.

She is Non-Executive Director and Senior Independent Director of Raspberry Pi Holdings plc, the world's largest single-board computer company, and she also chairs its Remuneration Committee. She is a Trustee of Founders4Schools, the UK's largest transition-to-work charity.

Sherry's previous directorships include the London Stock Exchange Group plc, DCMS, Zoopla plc, RM plc, The Scaleup Institute, Cambridge University Press and Cambridge Assessment (2006–2019). She has also acted as an adviser to LinkedIn, the National Gallery, the Royal Society and NESTA.

Prior to her portfolio career, Sherry founded several technology companies and invested in 70 tech start-up companies and five venture capital firms.

Current notable commitments

Raspberry Pi Holdings plc (Non-Executive Director and Senior Independent Director)

Alison brings to the Board extensive commercial and operational finance experience, specifically in digital businesses. In January 2025, she joined the Board of Marks and Spencer Group plc as Chief Financial Officer. Prior to this, she was the Chief Financial Officer of Rightmove plc between September 2020 and September 2024 and she held several senior financial positions at Sky plc, including Group Treasurer, Director of Finance and was the Deputy Managing Director at Sky Business. She later moved to News UK to serve as Chief Strategy Officer at the forefront of the business's digital transformation. Alison has a master's in Finance from University College Dublin.

Current notable commitments

Marks and Spencer Group plc (Chief Financial Officer)

With more than 15 years of experience in media and technology, Alex brings to the Board deep expertise in consumer product strategy and growth, scaling subscription and digital advertising businesses, and high-quality journalism and content.

Alex currently serves as Chief Product Officer at The New York Times, where she oversees the company's News, Cooking, Games and Audio products that power its digital business. She also leads its enterprise-wide approach to generative AI. Alex previously spent a decade at The New York Times in several leadership roles before leaving for Facebook in 2016 where she served as Head of News Products, overseeing news experiences for Facebook consumers and publishers. Alex also spent time at The Atlantic as its Chief Business and Product Officer where she relaunched the company's consumer offerings and subscription model.

Current notable commitments

The New York Times (Chief Product Officer)

Esther brings significant experience to the Pearson Board through her prior executive management roles in developing customer strategies to drive growth, global marketing and branding, driving digital transformation and building high-performance teams.

She has a long track record of senior leadership roles working for global consumer-facing brands. Most recently, she served as Executive Vice President – Global Chief Marketing Officer at MetLife Inc. Previously, Esther served as Senior Vice President – Brand Marketing, Advertising and Sponsorships for AT&T, and she has served as CEO of North America and President of Global Brands for Euro RSCG Worldwide. Prior to that, she served for five years as Global Chief Creative Officer for The Coca-Cola Company.

Esther is a Board member at The Clorox Company where she chairs the Nomination & Governance Committee and is a Non-Executive Director of Experian plc.

Current notable commitments

The Clorox Company (Non-Executive Director)

Experian plc (Non-Executive Director)

Board of Directors *continued*

Graeme Pitkethly

Deputy Chair and Senior Independent Director
Age: 58

Appointment

Non-Executive Director
since 1 May 2019

Skills and experience

Graeme was Chief Financial Officer and a Board member of Unilever plc until December 2023. He joined Unilever in 2002 and, prior to his appointment as the CFO, was responsible for its UK and Ireland business. He also held a number of senior financial and commercial roles within Unilever and spent the earlier part of his career in senior corporate finance roles in the telecommunications industry. Graeme served as Vice President of Financial Planning and Vice President of Corporate Development at FLAG Telecom and started his career at PricewaterhouseCoopers.

Graeme is a Non-Executive Director of Sandoz Group AG and Chair of its Audit, Risk and Compliance Committee. He is also a Trustee of The Leverhulme Trust, a charitable trust funding academic research in the UK, a member of the Strathclyde University Centre for Sustainable Development and a chartered accountant.

Current notable commitments

Sandoz Group AG (Non-Executive Director)

Annette Thomas

Non-Executive Director
Age: 59

Appointment

Non-Executive Director
since 1 October 2021

Skills and experience

Annette has a 25-year track record in leading global publishing and data analytics businesses, across academic, educational and consumer media verticals. Most recently, she served as CEO of Guardian Media Group, a position she held until June 2021. Prior to that, Annette was CEO of the Web of Science Group at Clarivate Analytics, a data, analytics and software business focused on research and higher education. She has also served as CEO of Macmillan Publishers and led the digital and global transformation of Nature Publishing Group.

She is a Non-Executive Director of Schroders plc and currently serves as Senior Advisor to General Atlantic. Her previous non-executive experience includes serving as a Trustee of Yale University, Non-Executive Director at Clarivate Analytics (2017), and as a board member for Cambridge University Press and Cambridge Assessment (2019–2020). She has also previously acted as an adviser to Creative Commons and Bain Capital.

Current notable commitments

Schroders plc (Non-Executive Director)

Lincoln Wallen

Non-Executive Director
Age: 64

Appointment

Non-Executive Director
since 1 January 2016

Skills and experience

Lincoln has extensive experience in the technology and media industries, and is a Non-Executive Director of Improbable MV, which governs the MSquared Network of Web2 and Web3 services, and Chief Technology Officer (CTO) of Framestore Company 3, a global visual effects and media production company.

He was previously CTO of Improbable Worlds, a technology start-up supplying cloud hosting, networking and technology services to the video game industry, and CEO of DWA Nova, a Software-as-a-Service spin-out of DreamWorks Animation Studios in Los Angeles. He worked at DreamWorks Animation for nine years in a variety of leadership roles including CTO and Head of Animation Technology. He was formerly CTO at Electronic Arts Mobile, leading their entry into the mobile gaming business internationally. Lincoln is a Non-Executive Director of the Smith Institute for Industrial Mathematics and Systems Engineering, and Varjo, a manufacturer of XR/VR headsets for professional markets. His early career involved 20 years of IT and mathematics research, including as a Reader in Computer Science at Oxford. Lincoln holds a PhD in AI.

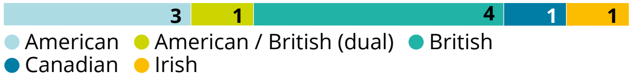
Current notable commitments

Framestore Company 3 (Chief Technology Officer)

Board composition

Gender

Nationality



Ethnicity[1]

1. Ethnicity categories are based on the UK's Office for National Statistics classification.

Tenure

This data reflects Directors in office as at 31 December 2024. To learn more about Board demographics, please see page 95. For diversity data in the format prescribed by UK Listing Rule 6.6.6R(10), please see page 54.

Independence of Directors

All of the Non-Executive Directors who served during 2024 were considered by the Board to be independent for the purposes of the UK Corporate Governance Code (the Code) and the listing standards of the New York Stock Exchange (NYSE). The Board reviews the independence of each of the Non-Executive Directors annually. This includes reviewing their external appointments and any potential conflicts of interest, as well as assessing their individual circumstances in order to ensure that there are no relationships or matters likely to affect their judgement. In addition to this review, each of the Non-Executive Directors is asked to provide confirmation of their independence on an annual basis as defined by the NYSE listing rules and the Code.

In January 2025, Lincoln Wallen reached nine years' service on the Pearson Board. In view of the upcoming changes to the Board through the appointment of a new Non-Executive Director in June 2025, the Board believes that it is in the company's interests for Mr Wallen to remain on the Board until the end of 2025 to ensure a smooth transition of knowledge and expertise. Upon attainment of nine years' service by any Non-Executive Director, the Board undertakes an assessment to satisfy itself as to the continuing independence of that Director. In February 2025, ahead of formalising a recommendation to the Board regarding Mr Wallen's proposed re-appointment at the 2025 AGM, the Nomination & Governance Committee assessed Mr Wallen's independence. In doing so, the Committee assessed the degree of objective judgement and constructive challenge demonstrated by Mr Wallen, and confirmed that his skills, experience and knowledge contribute to productive Board discussions. Accordingly, the Board is satisfied that Mr Wallen remains independent and that he continues to provide constructive challenge and hold management to account.

In accordance with the Code, Omid Kordestani was considered to be independent upon his appointment as Chair on 29 April 2022.

The Directors can obtain independent professional advice, at the company's expense, in the performance of their duties. All Directors have access to the advice and services of the Company Secretary, whose appointment and removal is a matter reserved for the full Board.

Pearson Executive Management (PEM)

○ **Internal appointment** ◉ **External appointment**

Ali Bebo ◉

Chief Human Resources Officer
Age: 56

Appointment

Joined Pearson 13 December 2021
Appointed to the PEM
13 December 2021

Skills and experience

Ali is a seasoned C-suite executive with over 25 years of experience building culture for transformative business performance across multiple industries. Prior to joining Pearson, she was an executive officer and CHRO for Hologic, Inc., a global medical technology company. Prior to Hologic, she held various HR leadership roles with the speciality retail company, ANN INC.

Ginny Cartwright Ziegler ◉

Chief Marketing Officer
Age: 57

Appointment

Joined Pearson 29 July 2024
Appointed to the PEM
29 July 2024

Skills and experience

With more than 30 years of experience leading large-scale, global marketing and communications strategies, Ginny has a proven track record of scaling businesses, forging valuable partnerships and catapulting global brands to the top of their markets. Ginny has guided some of the world's biggest brands such as HP, IBM, Intuit, Microsoft, MIT, NCR, Philips, Sun and Xerox.

Before joining Pearson, Ginny served as Chief Marketing Officer for Accenture North America and was a member of the Global Leadership Council. Ginny earned a BA in Modern Languages & Literature from the University of Bristol. Ginny serves as chair of strategic planning, executive board director and VP of marketing for San Francisco Opera Guild, which provides K-12 arts education programs to 64,000 children in Bay Area schools.

Vishaal Gupta ◉

President – Enterprise Learning and Skills
Age: 52

Appointment

Joined Pearson 15 April 2024
Appointed to the PEM
15 April 2024

Skills and experience

Vishaal is an accomplished business leader with 29 years of global experience in enterprise technology. He has a track record of scaling digital businesses and building high-performance teams.

He joined Pearson from Accenture, where he was Senior Managing Director and a member of the Global Leadership Council. During his tenure at Accenture, he held several leadership roles such as Europe Technology Sales, Solutions and Ecosystem lead and Global Technology Industry lead for Telecoms and Media. Previously, Vishaal worked with Tech Mahindra, MindTree and HCL Technologies.

Sharon Hague ○

President – English Language Learning
Age: 54

Appointment

Joined Pearson 10 January 2000
Appointed to the PEM
3 March 2025

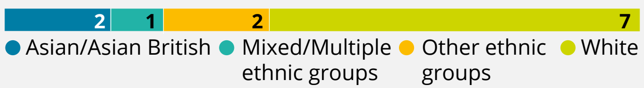
Skills and experience

Sharon has 25 years of assessment and qualifications experience. Additionally, she started her career teaching geography in secondary schools in the UK and taught for eight years. Sharon is a resilient business leader with deep experience operating in a media sensitive, highly regulated environment. She has worked extensively with governments, schools and partners to provide teaching, learning and assessment services that help children and young people make progress through learning. Sharon is an elected representative on the Council of the UK Publishing Association and has previously chaired the Joint Council for Qualifications. She graduated from Oxford University with a BA in Geography and PGCE.

PEM composition

Gender

Ethnicity[1]



1. Ethnicity categories are based on the UK's Office for National Statistics classification.

These figures reflect the Executive Management team, excluding the Company Secretary, as at the date of this annual report. The Chief Executive and Chief Financial Officer have been excluded and are counted in the Board metrics on page 73. For diversity data in the format prescribed by UKLR 6.6.6R(10), please see page 54.

Sulaekha 'Sue' Kolloru Barger ◉
Chief Strategy Officer
Age: 49

Cinthia Nespoli ○
General Counsel
Age: 44

Tony Prentice ◉
Chief Product Officer
Age: 52

Tom ap Simon ○
President – Higher Education and Virtual Learning
Age: 46

Appointment

Sulaekha 'Sue' Kolloru Barger: Joined Pearson 16 May 2022
Appointed to the PEM
16 May 2022

Cinthia Nespoli: Joined Pearson 1 February 2014
Appointed to the PEM
21 May 2020

Tony Prentice: Joined Pearson 1 May 2023
Appointed to the PEM
1 May 2023

Tom ap Simon: Joined Pearson 1 December 2004
Appointed to the PEM
1 April 2021

Skills and experience

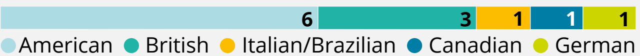
Sue has more than 25 years of global strategy and corporate experience. Additionally, she held engineering roles at technology companies. Sue holds an MBA from The Wharton School at the University of Pennsylvania and a BSc in electrical engineering from the University of Ottawa in Canada. She has served on several non-profit boards and councils focused on diversity and STEM.

Cinthia has over 20 years of international legal and compliance experience. Before joining Pearson, she held leadership roles in legal and compliance at multinational companies. Cinthia was admitted to the Brazilian bar in 2004 and earned her law degree from Pontifícia Universidade Católica de Campinas as well as a post-graduate degree in tax law from Pontifícia Universidade Católica de São Paulo.

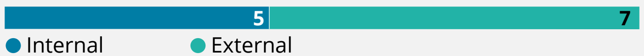
Tony has more than 25 years of experience in consumer-led product management in companies including Sema4, American Express, and Starbucks. He brings extensive expertise in strategic product development and consumer marketing. He holds an MBA from Columbia Business School and a BS in Mechanical Engineering from Cornell University.

Tom has 20 years of international business and finance experience. At Pearson, he has led the Virtual Schools business, worked in finance for the emerging markets businesses and led M&A activity in the US. Previously, he worked in investment banking at RW Baird. Tom holds an MA in Economics and Politics from the University of Edinburgh.

Nationality



External/Internal appointment



Pearson Executive Management (PEM) *continued*

Internal appointment ◉ **External appointment**

Dave Treat ◉

Chief Technology Officer
Age: 50

Appointment

Joined Pearson 2 July 2024
Appointed to the PEM
2 July 2024

Skills and experience

Dave has over 25 years of experience in technology, innovation and strategic business transformation. He joined Pearson from Accenture where he served as a Senior Managing Director. Dave helped to found and has served on several technology and industry boards including the Linux Hyperledger Foundation, Linux Open Wallet Foundation, Digital Dollar Project and the Global Business Blockchain Council. Dave earned a master's degree in Higher Education Administration from the University of Michigan and a degree in Psychology from the University of Pennsylvania.

Naseem Tuffaha ◉

Chief Business Officer
Age: 53

Appointment

Joined Pearson 13 January 2025
Appointed to the PEM
13 January 2025

Skills and experience

Naseem has over 30 years of leadership experience in sales and international and market development. Prior to joining Pearson, he was Chief Growth Officer of global advertising technology firm The Trade Desk. He has also served in a variety of go-to-market leadership roles during his long career at Microsoft, most recently as Head of Sales for the company's Modern Work businesses. Naseem serves on the board of several non-profit organisations dedicated to providing medical relief to children in underserved areas, and holds a degree in Economics from Harvard University.

Art Valentine

President – Assessment & Qualifications
Age: 60

Appointment

Joined Pearson 23 January 2006
Appointed to the PEM
1 February 2022

Skills and experience

Art has more than 30 years of leadership experience in assessments, testing and technology. Prior to his 19 years at Pearson serving as a senior leader of Pearson VUE and as Managing Director of Pearson Clinical Assessment, Art worked at global technology organisations including Accenture and Promissor, which was acquired by Pearson in 2006. Art earned his BS in Mathematical Science/Computer Science from the University of North Carolina Chapel Hill.

Marykay Wells

Chief Information Officer
Age: 62

Appointment

Joined Pearson 14 July 2014
Appointed to the PEM
16 March 2022

Skills and experience

Marykay has over 30 years of strategic planning and large, global technology transformation experience. Prior to joining Pearson, Marykay had CIO roles at Nortel, Tekelec (acquired by Oracle) and Extreme Networks. Marykay holds a BS degree in Computer Information Science from Clarkson University and is a member of the Salesforce CIO Advisory Board, MGT Board of Directors, and is a Board Member of the non-profit Rewriting the Code (advancing Women in Tech).

Division of responsibilities

The Board

The Board has established four formal Committees. The Committees focus on their own areas of expertise, enabling the Board meetings to focus on strategy, performance, leadership and people, governance and risk, and stakeholder engagement, thereby making the best use of the Board's time together as a whole. The Committee Chairs report to the full Board at each Board meeting following their sessions, ensuring a good communication flow while retaining the ability to escalate items to the full Board's agenda, if appropriate.

Nomination & Governance Committee

Reviews corporate governance matters, including Code compliance and Board evaluation; considers the appointment of new Directors and Board experience; and reviews Board induction and succession plans as well as Board engagement with the wider workforce.

Reputation & Responsibility Committee

Oversees our sustainability framework, including progress towards our sustainable business strategy commitments. Works to assess and advance Pearson's reputation with stakeholders, including through the areas of branding, culture, employee engagement and values.

Audit Committee

Appraises our financial management and reporting and assesses the integrity of our accounting procedures and financial controls. The Committee also oversees risk, compliance and internal audit.

Remuneration Committee

Determines the remuneration and benefits of the Executive Directors and oversees remuneration arrangements for the Pearson Executive Management team, as well as monitoring remuneration policies for the wider workforce.

Chair

The Chair is primarily responsible for the leadership of the Board and ensuring its effectiveness. They ensure that the Board upholds and promotes the highest standards of corporate governance, setting the Board's agenda and encouraging open, constructive debate of all agenda items for effective decision-making. They regularly meet the Chief Executive to stay informed and provide advice. They also ensure that shareholders' views are communicated to the Board.

Chief Executive

The Chief Executive is responsible for the operational management of the business and for the development and implementation of the company's strategy, as agreed by the Board and management. They are responsible for developing operations, proposals and policies for approval by the Board, they promote Pearson's culture and standards, and they are one of the key representatives of the company to its external stakeholders.

Deputy Chair and Senior Independent Director

The Deputy Chair and Senior Independent Director supports the Chair on Board effectiveness and governance matters. This role includes meeting regularly with the Chair and Chief Executive to discuss specific issues, as well as being available to shareholders generally, should they have concerns that have not been addressed through the normal channels. The Deputy Chair and Senior Independent Director also leads the evaluation of the Chair on behalf of the other Directors.

Company Secretary

The Company Secretary advises on governance matters and compliance with Board procedures. They are responsible, under the direction of the Chair, for ensuring the Board receives accurate, clear and high-quality information, and has adequate time and appropriate resources to function effectively and efficiently. They also support the Chair in delivering the corporate governance agenda, and organise director induction, training programmes and the Board evaluation process.

Pearson Executive Management

The Pearson Executive Management team consists of the Chief Executive and their senior direct reports. They are the executive management group for Pearson and are responsible for delivering Pearson's strategy under clearly defined accountabilities and in line with agreed governance and processes.

Standing Committee

A Standing Committee of the Board is established to approve certain operational and ordinary course of business items such as banking matters, guarantees and intra-Group transactions. They also make routine approvals relating to employee share plans. Additional authority may be delegated on an *ad hoc* basis, e.g. to approve and conclude corporate transactions.

Authorities and duties

The authorities and duties of the Board and its Committees, as well as the roles and responsibilities of key individuals on the Board, are clearly set out in writing. These documents are reviewed and approved by the Board on an annual basis and are available on the company's website (www.pearsonplc.com).

Board activities

The Board is deeply engaged in developing and measuring the company's long-term strategy, performance, culture and values. We believe that Board members provide a valuable and varied set of external perspectives and that robust, open debate about significant business issues brings an additional discipline to major decisions.

The role and business of the Board

The key responsibilities of the Board include:

- Overall leadership of the company and setting the company's values and standards, including monitoring culture, performance and engagement.
- Reviewing and determining the company's strategy, in consultation with management, assessing performance against the strategy and overseeing management's execution of it.
- Supervising major changes to the company's corporate, capital, management and control structures.
- Approval of all transactions or financial commitments in excess of the authority limits delegated to the Chief Executive and other Executive Management.
- Oversight of the risk management approach and determining the company's risk appetite (see page 57 for more information on risk management).
- Assessment of management performance, Board and executive succession planning and talent pipeline.
- Effective engagement with key stakeholders.

Strategic planning and decision-making

The Board spends time assessing whether any proposed action aligns with the strategy and future direction of the business, while taking into consideration sustainability and impact on our stakeholders. In addition, the Board regularly holds strategy discussions, whether in relation to the specific strategies of Pearson's five business units or the vision and execution of the wider company strategy as a whole, both of which enhance the Board's decision-making in shaping the company's strategic and financial plans.

The Board and Committees receive timely, regular and necessary financial, management and other information to discharge their duties. Comprehensive papers are circulated to Board and Committee members approximately one week in advance of each meeting.

The Board receives a regular performance dashboard and key milestones report, together with updates from the Chief Executive and Chief Financial Officer. In addition to meeting papers, a library of current and historical corporate information is made available to Directors to support the Board's decision-making process. For items that require significant consideration and review in advance of a decision, such as the update to the company's strategic priorities during 2024, the Board's discussions can take place over a number of sessions.

The Directors recognise their duties towards the shareholders and other stakeholders as set out in Section 172 of the Companies Act 2006, and a continued understanding of the key issues affecting stakeholders is an integral part of the Board's decision-making process. You can read more on pages 86-87 about how the Board engages with stakeholders and takes their views into account when making decisions.

Portfolio changes

The Board regularly reviews updates on portfolio and corporate finance activities throughout the year, including regular updates on live transactions (disposals, acquisitions and corporate joint venture activity), outputs of periodic portfolio reviews and reviews of potential pipeline opportunities. These updates can take the form of presenting key summaries of information in Board packs, or oral updates on key matters. These discussions are typically led by management, supported by the Corporate Development team and, where necessary, external advisers, with Board input collated and, where necessary, providing its formal approval. Subsequently, once portfolio transactions have closed, the Board is also kept informed of the integration or transition progress, including post-acquisition reviews conducted to assess transaction success and any learnings to be taken for future projects.

Board meetings

The Board held seven scheduled meetings in 2024, with discussions and debates focusing on the ongoing development and execution of the company's markets, customer and people strategies, as well as other strategic drivers for the company. Major items covered by the Board in 2024 are shown in the table on page 79. In addition to its scheduled meetings, the Board convenes as necessary to consider matters of a time-sensitive nature.

Reflecting on the level and quality of engagement by the Board in 2024, the Board is satisfied that each Director contributed to Board discussions and demonstrated sufficient commitment to be able to meet their responsibilities. In addition, the Nomination & Governance Committee confirmed in its annual assessment that each Director demonstrates the requisite level of commitment and contribution in accordance with Principle H and Provision 18 of the Code.

Board attendance

Directors are expected to attend all Board and Committee meetings, but in certain situations, such as pre-existing business or personal commitments or certain unforeseen circumstances, it is recognised that Directors may be unable to attend. In these circumstances, the Directors receive relevant papers and, wherever possible, will communicate any comments and observations in advance of the meeting for raising as appropriate during the meeting. They are updated on any developments after the meeting by the Chair of the Board or Committee, as appropriate.

Individuals' attendance at Board and Committee meetings is considered as part of the formal review of their performance. There was a high level of attendance by the Directors at Board and Committee meetings in 2024, as shown in the table on page 80 and in the Committee reports that follow.

The exceptions to this in 2024 were Esther Lee, who was unable to attend the meeting in February due to a pre-existing commitment and the meeting in July due to a family medical emergency, and Lincoln Wallen, who was unable to attend the meeting in October due to unforeseen personal circumstances.

Directors' commitments and conflicts of interest

Under the Companies Act 2006, the Directors have a statutory duty to avoid conflicts of interest with the company. The company's Articles of Association allow the Directors to authorise conflicts of interest. The company has an established procedure to identify actual and potential conflicts of interest, including all directorships or other appointments to, or relationships with, companies that are not part of the Pearson Group and which could give rise to actual or potential conflicts of interest.

Additionally, in response to Provision 15 of the UK Corporate Governance Code and the FRC's accompanying guidance on Board effectiveness, Pearson has developed internal guidance to be taken into account when considering changes to a Director's commitments, or when appointing a new Director, as well as formalising the Board approval process for such matters.

Once notified to the company, any potential conflicts and commitments are considered for authorisation by the Board at its next scheduled meeting or, where necessary in the interests of timeliness, by a committee comprising the Chair, the Deputy Chair and Senior Independent Director, and the Company Secretary. In particular, the Board or committee considers the type of role, expected time commitment and any impact this may have on the Director's duties to Pearson, as well as any relationships between Pearson and the external organisation.

Board meeting focus 2024

Strategy	Performance	Leadership and people	Governance and risk	Shareholder engagement
• Oversight of strategic planning process, including market overviews and growth opportunities, approval of the evolution of the company's strategy and oversight of strategy execution, including deep dives on the progress of specific strategic initiatives. • Consideration and approval of the 2025 annual operating plan and updated long-range plan. • M&A pipeline and post-acquisition reviews.	• Approving 2023 preliminary results and annual report and accounts. • Approving 2024 performance expectations and guidance to the market. • Approving the 2024 interim results and Q1 and Q3 trading statements. • Monitoring 2024 operating plan performance. • Regular dashboard and milestone reports. • Strategic and non-financial KPIs reviews. • Continuing review of forecasts. • Final and interim dividend approvals and other capital allocation considerations, including share buyback.	• Talent review, pipeline development and succession planning process. • Culture. • Employee engagement sessions with Board. • Employee engagement survey assessments.	• Reports on Committees' activities and considerations. • Legal, regulatory and governance matters. • Board and Committees' performance review. • Regular review and annual confirmation of Directors' commitments and/or potential conflicts of interest. • Annual assessment and re-approval of Committees' terms of reference. • Risk management report. • Board learning and development through deepening operational understanding.	• Investor relations strategy and updates, share price performance and value creation considerations. • Shareholder issues and voting. • AGM and related shareholder interactions. • Feedback from Board member meetings with shareholders. • Major shareholders and share register analysis.

Board activities *continued*

The interested Director is not permitted to vote on, or be counted in the quorum for, any resolution relating to their proposed commitments, conflict or potential conflict. The Board further reviews any authorisations previously granted on an annual basis. When making new appointments, the Board considers other demands on the proposed Director's time.

The Board believes that the experience gained by Directors through their other commitments brings valuable perspectives to the Pearson Board. During the year, the Board approved the following new commitments:

- On 30 April 2024, Graeme Pitkethly was appointed to the Board of Sandoz Group AG as Non-Executive Director and Chair of its Audit, Risk and Compliance Committee. When considering this new commitment, the Board assessed any potential conflicts of interest and the time commitment required, noting that Mr Pitkethly had recently stepped down from a full-time executive role as Chief Financial Officer of Unilever plc.
- On 2 June 2024, Sherry Coutu was appointed to the Board of Raspberry Pi Holdings plc, which was admitted to the main market of the London Stock Exchange on 14 June 2024, as Non-Executive Director and Senior Independent Director and is also Chair of its Remuneration Committee. When considering this new commitment, the Board assessed any potential conflicts of interest and the time commitment required, noting that Ms Coutu has been associated with Raspberry Pi since 2012 and that this appointment reflected their new status as a listed company, rather than being a significant new commitment in its own right.
- On 6 January 2025, Alison Dolan joined the Board of Marks and Spencer Group plc as Chief Financial Officer. When considering this new commitment, the Board assessed any potential conflicts of interest and the time commitment required, noting that Ms Dolan had stepped down from her previous full-time executive role as Chief Financial Officer of Rightmove plc on 15 September 2024.

When considering these new commitments, the Board also took into consideration the requirements under Provision 15 of the UK Corporate Governance Code and the FRC's accompanying guidance on Board effectiveness. The Board agreed that these new commitments would not have a negative impact on their roles at Pearson.

	Scheduled meetings attended
Chair	
Omid Kordestani	7/7
Executive Directors	
Omar Abbosh	7/7
Andy Bird[1]	0/0
Sally Johnson	7/7
Non-Executive Directors	
Sherry Coutu CBE	7/7
Alison Dolan	7/7
Alex Hardiman	7/7
Esther Lee[2]	5/7
Graeme Pitkethly	7/7
Tim Score[3]	3/3
Annette Thomas	7/7
Lincoln Wallen[4]	6/7

1. Andy Bird retired from the Board on 7 January 2024.
2. Esther Lee was unable to attend the Board meeting on 28 February 2024 due to a pre-existing commitment. Ms Lee was unable to attend the Board meeting on 25 July 2024 due to a family medical emergency. On each occasion, she reviewed the papers and provided her perspectives to the Chair outside the meetings.
3. Tim Score retired from the Board on 26 April 2024.
4. Lincoln Wallen was unable to attend the Board meeting on 9 and 10 October 2024 due to unforeseen personal circumstances. He reviewed the papers and provided his perspectives to the Chair outside the meeting.

How the Board is kept informed

The application of our Board and governance processes ensures that our Directors receive accurate, timely and clear information from a range of sources. This allows the Board and Committees to monitor and provide feedback on matters of importance, as well as to make informed decisions in the best interests of the company and its stakeholders.

The Board's oversight of AI at Pearson

As a digital-first business, Pearson is accelerating its use of AI across the business and using it as a growth driver to improve efficiencies and to enhance learning and assessment services. We expect generative AI to create significant positive opportunities for Pearson, due to our unrivalled depth of content and data.

We believe that the rapid advances in AI will be an important driver of growth in education and the workforce over the coming years. The rapid development of increasingly powerful AI models will significantly change the world of work and skills requirements. Employers will need to find new pools of talent and continuously develop and verify the skills of their workforces to keep pace with and benefit from technology and AI advancements. Learners and educators place enormous trust in us, so we have a responsibility to be thoughtful and considered in how we use this technology, while continuing to move at pace to enhance our products with the customer in mind. AI plays an important role across Pearson's product portfolio, more information on which can be found in the Strategic report. With AI skills becoming increasingly important in the job market and helping humans be more productive, the need for AI learning is growing and we are always exploring opportunities to continue to leverage innovative AI technology to drive further efficiencies and cost savings.

During the past year, the Board, the Audit Committee, the Reputation & Responsibility Committee and the Executive Management team have kept up to date with AI developments both within Pearson and across the wider landscape, considering both opportunities and implications of the technology for Pearson. Specific activities undertaken by the Board and Committees during the year have included:

- During 2024 an extensive strategic review process was undertaken by the business, with the Board's participation, to define the strategic priorities that will guide Pearson's trajectory over the next decade. As part of this process, we identified a number of targeted market expansion opportunities and updated our strategy to drive higher performance in the core business and unlock new synergies. The opportunities for Pearson are supported by the infusion of AI into our products and services.
- One of the three priorities we set as a company for 2024 was to increase the intensity with which we infuse our products and services with a wide range of AI capabilities. The Board considered the specific initiatives, priorities and opportunities of AI, in terms of product capabilities, potential application for companies and workforces, and internal back-office efficiencies leveraging AI technology for content and process engineering. This included a deep dive on AI enhancements being applied to the company's customer services capabilities. The Board was updated on progress with the new meaningful multi-year enterprise deal with ServiceNow, on progress with the new AI features integrated into products in Higher Education and English Language Learning, and the Board reviewed and approved the new multi-year strategic Enterprise AI partnership with Microsoft.
- The Audit Committee was provided with updates on ongoing work being undertaken to understand potential risks and opportunities with evolving AI technology. Data privacy and cyber security remain important parts of the Audit Committee's remit and our robust practices in these spaces underpin our approach to AI governance.

- The Audit Committee considered the risks associated with generative AI and reviewed its status as part of the Group risk review. In addition, as part of the business unit strategic risk deep dives, the Audit Committee discussed:
  - In Assessment & Qualifications, an overview of risks associated with AI and the competitive marketplace, as well as perspectives on the use of AI in that business, drawing a distinction between the AI techniques that had been in use for some time and the recent developments in generative AI.
  - In Higher Education, an overview of how Pearson's generative AI capabilities were driving content production efficiencies and personalisation of materials, as well as consideration of a roadmap to release meaningful new AI-powered capabilities and actions taken to invest in features and capabilities that had already been enabled by the emergence of generative AI platforms.
  - In Virtual Learning, an overview of the work to add AI tooling to our content ecosystem and programming to enhance our college and career readiness offering.
- The Reputation & Responsibility Committee considered the AI landscape from a regulatory, policy and media perspective, including:
  - An update on the significant regulatory and policy focus on this topic, including the EU AI Act, which passed in April 2024, cementing the first comprehensive regulatory scheme for the development and use of AI in the world and the US state action on passing AI-related laws.
  - Noting the advocacy work conducted by the company in this field.
  - The alignment of Pearson's safeguarding and online trust and safety programmes with the company's broader AI, data privacy and cyber security governance frameworks.

You can read more about how we manage AI from a risk perspective on page 60.

How the Board is kept informed *continued*

Talent and culture

Ensuring that we have both a talented, engaged workforce that is focused on delivering our strategy and an organisational culture that enables and encourages that delivery is critical to Pearson's success. During the past year, the Board and Executive Management team have continued to lead our focus on making sure Pearson offers a culture and environment that is high-performing, and in which our people can leverage their strengths. We track Group-wide progress through our 'Culture of engagement & community' non-financial KPI (see page 24 for more details on our KPIs). Pearson's purpose (set out on page 2) is key to developing our culture to support our strategic vision, particularly in driving a culture of performance.

The Board has a particular focus on embedding our desired culture, with the current and future leaders of Pearson being essential to the successful embedding of our purpose and culture of performance. Our strategic priorities are underpinned by our commitment to provide a vibrant work environment, unparalleled career opportunities, open communication and tailored feedback, exceptional leadership and a clear definition of success for our employees. In connection with this, the Board was provided with an overview of the new career architecture and the execution plan ahead of its launch in January 2025.

The Board has also been attentive to our talent pipeline for leadership and other pivotal roles and, during the year, Pearson introduced a 'Leadership Uplift' programme for senior employees which includes alignment on the behaviours we expect in our leaders, assessment of these behaviours and investment in tools, resources and coaching. This programme is a valuable enhancement to our leadership and talent review process. By providing a consistent framework and an objective perspective, it facilitates more meaningful discussions about talent across the organisation and sharpens our ability to identify and prioritise leadership development opportunities that align with the evolving needs of our business. Our objective was to build something that fits our purpose, builds trust over time and can be an asset to our leaders, our managers and our people. The Board received a detailed overview of the programme, including the process for building the leadership assessments and the key themes and insights from the completed assessments. The Board also reviewed the Executive Management team's leadership profiles, which provide a deeper understanding of the Executive Management team's strengths and potential, in order to ensure that we place the right talent in critical roles and build a leadership pipeline capable of driving sustainable growth, fostering innovation and delivering on our strategic priorities.

The Board monitors culture and organisational health, together with its Committees, and receives regular updates from the Chief Executive and Chief Human Resources Officer on how this is being embedded within the business. The Board monitors other Group-wide initiatives that underpin our culture, including employee engagement, the Code of Conduct programme, compliance, health and safety and talent attraction and retention (see table below for further information).

During the year, the Board also conducted a review of the results of Pearson's employee engagement survey, to discuss the key themes and indicators.

The Reputation & Responsibility Committee's remit includes oversight of culture, increasing the Board-level focus on this matter. The Chief Human Resources Officer is a frequent attendee at Board meetings, as well as a standing attendee at the Reputation & Responsibility, Remuneration, and Nomination & Governance Committees. Their attendance and contributions, together with the Board's own direct engagement with the workforce, ensure that our Directors are attuned to our culture and employee-related considerations through multiple lenses, including in strategic decision-making (see our case study on page 86), and in conducting their business more broadly.

Read more on page 38.

Cultural indicator	How it is overseen	Board-level responsibility
Employee engagement	The Board ensures engagement through multiple channels, including the employee engagement survey, town hall sessions and in-person engagement events, such as listening sessions with employees in London, Hoboken, New Jersey, and Durham, North Carolina. Read more on page 85.	Board
Code of Conduct and training	The Audit Committee is briefed on our annual Code of Conduct programme, including development of the Code, completion rates, training and certification methods. Certification of the Code is mandatory and we achieved a 100% employee completion rate for 2024. We also have mandatory training for all employees on cyber security and data privacy, with targeted training for employees in certain roles, business units or geographies.	Audit
Compliance, including whistleblowing and investigations	The Associate General Counsel – Employment, Ethics & Compliance reports to the Audit Committee at every meeting on new and ongoing investigations, including matters raised through our SpeakUp process. The Audit Committee considers the programme's effectiveness annually, including periodic peer benchmarking. The Audit Committee Chair ensures the Board has visibility on matters of note. The Board is free to request further information to support its oversight.	Audit
Internal audit	Insights into elements impacting our culture and cultural behaviours are provided where necessary by internal audit to the Audit Committee as part of the findings and recommendations in its reports.	Audit
Health and safety (H&S)	The Reputation & Responsibility Committee receives an annual H&S report, so Directors can monitor the key strands of our H&S framework, including oversight of how Pearson is enabled through awareness, competency, resources and guidance to allow for agile and effective management of H&S risk, while also receiving comfort that we have controls for compliance and assurance purposes.	Reputation & Responsibility
Remuneration practices and rewarding the workforce	The Remuneration Committee monitors the wider Employee Reward framework, including incentive target setting for Group plans, fair pay analysis, Chief Executive pay ratios and alignment of Directors' pension contributions to the workforce. It also oversees integration of sustainability measures into incentive targets. This suite of activity provides insights into the roles that remuneration and setting performance goals play in promoting the right behaviours, particularly in driving a culture of performance, and how incentives and rewards align with culture.	Remuneration
Talent attraction and retention	The Chief Human Resources Officer regularly updates the Remuneration Committee on talent considerations, including trends on recruitment, retention and staff turnover. Talent attraction and retention plays into our ability to execute our strategy, so it is considered in strategic discussions by the Board and Executive Management team. Recognising the importance of our people, Talent is a sub-category of our Capability principal risk. Read more about our risk management approach starting on page 57.	Remuneration

Sustainability

Pearson has a strong governance structure through which the Board and its Committees monitor and oversee the company's Learning for Impact framework.

Indicative sustainability duties falling within remits of Board Committees

Board

Reputation & Responsibility Committee

- Overseeing the sustainability strategy including targets and public commitments.
- Monitoring progress towards non-financial KPIs linked to the products, people and planet pillars.
- Sustainability regulatory landscape and external reporting.

Audit Committee

- Integrity and assurance of sustainability data, reporting and metrics.
- Strategic risk management.
- Compliance elements of 'governance' strand of sustainability.

Remuneration Committee

- Considerations relating to incorporation of sustainability metrics within remuneration frameworks.
- Performance against sustainability metrics to support remuneration decisions.

Nomination & Governance Committee

- Ensuring requisite strength of sustainability expertise on Board.
- Corporate governance elements of sustainability.

The company's Learning for Impact framework includes three pillars: 'Driving learning for everyone with our products', 'Empowering our people to make a difference', and 'Leading responsibly for a better planet'. These pillars represent the areas where Pearson can make the biggest positive impact and where our responsibilities lie towards communities and the environment.

The Reputation & Responsibility Committee leads the Board's oversight of sustainability matters; however, given the breadth of topics that feed into our Learning for Impact pillars, as well as the increasingly complex external landscape around these matters, the other Committees each have a role to play in supporting the Board's oversight of sustainability.

The graphic above illustrates how the Committees work together to support the Board in overseeing sustainability at Pearson.

You can read more on the sustainability matters covered during 2024 throughout this Governance report, in particular in the Reputation & Responsibility Committee's report on pages 96-98.

Understanding our stakeholders

A strong understanding of all our stakeholders and their perspectives is integral to our strategic planning and operational delivery. Our Board strategy sessions are informed by the views and needs of our eight stakeholder groups: shareholders, educational institutions and educators, employers, business partners and institutions, consumers, governments and regulators, communities and employees.

As required by the UK Corporate Governance Code, the Board ensures Pearson engages effectively with, and encourages participation from, its key stakeholders. The Board maintains its oversight through a variety of direct and indirect mechanisms, and the Reputation & Responsibility Committee monitors our stakeholder engagement framework.

The Board recognises that stakeholder views are integral to decision-making and setting the company's strategy. More information on Pearson's key stakeholders, including the outcomes of our engagement throughout 2024, is in the Strategic report on pages 18-22. Further information on how the Directors discharge their duties under Section 172 of the Companies Act 2006 is on page 23.

Engagement in 2024

Throughout the year, the Board ensured that it was kept informed of stakeholder views, concerns and commentary through a variety of engagement methods. These included in-person and virtual meetings, reports and presentations at Board or Committee meetings, feedback from members of the Executive Management team and other employee groups, and interactions with different functions, teams and advisers, both inside and outside Pearson.

A number of Non-Executive Directors were involved in workshops for the strategic review process where they engaged with employees as part of the strategic planning process.

A key factor in any decision-making is listening to and considering the interests of stakeholders. We have set out below examples of the key employee and shareholder engagement activities undertaken by the Board and by individual Directors over 2024.

Shareholders

Shareholders are a key consideration in the Board's decision-making. We have continued our focus on driving shareholder engagement through in-person and virtual meetings and events.

The Board is committed to fostering shareholder engagement and recognises that AGMs represent an opportunity for shareholders to interact with the Board and share their views, concerns and feedback. We successfully held our third hybrid AGM in 2024, which again took place at our 80 Strand office in London, with shareholders able to attend the meeting, vote and ask questions of the Board either in-person or virtually.

We will be holding a hybrid AGM in 2025 and look forward to welcoming our shareholders. Further details will be shared in our notice of the 2025 AGM.

The Board ensured a continued shareholder dialogue throughout the year. In accordance with the UK Corporate Governance Code, following a significant minority vote against our Directors' Remuneration Report and the re-appointment of Remuneration Committee Chair, Sherry Coutu, at our 2024 AGM, a subsequent engagement exercise with shareholders was conducted and reported back to the market on the major themes of the feedback received. Further information on the shareholder engagement prior to and after our 2024 AGM is included in the Directors' Remuneration Report starting on page 113.

The Board also receives updates and analysis on shareholder sentiment from Pearson's corporate brokers, as part of a regular investor relations update and when considering certain corporate matters.

Employees

The Board recognises that our employees are one of our most important assets and are integral to our business and is committed to continuing to ensure they inform the Board's decision-making. Examples of how the Board engaged with employees in 2024 to ensure that they are listened to, supported and rewarded, are illustrated on page 85.

Shareholder engagement at a glance

Over 2024, our Chief Executive, Chief Financial Officer and Business Unit Presidents, as well our Investor Relations team, participated in meetings with both buy-side and sell-side analysts, conferences, roadshows, salesforce teach-ins and events across the world.

Nearly **400** meetings **with** Over **200** institutions

Board and employee engagement

The central role of the Board is to support and oversee Pearson's long-term strategy. As part of that, it is vital that the Board engages with employees, to strengthen the employee voice in the boardroom enabling the Board to hear first-hand the employees' perspectives on Pearson's strategy, performance and culture. During the year, the Board's approach to employee engagement included in-person, structured sessions, which complemented existing executive employee engagement and expanded opportunities for direct engagement by Non-Executive Directors. The Board held three in-person sessions with employees in our major employee hubs in London and in the US in Hoboken, New Jersey and Durham, North Carolina, facilitating meaningful interactions between Board members and various groups of employees to hear their thoughts, feedback and questions. Board members engaged on a variety of topics, including the strategic review process and the clarity of our strategic priorities, the plans for execution and the pace of transformation required, and the importance of company culture.

As someone who recently joined Pearson through an acquisition, it was an incredible opportunity to be able to connect directly with Omar and the Board in my first few weeks. My conversations with the Board made it clear that Pearson leadership has made innovation a priority and that Pearson intends to lead the way in areas of AI, wearable technology and integration.

Rich Brancaccio

Senior Director in Product Development

(Attended the Durham engagement event)

These events were received very positively by employees, and the Board spent time after each session discussing what they had heard from employees.

Looking ahead, the Board intends to hold similar in-person and structured sessions in 2025 to ensure we continue to be authentic and representative of our entire employee base. The Board is also invited to join a number of Executive Management sponsored events with each business unit in 2025, including Assessment & Qualification's global sales meetings, English Language Learning's annual franchisee meeting and Higher Education's annual sales conference.

Town halls

Throughout 2024, the Chief Executive, Chief Financial Officer and the Executive Management team held in-person and virtual town hall meetings. Pearson employees were invited to attend and given the opportunity to ask questions. These discussions took place at significant points in the year, such as following key strategic announcements.

Surveys

During 2024, we conducted a further Pearson employee engagement survey, following the launch of a refreshed approach in 2022. We heard from c.14,000 employees, with an overall response rate of 88% compared with 82% in 2023. The Board received a detailed update on the survey results, including additional insights on the culture of inclusion, coaching effectiveness and opportunities to increase engagement. Further information on the outcomes of the Pearson employee engagement survey is on page 38.

This event was a fantastic opportunity to engage with our leaders which left me feeling excited about what lies ahead for Pearson.

Lucy McAlister

Senior Legal Director for International Markets

(Attended the London engagement event)

Getting to speak with numerous Board members was an amazing opportunity. They asked very insightful questions and showed great interest in hearing what we had to say.

Brennan Matthews

VP Investor Relations

(Attended the Hoboken engagement event)

Having the opportunity to meet with a few members of the Board was incredibly inspiring. Hearing their perspectives and sharing insights about the work we're doing reinforced my passion for our mission. It's a privilege to connect on such a meaningful level and to see how our efforts align with their vision for transforming education and empowering learners.

Carie Addis

VP of Strategic Partnerships within Higher Education

(Attended the Durham engagement event)

Our Board's decision-making in action

This case study should be read in conjunction with the Directors' duties statement on page 23.

During the year, the Board oversaw a company-wide strategic review process, which involved a comprehensive review of Pearson's business and its markets, to position the company for growth and ensure our continued success. Led by the Chief Executive, approximately 60 employees came together in a series of intensive workshops – including current and potential future business leaders, subject matter experts in areas such as data, AI, legal and HR, and sales and operational employees. This process was a unique opportunity to evolve our strategic priorities in order to be the leader in shaping the future of next-gen education and work in the era of AI. This case study on the Board's involvement in the strategic review process over the year illustrates how the Directors considered the various aspects of their statutory duties when considering the strategic review process and approving its implementation, and the implications for stakeholders.

The Board reviewed the proposal for the strategic review process in January 2024, where the Chief Executive confirmed that he would be initiating the project to build towards a strategic update to the market as part of Pearson's interim results in July 2024. The Board considered an update on progress in February 2024, including endorsing the criteria for the employees that had been selected to be involved in the strategic review process, and the process itself commenced in March 2024.

At its subsequent meeting in April 2024, the Board considered an overview of the process to date, including assessments of the company's assets, industry trends and competitive strengths. Representatives from the project joined this Board meeting to provide deep dives into certain key topics, including addressable market areas, key customer challenges and solutions, and identifying foundational capabilities in data and AI, to showcase the progress being made and to provide the Board with an opportunity to challenge and ask questions. The Board was also provided with a detailed overview of the activity that had taken place at the project sessions and an indication of the goals and priorities for future sessions.

A majority of the Board attended the project sessions held in April and May 2024, to see the process in-person. The sessions they attended were focused on topics including competitors' products, the anatomy of a deal, brand and purpose, as well as an innovation panel and a product development workshop.

In June 2024, the Board dedicated a specially arranged additional meeting to discussing the outcome of the strategic review process, the proposal for the overall corporate strategy and the strategic priorities over the next two to three years, and how this would be presented to the market in July 2024. This meeting was an opportunity for the Board to dive deeper into the process outcomes, the rationale for the proposed strategic priorities and the management levers that would drive performance; provide challenge to management on the proposals and execution plans; and consider the impact of the proposed strategic priorities on the company's stakeholders.

Management framed the strategic priorities by describing Pearson's external and internal context, as well as noting the company's stakeholders and considerations made for them in preparing the overall corporate strategy.

Ahead of the strategic update to the market in July 2024, the Board reviewed the proposed communications plan and provided feedback on the themes and their perspectives on the potential market reaction.

Following the presentation of the strategy to the market in July 2024, the Board's focus has pivoted to monitoring implementation, particularly a collection of projects that were commenced in the second half of the year, focused on strategic partnerships, such as with Microsoft, and developing our people and culture strategy, and will continue to monitor the key milestones and checkpoints of the strategy's implementation.

Stakeholders

In its consideration of the strategic review, the Board considered Pearson's key stakeholders in the following ways:

Customers

In considering the proposal for the strategic direction of the company, the Board was focused on ensuring that the customer was front of mind in the work that had been conducted and the considerations being made. We want to be a trusted partner for our customers, driving positive outcomes through democratised, intuitive, high-quality and personalised solutions. Customers were interviewed as part of the preparation for the project sessions and the Board received key data on the pressures facing our customer groups, including institutions, governments, educators, employers, employees and students. The Board agreed that the proposed strategic priorities would aim to address these pressures. This includes tackling cumbersome course management and teaching effectiveness for educators, supporting students with poor engagement and navigating their futures, and helping external workforces to prove their skills and support their career paths.

Shareholders

Our priority is to provide diversified coverage of education and learning markets with sales growth and margin opportunities, fuelled by technology and AI development, alongside highly rated sustainability credentials. As part of its oversight of the process, the Board ensured that our strategic priorities were underpinned by an aim to provide our shareholders with long-term value creation. This is achieved through strong growth opportunities, including with AI, a diversified portfolio, a strong balance sheet, a progressive and sustainable dividend and a sound capital allocation policy.

When reviewing the proposal, the Board considered our shareholders' interests. As part of this, the Board provided input to ensure that the strategic update to the market included sufficient information on the growth opportunities and execution plans.

Communities

We strive to make a positive and meaningful impact in the communities in which we operate, and the Board was cognisant that this ambition was woven into the strategic priorities so that we can have a positive impact on people globally in supporting their ambitions and helping people realise the life they imagine through learning. Our strategic priorities support strong societal benefits and maintain our net carbon commitment.

Employees

At Pearson, we offer career opportunities that make a real-world positive impact. In considering the execution of our strategic priorities, there was a clear focus from the Board on our employees and how we will raise the bar for our people, with a focus on an improved performance culture, instilling essential behaviours, and enhancements in performance management. The Board was also clear on the importance of how this would be communicated to employees, particularly the development of the new career architecture framework, and provided feedback on the change management aspects of the people and culture initiatives.

Employers

The Board was cognisant of the importance of Pearson's relationship with employers and the trust they have in Pearson to deliver high-quality products and services, which has fostered stable long-term relationships which underpin our business. As part of the review of the pressures facing our customer groups, the Board noted how our strategic priorities aimed to address the pressures facing employers and would particularly focus on talent availability and the skills gap for employers.

Directors' induction

Omar Abbosh
Chief Executive

On joining the Board, each Director completes a bespoke induction programme that is guided by the Chair or Deputy Chair and Senior Independent Director, supported by the Company Secretary, and overseen by the Nomination & Governance Committee. Every programme builds on the particular skill set, attributes and background of the joining Director, their interests in Board or Committee roles, and the company's recommendations.

In addition to background information on the company, every induction covers a range of topics, including Board procedures, recent operational performance and strategic direction of the company, purpose and values, key areas of the business, as well as directors' duties and responsibilities. The Directors also receive a comprehensive introduction to the activities of each of the Board's Committees, including their objectives and priorities, and cover various governance-related issues and their legal obligations, including procedures for dealing in Pearson shares.

Each induction typically includes a series of meetings with the members of the Board, the Executive Management team, external advisers and brokers, and other senior management. Directors receive a walk-through of the business from senior executives and a briefing on Pearson's investor relations programme.

A newly appointed Director will have met some, if not all, fellow Board members as part of the original search and appointment process, but additional meetings may nevertheless occur with the same Board members as part of a rich and thorough induction.

Omar Abbosh joined the Board as Chief Executive on 8 January 2024. In addition to the typical induction programme detailed below, Omar conducted comprehensive and engaging meetings with key individuals in the business.

Typical Board induction programme

Induction programme participants	Meeting purpose
Chair, Deputy Chair and Senior Independent Director	Introductory meetings to cover the company's governance structure, the Board's priority areas and ways of working, meeting cadence and ongoing matters considered by the Board.
Chairs and members of the Board's Committees	Overview of the responsibilities and composition of the Board's Committees, their governance, regular attendees and advisers.
Executive Directors; Business Unit Presidents	Overview of the strategic priorities of the company and each business unit, key performance indicators, financial performance and projections, and competitive landscape.
Heads of Corporate Functions	Introductions with leadership team members, covering an overview of their business area(s), subject matter expertise, organisational structure, company culture and values.
Company Secretary; legal advisers	Induction planning, governance framework, Board and Committee matters, duties and responsibilities of a company director, the company's policies and procedures, and other legal and regulatory considerations.

Board performance review

The Board employs a variety of methodologies for performance reviews to ensure the most effective results.

Following an internally facilitated review in 2022, led by the Chair, and an externally facilitated review in 2023, conducted by Manchester Square Partners, the 2024 review was internally facilitated and led by the Deputy Chair and Senior Independent Director.

Typical performance review methodologies

Methodology	Last undertaken
Questionnaire, tailored to specific needs of the business	2018
Internally facilitated interviews, to be led by the Chair, Senior Independent Director and/or Company Secretary as appropriate	2019, 2021, 2022, 2024
In-depth evaluation, externally facilitated	2020, 2023

Approach and methodology

The 2024 performance review was carried out by Graeme Pitkethly, Deputy Chair and Senior Independent Director, through a series of one-to-one conversations with each Director and the Company Secretary.

Discussion areas included matters that are relevant to Pearson in particular, as well as those items laid down in the Code and associated guidance, including:

- The effectiveness of the organisation and dynamics of the Board, including composition, leadership, agendas, meeting cadence, quality of information provided, governance and decision-making.
- Relationships between the Board and senior leaders, and between members of the Board itself, including the remits of and interaction among the respective Committees and with the Board.
- Articulation and implementation of strategy.
- Succession planning and talent pipeline for Executive Directors and other senior leaders.
- Understanding of risks facing the company, including likelihood and mitigation.
- Understanding of stakeholder views, products and markets.
- The Board's monitoring of organisational culture, behaviours and employee sentiment.

The full Board reviewed the findings from the performance review at its meeting in December 2024. In reporting back to the Board, the Deputy Chair and Senior Independent Director reported that conversations with Board members were positive, with unanimous agreement that the Board operates effectively. The Board will develop an action plan to address areas for improvement, and the Nomination & Governance Committee will monitor progress during the year.

Board performance review process

- The format of the review was agreed by the Nomination & Governance Committee.
- The scope of the review was finalised by the Deputy Chair and Senior Independent Director with support from the Company Secretary.
- The Deputy Chair and Senior Independent Director conducted one-to-one conversations with each of the Directors and the Company Secretary on a confidential and unattributable basis.
- The output of the performance review was captured in a report to the Board in December 2024, with the Board then discussing the points raised by the review.
- Progress on the findings of the performance review will be monitored by the Nomination & Governance Committee throughout 2025.

Board performance review *continued*

Key findings included

- Directors are highly engaged, with a good balance of relevant and recent experience. The Board further acknowledged the constructive nature of Board meetings.
- The Board acknowledged the quality of the relationship between the Non-Executive Directors and the Executive Directors, noting that Mr Abbosh had quickly established strong relationships with the Non-Executive Directors. Directors noted his clear and structured approach, which will allow the Board to further focus on the pace of execution.
- The Board recognised the improvements that had been made to the structure of Board meetings to create more space for discussion and agreed that the cadence of Board and Committee meetings was correct. The Board is appreciative of the continued improvements to the quality and clarity of meeting papers and materials, and would like to see this continue.
- The Board welcomed the opportunity to engage with employees and the improvements made to the engagement events, in particular the ability to have deeper conversations with employees.
- Directors provided positive feedback on the strategic review process.
- Directors would like to harness the opportunity to work on the talent pipeline for the Executive Management team.
- The Board welcomed the opportunity, following articulation of the evolved strategy, to focus on developing multi-year strategic KPIs and implementing the right incentive structures to deliver the strategy.
- The Board recognised their effective role in navigating the transition and repositioning of the company.
- Positive feedback was noted on the performance and effectiveness of the Committees.

There was unanimous agreement that the Chair leads the Board in an effective manner, fulfilling Principle F of the Code. The Directors agreed that Mr Kordestani has a distinctive and thoughtful style, demonstrates objective judgement, promotes a culture of openness and debate, and facilitates constructive Board relations and the effective contribution of all Non-Executive Directors. The Directors further noted their appreciation of Mr Kordestani' s critical role in managing the successful Chief Executive appointment process and the energy given in the development of the relationship between Mr Kordestani and the Chief Executive. This, in turn, supports the Non-Executive Directors in fulfilling the requirements of Principle H of the Code in providing constructive challenge and strategic guidance, offering specialist advice and holding management to account.

The main areas identified by the Board for particular focus during 2025 were:

- Continued focus on open and honest reflections and candid conversations at Board level, to ensure that we are consistently providing constructive challenge.
- Ongoing focus on applying customer, product and competitor lenses to Board discussions, and ensuring that key themes of technology and AI are consistently discussed.
- Continued development of M&A radar scanning for the Board to ensure a clear, long-term view of inorganic growth opportunities.
- Continued attention to succession planning and talent pipeline at Executive Management level.

In addition to the annual performance review exercise, the Chair meets regularly with the Non-Executive Directors and these sessions include reciprocal feedback on the functioning of the Board.

Individual performance review

In addition to the performance review of the Board as a whole, Executive Directors are evaluated each year on their overall performance against goals agreed by the Board, and in respect of strategic measures under the company's annual incentive plan. These goals are linked to the key financial and strategic objectives of the company. Progress against each of these metrics is reviewed by the Board on a regular basis, as part of a dashboard of KPIs.

The Chair engages with individual Non-Executive Directors on their performance and contributions, and encourages open channels of communication with Directors on an ongoing basis. In the Board's opinion, these ongoing lines of communication, combined with a Group-wide culture which allows and encourages feedback at any time, provide the most effective means for review of performance. In assessing the contribution of each Non-Executive Director, the Chair, with the support of the Nomination & Governance Committee, has confirmed that each continues to make a significant contribution to the business and deliberations of the Board. The Non-Executive Directors also conduct an annual review of the Chair's performance, with the Deputy Chair and Senior Independent Director leading this review and providing feedback to the Chair.

Committee performance review

All Committees undertake a review of their performance and effectiveness on an annual basis. For 2024, the Committee performance review process comprised two elements:

- Feedback relating to Committees was sought from Directors as part of the wider Board effectiveness review led by the Deputy Chair and Senior Independent Director.
- Committee members and other key contributors to the Committees were invited to provide their views by way of questionnaires tailored to the specific remit of each Committee.

The findings from this process were considered by each Committee at its December 2024 meeting. The Committees were considered by Directors to be working well. Read more in the Committee reports on the pages that follow.

Progress on findings of previous performance review

A number of actions were taken during the year in response to findings from the 2023 performance review, as set out below. The Board has confirmed that these items were addressed to its satisfaction, with recommendations having been put into practice or a clear action plan identified for each to be taken forward in 2025.

Finding or focus area	Response or action taken
Continue to evolve Pearson's strategic direction, building on the optionality that has been created through recent work on the strategy and vision.	In addition to earlier updates on the formulation and running of the process, the Board discussed the key outcomes from the strategic review process at a specially convened additional meeting in June 2024, ahead of the announcement to the market as part of the interim results announcement in July 2024.
Ongoing development of the Board's meeting and agenda roadmap to ensure the topics are aligned with Pearson's strategic goals and given adequate discussion time.	The Company Secretary and Chief Executive's office jointly developed a more in-depth roadmap and forward planner, aligned to the implementation of the strategy, which was introduced in 2024 and will be a standing item for the Board's information at each meeting moving forward.
Continued development of customer and marketplace insights shared with the Board.	The Board received: • Updates on the Chief Executive's meetings with customers during his initial months and their perspectives on Pearson. • A session on the anatomy of a deal at the April 2024 Board meeting, where colleagues provided insight into Pearson's large tender process, contracts, clients and marketplaces. • Insights into the customer and marketplace at the June 2024 Board meeting as part of the briefing on the strategic review process. • Insights as part of the business unit strategic risk deep dives submitted to the Audit Committee (and made available to the Board) during the year.
Ongoing focus on succession planning, talent review and the culture of the company at executive level, as well as more broadly.	The Board considered the talent succession pipeline at the December 2024 Board meeting.
Continued focus on the Board having the right mix of skills and experience as the company continues to transform and evolve, and ensuring strong stakeholder relationships are maintained.	The Chair and Chief Executive discussed the future priorities for the Board's skills and experience, to complement its evolving strategic direction, together with a wider discussion with the Nomination & Governance Committee and the full Board. In particular, the Chief Executive's early thoughts on Board skills and experience priorities were presented to the Board at the February 2024 meeting, and these informed the Non-Executive Director search process launched during the year.
Ensure there continue to be formal and informal channels for feedback between the Chair and the Directors, especially at a time of transition in senior Board roles.	The Chair has continued to engage with Board members in one-to-one discussions, in addition to wider Board discussions, to gather feedback, both as part of formal Board meetings and informally. Feedback provided as part of this year's performance review process led by the Deputy Chair and Senior Independent Director, who took up that role in April 2024, indicated that these formal and informal channels for feedback are present and working well.

Nomination & Governance Committee report

Omid Kordestani
Committee Chair

Principal Committee responsibilities

Appointments

Identifying and nominating candidates for Board vacancies.

Balance

Ensuring that the Board and its Committees have the appropriate balance of skills, experience, independence and knowledge to operate effectively.

Succession

Reviewing the company's leadership needs with a view to ensuring the continued ability of the organisation to compete in the marketplace.

Governance

Reviewing and overseeing Pearson's corporate governance framework, Board performance review and training plans, and the Board Diversity Policy.

Terms of reference

The Committee has written terms of reference which clearly set out its authority and duties. These are reviewed annually and can be found on our website (www.pearsonplc.com).

Committee members and attendance

Attendance by Directors at scheduled Nomination & Governance Committee meetings throughout 2024:

Committee members	Meetings attended
Sherry Coutu CBE	4/4
Omid Kordestani	4/4
Esther Lee[1]	3/4
Graeme Pitkethly[2]	3/3
Tim Score[3]	1/1
Annette Thomas	4/4

1. Esther Lee was unable to attend the meeting held in February 2024 due to a pre-existing commitment. She reviewed the papers and provided her perspectives to the Committee Chair outside the meeting.
2. Graeme Pitkethly joined the Nomination & Governance Committee on 26 April 2024.
3. Tim Score stepped down from the Board and his role as Chair of the Nomination & Governance Committee on 26 April 2024.

Role and composition of the Committee

I am pleased to present my first report as Chair of the Nomination & Governance Committee, having been appointed to the position in April 2024 following Tim Score stepping down from the Board. I offer my thanks to Tim for his substantial contributions to the Committee's work, most particularly in ensuring we have a strong and effective Board in place to lead our company.

The Committee monitors the composition and balance of the Board and of its Committees, identifying and recommending to the Board the appointment of new Directors and/or Committee members. The Committee has oversight of the company's compliance with, and approach to, all applicable regulation and guidance related to corporate governance matters. The Committee is also available to support the Board as needed in relation to talent and succession plans for senior roles.

The Committee currently has five members, including me as Chair. The Chief Executive, Chief Financial Officer and other senior management, including the Chief Human Resources Officer, attend Committee meetings by invitation.

As Committee Chair, I am available to engage with any shareholders who would like to discuss the work of the Committee and look forward to taking any shareholder questions at our forthcoming AGM in May 2025.

Board succession planning, skills and expertise

A key element of the Committee's remit is to lead the process for Board appointments in line with appropriate succession plans. The matter of Chief Executive succession is a regular item for discussion and is reviewed by the Board on an annual basis. The company also has contingency plans in place for the temporary absence of the Chief Executive for health or other reasons. Succession planning for the Board as a whole is considered at least annually by the full Board, and on an ongoing basis by the Committee.

The Committee has defined a set of specific criteria for potential new Non-Executive Directors, in particular giving consideration to the skills, experience, knowledge and aptitude required in any candidates. Pearson expects all Non-Executive Directors to demonstrate the highest level of integrity and credibility, independence of judgement, maturity, collegiality and also a commitment to devote the necessary time to the company's business.

As part of the Committee's regular succession planning activity, all Board members are asked periodically to complete a self-assessment of the skills and experience which they believe they each bring to the Board. The assessment focuses on those categories of skills and experience which are relevant to Pearson's strategy, business model and particular organisational characteristics. When mapped against expected retirement dates, the assessment helps the Committee to identify the areas where it may need to focus any future search activity.

The results of the most recent assessment (shown on page 94) demonstrate that Pearson has a strong spread of skills across all areas identified as being of particular importance. Looking ahead to anticipated Board retirements, the Committee agreed to commence a Non-Executive Director search process in the latter part of 2024. In preparing for this search, the Committee agreed that it was particularly interested to identify one or more candidates who would collectively bring a combination of skills and expertise in the following areas:

- A senior executive with operating experience at scale and in a company or sector with insight into what such enterprise customers would look for or how they would benefit from Pearson's products and solutions.
- An active or recently retired executive leader of a publicly traded company and a track record of success leading a company at scale and with a global footprint commensurate to Pearson.
- Proven experience developing innovative products and/or driving digital business transformation through the development of game-changing, customer-centric strategies.
- A strong understanding of the latest advancements in AI, machine learning and relevant emerging technologies to ensure the organisation remains at the forefront of innovation.

Taking into account the agreed specification, the Committee engaged Spencer Stuart to undertake a search process for new Non-Executive Directors, who ensured that the search process had due regard to our regulatory obligations and Provision 23 of the UK Corporate Governance Code.

On 7 March 2025, we were pleased to announce the appointment of Arden Hoffman as an independent Non-Executive Director, with effect from 1 June 2025. Arden is the Chief People Officer at General Motors (GM). She is responsible for leading GM's talent management and organisational development, as well as helping to shape workforce strategy, fostering a culture of innovation, and ensuring that the company attracts, retains, and develops top talent in a rapidly evolving sector. Arden's expertise will prove invaluable as Pearson continues to execute against its strategy and will further enhance the skill set of our Board. Arden will seek election at the 2026 AGM, being the first AGM following her appointment.

In addition to the Non-Executive Director search process, Spencer Stuart also undertakes broader executive search activity for the Group and is a signatory to the Voluntary Code of Conduct for Executive Search Firms. Spencer Stuart has no connection with Pearson or members of the Board beyond its expertise in board and executive search.

Executive succession planning

Succession planning for key positions at Executive Management level is primarily overseen by the full Board, with support provided by the Committee in respect of particular initiatives. The Executive Management team has a key role to play in our strategic planning process, in the ongoing development of our talent pipeline and in fostering the culture and values required to continue to deliver on our strategy. In December 2024 the Board conducted a review of talent and succession planning.

Preparation for the revised UK Corporate Governance Code

The Committee oversees the company's compliance with the UK Corporate Governance Code and reviews a status tracker to enable it to consider the appropriateness and maturity of various elements of our governance framework and to monitor any areas of qualified or non-compliance. Learn more about Pearson's compliance with the 2018 Code on page 69.

Nomination & Governance Committee report *continued*

The revised UK Corporate Governance Code 2024 applies to Pearson from the 2025 financial year, with the exception of Provision 29 which will apply from the 2026 financial year. To ensure appropriate preparations were made in advance of the effective date, the Nomination & Governance Committee received briefings from the Company Secretary on the key themes and main areas of change and how the company was addressing the changes. The most significant changes, set out in Section 4 of the Code, relate to audit, risk and internal control matters and therefore the response to these elements is being overseen by the Audit Committee – more information on this can be found on page 106.

We will report in accordance with the 2024 UK Corporate Governance Code in the 2025 annual report.

Other areas of focus during 2024

Other areas of focus for the Committee during the year included: oversight of the composition of the Board's Committees, assessment of the independence of Lincoln Wallen prior to making a recommendation for his re-election at the 2024 AGM (recognising his length of service on the Board), oversight of the approach to the Board's annual effectiveness review, Board diversity reporting, and the annual review of the contribution of each Director to the Board.

Committee performance review

The Committee undertakes an annual process to review its performance and effectiveness. For 2024, feedback relating to the Committee was sought from Directors as part of the wider Board performance review led by the Deputy Chair and Senior Independent Director. Topics covered included the effectiveness and dynamics of the Committee, oversight of key areas within the Committee's remit, the quality of papers and meeting discussions, and the relationships between the Committee and management.

The findings of the 2024 review indicated that the Committee is considered to be working well with appropriate agendas, papers produced to a good standard and high-quality discussions. You can read more about the Board performance review on page 89.

Committee aims for 2025

The Committee's priorities for the coming year will be to oversee the successful onboarding and induction of our new fellow Board member and, together with our colleagues on the Audit Committee, oversee the company's response to and compliance with the revised UK Corporate Governance Code.

Omid Kordestani

Chair of Nomination & Governance Committee

Skills matrix

This matrix represents the Directors with skills or experience in areas that are relevant to Pearson's strategy, business model and organisational characteristics. Directors have assessed themselves against each theme and, for those which they bring to the Board, have identified whether they believe each to be one of their core or supplemental capabilities.

	Omar Abbosh	Sherry Coutu CBE	Alison Dolan	Alex Hardiman	Sally Johnson	Omid Kordestani	Esther Lee	Graeme Pitkethly	Annette Thomas	Lincoln Wallen
Operating context and future trends										
Technology (cloud, infrastructure, product, engineering, AI, cyber security)	●	●	○	●		●	○	○		●
Enterprise skilling and workforce transformation	●	●			○	●	○			●
Education and learning	○	●			○	○	○		○	●
Government and Policy	○	●				○	○	○	○	○
Challenging and supporting management in shaping strategy										
Branding and marketing	○	○	○	●		●	●	○	○	○
Global markets, scale and complexity	●	●	○	○	●	●	●	●	●	●
Corporate strategy (value creation, M&A, capital markets, sustainability)	●	●	●	●	●	●	●	●	●	●
Current and/or prior CEO experience	○	●				○			●	○
Good company governance										
Accounting, finance and controls		○	●	○	●	○	○	●		○
People and remuneration	○	●	●	○	○	●	●		●	○
Listed company governance and regulation		●	●		●	○	●	●	○	●

● Core skill – one of the strongest areas of the Director's skill and expertise. Their knowledge or experience of this area brings considerable value to Board discussions.

○ Supplemental skill – an area where the Director is competent or has experience, but is not one of the primary skills or attributes they bring to the Board.

A representative Board

The Board embraces the UK Corporate Governance Code's underlying principles with regard to Board balance and its principle of promoting diversity, inclusion and equal opportunity. Research indicates that high-performing boards provide an increased competitive advantage and wider perspectives, while the needs for greater inclusion continue to influence global trends.

We are determined that, as a Board, we must be representative of our employee base and wider society, including the countries in which we operate.

The Nomination & Governance Committee ensures that the Directors of Pearson demonstrate a broad balance of skills, background and experience, to support our strategic development and reflect the global nature of our business. In accordance with Principle J of the UK Corporate Governance Code, our Board search processes always consider a wide range of candidates, with varied skills, thought, experience and background, all of whom are evaluated on the basis of merit. In any Non-Executive Director search processes, the Nomination & Governance Committee encourages the retained search firms to place an emphasis on putting forward candidates from a range of backgrounds and we prioritise the use of search firms which adhere to the Voluntary Code of Conduct for Executive Search Firms.

The Nomination & Governance Committee reviews and monitors the company's progress against the objectives which underpin the Board Diversity Policy.

The objectives that support the Board Diversity Policy, and which underpin Pearson's commitment to creating a more equitable and inclusive company, are in line with and reflect the requirements under the Financial Conduct Authority's UK Listing Rules and include:

- at least 40% female directors
- at least two directors from an ethnic minority background
- at least one of the Chair, Chief Executive, Deputy Chair and Senior Independent Director or Chief Financial Officer is a woman

The Committee is pleased to confirm that all three of these targets have been met. In accordance with UK Listing Rule 6.6.6R(9), as at 31 December 2024, 60% of Directors were women (2023: 55%), the Board included four Directors from an ethnic minority background and the Chief Financial Officer role was, and is currently, held by a woman.

The Nomination & Governance Committee adopts a principles-based approach to diversity on the Board's Committees. It is recognised that it is not necessarily practical to set meaningful metrics or targets for diverse membership of Committees due to the notably smaller membership of each of the Committees compared to the size of the Board. Accordingly, our principles-based approach endorses the importance of bringing varied perspectives to all areas of the Board and Committees' work. As an example of this principles-based approach in practice, as part of its regular Committee succession planning activity, the Nomination & Governance Committee considers the gender and ethnic balance on each Committee when assessing its composition and future needs.

The Board will continue to adopt best practice, as appropriate, in response to the Financial Conduct Authority requirements, FRC Board Director Effectiveness Review, Parker Review and FTSE Women Leaders Review.

During its performance review conducted in 2024, the Board considered the effectiveness of the organisation and dynamics of the Board. The results and feedback of the performance review indicated that the Directors believe the Board's effectiveness is strong.

Talent at executive level

As at 31 December 2024, five members of our Executive Management team of 11, excluding the Chief Executive and Chief Financial Officer who are counted in the Board's metric, were women (45%) (2023: 50%). Including the Chief Executive and Chief Financial Officer, this ratio was 46% (six women out of 13 members) (2023: 50%). As of 31 December 2024, the group comprising the senior management team (as specified by the UK Corporate Governance Code, i.e. the Executive Management team and the Company Secretary) and the Executive Management team's direct reports contained 52 women, representing 52% of that group (2023: 47%). These figures are reported as at 31 December 2024, in accordance with s414C of the Companies Act 2006. For figures as at the date of this report, please see page 74.

In response to the Parker Review's requirement for listed companies to set an ethnic diversity target in respect of senior management positions, the Committee approved a target of 20% of Pearson's senior management positions to be occupied by ethnic minority individuals by December 2027. As at 31 December 2024, the senior management team, as defined above and based in the UK, contained nine individuals who identify as minority ethnic, representing 24% of that group, who have provided the company with ethnicity data.

For diversity data in the format prescribed by UKLR 6.6.6R(10), please see page 54.

Reputation & Responsibility Committee report

Annette Thomas
Committee Chair

Principal Committee responsibilities

Stakeholders

Monitoring reputational issues that could significantly affect Pearson's reputation with stakeholders, including shareholders, customers, employees, educational institutions and educators, employers, governments and regulators, communities and business partners. Overseeing Pearson's approach to thought leadership in respect of important issues, and attention to political and cultural perspectives in the landscape in which Pearson operates.

Sustainability

Overseeing Pearson's sustainability framework including: targets and public commitments; regulatory landscape, reporting and ratings; sustainability due diligence in our supply chains and business partnerships; and assisting the Board in monitoring progress towards climate targets and the three pillars of the sustainability framework.

Responsible AI

Overseeing Pearson's application of AI with a focus on: the identification of AI-related risks (e.g. biases, IP protection); managing transparency and accountability in AI systems; creation and implementation of Responsible AI principles and promotion of AI ethics across the organisation; monitoring of AI practices; and Pearson's response to external regulatory requirements.

Communications and regulatory matters

Overseeing Pearson's communications, strategies, policies and plans related to reputational issues and the people, processes and policies that are in place to manage them.

Branding

Overseeing the way in which the company's brands are managed and promoted to ensure that their value and the company's reputation are maintained and enhanced.

Risk

Monitoring Pearson's approach to the reputation aspects of the risk register and ensuring that clear roles have been assigned for the management of these, including in relation to the company's material sustainability risks and opportunities.

Terms of reference

The Committee has written terms of reference that clearly set out its authority and duties. These are reviewed annually and can be found in the Governance section of our website (www.pearsonplc.com).

Committee members and attendance

Attendance by Directors at scheduled Reputation & Responsibility Committee meetings throughout 2024:

Committee members	Meetings attended
Andy Bird[1]	0/0
Alex Hardiman	3/3
Graeme Pitkethly	3/3
Annette Thomas	3/3
Lincoln Wallen	3/3

1. Mr Bird stepped down from the Committee with effect from 7 January 2024.

Reputation & Responsibility Committee role

The Committee works to assess and advance Pearson's reputation across the range of its stakeholders and to maximise the company's positive impact on the communities in which we work and serve.

We are the main governance body for responsible and ethical business practices at Pearson and we assess progress towards the company's sustainability priorities and commitments. As part of this work, we provide ongoing oversight and scrutiny across all reputational matters, including climate change considerations, branding, government relations and safeguarding. Additionally, in late 2024, we refreshed our remit to increase and codify our focus on thought leadership and Responsible AI, reflective of Pearson's commitment to these areas. We also conducted a thorough review of our own terms of reference. The Committee's principal responsibilities, as revised, are summarised on page 96 and you can read more about our overall Board framework for sustainability governance, including the related work of other Committees, on page 83.

The full Board is kept abreast of the Committee's work through reports I make following each of our sessions. These reports include highlighting any material discussion points or areas of concern and offering specific recommendations for the Board's action.

As Committee Chair, I am available at any time to engage with any shareholders who would like to discuss the work of the Committee, and particularly look forward to taking any shareholder questions at our forthcoming AGM in May 2025.

Committee composition and attendees

The Committee currently has four members, including me as Chair. Together, Committee members bring a range of expertise across key areas of our remit, including sustainability, product, stakeholder management, AI, and policy and government relations. You can read more about the Committee members' skills and experience on pages 70-72.

Pearson's Chief Executive, Omar Abbosh, is a standing attendee at every meeting of the Committee, and we welcomed his and management's support in refreshing our remit in late 2024.

In addition, we benefit from the regular attendance of other senior executives whose work is central to the remit of the Committee. These include the General Counsel, who is the executive leader responsible for the development, monitoring and execution of Pearson's sustainability strategy; the Chief Marketing Officer; the Chief Human Resources Officer; the Chief Strategy Officer; and SVP – Global Corporate Communications.

Sustainability activities in 2024

Throughout the year, the Committee paid particular attention to the continued evolution of our sustainability strategy, including how it aligns to our greatest areas of opportunity and challenge as a business, and how to communicate its tenets to all our stakeholders in a clear and impactful way.

As described in greater detail in our Sustainability report starting on page 33, our Learning for Impact framework comprises three pillars that drive value for our stakeholders and represent the areas where we can make the biggest positive impact:

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

These areas are materially influential on Pearson's long-term success as a business. The sustainability strategy is supported by Pearson's robust corporate governance, strong corporate culture and a range of effective policies to ensure we achieve our ambitions. You can read more about how the pillars are reflected in our 2024 non-financial KPIs on page 24.

The Committee receives regular updates from management on progress against the priorities of the sustainability strategy and initiatives that support its delivery. Over the past year, key activities of the Committee in relation to our three Learning for Impact pillars included the following:

- At each meeting, we received a report on recent incidents and issues that could have an impact on Pearson's reputation, including those relating to our products and business partners. We considered the company's responses to coverage on social media and in traditional media, including paying particular attention to our protocols for responding to questions about our content, the integrity with which we handle such situations and any lessons learned.
- We continue to monitor long-term climate targets, progress against short-term decarbonisation activities, and an increased focus on energy efficiency and renewable electricity consumption.
- We discussed with management their focus on successful delivery of the 2024 UK summer exams and results season, considering operational activity, proactive stakeholder engagement, and incident mitigation and response plans.
- We conducted our annual review of health and safety (H&S) at Pearson, reviewing a report on the key principles underpinning our H&S programme, the model through which our H&S practices are delivered and assured, incident data, future legislative developments, and priorities for the H&S programme in 2025.
- We undertook our annual safeguarding review, which had a particular focus on online trust and safety in our digital products and services in light of rapid change in the technology and legislative landscape affecting these areas.
- We noted the progress being made to increase employee participation in Learning for Impact activities. We are encouraged by the significant increase in colleague participation during the year and are supportive of management's focus on further strengthening involvement in citizenship activities. Read more on page 38.

Sustainability governance and policies

The Committee recognised that robust governance, a strong culture and effective policies are essential to the successful delivery of our sustainability framework.

During the year, we focused on preparing for mandatory reporting requirements which take effect for the 2025 financial year and on which we will first report in 2026. We continue to work with our Audit Committee colleagues on this topic, and our activity in this area included:

- Completing a comprehensive assessment of Pearson's applicability for upcoming reporting regulations across the UK, EU and US. We discussed Group-level reporting to maximise efficiency.

Reputation & Responsibility Committee report *continued*

- Reviewing the company's double materiality assessment as required by the EU's Corporate Sustainability Reporting Directive and IFRS Sustainability Disclosure Standards. We provided input and challenge on the methodology and approach to stakeholder mapping and noted the potential material impacts, risks and opportunities identified through the assessment.
- Reviewing the proposed sustainability operating model and budget for 2025, including those areas where additional specialist resource would be needed to fulfil assurance and reporting obligations, and we provided our perspectives on the proposals.

You can read more about this topic in the Sustainability report starting on page 33.

In addition to our oversight of regulatory change and preparedness, we:

- Considered the actions being taken in relation to climate reporting, including the development of our Climate Action Plan, and the focus on decarbonisation planning in the short, medium and long term.
- Reviewed a snapshot of the latest analyst rankings and ratings of Pearson's sustainability performance and credentials, alongside opportunity areas for further improvement. Read more on page 34.
- Reviewed the annual Modern Slavery Statement with management prior to recommending that the Board approve the statement for publication. (https://plc.pearson.com/en-GB/corporatepolicies).

Other key areas of focus during 2024

In addition to the work relating to the three pillars of our Learning for Impact framework, we spent time considering a broader range of matters relating to Pearson's reputation and key stakeholders, including the following:

- With the UK general election and US presidential election taking place during 2024, we discussed the key areas of focus for the incoming UK and US governments relating to learning, education and skills, considered their broader policy priorities, and received an update on engagement with the key political parties led by Pearson's government relations team.
- We considered the evolving regulatory landscape on AI, noting in particular the comprehensive EU AI Act which passed into law during 2024 and which will apply to certain Pearson products.
- We conducted a horizon-scanning exercise to identify key reputational risks and trends facing Pearson, including business and operational issues and a range of socio-political themes, and considered the way in which Pearson positions itself proactively with customers, partners, policymakers and the media. This exercise, which we conduct periodically, helps to ensure that the Committee and our Board are alert to external factors that may impact our business and how we are mitigating potential risks.
- Following the appointment in July 2024 of Pearson's new Chief Marketing Officer, Ginny Cartwright Ziegler, we spent time understanding Ginny's perspectives on Pearson's marketing, brand and communications model, and we considered her proposals to refresh this model to unlock growth for Pearson. We also endorsed a new issue management framework which guides the company's communication flows in the event of an internal or external incident with the potential to impact Pearson's stakeholders or reputation.

You can read more about stakeholder engagement at Pearson starting on page 18.

Committee evaluation

The Committee undertakes an annual evaluation to review its performance and effectiveness. For our evaluation in 2024, Committee members and other key contributors to the Committee were invited to provide their views by way of a tailored questionnaire. As Committee Chair, I then reviewed the anonymised findings of the questionnaire and conducted one-to-one conversations with members and contributors to discuss their perspectives in greater detail.

Topics covered in the evaluation process included the effectiveness and dynamics of the Committee, oversight of key areas within the Committee's remit, the quality of papers and meeting discussions, and the relationships between the Committee and management.

The Committee considered the findings from this process at its December 2024 meeting and concluded that:

- The Committee is functioning well with appropriate agendas, papers produced to a good standard, and high-quality discussions.
- There is an appropriate level of focus on the key topics within the Committee's remit, however it is important for the Committee to remain focused on 'move the dial' topics in our work.
- Some refreshing of the Committee's remit was warranted to specify explicitly that Responsible AI is part of the Committee's remit, as well as increased focus on thought leadership, including the roles of government relations and marketing in this area. This feedback aligned with the revisions to the terms of reference review undertaken in late 2024.
- It would remain important to ensure continued alignment between the work of this Committee and that of the Audit Committee on the themes of non-financial disclosure, reporting and assurance.

Committee aims for 2025

Our priorities for the coming year include:

- Continued attention to the impact of AI, including Pearson's policy position on responsible use and application of AI to add value to our customers, enhancing trust in Pearson.
- Overseeing the company's enhanced approach to thought leadership, through which Pearson builds deeper connections with stakeholders.
- We will stay attuned to government policies relating to education and other public policy matters affecting Pearson and ensure that the company remains well placed to support a breadth of learners and customers.
- Continuing our close attention to sustainability matters, including an updated climate risk analysis.

Annette Thomas

Chair of Reputation & Responsibility Committee

Audit Committee report

Graeme Pitkethly
Committee Chair

Principal Committee responsibilities

Financial reporting

The quality and integrity of Pearson's financial reporting and statements and related disclosures, including significant reporting judgements.

Policy

Group financial policies, including accounting and treasury policies and practices.

External audit

External audit, including the appointment, qualification, independence and effectiveness of the external auditors.

Internal audit, risk and internal control

Risk management systems and the internal control environment, including oversight of the work and effectiveness of the internal audit function.

Compliance and governance

Legal and regulatory requirements in relation to financial reporting and accounting matters, and oversight of compliance programmes and investigations.

Terms of reference

The Committee has written terms of reference which clearly set out its authority and duties. These are reviewed annually and can be found in the Governance section of our website (www.pearsonplc.com).

Committee members and attendance

Attendance by Directors at scheduled Audit Committee meetings throughout 2024:

Committee members	Meetings attended
Alison Dolan[1]	3/4
Alex Hardiman	4/4
Graeme Pitkethly	4/4
Tim Score[2]	2/2
Lincoln Wallen	4/4

1. Ms Dolan was unable to attend the February 2024 meeting due to a pre-existing commitment that had been notified to Pearson at the time of her appointment. Ms Dolan discussed her views on the papers and the business of the meeting with the Committee Chair in advance of the meeting.
2. Mr Score stepped down from the Committee with effect from 26 April 2024.

Members

As at the date of this report, the Committee comprises four independent Non-Executive Directors, all of whom have financial and/or related business experience due to the senior positions they hold or have held in other listed or publicly traded companies and/or large organisations. The Committee possesses a good balance of skills and knowledge with competence and experience covering all aspects of the sectors in which Pearson operates and the company's key markets. Each member is 'financially literate' for the purposes of the NYSE listing standards.

Graeme Pitkethly, Chair of the Committee since August 2022, is the Committee's designated financial expert within the meaning of the applicable rules and regulations of the SEC, having recent and relevant financial experience as required by the Code, and is a Chartered Accountant. From 2015 to 2024, Graeme was Chief Financial Officer of Unilever plc and since April 2024 has been a Non-Executive Director of Sandoz Group AG and Chair of its Audit, Risk and Compliance Committee. Graeme's full biography is shown on page 72.

The qualifications and relevant experience of the other Committee members are detailed on pages 70-72. You can read more on page 73 about the process through which the Board assesses the independence of Non-Executive Directors.

Audit Committee report *continued*

Audit Committee role and composition

The Committee has been established by the Board primarily for the purpose of overseeing the accounting, financial reporting, internal control and risk management processes of the company and the external audit of the Group's financial statements. As a Committee, we are responsible for assisting the Board's oversight of the quality and integrity of the company's external financial reporting and statements, and the company's accounting policies and practices, and we work to create a culture – both within the Committee's work and Pearson more broadly – which recognises the work of, and encourages challenge by, the external auditors.

Pearson's Vice President – Internal Audit & Controls Compliance has a dual reporting line to the Chief Financial Officer and to me, and both she and the external auditors have direct access to the Committee to raise any matters of concern and to report on the results of work directed by the Committee. As Audit Committee Chair, I ensure that the full Board is kept abreast of the business of the Committee in a timely manner, including highlighting any areas of concern or specific recommendations. I also work closely with the Chief Financial Officer and senior financial, risk, legal and internal audit personnel outside the formal meeting schedule to ensure robust oversight and challenge in relation to financial control, compliance, investigations and risk management.

As Committee Chair, I am available to engage with any shareholders who would like to discuss the work of the Committee, including the scope or effectiveness of the external audit. There were no requests from shareholders during the year for any specific matters to be covered in the audit. I look forward to taking any shareholder questions at our forthcoming AGM in May 2025.

Audit Committee meetings and activities

At every meeting, the Committee considers reports on the activities of the internal audit and compliance functions, including the results of internal audits, project assurance reviews and fraud and whistleblowing reports. We also monitor the company's financial reporting and risk management procedures, discuss the Group's control environment, review the work undertaken by the external auditors and consider any significant legal claims and regulatory issues in the context of their impact on financial reporting, each on a regular basis.

Other prominent themes in the Committee's work throughout 2024 included:

- Oversight of progress with the audit action plan, a programme of work that sought to enact recommendations that arose through our 2022 review of effectiveness of the external auditors, with this second phase building on strong progress made during 2023 (read more on page 108).
- Responding to the requirements of the FRC minimum standard for audit committees, published in 2023, we reviewed our methodology for the oversight and assessment of external auditor effectiveness (read more on page 107).
- Following publication of the revised UK Corporate Governance Code (the Code) in January 2024, we considered the impacts relevant to the Committee's work, particularly those relating to Pearson's risk management and internal control framework (read more on page 106).
- Continued attention to the application of Pearson's accounting policies, key judgements and key areas of estimation as described in the financial statements.
- Oversight of the accounting treatment relating to the EU State Aid matter and the reversal of certain historical impairments against investments in subsidiaries recorded in the parent company accounts.
- Oversight of management's approach towards risk identification and monitoring, including through a series of business-focused risk deep dives and periodic reviews of group-wide risk trends and mitigation (read more on pages 101-102).
- Review of important areas such as data privacy, cybersecurity and business and technology resilience, as well as generative AI. In addition to their importance at a macro level, these are key factors in the success of Pearson's strategy and in ensuring we maintain trusted relationships with stakeholders.

The Committee also receives technical updates at each meeting, including on matters such as accounting standards and the audit and governance landscape, and members are able to request specific or personal training as appropriate.

You can view the key activities of the Committee and read more about our work in these areas on the pages that follow.

The Committee's focus areas for 2025 will include:

- Continuing to oversee work to ensure the company is ready for implementation of the new Code requirements relating to risk management and internal control with effect from the 2026 financial year.
- In the first year of applicability of the EU Corporate Sustainability Reporting Directive (CSRD) to certain entities within the Group, we will work closely with our colleagues on the Reputation & Responsibility Committee to oversee assurance and reporting arrangements, as well as remaining abreast of other global developments in non-financial reporting.

Additional meeting attendees

The Chief Executive, Chief Financial Officer, Deputy Chief Financial Officer, General Counsel, Chief Information Officer, other executives and senior managers from across the business also attended meetings during the year, either as regular invitees of the Committee or to discuss particular items of business.

This direct contact with key leadership augments the Committee's understanding of the issues facing the business as well as helping to develop Pearson's talent pipeline through facilitation of Board-level engagement opportunities for those leaders and managers below executive level. We also meet regularly in private with the external auditors and with the Vice President – Internal Audit & Controls Compliance.

In addition to the Committee's formal meeting schedule, I meet regularly with the external auditors, Chief Financial Officer, Deputy Chief Financial Officer, General Counsel, Vice President – Internal Audit & Controls Compliance, Associate General Counsel – Employment, Ethics & Compliance and Director of Risk and Insurance in order to keep abreast of all relevant matters within the Committee's remit.

Committee evaluation

The Committee undertakes an annual evaluation process to review its performance and effectiveness. For 2024, the Committee evaluation process was conducted by way of a tailored questionnaire. The process sought views on an anonymous basis from Committee members, Chief Executive and Chair of the Board together with other key contributors to the Committee, including the lead external audit partner, the Chief Financial Officer, Deputy Chief Financial Officer, the General Counsel, the Vice President – Internal Audit & Controls Compliance, and senior financial, risk and compliance management.

Topics covered in the evaluation included the effectiveness and dynamics of the Committee, the Committee's oversight of key areas within its remit, the quality of papers and meeting discussions, and the relationships between the Committee and management. Reflecting the requirements of the FRC's Minimum Standard, the evaluation sought more extensive views on the Committee's role in overseeing the external auditors, including the Committee's role in assessing the quality and effectiveness of the external audit and creating a culture which encourages challenge.

The Committee considered the findings from the evaluation at its December 2024 meeting, including the following key points:

- The Committee is considered by Directors and other contributors to be performing effectively with appropriate agendas, papers produced to a good standard, and open, candid discussions at the meetings.
- The composition of the Committee is appropriate and includes the necessary skills.
- A high quality of debate and challenge is demonstrated by the Committee, including in respect of complex accounting matters or judgements, and the Committee is effective at reviewing the quality and integrity of the Group's financial reporting and at holding management to account in this area.
- The Committee provides effective oversight of the quality and effectiveness of the external audit process and of the external auditors themselves, and creates a culture which recognises the work of and encourages challenge by the external auditors.

You can read more about the review of audit quality and effectiveness and the FRC Minimum Standard on pages 107-108.

Looking ahead to 2025, it will be important for the Committee to continue to work with the Reputation & Responsibility Committee to ensure adequate oversight of non-financial reporting and assurance requirements and to continue to scrutinise follow-up activity arising from the findings of the internal audit team.

Fair, balanced and understandable reporting

In response to the Code's Principle N, the Committee considered whether the 2024 annual report is fair, balanced and understandable. In making this assessment, we considered the following areas:

- The process for preparing the report, including the contributors, the internal review process and how feedback is addressed throughout the process.
- The business review narratives presented for each business area.
- The discussion of reported and underlying results throughout the report.

The Committee was satisfied that, taken as a whole, the annual report is fair, balanced and understandable. We reported this conclusion to the Board.

Learn more about fair, balanced and understandable reporting on page 140.

Financial reporting and policies

In February 2025, the Committee considered the 2024 preliminary results announcement and annual report and accounts, including the financial statements, Strategic report and Directors' report. The significant issues considered by the Committee relating to the 2024 financial statements are set out on pages 110-112.

Risk assessment, assurance and integrity

A key role of the Committee is to provide oversight and support to the Board with regard to the integrity of the company's procedures for the identification, assessment, management and reporting of risk. In fulfilling its remit, the Committee remains mindful that effective risk management is essential to executing Pearson's strategy, achieving sustainable shareholder value, protecting the brand and ensuring good governance.

During 2024, the Committee had oversight of management's approach towards risk identification and monitoring. Pearson's enterprise risk management programme aligns with the structure of the business, which is managed through five global business units supported by Group-wide corporate functions. Through a series of business-focused risk deep dives, the President of each business unit provides an overview of its risk register to the Committee at least annually and leads a session on the key risks facing their particular business. The process is supported by central risk team experts as required, providing the Committee with a clear and consistent framework within which to evaluate the strategic and business risks to the company, based upon the principal, emerging and significant near-term risk categories described on pages 58-66.

The Committee uses these deep-dive sessions to understand the rigour of management's risk scanning and to challenge judgements being made in response to risks. The Committee considers that Pearson's enterprise risk management approach is robust and proportionate and facilitates a culture of accountability and ownership among business leaders. The business unit risk deep dives provide a strategic and increasingly data-driven lens to the risk management process that is valued by the Committee and management alike.

Audit Committee report *continued*

Feedback from Committee members on these deep dives, which were first introduced in 2022, has been consistently strong, with the additional insights provided by these sessions being well received by the Committee. Accordingly, with effect from the December 2024 meeting, the business unit risk deep dives have been elevated to the full Board. This change allows all Directors to participate in the valuable discussions and will increase alignment with the Board's wider remit on strategic planning at both Group and business unit levels.

At least twice a year, the Committee considers a Group-wide risk management report which highlights risk trends and themes that exist at an enterprise-wide level. This is further supported by a number of deep dives which the Committee conducts with selected Group functions including data privacy, cybersecurity, tax, treasury, anti-bribery and corruption, and business resilience. You can read more on some of these themes elsewhere in this report.

Additionally, following its introduction in 2023, the Committee reviewed the enterprise risk framework and approved its continued use. This framework brings together Pearson's principles, processes and methodology for risk management and aims to consistently embed such activity and practice within the organisation.

Data privacy, cybersecurity and technology resilience

Prudent management of data privacy, cybersecurity and Pearson's technology estate are fundamental to our success and to maintaining trust with our customers. The Committee oversees these matters on behalf of the Board from a risk and assurance perspective and monitors the maturity of Pearson's associated governance frameworks. It does this through regular deep dives, as well as through oversight of the risk-based internal audit programme, in which these topics are key areas of focus. We recognise the interlinked nature of these topics and typically invite the senior leaders for each area to participate in all strands of these discussions, providing holistic perspectives on the important and complex themes.

During the year, the Committee:

- Received an update on the work of the Trust & Safety Committee which operates at senior leadership level and serves as a forum for data privacy, security and business leaders to understand risk profiles, assess business impacts and ensure accountability. As the legal landscape continues to evolve and threats and opportunities emerge in connection with generative AI, we continue to adapt our governance processes to ensure that we are protecting our customers and our business, and the Trust & Safety Committee has an increased role to play in ensuring the business has the right level of focus on data and AI matters.
- Considered the progress that continues to be made through implementing security processes, leveraging industry-leading tools and the ongoing modernisation of the technology estate, as well as investing in defences against increasingly sophisticated threats. We also noted how management is continuing to reinforce a culture of security across Pearson's employees, partners and seasonal workers through mandatory cybersecurity and data privacy training and the use of phishing simulations to drive awareness and understanding of security protocols.
- Reviewed Pearson's performance against the NIST Cybersecurity Framework, which provides the Committee and management with clear visibility into the current status of Pearson's cybersecurity programme and areas of improvement. The framework is underpinned by industry-leading standards and facilitates Pearson's compliance with FedRAMP requirements in delivering certain US federal commitments. In 2024, Pearson's data privacy programme was also aligned with the NIST Privacy Framework which is increasingly recognised in Pearson's largest markets.
- Noted the increase in stabilisation across our digital and technology platforms driven by our transition to cloud-based infrastructure, technical debt reduction and increased standardisation and unification of processes. These improvements have been underpinned by foundational resiliency created through greater adoption of core shared technology services (known as 'paved road services'), and overall have contributed to increased reliability in critical customer-facing or front-line products.
- Reviewed Pearson's integrated approach to incident management – the incident management framework – which is utilised in response to technology, data or cyber-related incidents as well as operational issues in the business or wider challenges to which Pearson needs to respond.
- As part of the agreed audit plan, considered the findings of internal audits of various elements of our data, cyber and technology practices including: IT system discovery and vulnerability tracking; the design of data privacy controls in certain internal and external-facing applications; governance of Pearson's web estate; and our approach to technology asset management. We track the closure rate for agreed actions arising through these audits, as we do with all internal audit findings.

You can read more about Pearson's approach to data privacy and cybersecurity on page 37.

Audit Committee meeting focus during 2024

Area of Committee remit

	Financial and non-financial reporting	Policy and finance operations	External audit	Internal audit, risk and internal control	Compliance and governance
Matters considered	— Significant issues reporting (p110) — Fair, balanced and understandable reporting (p101) — Going concern and viability statements including supporting analysis (p67 and p137) — Impact of legal claims and regulatory issues on financial reporting — Annual report and accounts: preliminary announcement and financial statements — Review of interim results — Form 20-F and related disclosures, including annual Sarbanes-Oxley Act Section 404 attestation of financial reporting internal controls — Accounting and technical updates — CSRD assurance planning	— Accounting matters and Group accounting policies — Treasury Policy and reporting — Tax update	— Report on half-year review procedures — 2024 external audit plan (p108) — Review of the effectiveness of external auditors (p107) — Receipt of external auditors' report on annual report and Form 20-F — EY findings on internal controls over financial reporting (ICFR) — Oversight of audit action plan — Confirmation of auditors' independence (p109) — Provision of non-audit services by external auditors – approval of policy and regular reporting (p109) — Re-appointment of external auditors — Remuneration and engagement letter of external auditors	— Internal audit activity reports and review of key findings (p105) — 2024 and 2025 internal audit plans including resourcing — Assessment of the effectiveness of internal audit function — Assessment of the effectiveness of internal control environment and risk management systems (p106) — Risk management including Group's principal and emerging risks and risk framework (p57-67) — Strategic risk reviews led by business unit Presidents (p101-102) — Group-wide risk deep dives on cybersecurity; technology resilience; data privacy; treasury and insurance; and corporate security and incident management (p101-102) — Controls Centre of Excellence updates, including on ICFR and 2024 work plan (p106)	— Fraud, whistleblowing reports and ethics and compliance investigations (p105) — Anti-bribery and corruption and sanctions programmes (p105) — Compliance with accounting and audit-related aspects of the UK Corporate Governance Code (p106) — Audit Committee and internal audit function terms of reference — Oversight of Group's schedule of delegated financial authority — Regulatory briefings, including monitoring FRC proposals on audit and corporate governance reform — Review of minutes of the Verification Committee's meetings

Audit Committee report *continued*

Audit Committee meeting focus during 2024 continued

	Area of Committee remit				
	Financial and non-financial reporting	**Policy and finance operations**	**External audit**	**Internal audit, risk and internal control**	**Compliance and governance**
Selected key actions and outcomes	— The Committee reviewed the annual report and Form 20-F, and the company's annual and interim financial statements, and received reports from both the VP – Group Reporting and the external auditors on the significant financial reporting judgements relating to each — The Committee reviewed the going concern analysis and the viability statement for recommendation to the Board — The Committee reviewed quarterly reports of all material litigation and disputes provided by the General Counsel — The Committee received an update on preparations for mandatory sustainability disclosure requirements, including monitoring regulatory developments, considering the applicability to Pearson Group entities, enhanced internal data and reporting practices and initial considerations relating to assurance planning	— The Committee considered the application of Pearson's accounting policies and practices in reviewing the financial statements and significant accounting matters — The Committee considered the adoption of FRS 101 for the parent company accounts and recommended this for Board approval — The Committee reviewed Pearson's tax strategy, receiving updates on anticipated effective tax rate and developments in the global tax regulatory landscape — The Committee considered plans for the £350m Education Bond ahead of its formal approval and launch, reviewed quarterly treasury compliance reports and approved the updated Group treasury policy	— The Committee considered the audit strategy for the 2024 audit, including the audit approach, significant risks and areas of audit focus, scope and level of materiality — The Committee received reports from EY on the results of (i) their review of the interim financial statements, and (ii) their audit of the annual financial statements and ICFR. The Committee reviewed the respective letters of representation and recommended them for approval by the Board — The Committee considered formal communications by the external auditors, including disclosures relating to their independence as required by the FRC, SEC and PCAOB — The Committee reviewed the effectiveness of the external auditors to ensure the independence, objectivity, quality, rigour and challenge of the audit process was maintained. The Committee concluded that the external auditors and the audit process were effective	— The Committee considered the conclusions and themes emerging from Internal Audit reviews conducted during the year and approved the Internal Audit Plan for 2025 — The Committee discussed the outcome of Internal Audit investigations, including the most significant issues raised in Internal Audit reports, and received updates on the status of resolution of issues raised — The Committee received regular updates on the status of Pearson's internal controls programme, including controls related to financial reporting, business and IT, and considered reports from both the Senior Director – Controls Operations and the external auditors. This included discussion of design and operating effectiveness and any identified deficiencies — The Committee considered the Group risks and actions to enhance their measurement, monitoring and mitigation, including recommending to the Board the approval of the principal and emerging risks disclosed in the annual report. This oversight was supported by deep dives into selected risk areas	— The Committee reviewed regular reports on fraud, whistleblowing and compliance matters, led by the Associate General Counsel – Employment, Ethics & Compliance, considering investigations, metrics, controls and initiatives — The Committee considered an in-depth analysis of compliance with the FRC's Minimum Standard — The Committee approved changes to the Group's schedule of delegated financial authority, all changes being below the threshold requiring full Board approval — The Committee undertook the annual review of its own effectiveness and that of the internal audit function, including considering the results of an external quality assessment of the latter

Compliance, fraud and whistleblowing

The Associate General Counsel (AGC) – Employment, Ethics & Compliance oversees compliance with our Code of Conduct and works with senior legal, HR and other relevant personnel to investigate any reported incidents, including ethical, corruption and fraud allegations. The Committee receives an update at each meeting on all significant investigations as well as reviewing data regarding matters raised through our whistleblowing reporting system. If applicable, any findings of the external auditors with respect to a particular matter are also considered as part of these discussions. The Committee may also meet in private if required with the AGC – Employment, Ethics & Compliance. On behalf of the Board, the Committee considers an annual review of the effectiveness of the whistleblowing system including through benchmarking against peers and by monitoring progress against previous years' findings. The Committee Chair's regular reports to the Board include a review of investigations or whistleblowing matters of note.

The Pearson anti-bribery and corruption (ABC) and sanctions compliance programmes provide the framework to support our compliance with various regulations such as the UK Bribery Act 2010 and the US Foreign Corrupt Practices Act. The Committee uses this framework to conduct a deep dive into the ABC and sanctions compliance programmes on an annual basis. Pearson and the Committee remain attentive to opportunities to further enhance the company's practices and protocols in this space and we noted the introduction during the year of a new, centralised process for sanctions screening and third-party ABC due diligence checks.

In 2024, in addition to our regular review of ethics, compliance and employee relations investigations, we noted the following enhancements made to the compliance programme, including:

- Launch of a new social media policy which builds on Pearson's Code of Conduct and provides employees with clear guidance on the standards expected of them when posting online on both personal and Pearson accounts.
- Introduction of updated sanctions and due diligence policies, procedures and guidance to align with a new screening process.
- Implementation of new control measures related to purchasing and expenses reporting following a comprehensive review of practices in these areas.
- A review of, and proposals to enhance, the advice and support provided to employees who are required to obtain business visas for international Pearson travel.
- Noting management's response to legislative and regulatory changes in the areas of fraud, compliance and whistleblowing, including guidance published by the US Department of Justice and the UK Serious Fraud Office.

Internal audit

The internal audit function is responsible for providing independent assurance to management and the Committee on the design and effectiveness of internal controls to mitigate strategic, financial, operational and compliance risks. The Vice President – Internal Audit & Controls Compliance reports jointly to the Chair of the Committee and the Chief Financial Officer and is responsible for the day-to-day operations of internal audit and execution of the annual internal audit plan. The internal audit mandate is approved annually by the Committee.

Internal audit plan and activity

The audit plan and any changes thereto are reviewed and approved by the Committee throughout the year, and the Committee is attentive to the resourcing of the internal audit function. The internal audit plan is aligned to Pearson's greatest areas of risk, as identified by the enterprise risk management process (see graphic below), and the Committee considers issues and risks arising from internal audits.

Management action plans to improve internal controls and to mitigate risks are agreed with the business area after each audit. Internal audit has a robust process in place for the implementation of audit actions, which also includes review and testing of evidence to corroborate action implementation.

Progress of management action plans is reported to the Committee at each meeting. Internal audit has a formal collaboration process in place with the external auditors to ensure efficient sharing of insights and outcomes. Opportunities for reliance by the external auditors on internal audit outcomes are limited due to strict rules set by the external regulator. Regular reports on the findings and emerging themes identified through internal audits are provided to Executive Management and, via the Committee, to the Board.

In 2024, internal audit carried out engagements across Pearson's business units and corporate functions, as well as Group-wide thematic audits, covering all principal risks. The audit plan changes throughout the year based on changes in Pearson's risk profile. Key themes in 2024 related to compliance with laws and regulations, information security and data privacy, business transformation and IT resilience, and operational delivery.

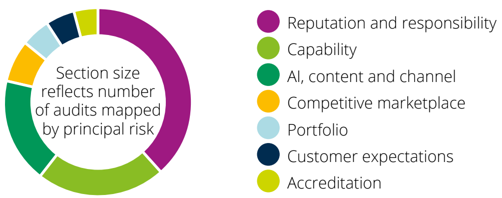
Internal audit evaluation

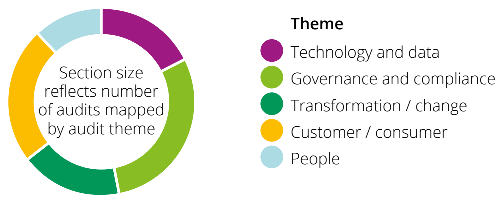
The International Standards for the Professional Practice of Internal Auditing published in 2017 by the Institute of Internal Auditors (the IIA Standards) require an independent external assessment of internal audit to be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation.

At its December 2024 meeting, the Audit Committee considered the findings of an external quality assessment (EQA) of internal audit, which was undertaken by PricewaterhouseCoopers LLP (PwC) during the second half of the year.

The objectives of the EQA were to assess conformance with the IIA Standards, to assess the effectiveness of internal audit within the context of its mandate and stakeholder expectations, and to provide recommendations to internal audit on improvement opportunities and emerging practices. The process also included a high-level review of the function's operations against the new 2024 IIA Standards (effective from January 2025).

2024 internal audit activity – coverage of principal risks and audit themes:





Audit Committee report *continued*

The independent assessor's findings indicated an effective internal audit function that conforms to the IIA Standards and compares favourably to other large, listed companies in terms of skills, coverage and quality of deliverables, with Pearson's internal audit function ranking in the top quartile compared to other EQAs performed by PwC in the past three years.

Based on the findings of the EQA, and on our own ongoing assessment of the effectiveness of the internal audit function, the Committee is of the opinion that the quality, experience and expertise of the function are appropriate for the business.

Internal control and risk management

The Board has overall responsibility for Pearson's systems of internal control and risk management, which are designed to manage, and where possible mitigate, the risks facing Pearson, as well as to safeguard assets and provide reasonable, but not absolute, assurance against material financial misstatement or loss. The Board agrees risk management requirements and, in assessing the effectiveness of the risk management effort, reviews a range of inputs as described elsewhere in this report. The Board can and does challenge the reporting it receives and will request further information as needed to make its assessment.

The Committee monitors the effectiveness of the company's risk management and internal control systems on behalf of the Board. The Committee oversees a risk-based internal audit programme which includes assessing risk mitigations and controls in the areas under audit. It provides assurance on the management of risk (including via risk deep dives, as described on pages 101-102), and receives reports at each meeting on the effectiveness and efficiency of internal controls with input from the Vice President – Internal Audit & Controls Compliance, the Senior Director – Controls Operations and the external auditors. In 2024, internal audit provided assurance over all principal risk areas, as described on page 105.

Each business area maintains internal controls and procedures appropriate to its structure, business environment and risk profile, while complying with company-wide policies, standards and guidelines. The financial and IT controls and associated procedures are monitored and certified through the Group-wide Controls Centre of Excellence and are subject to testing as part of both the internal and external audit processes.

The Controls Centre of Excellence team took a number of steps in 2024 to further enhance Pearson's control environment. This included updating the risk and controls matrix, further improving standardised testing scripts, reviewing control materiality and frequency, and increasing the efficiency of control walkthroughs.

The Committee, acting on behalf of the Board, confirms that it has reviewed, and continues throughout the year to review, the effectiveness of Pearson's systems of risk management and internal control in accordance with Provision 29 of the Code and the FRC Guidance on Risk Management, Internal Control and Related Financial and Business Reporting ('FRC Guidance'). In making its assessment as to the effectiveness of these systems for 2024, the Committee had regard to an assurance opinion from the internal audit function. Factors considered in this process included:

- the outcomes of internal audits completed during the year
- significant changes in Pearson's strategy, processes and systems
- the wider Pearson risk management and assurance framework, which includes other assurance activities by first and second line of defence teams, including enterprise risk management, the Controls Centre of Excellence, business unit and technology assurance teams
- work conducted by the external auditors
- the organisation's response to internal audit actions
- whether any fundamental or significant actions have not been accepted by management and the consequent risk
- whether any limitations have been placed on the scope of internal audit work or remit

The Committee reviewed the detail underpinning these factors as part of the 2024 year-end process. The Committee also reviewed all internal financial control deficiencies identified during the year and noted that the majority were remediated during 2024. The impact of any unremediated deficiencies on the financial statements was considered. Following these reviews, the Committee confirmed that Pearson's systems of risk management and internal control operated satisfactorily throughout the year.

The Board is ultimately accountable for effective risk management in Pearson and determines our strategic approach to risk. It confirms our enterprise risk management framework as well as our risk appetite targets. The involvement of the Board and Committee in the design, implementation, identification, monitoring and review of risks (including setting risk appetite and reviewing how risk is being embedded in our culture) is outlined in more detail in the Risk management section on page 57.

Response to Code changes

In January 2024, the FRC published a revised version of the Code. The most significant changes relate to Provision 29, which governs the Board's duties in relation to the company's risk management and internal control framework and introduces the requirement for an explicit declaration by the Board of the effectiveness of material controls as at the balance sheet date.

The Committee has been attentive to Pearson's proposals to address these new Code requirements, with specific focus on: (i) the identification of 'material controls' including financial, operational, reporting and compliance controls; and (ii) the assurance which is already, or will need to be, in place to provide sufficient comfort to the Board in making the required declaration.

As part of this work, we are challenging ourselves to concentrate on the controls that truly impact Pearson's success or failure, in line with the FRC's guidance on the new Code.

We will continue to monitor progress during the coming year ahead of the new requirement taking effect on 1 January 2026.

External audit

The Committee is responsible for overseeing and assessing Pearson's external audit and its auditors. Ernst & Young LLP (EY) were first appointed as Pearson's external auditors by shareholders at the AGM in April 2022 following a tender process. Pearson's 2024 audit was the third undertaken by both EY and Ben Marles as lead audit partner. As required by regulation, Pearson will put the external audit contract out to tender at least every 10 years, with the next tender being in respect of the 2032 financial year at the latest. The decision to undertake such a process will be a matter for the Committee.

Pearson confirms that it was in compliance with the provisions of The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 during the financial year ended 31 December 2024.

Appointment of external auditors

The Committee reviews and makes recommendations to the Board in respect of the appointment and compensation of the external auditors. These recommendations are typically made by the Committee after considering the external auditors' performance during the year, reviewing external auditor fees, conducting an effectiveness review, considering the annual report on audit quality of the external audit firm and confirming the independence, objectivity, qualifications and experience of the external auditors.

Audit quality and effectiveness

In conducting our 2024 review of the effectiveness of the external auditors and making our recommendation to re-appoint EY for 2025, the Committee had regard to factors such as those set out in the FRC Minimum Standard (see also page 108).

We considered our own observations and interactions with the external auditors, the quality of the audit, the auditors' independence, the programme of work conducted by the auditors and their reports on that work. To support our assessment, we utilise a bespoke questionnaire to gather views from Pearson colleagues most familiar with the external audit process. We refreshed this questionnaire ahead of our 2024 process to ensure we consider all factors described in the FRC Minimum Standard. We also consider a range of other inputs in making our assessment. A key additional input which has been adopted from 2024 is a suite of audit quality indicators (at both a firm-wide and engagement-specific level) that have been agreed by the Committee with the external auditors and against which they now report to the Committee on a regular basis.

The diagram to the right illustrates the main inputs to our assessment, the colleagues from whom we sought views, the themes covered in our survey and the outcomes of our work.

Inputs to the external audit effectiveness review:

- EY's annual audit quality report including discussion of issues raised by the FRC
- Audit quality indicators
- Risks to audit quality identified by the external auditors and how these were addressed
- Observations and interactions between the Committee and external auditors
- Review of mandatory communications by the external auditors, including relating to their independence
- Bespoke survey of Pearson colleagues

Who we surveyed to inform our assessment of effectiveness:

- Members of the Committee
- Chief Financial Officer
- General Counsel
- Chief Information Officer
- Senior corporate financial management
- Finance business partners for business units
- Senior internal audit and controls management

Themes covered in the external audit effectiveness survey:

- Professional scepticism, integrity and willingness to challenge management
- Commitment to audit quality, including mindset and culture
- Independence and objectivity
- Partners and the audit team – resourcing, qualifications, skills, knowledge and experience
- Management and organisation of the audit process
- Planning and scoping of the audit
- Delivery and execution of the agreed audit plan
- Communication with and reporting to the Committee and management – transparency, timeliness, clarity, conciseness, relevance
- Commentary on systems of internal control and other recommendations
- Technical specialism and use of experts
- Use of technology and data analytics

Results and conclusion:

- Results of the survey were anonymised and analysed by the Committee Secretary and presented to the Committee and EY.
- The responses to the survey indicated that the external auditors operate with independence and objectivity, demonstrate open lines of communication with the Committee, exhibit professional scepticism and appropriate levels of challenge, possess the requisite technical expertise and apply it appropriately to the business and any issues and judgements.
- Following its review of the relevant inputs, including the responses to the survey, the Committee confirmed that the audit process was effective and that it was satisfied with the quality of the audit.

Audit Committee report *continued*

The Committee monitors the independence and objectivity of the external auditors on an ongoing basis and will continue to formally evaluate their overall performance and effectiveness and the quality of the external audit on an annual basis, taking account of all appropriate guidelines.

Building on the audit action plan described in our 2023 report, the Committee oversaw an additional set of initiatives throughout 2024 to bring further incremental enhancements to both the delivery of the external audit and Pearson's internal control processes. This programme of work was co-owned by the lead external audit partner and the Chief Financial Officer and primarily focused on efficiency, effectiveness and the use of technology.

FRC Minimum Standard

In May 2023, the FRC introduced the 'Audit Committees and the External Audit: Minimum Standard' (the 'FRC Minimum Standard' or 'Standard'). During 2024, the Standard operated on a standalone 'comply or explain' basis. From January 2025, the Standard is incorporated into the latest edition of the UK Corporate Governance Code.

As indicated in last year's report, in order to achieve full compliance for 2024, the Committee refreshed the methodology for our external audit effectiveness review ahead of the 2024 process to give full consideration to the factors described in provisions 15 to 23 of the Standard. You can read more about our assessment of effectiveness, and how we considered the required factors, on page 107.

Having reviewed an analysis of Pearson's approach to the FRC Minimum Standard, the Committee confirms that it was in full compliance with all provisions for the financial year ended 31 December 2024.

The Committee received a progress report from management and EY at each meeting during the year, and we are satisfied that all 2024 initiatives were successfully completed and, further, that the enhancements from 2023 have now been embedded into routine practices. We are pleased to see the tangible improvements that have resulted from the efforts of Pearson colleagues and the external audit team alike. We expect to continue to see incremental improvements resulting from Pearson and EY's ongoing focus on audit quality and effectiveness as part of business as usual.

Review of the external audit

During the year, the Committee discussed the planning, conduct and conclusions of the external audit as it proceeded.

At its July 2024 meeting, the Committee discussed and approved the external audit plan and reviewed EY's assessment of risks of material misstatement of Pearson's financial statements.

The external auditors provided an update to the risk assessment at the December 2024 Committee meeting, explaining to the Committee their conclusion that the uncertain tax provision in respect of EU State Aid no longer represented a significant audit risk following the conclusion of the appeal in the EU courts in favour of the taxpayer.

The table on pages 110-112 sets out the significant issues considered by the Committee together with details of how these items have been addressed and the ways in which the external auditors challenged management's assumptions. The Committee discussed these issues with the auditors throughout the 2024 audit process.

In December 2024, the Committee discussed with the auditors the status of their work, focusing in particular on internal controls and Sarbanes-Oxley testing.

As the auditors concluded their audit, they explained to the Committee:

- The work they had conducted over revenue and in particular the specific risk of fraud in revenue recognition. This included work over contracts in certain of the Group's businesses in the US and UK that span the year end, where revenue is recognised using an estimated percentage of completion based on costs and work over manual adjustments to revenue. In addition, they explained their use of data analytics to cover entire populations of data with procedures such as correlating revenue with receivable and cash entries.
- Their work over retirement benefit obligations including procedures undertaken over assumptions used in determining the defined benefit obligations and their work over the valuation of the related pension assets.
- Their work in evaluating management's goodwill impairment exercise, on a value-in-use basis, including assessing assumptions around operating cash flow forecasts, perpetuity growth rates and discount rates and their views on the sensitivity of CGU headroom to downside scenarios.
- The work performed over the nature and presentation of adjusting items, focusing on subjective judgements and the transparency and prominence with which related adjusted measures are presented.
- Their work in assessing management's judgements and assumptions regarding provisions for uncertain tax positions, in particular the release of the provision made in relation to the EU state aid tax matter.
- The work performed over the recognition of the bond issued in September, including the effective interest rate calculations.
- Their work in assessing management's judgements and assumptions regarding the reversal of certain historical impairments against investments in subsidiaries in the parent company.
- The results of their controls testing for Sarbanes-Oxley Act Section 404 (SOx 404) reporting purposes and in particular their findings in relation to information provided by the entity (IPE), controls over key IT systems and other relevant internal control over financial reporting (ICFR) matters.
- Their work to address the specific pervasive risk of management override of controls, including their view on the potential sources or indicators of bias and override of controls and their response to those indicators, including procedures such as review of Board and Committee minutes, journal entry testing, review of non-routine transactions and the use of data analytics.

- The results of their work over the company's going concern assessment and viability statement.
- Their work in relation to other matters which are not classified as key audit matters, but which are considered important financial reporting matters, key areas of judgement or estimation, or which may give rise to additional disclosure requirements. This includes the recognition of provisions and assets related to legal matters and asset capitalisation.

The auditors also reported to the Committee the unadjusted misstatements that they had found in the course of their work, which were immaterial, and the Committee confirmed that there were no material items remaining unadjusted in these financial statements.

Auditors' independence

In line with best practice, our relationship with EY is governed by our policy on external auditors, which is typically reviewed annually to ensure it remains effective and appropriate and is approved by the Committee. The policy establishes procedures to ensure that the auditors' independence is not compromised, as well as defining those non-audit services that external auditors may or may not provide to Pearson.

Scope of the policy on external auditors

- The policy applies to all Pearson businesses globally, including associate companies.
- Any identified threats to independence arising from services provided by the external auditors to a company that is then acquired by Pearson must be addressed within three months of the acquisition date.
- The policy applies to all audit firms used by Pearson including those undertaking statutory audits only.
- In the event of a change in the Group auditor, it also applies to the outgoing firm until they have discharged their Group audit responsibilities and for any periods in which they are required to be independent in order to undertake any specific audit responsibilities.

Governance of audit and non-audit related services

- The Committee approves all audit and non-audit services provided by the external auditors.
- Any allowable services are in accordance with relevant UK and US legislation and auditor standards.
- Our policy on the use of the external auditors for non-audit services was revised during the year to ensure compliance with the FRC's Ethical Standard published in January 2024. The policy also complies with all relevant SEC independence rules.
- The FRC's Ethical Standard applies restrictions on certain non-audit services and applies a cap on the level of permitted non-audit services fees which can be billed in any year. More particularly, our policy provides that only non-audit services which are required to be carried out by the external auditors or where the work is closely linked to the audit work are permitted, and only if also permitted by the FRC and SEC.
- The policy reflects the restriction on the use of pre-approval in the 2016 FRC Guidance on Audit Committees and, accordingly, all non-audit services, except those considered to be 'clearly trivial', are required to be approved by the Committee.
- We review non-audit services on a case-by-case basis. Non-audit services below a value of £25,000 are defined as 'clearly trivial' from a materiality perspective and can be pre-approved following review by the Group Finance team. Any such pre-approved services are presented for noting by the Committee at its next meeting.
- We expressly prohibit the provision of certain tax, HR and other services by the external auditors.

The Committee receives regular reports summarising the amount of fees paid to the auditors. During 2024, Pearson spent a similar amount on non-audit fees when compared with 2023. For 2024, non-audit fees (excluding fees related to SOx 404 attestation) represented 3% of external audit fees (2% in 2023). Non-audit fees including those related to SOx 404 attestation represent 12% of audit fees (9% in 2023).

For all non-audit work in 2024, EY was selected only after consideration that it was best able to provide the services we required at a reasonable fee and within the terms of our policy on external auditors. Where EY is selected to provide audit-related services, we take into account its existing knowledge and experience of Pearson. Where appropriate, services are tendered prior to a decision being made as to whether to award work to the auditors.

Significant non-audit work performed by EY during 2024 included:

- half-year review of interim financial statements
- bond issuance comfort letter and bond proceeds limited assurance
- SOx 404 attestation of financial reporting controls

A full statement of the fees for audit and non-audit services is provided in note 4 to the financial statements on page 174.

Graeme Pitkethly

Chair of Audit Committee

Audit Committee report *continued*

Significant issues considered by the Audit Committee

Issue	Action taken by Audit Committee	Outcome
Going concern and viability		
• The assessment of the Group's viability and the appropriateness of the going concern assumption.	• The Committee reviewed future budgets and cash flow forecasts to understand the Group's available liquidity and ability to continue as a going concern. The Committee reviewed and challenged the risks to the forecasts identified. The Committee reviewed the outcome of the severe but plausible scenario modelling and stress testing. • **EY challenge:** EY challenged the appropriateness of the assumptions used to calculate the cash forecasts under base and severe but plausible downside case scenarios, including whether the downside scenarios were sufficiently severe.	• The Committee is satisfied with the modelling process and the risks identified. In addition, the Committee is satisfied with the stress testing performed and the severe but plausible scenario modelling. The Committee noted that in all scenarios the Group had a high level of liquidity headroom and sufficient headroom against covenant requirements. • The Committee is satisfied with the adequacy of the Group's viability and is satisfied that the Group is a going concern. • The Committee is satisfied with the disclosures related to going concern and viability.
Revenue recognition		
• Pearson has a number of revenue streams with different revenue recognition models. For some revenue streams, judgements and estimates are required in order to determine the amount and timing of revenue recognition.	• The Committee regularly reviews and challenges revenue recognition practices and the underlying assumptions and estimates. In addition, the Committee has visibility of the internal control framework over revenue and the results of the monitoring and certification work performed by the Controls Centre of Excellence over those controls. In addition, the Committee has visibility of internal audit findings relating to revenue recognition controls and processes. The Committee routinely monitors the views of the external auditor on revenue recognition issues. This includes review of their data analytics testing of revenue and understanding any exceptions that do not follow the expected process path as well as testing of one off or judgemental items. • **EY challenge:** EY specifically challenged areas where there is manual intervention in the revenue recognition process, in particular where revenue is recognised over time and assumptions are used to determine the timing of recognition.	• The Committee is satisfied that revenue is being recognised appropriately

Issue	Action taken by Audit Committee	Outcome
Recoverability of non-current assets		
• Pearson (the Group) holds significant non-current assets including right-of-use assets (in relation to leased properties); property, plant and equipment; goodwill and intangible assets. • Pearson plc (the Company) holds significant investments in subsidiaries, some of which were impaired in previous years. During 2024, historical impairments of £1.3bn have been reversed. • There are significant estimates and assumptions used in the impairment reviews.	• The Committee monitored the Group's property strategy during the year to determine if there were impairment triggers. The Committee considered the results of the Group's property impairment reviews with specific focus on the 80 Strand property. Updates to key assumptions were reviewed and challenged. The Committee considered the adequacy of related disclosures. • The Committee monitored the Group's plans and forecasts during the year to determine if there were impairment triggers. The Committee considered the results of the Group's goodwill impairment reviews which were undertaken in December and refreshed post year end. Key assumptions – including cash flows derived from strategic and operating plans, long-term growth rates and the weighted average cost of capital – were reviewed and challenged. The Committee considered the sensitivities to changes in assumptions and the adequacy of disclosures required by IAS 36 'Impairment of Assets'. • The Committee considered the valuation of the investments in subsidiaries held in Pearson plc the company. The Committee specifically considered the application of the Group goodwill impairment model to the investments and also the existence of indicators of impairment reversal. • **EY challenge:** EY challenged the judgement in respect of the identification of the impairment reversal trigger in parent company investments. EY also challenged the assumptions included in the prospective financial information used for the value in use calculation.	• The Committee is satisfied with the results of the property impairment reviews and the subsequent impairment charges recognised in the income statement. • The Committee noted the reduction in risk related to the recoverability of right-of-use assets and is comfortable that it is no longer considered a key area of estimation. • The Committee is satisfied with the results of the annual goodwill impairment review. • The Committee is satisfied with the disclosures relating to non-current asset impairments and concurs with management's view that the recoverability of goodwill is not a key area of estimation. • The Committee is satisfied that there is enough headroom and an appropriate trigger for reversing impairments on subsidiaries in the parent company. The Committee is satisfied with the disclosures related to the impairment reversal.

Audit Committee report *continued*

Issue	Action taken by Audit Committee	Outcome
Tax		
• Pearson holds provisions in relation to uncertain tax positions. • In 2021, Pearson paid £105m (including interest) in relation to the EU state aid matter and at that time the amount was recognised as an asset as it was expected to be recovered in due course. In 2022, the EU General Court dismissed the appeal made by the UK Government in relation to this matter, with Pearson establishing a provision of £63m in 2022 representing an estimate of the expected liability. In 2024, following a further appeal, the Court of Justice of the European Union (CJEU) issued its final judgement in favour of the taxpayer and annulled the 2019 European Commission State Aid decision in full. Pearson now expects to recover the monies paid in due course and has reversed the associated provisions which were made in 2022. • Changes to, and the application of, tax legislation continues to be a complex and judgemental area.	• The Committee considered various developments during the year, including the CJEU's final judgement in relation to the European Commission's decision that the UK's Finance Company Partial Exemption rules constituted state aid ('EU state aid'), ongoing tax audits and the appropriateness of the associated provisions. • The Committee also considered the impact of changes in tax legislation, including 'Pillar 2' of BEPS 2.0 now effective for Pearson from 1 January 2024. • **EY challenge:** EY specifically challenged the inputs and assumptions used in the calculation of provisions for uncertain tax positions. They also challenged the classification of the receivable in relation to EU State Aid as a current asset, considering the expected settlement date as well as the appropriateness of the interest accrued for interest that will be paid on the tax element of the amounts previously collected based on HMRC guidance.	• The Committee is satisfied with Pearson's approach to the EU state aid matter including the reversal of provisions, the presentation of the associated debtors and the recognition of related interest amounts. • The Committee is satisfied with the appropriateness of provisions held in relation to other uncertain tax positions. • The Committee is satisfied with Pearson's approach to managing the impact of tax legislation changes. The Committee is satisfied with the disclosures relating to the expected impact of Pillar 2.
Retirement benefits		
• Pearson holds a significant obligation in relation to the Group's defined benefit pension schemes. The UK Group Pension Plan is in a significant net surplus position after the recognition of the related assets. During 2024, discretionary increases were agreed for certain cohorts of pensioners in the UK Group Pension Plan.	• The Committee considered developments related to the triennial valuation of the UK Group Pension Plan and the impacts on the IAS 19 accounting. • The Committee considered the treatment of discretionary increases for certain cohorts of pensioners in the UK Group Pension Plan, including the presentation of the related past service. • **EY challenge:** EY specifically challenged the assumptions used in determining the defined benefit obligations, taking into account both market practice as well as the specifics of the Pearson pension schemes.	• The Committee is satisfied with the IAS 19 accounting, and related disclosures, for the Group's pension obligations and assets. • The Committee is satisfied with the presentation of past service costs related to discretionary pension increases.

Directors' Remuneration Report

Sherry Coutu CBE
Chair of Remuneration Committee

Key to Committees

- A **Audit**
- NG **Nomination & Governance**
- RR **Reputation & Responsibility**
- R **Remuneration**
- ◯ **Committee Chair**

Key messages from the Remuneration Committee

- Shareholder input remains very important to the Committee as we keep remuneration policy and practice under continuous review. Following the 2024 AGM vote, and as part of our long-standing commitment to an ongoing and transparent dialogue with shareholders and their advisers, we undertook another extensive shareholder engagement exercise in 2024. Consequently, we have refined our disclosure in response to the feedback we received, particularly with respect to benchmarking.
- The Committee considered performance outcomes for 2024. The annual incentive outcome for Executive Directors is 64% of maximum, reflecting another year of strong financial and strategic progress. The long-term incentive award granted in 2022 will vest at 75.3% of maximum, reflecting strong earnings and Net Return on Invested Capital ('Net ROIC') performance, combined with upper quartile Total Shareholder Return ('TSR') performance over the three-year performance period.
- For 2025, we have updated the strategic performance metrics within the incentive plans to ensure they continue to appropriately support Pearson's forward-looking strategic transformation. We will introduce metrics based on renewal rates in Assessments & Verification and growth in enterprise customers in the 2025 Annual Incentive Plan ('AIP'). In the 2025 Long-Term Incentive Plan ('LTIP'), the current strategic measures will be replaced with a metric measuring new business growth in Assessments & Verification, recognising that enabling even more transformative learning journeys will result in the greatest positive social impact.
- The Committee approved a salary increase of 2.2% for the Chief Executive, aligned with the wider UK workforce, and an increase of 8% for the CFO, recognising that her salary level had fallen below a sufficiently market competitive level for an individual of her skills, experience and track record, in similarly sized companies.
- The Committee remains focused on ensuring that remuneration policies and practice for all Pearson's colleagues are consistent with our need to attract and retain extra-ordinary talent to drive Pearson's forward-looking strategy, aligned with our purpose, and values which will deliver continued value creation for our shareholders.

Terms of reference

The Committee's terms of reference are in line with the UK Corporate Governance Code and are available on the Governance page of the Company website at pearsonplc.com. A summary of the Committee's responsibilities is on page 135.

Board Committee attendance

There were six scheduled meetings of the Remuneration Committee in 2024. Attendance by Directors was as follows:

Committee members	Meetings attended
Sherry Coutu CBE[1] R NG	5/6
Alison Dolan[2] R A	3/3
Esther Lee R NG	5/6
Tim Score[3]	4/4
Annette Thomas RR R NG	6/6

1. Sherry Coutu was unable to attend one ad hoc additional committee meeting due to a pre-existing commitment.
2. Alison Dolan joined the Committee on 1 April 2024.
3. Tim Score stepped down on 26 April 2024.

Dear Shareholder

On behalf of the Board, I am pleased to present Pearson's 2024 Directors' Remuneration Report.

Pearson once again delivered a strong financial performance with underlying sales growth of 3% (taking portfolio adjustments and FX into account and excluding the OPM and Strategic Review businesses) and adjusted operating profit of £600m, up 10% on an underlying basis compared to 2023. Free cash flow performance was also strong at £490m, up 27% with a free cash flow conversion rate of 117%. These results reflect continued strategic progress against the priorities we set at the beginning of the year, which has laid the foundation for future growth. Pearson has delivered a 36% Total Shareholder Return over this period (and a return of 125% over the three-year period to 31 December 2024).

Directors' Remuneration Report *continued*

Reflecting the Board's confidence in the outlook for the business, we completed a multiyear share buyback of £500m in 2024, announced a further £350m buyback and are recommending a 6% increase in the final dividend, for a full-year dividend of 24.0p per share. Our strong balance sheet and excellent cash flows also enable investment in opportunities to drive growth to create further value for our stakeholders.

The Board is pleased with Pearson's performance in 2024 and is confident that the updates to Pearson's strategy announced by our Chief Executive, Omar Abbosh, in July 2024 sets us on the path for sustained growth that will continue to produce attractive returns for shareholders in 2025 and beyond.

Context for remuneration at Pearson

At Pearson, we broadly do three things:

- We create and curate content. This involves producing assessments, author learning IP, designing courses and writing curriculum standards.
- We distribute content physically and digitally including delivering assessments, distributing lessons and facilitating teaching.
- We build and verify skills. This involves scoring assessments, assessing gaps, credentials and evaluating talent.

Over the last five years, Pearson has transformed in terms of global breadth, scope, scale and performance. The business has grown from Pearson the company to Pearson the brand.

- From a holding company into an operating company.
- From analogue to digital.
- From a content publisher to a learning & assessment company.
- From legacy to a modern, high-performance culture.

Against this backdrop, there is a significant step-change in our talent requirements. Pearson is a heavily tech-oriented organisation with c.17,000 employees operating across over 40 countries, competing for senior leadership talent on a global basis. As set out on page 122, 85% of the Pearson Executive Management team and over 80% of our employees are based outside of the UK.

At the heart of Pearson's transformation has been the executive team assembled under Andy Bird's and Omar Abbosh's leadership. The ambitious strategy developed and executed by our executive team has strengthened the company, positioning it to grow and succeed, while creating significant sustainable long-term shareholder value. For example, since Andy Bird's appointment as CEO on 19 October 2020, and continuing with Omar Abbosh's appointment as CEO on 6 January 2024, we have:

- Generated Total Shareholder Return of 164% and created over £4.4bn in shareholder value (19 October 2020 – 31 December 2024);
- Increased Adjusted EPS by 116% from 28.7p to 62.1p (31 December 2020 – 31 December 2024);
- Increased our Dividend Per Share 23% from 19.5p to 24.0p (31 December 2020 – 31 December 2024);

Uppermost in our mind, as a Committee, is the responsibility to ensure that the Remuneration Policy reflects the quantum and flexibility required to retain and attract exceptional talent in an extremely competitive global market.

The principles that have supported our approach to talent attraction and retention are outlined on page 120. In transitioning from a UK-based holding company to a global platform that serves institutional, educational, and corporate clients, we benchmarked compensation against companies of similar complexity and scale to Pearson. In consideration of this data when developing the 2023 Policy, the Committee purposefully avoided relying on a single market reference point. Instead, we considered diverse benchmarks drawn from FTSE 41-100 companies, comparable US-listed firms, and a talent market group (CEO-1 roles in large technology, communications, and consumer discretionary companies, in particular those that are at the forefront of transformative, innovative plays within technology and digital, based on the Nasdaq 100 Index). Further information on our approach and the data points, expanded from disclosure in previous years, is set out on page 123.

The revisions to the Directors' Remuneration Policy also addressed the Committee's desire to reinforce Pearson's pay-for-performance philosophy, by rebalancing the package to favour 'at risk' performance base pay. The Committee considered this to create better alignment with the interests of Pearson's shareholders, further detail is set out on page 124.

Shareholder engagement

The Committee welcomed the support received from over two-thirds of our shareholders for the Directors' Remuneration Report ('DRR') at the 2024 AGM, and were also pleased to receive support from IVIS and Glass Lewis. It was naturally disappointing that a significant minority voted against the DRR. We noted that the resolution was opposed by ISS, which we believe influenced a significant portion of the vote against, in particular from smaller institutional holders who may follow this recommendation for their voting.

Our established commitment to an ongoing dialogue with our shareholders on executive pay means we have engaged extensively in recent years, as described in more detail on page 121.

As a result, we have a good understanding of how our shareholders view our approach, which reflects a truly global business with many shareholders and most of its staff and revenues in the US.

Nevertheless, in light of the outcome at the 2024 AGM, a further engagement exercise was pursued. This helped ensure we captured as much feedback about the voting outcomes as possible, and extended the opportunity for shareholders to provide new or further feedback on Pearson's approach to remuneration more generally. We also expanded the coverage of our engagement from previous programmes, writing out to our largest 100 shareholders, representing c.83% of the share register. We have also met with certain proxy agencies and other representative groups.

We received written feedback from 11 shareholders and the Committee Chair participated in eight meetings. A number of shareholders' responses indicated that they felt there was no need for engagement given the extensive previous consultations on Pearson's current remuneration arrangements.

The feedback we received reconfirmed that while there is a diverse range of views in our shareholder base with respect to executive pay, the majority of those we engaged with during this most recent exercise supported our overall approach and recognised that a disconnect between pay and performance, pay and market position, and pay and calibre of talent, created a substantial risk around talent attraction and retention at Pearson.

Some shareholders, as well as ISS, retained concerns around the implementation of the increases to variable incentive opportunities introduced under the Directors' Remuneration Policy approved by shareholders at the 2023 AGM. In addition, there was a perception from ISS that implementing the new Policy immediately after shareholder approval at the 2023 AGM, represented a failure to adequately engage with and listen to shareholders, in light of that vote in 2023.

While acknowledging this view, the Committee notes that we had consulted widely in developing the Policy in early 2023 and had refined the final proposals in response to the feedback received. We were aware, at that time, and as recognised in the Directors' Remuneration Report for that year, that there remained a range of views among our shareholder base, such that a significant vote against the Policy was a possibility.

Following shareholder approval at the 2023 AGM, the Policy was implemented—not only because it garnered majority support, but also because the Board maintained that aligning compensation with performance, market position, and talent calibre was essential for competing in the global talent market.

This strategic decision ultimately serves the best interests of the company and its diverse stakeholders.

Critically, that view was subsequently reaffirmed later in 2023 when the new Policy allowed us to appoint Omar Abbosh as our new Chief Executive. Without the new Policy, we do not believe we would have been able to compete to hire a leader of Omar's calibre.

During the most recent shareholder engagements, a number of investors informed us that as a result of this engagement, they fully understand the talent markets Pearson competes in (and by extension the rationale underpinning the current Remuneration Policy) but had a desire to see greater detail on the markets we look at. To reflect this feedback, we have further expanded information on our talent markets and approach to pay positioning (see page 123). Some shareholders also wished to better understand the shareholder engagement we have undertaken and how this influenced the Policy proposals, which is discussed in more detail on page 121.

Finally, our engagement revealed that some investors held ongoing concerns over the legacy Co-Investment Plan for the previous Chief Executive and did not vote in favour of the Directors' Remuneration Report because of this. The Co-Investment Plan has now concluded, there are no further tranches to vest and no new awards will be made (because it was not retained as part of the current Directors' Remuneration Policy we introduced in 2023).

Pearson remains committed to a constructive and positive relationship with all its shareholders and their advisers and will continue to engage widely going forward, including later this year in respect of the development of our next Remuneration Policy.

Incentive outcomes for 2024

2024 AIP

The strong financial and strategic progress delivered in 2024 resulted in a formulaic AIP outcome for Executive Directors of 64% of maximum, with outperformance against the stretching targets for adjusted operating profit and free cash flow, and achievement between threshold and target on sales. Overall, the Committee was satisfied that the formulaic outcome was reflective of the performance achieved.

2022 LTIP

The LTIP granted in 2022 will vest in 2025 at 75.3% of maximum, principally reflecting strong underlying performance in earnings per share ('EPS') and Net ROIC as well as exceptional upper quartile TSR over the three-year performance period. The shares vesting will remain subject to a two-year holding period.

Further details of the performance outcome for both incentive awards are set out on page 128.

Looking forward to 2025

Salaries for 2025

Salary increases for the Executive Directors are reviewed by the Committee using a framework consistent with that used in the wider business. For 2025, the CEO's salary will increase by 2.2%, in line with the average increase in the wider UK workforce, and noting his recent appointment. For the CFO, the Committee reflected on Sally Johnson's continued strong performance since her appointment in 2020, the broad remit of her role which extends into key operational areas of the business, and the critical role she played in supporting a highly successful CEO transition last year. Sally has played a key part in Pearson's strong and sustained performance (referred to earlier), growing the market capitalisation of the business above £8.6bn, with Pearson now positioned within the top 50 largest companies by market capitalisation in the UK. Against this performance backdrop, the Committee noted that the salary level had fallen below a sufficiently market competitive level for an individual of Sally's skills, experience and track record, in similarly sized companies. Taking all of the above into account, the Committee agreed that the CFO's salary should be increased to £620k. We recognise that this increase of 8% is above the average workforce increase, but it is appropriate to reflect the factors above and is consistent with the framework used to take into account performance and market relativity for salary reviews in the wider business. Salary increases will take effect from 1 April 2025.

Performance framework

Each year, the Committee carefully reviews the performance measure framework to ensure it optimally aligns with key priorities from the forward looking strategy which will drive long-term shareholder value. Having undertaken this review for 2025, the Committee is proposing to update the strategic metrics within both the AIP and LTIP to directly align with our new Integrated Strategic Framework outlined in detail on page 12. In particular, growing value in our core business (Assessments & Verification), while also delivering on our strategic growth pillars and delivering the greatest positive social impact by enabling even more transformative learning journeys.

In the AIP, we will update the 10% strategic component to include 5% which is based on renewal rates within Assessments & Verification and 5% based on growth in our enterprise customer base. These are core annual priorities for the Group as we execute on the strategic framework.

For the LTIP, 10% will be based on driving long-term growth in our core business, with a metric based on new business growth in Assessments & Verification.

These new strategic metrics will replace measures on representation and carbon reduction. Our strong and sustained progress in these areas means we are comfortable in re-prioritising the strategic metrics in our incentives. We will continue to keep the metrics and weightings under regular annual review. No other changes will be made to the AIP or LTIP metrics, which remain closely aligned to financial performance and shareholder value.

Target-setting for 2025

One of Pearson's key remuneration principles, which applies across the whole organisation, centres on pay for performance, and this is actively considered by the Committee when determining targets. For 2025, in line with established practice, a robust target-setting process has been followed considering Pearson's strategic plan as well as other relevant factors such as analyst consensus, to reflect market expectations.

As reflected by our past track record, the Committee has a very strong focus on paying only when performance is delivered and setting truly stretching performance targets. The approach taken this year is no different. For both EPS and return on capital ('ROC'), the stretch of the performance ranges has been increased compared to last year's awards. For maximum vesting, performance must be well in excess of current market guidance, with shareholder returns in the upper quartile against both the FTSE 100 and the S&P 500.

Remuneration across Pearson

Pearson's remuneration principles are consistent across the organisation and designed to support our culture and to attract and retain talent to execute our strategy. Many of the features of our Directors' Remuneration Policy apply more broadly; for example, over half of all Pearson employees (c.10,000 employees) participated in the AIP during 2024, which was funded based on similar performance measures as those used for Executive Directors. The Committee receives regular updates on talent matters and wider workforce considerations and rigorously considers the approach to reward throughout the organisation when determining executive remuneration.

Pearson is committed to a transparent and positive relationship with all its stakeholders and will continue to engage widely as appropriate going forward. I would like to thank shareholders for their continued support at the 2025 AGM in relation to our 2024 Directors' Remuneration Report.

Sherry Coutu CBE

Chair of Remuneration Committee

Annual Report on Remuneration - 'At A Glance'

Revenue	Adj. operating profit	Free cash flow	Adjusted EPS	Return on capital	Dividend per share	3 year Total shareholder return
£3,552m	**£600m**	**£490m**	**62.1p**	**10.5%**	**24.0p**	**+125%**
3% underlying growth on prior year*	10% underlying growth on prior year	27% growth on prior year	7% growth on prior year	+0.2% on prior year	6% increase on prior year	+101% on a 3m average basis to 31 Dec 2024

Strategic highlights

- 130 basis points of margin expansion to 16.9%
- Strong cash performance, with free cash flow of £490m, and announcement of new £350m share buyback
- Scaled AI across our products and services, enhanced and extended the generative AI tools in our Higher Education courseware and developed new AI tools in English Language Learning and Virtual Schools
- Signed deals with ServiceNow, Degreed, Microsoft and AWS to help employees and organisations prepare for the future of work

AIP outcome

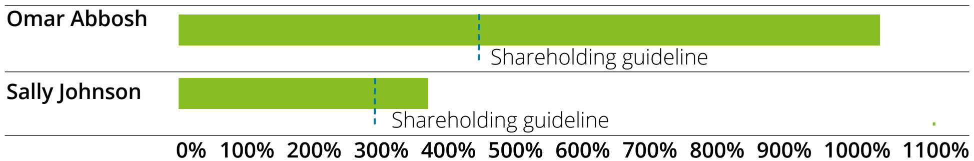
	Weighting	Threshold	Target	Max	% of total
Adjusted operating profit	40%	£555m	£565m	£655m	28%
			£600m		
Sales	30%	£3,535m	£3,560m	£3,765m	13%
		£3,552m			
Free cash flow	20%	£390m	£400m	£475m	20%
				£490m	
Strategic measure	10%	+2%	+5%	+10%	3%
		+2.3%			
				Final outcome	64%

LTIP outcome

	Weighting	Threshold	Target	Max	% of total
Adjusted EPS*	33.3%	50.2p	57.2p	66.2p	28.0%
			62.1p		
Net ROIC	33.3%	6.0%	7.0%	8.0%	14.0%
		6.5%			
Relative TSR vs FTSE 100	33.3%	Median		Upper Quartile	33.3%
			Upper Quartile (rank 9 of 92)		
				Final outcome	75.3%

* The Adjusted EPS target range was adjusted to reflect the impact on the vesting outcome of share buybacks over the performance period.

Executive Director shareholdings



* Excluding the OPM and Strategic Review businesses.

Summary of our Directors' Remuneration Policy

The table below provides a summary of our Directors' Remuneration Policy. The full Directors' Remuneration Policy, as approved at the 2023 AGM, is available on the Governance page of the company's website at https://plc.pearson.com/sites/pearson-corp/files/pearson/our-company/Governance/governance-downloads/remuneration-policy-2023.pdf

Base salary	• Base salaries reflect level, role, skills, experience, the competitive market and individual contribution. • Base salaries are normally reviewed annually, consistent with the framework used to take into account performance and market relativity for salary reviews in the wider business, with any increases normally in line with typical increases awarded to other Group employees.
Allowances and benefits	• Reflects the local competitive market and may include travel-related, health-related and risk-related benefits as well as any other benefits provided to the majority of employees. • The Committee may introduce other benefits if it is considered appropriate to do so.
Retirement benefits	• Employees in the UK, including Executive Directors, are eligible to join the Money Purchase 2003 Section of the Pearson Pension Plan. • The Committee has discretion to put in place retirement benefit arrangements in line with local market practice. • Executive Directors, who opt out of the pension, can receive a cash allowance of up to 16% of base salary, in line with the maximum company contribution as a percentage of salary that UK employees of a similar age are eligible to receive.
Annual incentive plan	• Maximum opportunity of 300% of salary. • Based on the achievement of annual business goals and strategic objectives, with financial metrics accounting for at least 75% of total opportunity. • Payout of 25% of maximum for threshold performance with 50% payable for on-target performance. • Discretion to adjust formulaic outcome where this does not reflect underlying performance. • Awards paid fully in cash except where shareholding guidelines have not been met where a bonus deferral applies. • Malus and clawback provisions apply.
Long-term incentive plan	• Maximum opportunity of 450% of base salary. • Based on the achievement of financial targets (e.g. earnings per share and a return measure), shareholder returns (e.g. relative total shareholder return) and strategic objectives. • Payout of 20% of maximum for threshold performance. • Discretion to adjust formulaic outcome where this does not reflect underlying performance. • Awards are subject to a post-vesting holding period of two years. • Malus and clawback provisions apply.

Shareholding guidelines	• Current in-employment guidelines of:
	  • 450% for the Chief Executive
	  • 300% for the Chief Financial Officer
	• Post-employment shareholding guidelines apply.

Chair and NED fees	• To attract and retain high-calibre individuals, with appropriate or industry-relevant skills, by offering market-competitive fee levels. • The Chair and Deputy Chair are paid a single fee for all responsibilities. • The Non-Executive Directors are paid a basic fee, with Committee Chairs, members of the main Board Committees, and, if relevant, the Senior Independent Director paid an additional fee to reflect their extra responsibilities. • The Chair, Deputy Chair and Non-Executive Directors receive no other pay or benefits, except for reimbursement of expenses, and do not participate in incentive plans. • A minimum of 25% of the Chair, Deputy Chair and Non-Executive Directors' basic fee is paid in shares.

Implementation in 2025

Base salary

Salaries with effect from 1 April 2025:

- Omar Abbosh – £1,022,000 (2.2% increase)
- Sally Johnson – £620,000 (8% increase)

Salary increases for the Executive Directors are reviewed by the Committee using a framework consistent with that used in the wider business. The CEO's salary will increase in line with the average increase in the wider UK workforce, and noting his recent appointment. For the CFO, the Committee reflected on Sally Johnson's continued strong performance since her appointment in 2020, the broad remit of her role which extends into key operational areas of the business, and the critical role she played in supporting a highly successful CEO transition last year. Sally has played a key part in Pearson's strong and sustained performance, growing the market capitalisation of the business above £8.6bn, with Pearson now positioned within the top 50 largest companies by market capitalisation in the UK. Against this performance backdrop, the Committee noted that the salary level had fallen below a sufficiently market competitive level for an individual of Sally's skills, experience and track record, in similarly sized companies. Taking all of the above into account, the Committee agreed that the CFO's salary should be increased to £620k. We recognise that this increase of 8% is above the average workforce increase, but it is appropriate to reflect the factors above and is consistent with the framework used to take into account performance and market relativity for salary reviews in the wider business.

Annual Incentive Plan

Maximum opportunities of:

- 300% of base salary for the Chief Executive
- 200% of base salary for the Chief Financial Officer

For 2025, the following balanced mix of financial and strategic measures will be used to determine any payout. As in previous years, we will apply a financial underpin to the strategic measures. The performance targets are considered commercially sensitive and will be disclosed in full retrospectively in next year's report.

Adjusted operating profit	Sales	Free cash flow	Strategic measures*
40%	30%	20%	10%

* Split equally between 'Enterprise Skilling – number of key enterprise customers' & 'Assessments & Verification – rates of renewal'.

In line with the Policy, a third of any bonus paid will be deferred into shares for two years if an Executive Director has not met their shareholding guideline.

Benefits

- Travel, health and risk-related benefits in line with Policy
- Pension cash allowance of 16% of base salary

Long-term incentive Plan

Awards will be made as follows:

- 450% of base salary for the Chief Executive
- 300% of base salary for the Chief Financial Officer

Performance will be measured over the three-year period to 31 December 2027, with any shares vesting subject to an additional two-year holding period. Performance measures and targets for the 2025 award are as follows:

	% of total	Threshold	Maximum
Adjusted EPS	30%	67.0p	85.0p
Return on Capital	30%	10.5%	14.0%
Relative TSR	30%	Median	Upper quartile
Strategic Measure – Assessments & Verification: New Business Growth	10%	£90m	£105m

Note 1: Vesting is on a straight-line basis between Threshold and Maximum.
Note 2: 2025 LTIP targets have been set at a USD:GBP exchange rate of 1.25.
Note 3: Relative TSR will be assessed half against the FTSE 100 and half against the S&P 500. Companies within financial services, energy, basic materials, utilities and healthcare sectors will be excluded from both TSR groups.

Chair and NED fees

Fees remain unchanged and will be as follows:

- £500,000 for the Chair
- £175,000 for the Deputy Chair and Senior Independent Director
- £70,000 as the base fee for Non-Executive Directors

	Audit Committee	Remuneration Committee	Nomination & Governance Committee	Reputation & Responsibility Committee
Committee Chair	£27,500	£27,500	£15,000	£15,000
Committee member	£15,000	£10,000	£8,000	£8,000

Alignment of performance framework to Pearson's strategy

	Objective	Measure	2025 AIP	2025 LTIP
Financial objectives	**Sustainable profitable growth**	1 **Total shareholder return (TSR)**		✓
Financial objectives	**Sales**	2 **Sales**	✓	
Financial objectives	**Adjusted operating profit**	3 **Adjusted EPS**		✓
Financial objectives	**Adjusted operating profit**	4 **Adjusted operating profit**	✓	
Financial objectives	**Free cash flow conversion**	5 **Free cash flow**	✓	
Financial objectives	**Return on capital**	6 **Return on capital**		✓
Strategic objectives	**Assessments & Verification:** Driving performance in the core business	1 **Businesses rate of renewal and new business growth**	✓	✓
Strategic objectives	**Enterprise Skilling:** targeted market expansion and medium-term growth vectors	2 **Number of key enterprise customers**	✓	

Directors' Remuneration Report *continued*

Remuneration principles

Pearson's remuneration principles govern pay for the whole organisation. We have developed remuneration arrangements for our Executive Directors with these principles in mind.

1
Aligned to longer-term strategy
Reward is linked to achieving Pearson's longer-term strategy, growth and sustainability

2
Pay for performance
Remuneration framework and outcomes are aligned with performance

3
Market competitive
Pay levels are market competitive, based on role, grade and contribution, and ensure individuals are fairly rewarded in line with the market

4
Targeted differentiation
We operate targeted differentiation of reward across our employees, linked to talent and performance management

5
Tailored
Our approach to reward is tailored in certain circumstances to address a specific market/business need, and is consistent with our underlying reward philosophy

6
One part of the employee value proposition
Remuneration is one part of our broader employee value proposition – and not the only reason to work for Pearson

Our Directors' Remuneration Policy and its implementation supports our company purpose of 'helping people realise the life they imagine through learning', our strategy and ultimately the delivery of long-term sustainable value for all stakeholders, including our shareholders.

In developing the Directors' Remuneration Policy, the Committee had due regard to the principles outlined within the UK Corporate Governance Code as it applied to 2024:

- Pearson's remuneration principles, as set out above, **align with our culture** and position us as an employer of choice, so we can continue to attract and retain the right talent, and support our strategy. We recognise that remuneration is only one part of Pearson's employee value proposition.
- Our executive remuneration framework is designed to be **simple**, with total remuneration made up of fixed and performance-linked elements, supporting different strategic objectives.
- Our remuneration framework and outcomes are designed to be **aligned with performance**:
  - Performance measures for the AIP and LTIP are key to achieving the Group's strategic objectives. The Committee reviews performance measures annually to ensure they incentivise appropriate management behaviours and goals.
  - The Committee carries out a robust target-setting process each year, considering Pearson's strategic plan, as well as analyst consensus to reflect market expectations. This results in stretching, yet achievable, AIP and LTIP targets.
  - Maximum awards under the AIP and LTIP are capped and clearly disclosed in our Directors' Remuneration Policy alongside indications of how the Directors' Remuneration Policy may apply in various performance scenarios.
  - When determining payouts, the Committee considers whether the outcome reflects overall company performance and the experience of stakeholders over the period, including shareholders and colleagues. If not, it has the discretion to adjust outcomes.
- The Committee is **mindful of reputational and other risks** when implementing the Directors' Remuneration Policy and determining outcomes for Executive Directors and senior management. Pearson has safeguards in place, such as malus and clawback provisions and a two-year LTIP holding period, as well as robust shareholding guidelines, which extend post-employment.
- Before signing off the Directors' Remuneration Report, the Committee reviews drafts and inputs to **clarify** our disclosures. As described on page 121, the Committee **engaged extensively with shareholders** on the current Directors' Remuneration Policy to give them the opportunity to feed into the decision-making process.

Discretion framework

When determining performance outcomes, the Remuneration Committee has the ability to adjust payments up or down if it believes that the outcome does not reflect underlying financial or non-financial performance or if such other exceptional factors warrant doing so. In making this determination the Remuneration Committee applies the following framework:

What is the formulaic outcome considering performance versus existing targets and underpins?

Is this consistent with overall company performance?

Is this consistent with the wider stakeholder experience?

Are there any significant culture, ESG or operational issues to be considered?

Are there any one-off or exceptional events to be taken into consideration?

Are outcomes appropriate or should an adjustment be considered?

Shareholder engagement

We have a well-established commitment to ongoing dialogue with our shareholders on executive compensation. The following table summarises the extensive engagement we have undertaken in recent years in support of the development and implementation of our current Remuneration Policy:

Pre-2023 AGM Policy consultation	Post-2023 AGM Follow up	Pre-2024 AGM	Post-2024 AGM Follow up
May to July '22: Initial soundings taken from top seven shareholders (c.45% of share register) to inform thinking and refine Policy proposals. Nov '22 to Jan '23: Wider consultation with top 30 shareholders (c.65% of share register) and outreach to major proxy agencies (ISS, IA, Glass Lewis). In total, 25 separate meetings or online discussions on the proposals. Overall, engaged with or received feedback from approximately 55% of the share register.	In response to the vote on the Policy at the 2023 AGM, a further engagement exercise was initiated with the top 50 shareholders (c.72% of the share register) to provide an opportunity for shareholders to offer any additional views. Only three shareholders (comprising c.3% of the share register) wished to engage at this time. We received a relatively small number of responses, with the majority welcoming the offer to engage, but noting that there was no requirement to do so given the extensive consultation prior to the 2023 AGM.	In advance of the 2024 AGM, we wrote to the top 20 shareholders offering an opportunity to provide feedback or ask any questions on the 2023 DRR.	In response to the vote on the DRR at the 2024 AGM, we initiated a further engagement programme. We expanded the engagement to cover Pearson's largest 100 shareholders representing c.83% of the share register. We received written feedback from eleven shareholders and the Committee Chair participated in eight meetings with shareholders. Again, a number of shareholders responded to state that there was no need for engagement given the extensive previous consultations on Pearson's current remuneration arrangements. We also met with certain proxy agencies and other representative groups.

Impact on Policy development

The extensive feedback from shareholders directly impacted a number of key aspects of the final Policy:

- Retention of standard UK bonus and LTIP structure
- Introduction of annual bonus deferral
- Increase to shareholding guidelines
- Reduction to the LTIP threshold vesting
- Choice and calibration of performance measures

While we encountered a diverse range of views in our shareholder base, the majority of those we engaged with, including almost all of our largest shareholders, were supportive of our approach.

Key themes from subsequent engagements

- As shown above, we have continued to broaden our engagement in each subsequent outreach to help ensure we can capture as much feedback as possible, while also extending the opportunity for shareholders to provide any new or further feedback on Pearson's approach.
- There remains a diverse range of views in our shareholder base. However, the majority of those we engaged with support our overall approach and recognised that a disconnect between pay and performance, pay and market position, and pay and calibre of talent, created a substantial risk around talent attraction and retention at Pearson.
- We recognise that some shareholders (as well as ISS) retained concerns around the implementation of the increases to incentive opportunities introduced under the Directors' Remuneration Policy approved by shareholders at the 2023 AGM. In addition, there was a perception from ISS that implementing the new Policy immediately after the AGM represented a failure to adequately engage with and listen to shareholders in light of the voting outcome. While acknowledging this view, the Committee notes that we had consulted widely in developing the Policy in early 2023 and had refined the final proposals in response to the feedback received. We were aware, at that time, and as recognised in the Directors' Remuneration Report for that year, that there remained a range of views among our shareholder base, such that a significant vote against the policy was a possibility. Following shareholder approval at the 2023 AGM, the Policy was then implemented on the basis that it was supported by the majority of shareholders, and because the Board continued to believe that it was critical to compete in the global talent market and ultimately in the best interests of the Company and its many stakeholders to reduce the risk created by the disconnect between pay and performance, pay and market position, and pay and calibre of talent. Critically, that view was subsequently reaffirmed later in 2023 when the new Policy allowed us to appoint Omar Abbosh as our new Chief Executive. Without the new Policy, we do not believe we would have been able to compete to hire a leader of Omar's calibre.
- During the most recent shareholder engagements, a number of investors informed us that as a result of this engagement, they fully understand the talent markets Pearson competes in (and by extension the rationale underpinning the current Remuneration Policy) but had a desire to see greater detail on the markets we look at. To reflect this feedback, we have further expanded information on our talent markets and approach to pay positioning (see page 122).
- Finally, some investors held ongoing concerns over the legacy Co-Investment Plan for the previous Chief Executive and felt unable to vote in favour of the Directors' Remuneration Report in part because of this. The Co-Investment Plan has now concluded, with no further tranches to vest and no new awards to be made (it was not retained as part of the current Remuneration Policy we introduced in 2023).

The Committee would like to thank all those shareholders that have engaged with us during this period. We are committed to an open and ongoing dialogue. Our next Directors' Remuneration Policy will be submitted for approval at the 2026 AGM, and we look forward to engaging again on our proposals in advance of that.

Directors' Remuneration Report *continued*

Market context for remuneration at Pearson – our talent markets

Our approach to executive reward is shaped by the characteristics of our business and the talent markets in which we operate.

Pearson is a global company and over two-thirds of our revenue comes from the US, which remains a key growth market. This gives us greater US exposure than almost all other UK-listed companies.

Additionally, more than half of Pearson's employees and over 60% of the Pearson Executive Management team (PEM) are based in the US. A relatively small proportion of our employees and executive team are based in the UK (just 15% of the PEM as of 31 December 2024, down from over half five years prior to that).

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

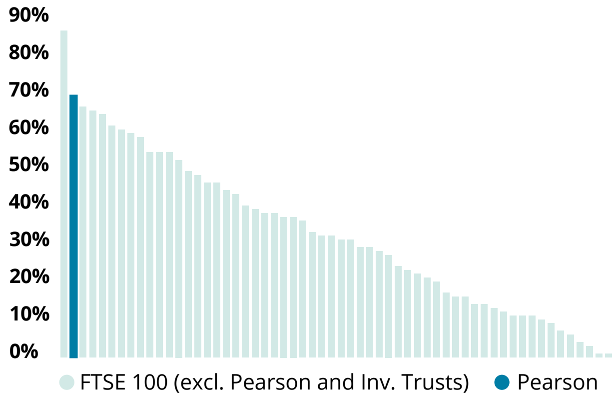
The expertise we require to implement our strategy is increasingly found within principally US-based large tech companies, EdTech companies or Fortune 500 companies. Our ability to recruit and retain talent from this North American market is therefore a critical ingredient if we are to continue to successfully deliver our strategy.

Since 2020, we have refreshed and strengthened our senior management team, with almost all of the senior hires in that period coming from US companies or global companies that offer 'US style' packages. For example, in this period we have recruited PEM talent from companies such as Accenture, Delta Air Lines, Hologic Inc, SEMA4, The Trade Desk and Warner Media.

The same theme can be seen at Executive Director level. We recruited Omar Abbosh from Microsoft, one of the world's largest multinational technology companies. Our previous Chief Executive had led the transformation of the Walt Disney's international business into a digital-first business, and was based in the US.

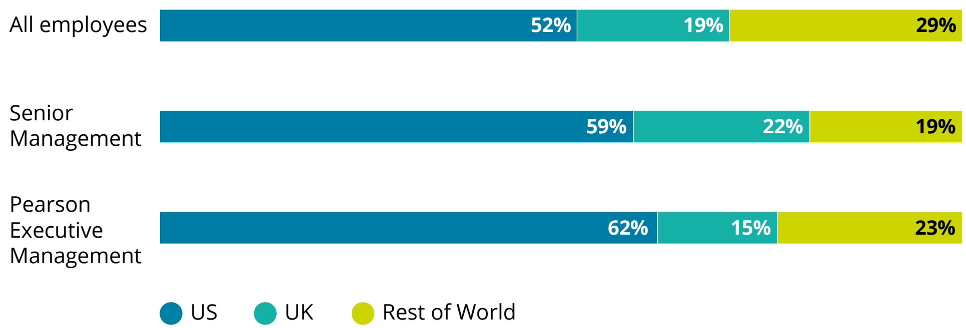
In addition to talent market considerations, the composition of our shareholder base is also changing. North American shareholders now account for around a quarter of our share register, a proportion which has nearly doubled since 2017.

Proportion of revenue from US geographic segment (FTSE 100)



Based on the publicly disclosed geographic revenue segment, which covers the US or Americas as a proportion of disclosed Group revenue. Data for Pearson is based on the year ending 31 December 2024. Data is shown for the FTSE 100 excluding investment trusts, and was sourced from Datastream and published annual reports as at January 2025.

Data as of 31 December 2024



Market reference points

As disclosed previously, the Committee's approach to market data which informed the development of the current Remuneration Policy was to consider multiple reference points to provide a rounded view of overall positioning, reflecting both the talent markets described above and our status as a UK-listed company. In calibrating the current Policy, the Committee did not seek to align with any one specific market reference point and was mindful of the need to ensure an appropriate balance. The three reference points considered were:

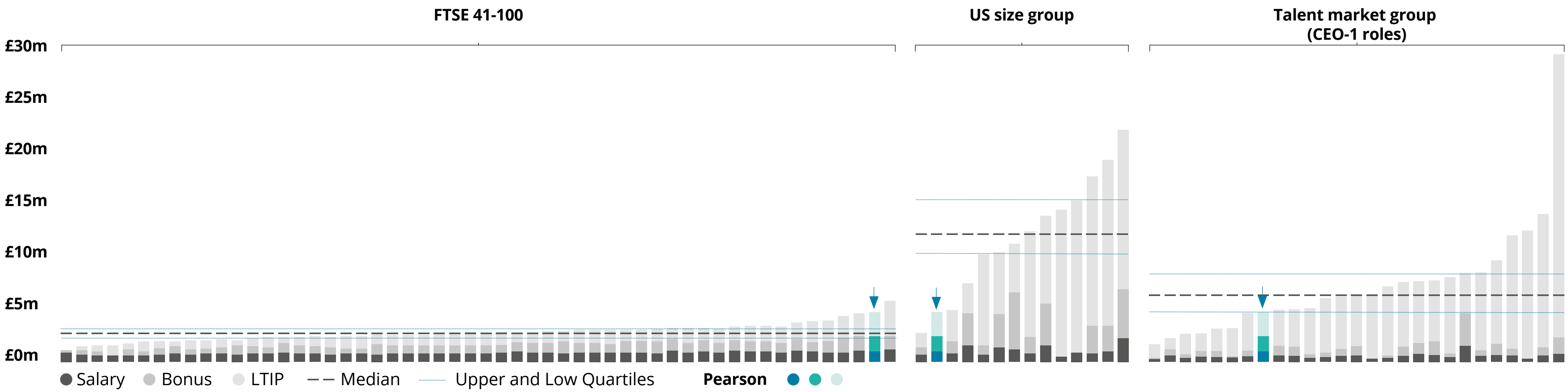
1. **FTSE 41-100.** UK-listed companies of a broadly similar financial size to Pearson, represented by companies ranked between 41 and 100 in the FTSE 100 using 12-month average market capitalisation (Pearson is ranked 57th on this basis). The group recognises Pearson's status as a constituent of the FTSE 100 index, but has no direct relevance to our primary talent markets.
2. **US-listed companies of a broadly similar financial size and sector.** This group includes US-listed companies of comparable revenue to Pearson (c.$3-4bn) in the broadcasting, interactive media and software sectors. It represents what Executive Directors would be paid in broadly similar US-listed companies, although again it does not directly align to Pearson's talent market.
3. **Talent market group.** This group comprises companies which are more closely aligned to our key talent market and strategic ambitions – large technology, communications and consumer discretionary companies, in particular those that are at the forefront of transformative, innovative plays within technology and digital, based on the Nasdaq 100 Index. This group was only used for the Chief Executive role at Pearson and, recognising that many of these companies are materially larger than Pearson, the market data considered was for roles reporting into the CEO (primarily heads of business units or subsidiary businesses) and not the CEO role itself. This is analogous to Omar Abbosh's previous executive role at Microsoft.

The constituent companies within each reference point are shown in the table on page 124.

The market data for these three reference points is summarised in the charts below for the Chief Executive and for each key element of remuneration. The data highlights the stark difference in pay practices between the UK and US markets. While it is acknowledged that the package for the Chief Executive is positioned towards the upper end of market practice from a UK perspective, it remains materially below the market range for CEO roles in US-listed companies of broadly similar size and sector. The Pearson package allows us to be competitive in Pearson's primary talent market, as reaffirmed by our appointment of Omar Abbosh in 2024.

We will continue to refine and evolve our approach to market data as we head into the next Remuneration Policy review. We are committed to transparently sharing our approach with shareholders, both in consultation and in the relevant Directors' Remuneration Report, and always welcome feedback.

Chief Executive – positioning of total target compensation (£) against each reference point



Directors' Remuneration Report *continued*

1. FTSE 41-100

Admiral, Airtel Africa, AutoTrader, B&M Retail, Beazley, Berkeley Holdings, British Land, Bunzl, Centrica, Coca Cola HBC, ConvaTec, Croda International, DCC, Diploma, DS Smith, EasyJet, Endeavour Mining, Entain, Frasers Group, Fresnillo, Halma, Hargreaves Lansdown, Hikma Pharmaceuticals, Hiscox, Howden Joinery, IMI, Informa, International Consolidated Airlines, Intertek, J Sainsbury, JD Sports Fashion, Kingfisher, Land Securities, Londonmetric Property, M&G, Marks & Spencer, Melrose Industries, Mondi, Persimmon, Phoenix Group, Rentokil Initial, Rightmove, Sage, Schroders, Severn Trent, Smith & Nephew, Smiths Group, Spirax Sarco, Taylor Wimpey, Unite, United Utilities, Vistry, Weir, Whitbread, and WPP.

2. US-listed companies of a broadly similar financial size and sector

AMC Networks, Electronic Arts, Graham Holdings, IAC/InterActiveCorp, IHeartMedia, Lionsgate Entertainment corp, Match Group, Nexstar Media, Nortonlifelock, Peloton Interactive, Pinterest, Roku, Sinclair Broadcast Group, Sirius XM Holdings, and Snap inc.

3. Talent market group (CEO-1 roles)*

Adobe Inc, Advanced Micro Devices Inc, Airbnb Inc, Alphabet Inc, Amazon.com Inc, Analog Devices Inc, Applied Materials Inc, ASML Holding NV, Automatic Data Processing Inc, Broadcom Inc, Cadence Design Systems Inc, Cognizant Technology Solutions Corp, Comcast Corp, Fiserv Inc, Intel Corp, Intuit Inc, KLA Corp, Lam Research Corp, Marvell Technology Inc, MercadoLibre Inc, Microchip Technology Inc, Microsoft Corp, Okta Inc, Qualcomm Inc, Tesla Inc, T-Mobile US Inc.

*This group was only used for the Chief Executive role at Pearson and, recognising that many of these companies are materially larger than Pearson, the market data considered was for roles reporting into the CEO (primarily heads of business units or subsidiary businesses) and not the CEO role itself.

Evolution of CEO Pay Mix

The revisions to the Directors' Remuneration Policy addressed the Committee's desire to reinforce Pearson's pay-for-performance philosophy, by rebalancing the package to favour 'at risk' performance based pay.

The Committee considered this to create better alignment with the interests of Pearson's shareholders:

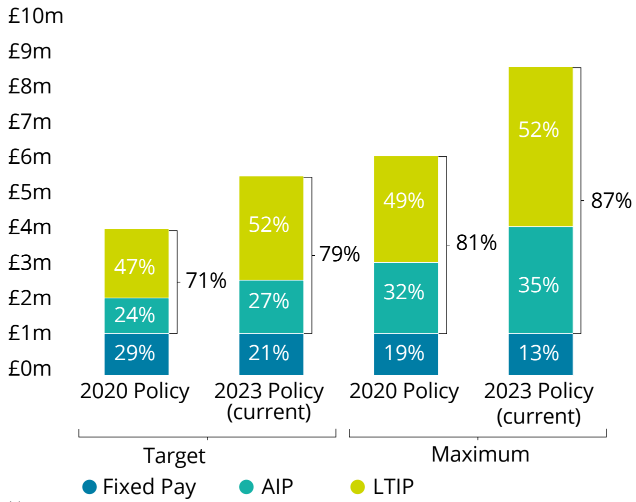
At Maximum

- The CEO's fixed pay reduced from 19% to 13% of the overall pay mix
- Variable pay increased from 81% to 87% of the overall pay mix and is earned only for delivering against stretching performance targets.
- 52% of the package is delivered through share based pay, with a five year time horizon (from date of grant to the end of the post-vesting holding periods).

At Target

- The CEO's fixed pay reduced from 29% to 21% of the overall pay mix
- Variable pay increased from 71% to 79% of the overall pay mix and is earned only for delivering against stretching performance targets.
- 52% of the package is delivered through share based pay, with a five year time horizon (from date of grant to the end of the post-vesting holding periods).

Evolution of CEO pay mix



Notes:
Current CEO's base salary has been applied to the 2020 Policy for comparability.
Target performance assumes 50% payout for AIP and LTIP under both the 2020 and 2023 Policies.
No share price growth assumptions are included in any scenarios.

Workforce remuneration at Pearson

The Committee takes seriously its responsibilities concerning the oversight of remuneration policies and practices for the wider organisation. Our remuneration principles as set out on page 120 are consistent for all our colleagues, and applied depending on business need, level and geography.

The key difference in our executive remuneration, compared to the approach to remuneration across our workforce, is that remuneration for our Executive Directors is more heavily weighted towards variable pay and linked to delivering strategic objectives.

Approach to remuneration across Pearson

<table>
<tr><td>Base salary</td><td>Set considering economic factors, competitive market rates, roles, skills, experience and individual performance.</td></tr>
<tr><td>Allowances and benefits</td><td>Reflect the local labour market in which colleagues are based and may include healthcare and well-being benefits.</td></tr>
<tr><td>Retirement benefits</td><td>Reflect local market practice.

Pearson colleagues in the UK may participate in the same underlying pension arrangements as the Executive Directors, subject to certain age bands and legacy arrangements. The main contribution plan (Money Purchase 2003) allows employees to pay in between 3% and 8% of their basic salary, depending on their age. Pearson then contributes double that amount, paying in between 6% and 16% of salary.</td></tr>
<tr><td>Annual incentives</td><td>Over half of all Pearson employees, around 10,000 colleagues, participate in an Annual Incentive Plan, which is funded based on similar performance measures to the Executive Directors. Several other colleagues (c. 1,700) participate in alternative cash-based annual bonuses, such as sales incentive and commission plans, based on performance targets and profit-shares where required for legislative reasons.</td></tr>
<tr><td>Share incentives</td><td>We believe in the importance of aligning the interests of management and our shareholders by delivering a significant proportion of total remuneration in the form of share incentives.

Approximately 700 colleagues (4% of all employees) participate in the annual Long-Term Incentive Plan grant, selected based on their role, performance and potential; with other awards being made from time to time on an ad hoc basis to certain roles based on market need.

Awards for our Executive Directors are made solely in the form of performance shares. However, our SVPs and Executive Management team have an equal mix of both performance shares (subject to broadly the same performance conditions as the Executive Directors) and restricted shares, recognising prevailing practice in the markets in which we compete for talent. At other levels, awards are typically made in restricted shares only.

<table>
<tr><td>Executive Directors</td><td colspan="2">100% performance shares</td></tr>
<tr><td>Executive Management Team</td><td>50% performance shares</td><td>50% restricted shares</td></tr>
<tr><td>SVPs</td><td>50% performance shares</td><td>50% restricted shares</td></tr>
<tr><td>VPs and Directors</td><td colspan="2">100% restricted shares</td></tr>
</table>

In addition to our Long-Term Incentive Plan, all colleagues have the opportunity to become shareholders and owners of the Company and share in the value they help to create through participation in savings-related share acquisition programmes. Under our ‘Save For Shares’ plan and ‘Employee Stock Purchase Plan’, employees can buy Pearson shares at a discount (20% discount for ‘Save For Shares’ and a 15% discount for the ‘Employee Stock Purchase Plan’, in line with the maximum discounts permitted by HMRC and the IRS respectively). Around one in five eligible employees currently save to purchase Pearson shares via our employee share plans, contributing to a strong culture of share ownership.</td></tr>
</table>

Directors' Remuneration Report *continued*

During the year, the Committee received reports from the Chief Executive and Chief Human Resources Officer on pay and conditions across Pearson, and on the recruitment and retention experience. We took these into account when determining executive remuneration. We have established channels in place to inform our colleagues and help them understand how executive remuneration and wider pay policies are aligned. Views and sentiment expressed by colleagues around matters relating to reward and culture are taken into consideration by the Remuneration Committee when determining pay for senior management. In order to give more colleagues the opportunity to meet the Board, including the members of the Remuneration Committee, three in-person sessions with employees in our major employee hubs in London and in the US in Hoboken, New Jersey and Durham, North Carolina, were held.

These facilitated meaningful interactions between Board members and various groups of employees to hear their thoughts, feedback and questions.

Board members engaged on a variety of topics, including the strategic review process and the clarity of our strategic priorities, the plans for execution and the pace of transformation required, and the importance of company culture. See page 85 for more on how the Board engages with employees.

The Committee also considers Pearson's gender pay gap and ethnicity pay gap in Great Britain in light of our reporting requirements, as well as Pearson's CEO pay ratio. Pearson continues to review and update its policies and practices relating to the hiring, retention, and development of women, in line with market practices and applicable UK rules.

Sharing in success

Pearson's remuneration principles are consistent across the organisation and are designed to support our culture, and to make Pearson an employer of choice, able to attract and retain talent to execute our digital-first strategy. Many of the features of our Directors' Remuneration Policy apply more broadly, and we believe that all our people should have the opportunity to benefit when the Company does well. In particular:

- 2024 was another year of solid performance for the business and this was reflected in the level of funding under the AIP. As noted on page 125, over half of all Pearson employees (c.10,000 employees) benefitted from participating in an AIP during 2024.
- Similarly, all eligible colleagues, including Executive Directors, can participate in savings-related share acquisition programmes that are not subject to any performance conditions. Around one in five of eligible employees save to purchase discounted Pearson shares via our employee share plans. At the most recent maturity of our 'Save For Shares' plan in 2024, the average gain for a participant was c.£3,400 – allowing those who participated to benefit from the shareholder value they have helped to create over the previous three years.

Remuneration Report for 2024

Certain parts of this report have been audited, as required by the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended. The tables subject to audit are marked with an asterisk.

Executive Director 'single-figure' remuneration*

The remuneration received by Executive Directors for the financial years ended 31 December 2024 and 31 December 2023 is set out below. The Committee considers that the Directors' Remuneration Policy operated as intended during 2024.

	Omar Abbosh[1] £000s		Sally Johnson £000s		Andy Bird[2] $000s	
	2024	2023	**2024**	2023	**2024**	2023
Base salary	**982**	–	**570**	552	**25**	1,282
Allowances and benefits	**37**	–	**16**	16	**9**	466
Retirement benefits	**157**	–	**91**	88	**4**	205
Total fixed pay	**1,176**	–	**677**	656	**38**	1,953
Annual incentives	**1,878**	–	**735**	947	**48**	3,299
Long-term incentives	**–**	–	**1,565**	1,373	**3,223**	3,669
Buy-out award[3]	**13,276**	–	**–**	–	**–**	–
Co-investment award	**–**	–	**–**	–	**–**	5,298
Total variable pay	**15,154**	–	**2,300**	2,320	**3,271**	12,266
Total remuneration	**16,330**	–	**2,977**	2,976	**3,309**	14,219

1. Omar Abbosh was appointed Chief Executive on 8 January 2024.
2. Andy Bird stepped down as Chief Executive and as an Executive Director on 7 January 2024 and retired from Pearson on 31 March 2024. The amounts shown above for fixed pay and annual incentive in respect of 2024 reflect his services as an Executive Director. Andy Bird was paid in USD.
3. The full value of Omar Abbosh's buy-out award is included in the single-figure of remuneration for 2024 as required by the disclosure regulations. However it comprises elements that will not be recieved until 2025 and 2026, therefore a total remuneration figure including only those elements received in respect of 2024 has also been included below for greater transparency. See page 129 for full detail of Omar Abbosh's buy-out awards.

Supplementary Disclosure - Omar Abbosh's 2024 Remuneration

The single-figure table above reflects the statutory basis for disclosure, but the figure set out below better represents Omar Abbosh's 2024 remuneration, including the awards that he has received to date.

	Omar Abbosh £000s
Total remuneration (excl. buy-out only receivable in 2025 and 2026)	7,645

Notes to single-figure table*

Allowances and benefits

Travel benefits comprise car allowance and reimbursements of a taxable nature resulting from business travel and engagements. Health benefits comprise healthcare, health assessment and dental care. Risk-related benefits comprise life and other insurance policies. Accommodation benefits for Andy Bird relate to a contribution towards the rental costs of an apartment in New York used for business purposes. In addition to these allowances and benefits, Executive Directors may also participate in company benefit or policy arrangements that have no taxable value and/or are available to all other colleagues in the same location. Sally Johnson's life cover is arranged under an excepted policy on a similar basis to other employees who were affected by the lifetime allowance and have opted out of the Pearson Pension Plan.

Retirement benefits and entitlements*

Omar Abbosh and Andy Bird (until his retirement) received a payment in lieu of pension at 16% of their base salary, in line with the pension provision for UK employees of a similar age.

From 1 October 2022, Sally Johnson began receiving payments in lieu of pension at 16% of her base salary, in line with the pension provision for UK employees of a similar age. Prior to October 2022, Sally Johnson was a member of the Final Pay section of the Pearson Pension Plan, where the pension accrual rate was 1/60th of pensionable salary per annum, restricted to the Plan's earnings cap. No further accrual will apply.

Details of the Executive Directors' pension-related benefits in 2024 are as follows:

	Omar Abbosh £000s	Sally Johnson £000s	Andy Bird $000s
Other allowances in lieu of pension	157	91	4
Accrued pension at 31 December 2024	–	69	–

Note 1: Other allowances in lieu of pension represent the cash allowances paid.

Note 2: The accrued pension at 31 December 2024 is the deferred pension at 30 September 2022 (the date accrual for the pension ceased) revalued to 31 December 2024 in line with the Plan rules. It relates to the pension payable from the UK Plan. Normal retirement age is 62.

Directors' Remuneration Report *continued*

Annual Incentive Plan (AIP) – outcome for 2024*

The 2024 AIP was based on a mix of financial (90% weighting) and strategic measures (10% weighting). The following table summarises the performance targets (presented on a consistent basis to the actual results, considering portfolio and currency movements) and performance against these targets, which resulted in a 64% of maximum payout.

	Performance range					Payout
	% of total	Threshold (25%)	Target (50%)	Maximum (100%)	Actual results	% of max bonus opportunity
Adjusted operating profit	40%	£555m	£565m	£655m	£600m	28%
Sales	30%	£3,535m	£3,560m	£3,765m	£3,552m	13%
Free cash flow	20%	£390m	£400m	£475m	£490m	20%
Strategic measures	10%			See below		3%
	100%					**64%**

The targets and outcomes for the strategic measure are shown in the table below.

Strategic priority	Weighting	Threshold	Target	Maximum	Outcome
Invest in diverse pipeline and increase BIPOC/BAME representation at all manager levels	10%	2% increase + maintain overall gender parity as an underpin	5% increase	10% increase	Achieved 2.3% increase & maintained overall gender parity

Note 1: Internal Audit provided an independent assessment of the result for the Committee.

For Omar Abbosh and Andy Bird, their maximum AIP opportunity for 2024 was pro-rated to reflect the period of service during the bonus year. For Andy Bird, the value shown in the single-figure table represents the portion of the year for which he served as an Executive Director.

Long-term Incentive Plan (LTIP) – vesting outcome for 2024*

The 2022 LTIP award was subject to performance conditions assessed to 31 December 2024. Performance targets were partially met, resulting in the award vesting at 75.3% of maximum. Vested shares are subject to an additional two-year holding period.

The targets and performance against these targets are as follows:

	Performance range									Vesting
	% of total	Threshold	Stretch	Maximum	Payout at threshold	Payout at stretch	Payout at maximum	Actual	Percentage achievement	Percentage of total award
Adjusted EPS	33.3%	50.2p	57.2p	66.2p	15%	65%	100%	62.1p	84.1%	28.0%
Net ROIC	33.3%	6.0%	7.0%	8.0%	15%	65%	100%	6.5%	41.9%	14.0%
Relative TSR	33.3%	Median	–	Upper quartile	25%	–	100%	Ranked 9 out of 92	100%	33.3%
	100%								**Total**	**75.3%**

The Adjusted EPS target range was adjusted to reflect the impact on the vesting outcome of share buybacks over the performance period.

Relative TSR was measured against the constituents of the FTSE 100 at the start of the performance period.

Omar Abbosh did not participate in the 2022 LTIP. For Andy Bird, as described in last year's report, his award was reduced pro-rata to reflect time served during the performance period. The value shown in the single-figure table represents the proportion of the vested award for which he served as an Executive Director.

The 2022 LTIP award was granted on 3 May 2022, based on a share price of 779.4p (five-day average to 3 May 2022). The value of the 2022 LTIP included in the single-figure table is based on a three-month average ADR / share price to 31 December 2024 of $14.91 / 1166p. The LTIP values include dividend equivalent amounts of $225k and £86k for Andy Bird and Sally Johnson respectively. The proportion of the 2022 LTIP attributable to share price growth is $880k for Andy Bird and £490k for Sally Johnson. The Remuneration Committee did not exercise discretion in respect of this share price appreciation.

The value of the 2021 LTIP reported in last year's report for Andy Bird ($3,482k) and Sally Johnson (£1,310k) were estimates based on the three-month average ADR / share price to 31 December 2023 ($11.63 / 937.0p). The actual values of the 2021 LTIP on the 1 May 2024 vesting date were $3,669k and £1,373k, respectively, based on a closing ADR / share price of $12.07 / 967.4p.

Long-term incentives awarded in 2024*

The following LTIP awards were granted during the year:

Director	Date of award	Vesting date	Number of shares	Face value	Face value (% of base salary)	Value for threshold performance (% of maximum)1	Performance period
Omar Abbosh	1 May 2024	1 May 2027	455,614	£4,500,008	450%	20%	1 Jan 24 – 31 Dec 26
Sally Johnson	1 May 2024	1 May 2027	174,348	£1,722,000	300%	20%	1 Jan 24 – 31 Dec 26

The face value was determined using a share price of 987.68p, representing the five-day average up to and including 30 April 2024, which is the same as the approach used for the wider employee population.

The performance measures and targets for this award are as follows:

	% of total	Threshold (20% vesting)	Maximum (100% vesting)
Adjusted EPS (in FY26)	30%	63p	82p
Return on Capital	30%	10.3%	13.0%
Relative TSR	30%	Median	Upper quartile
ESG – Gender diversity	5%	Improve gender representation at leadership levels overall vs 2023 (VP and above)	Achieve gender parity at leadership levels in aggregate (VP and above)
ESG – Carbon reduction	5%	4% reduction vs 2023	13% reduction vs 2023

Note 1: Vesting is on a straight-line basis between Threshold and Maximum.

Note 2: 2024 LTIP targets have been set at an USD:GBP exchange rate of 1.27.

Note 3: Relative TSR will be assessed half against the FTSE 100 and half against the S&P 500. Companies within financial services, energy, basic materials, utilities and healthcare sectors will be excluded from both TSR groups.

Note 4: The carbon reduction targets are based on the long-term trajectory required to meet (Threshold) or substantially exceed (Maximum) our 2030 carbon reduction ambitions. Performance will be measured from a baseline of 2023, therefore requiring incremental performance to that delivered to date.

The Committee reserves the right to adjust pay-outs up or down before they are released, if it believes the vesting outcome does not reflect underlying financial or non-financial performance, or for other exceptional factors. In making any adjustments, the Committee are guided by the principle of aligning shareholder and management interests.

Any shares vesting based on performance to 31 December 2026 will be subject to an additional two-year holding period to 1 May 2029.

Chief Executive buy-out awards*

As disclosed in last year's report, a buy-out was required to compensate Omar Abbosh for remuneration he forfeited as a result of resigning from his previous role at Microsoft. The buy-out was made on a 'like-for-like' basis in accordance with Pearson's Remuneration Policy.

The buy-out consisted of two elements:

- A cash payment in lieu of his forfeited annual cash bonus covering the six months between the end of his prior employer's financial year end and the beginning of his eligibility for Pearson's AIP in 2024; and
- Awards of restricted shares of equivalent value to the forfeited Microsoft shares which vest annually in three equal tranches aligned with the timing of the forfeited awards. The vesting of each tranche is conditional on continued employment as at each vesting date. Any shares which vest will be subject to a holding period lasting up to the vesting date of the final tranche (31 December 2026). The award also attracts dividend equivalent awards.

Director	Date of award	Number of shares	Face value	Vesting date	End of holding period for vested awards
Omar Abbosh – buy-out award	9 April 2024	1,378,942	£13,026,724	One-third on 31 December 2024 One-third on 31 December 2025 One-third on 31 December 2026	31 December 2026

The face value in the table was determined using a Pearson share price of 944.69p.

The value disclosed in the single-figure table therefore comprises the following:

Cash payment in respect of forfeited annual cash bonus	£249k
Grant date value of the restricted share awards	£13,027k
Value disclosed in single-figure table	£13,276k

The Committee acknowledges the relative size of the buy-out award in the context of the UK market, but notes that it is equivalent to the value Omar would have received had he continued in his previous role at Microsoft, which is reflective of the quantum of remuneration packages (particularly long-term equity) for global leaders of Omar's calibre in companies in our key talent markets. Additionally, the restricted share award creates immediate alignment with shareholders and fulfils Omar's shareholding guidelines.

Directors' Remuneration Report *continued*

Directors' interests in shares and value of shareholdings*

Shareholding guidelines

Executive Directors are expected to build up a substantial shareholding in Pearson, in line with our policy of encouraging widespread employee share ownership, and to align the interests of Executive Directors and shareholders.

Following the significant increases introduced by the current Directors' Remuneration Policy, the current shareholding guideline is 450% of base salary for the Chief Executive and 300% of base salary for the Chief Financial Officer.

Shares that count towards these guidelines include any shares held unencumbered by an Executive Director, their spouse and/or dependent children, plus any shares vested but held pending release under a share plan, and any shares unvested but not subject to future performance conditions (on a net of tax basis). Executive Directors have five years from their date of appointment to the Board to reach the guideline. Once the guideline is met, it is not re-tested, other than when shares are sold.

As part of the year-end process, the Committee assessed the level of shareholding against the guideline in accordance with our shareholding policy and confirmed that the guideline was met for both Omar Abbosh and Sally Johnson. At the point of standing down from the Board, Andy Bird had also met his shareholding guideline.

Executive Directors are expected to retain their current shareholding guideline (or actual shareholding if lower) for two years following stepping down as an Executive Director. This guideline does not apply to shares purchased by the Executive Director.

Shareholding guidelines do not apply to the Chair, Deputy Chair and Senior Independent Director and Non-Executive Directors. However, a minimum of 25% of the Chair, Deputy Chair and Senior Independent Director and Non-Executive Directors' basic fee is paid in Pearson shares, which the Chair, Deputy Chair and Senior Independent Director and Non-Executive Directors have committed to retain for the period of their directorships.

Directors' interests

The share interests of the Directors and their connected persons are:

Director	Current shareholding (ordinary shares)	Conditional shares subject to performance	Conditional shares subject to employment only	Total number of ordinary and conditional shares	Shareholding as % of salary	Shareholding requirement met?
Executive Directors						
Omar Abbosh	384,853	458,780	925,681	1,769,314	1021%	Yes
Sally Johnson	178,482	554,285	–	732,767	363%	Yes
Andy Bird*	1,010,568	1,316,087	–	2,326,655	1165%	Yes
Non-Executive Directors						
Omid Kordestani	91,857	–	–	–	-	n/a
Sherry Coutu CBE	18,891	–	–	–	-	n/a
Alison Dolan	1,678	–	–	–	-	n/a
Alex Hardiman	2,124	–	–	–	-	n/a
Esther Lee	5,083	–	–	–	-	n/a
Graeme Pitkethly	17,248	–	–	–	-	n/a
Tim Score*	81,102	–	–	–	-	n/a
Annette Thomas	5,568	–	–	–	-	n/a
Lincoln Wallen	20,561	–	–	–	-	n/a

Note 1: Share interests are shown as at 31 December 2024 or where marked with an asterisk at the date of stepping down from the Board.

Note 2: Ordinary shares include both ordinary shares listed on the London Stock Exchange and American Depositary Receipts (ADRs) listed on the New York Stock Exchange.

Note 3: Conditional shares subject to performance means unvested shares, which are subject to performance conditions and continuing employment for a pre-defined period. This includes the LTIP awards granted in 2022, 2023 and 2024. For Andy Bird, these shares were pro-rated for time served on cessation of his employment.

Note 4: Conditional shares subject to employment only means unvested shares, which are subject to a holding period and / or continued employment only.

Note 5: There have been no other changes in the interests of any Director between 31 December 2024 and 7 March 2025, being the latest practicable date prior to the publication of this report.

Note 6: Shareholding as a % of salary is based on a three-month average ADR / share price to 31 December 2024 of $14.91 / 1166p.

Chair, Deputy Chair and Senior Independent Director and Non-Executive Director remuneration in 2024*

The remuneration paid to the Chair, Deputy Chair and Senior Independent Director and Non-Executive Directors for the financial years ended 31 December 2024 and 31 December 2023 is set out below.

	2024			2023		
Director £000s	**Total fees**	**Taxable benefits**	**Total**	Total fees	Taxable benefits	Total
Omid Kordestani	**500**	**22**	**522**	500	34	534
Tim Score	**57**	**3**	**60**	175	5	180
Sherry Coutu CBE	**106**	**8**	**114**	106	11	116
Alison Dolan	**92**	**1**	**93**	47	-	47
Alex Hardiman	**93**	**9**	**102**	45	8	54
Esther Lee	**88**	**7**	**95**	88	16	104
Graeme Pitkethly	**152**	**6**	**158**	105	5	110
Annette Thomas	**103**	**6**	**109**	101	12	113
Lincoln Wallen	**93**	**6**	**99**	93	15	108
Total	**1,284**	**68**	**1,352**	1,260	106	1,367

Note 1: A minimum of 25% of the Chair, Deputy Chair and Senior Independent Director and Non-Executive Directors' basic fee is paid in shares.

Note 2: Taxable benefits refer to travel, accommodation and subsistence expenses incurred while attending Board meetings during the period that were paid or reimbursed by the company, and which HMRC deems taxable in the UK.

Note 3: Tim Score stepped down from the Board on 26 April 2024.

Note 4: Some figures and subtotals add up to different amounts than the totals due to rounding.

Payments to former Directors*

As disclosed last year, Andy Bird was entitled to be paid for all accrued, unused paid time off upon his retirement, which amounted to $179,000. There were no other payments to former Directors in 2024, other than those set out in the single-figure table and disclosed in a previous Directors' Remuneration Report.

Payments for loss of office*

Andy Bird stepped down as Chief Executive and as an Executive Director of Pearson plc on 7 January 2024 and retired from Pearson on 31 March 2024. The remuneration arrangements in respect of his retirement were disclosed in detail in last year's report. There were no other payments for loss of office made to or agreed for Directors in 2024.

Service contracts

Terms and conditions of our Directors' appointments are available for inspection at our registered office during normal business hours and at the AGM. So that appropriate arrangements can be made for shareholders wishing to inspect documents, we request that shareholders contact the Company Secretary by email at companysecretary@pearson.com in advance of any visit to ensure that access can be arranged.

The Executive Directors have notice periods in their service contracts of 12 months from the company and six months from the Executives.

The Deputy Chair and Senior Independent Director and Non-Executive Directors serve Pearson under letters of appointment, which are renewed annually and do not have service contracts. The Deputy Chair and Senior Independent Director and Non-Executive Directors' letters of appointment do not contain provision for notice periods or for compensation if their appointments are terminated. The Chair's appointment may be terminated on 12 months' notice.

Executive Directors' Non-Executive directorships

Our current Executive Directors hold the following external commitments: Sally Johnson is a Non-Executive Director of Rentokil Initial plc and Chair of its Audit Committee.

Directors’ Remuneration Report *continued*

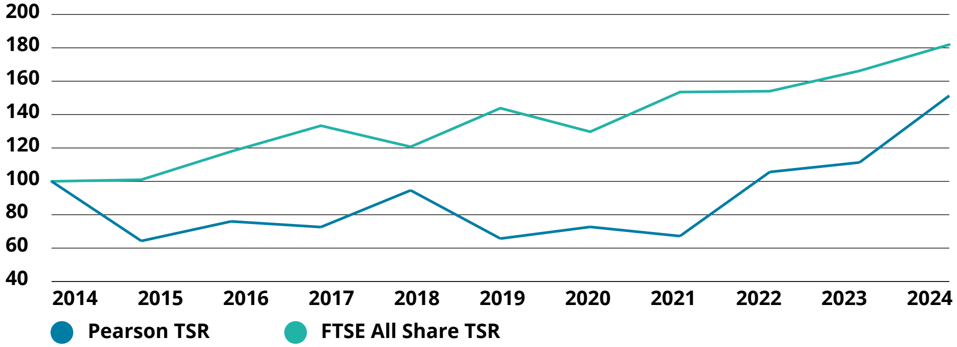
Historical performance and remuneration

Total shareholder return performance

Set out below is Pearson’s total shareholder return (TSR) performance, relative to the FTSE All-Share index, on an annual basis over the 10-year period 1 January 2015 to 31 December 2024. We chose this comparison because the FTSE All-Share represents the broad market index within which Pearson shares are traded. TSR is a measure of returns a company provides for shareholders, reflecting share price movements and assuming reinvestment of dividends. Opposite this is a summary of the single figure of total remuneration, and variable pay outcomes, for the Chief Executive over the same 10-year period.

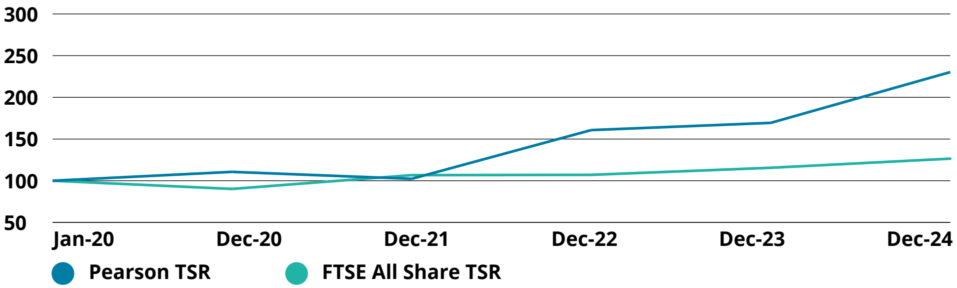
For additional context, the same data is presented over the period from 1 January 2020, broadly corresponding with Pearson’s transformation from an analogue to a digital-first business.

Total Shareholder Return since 2014



LSEG Workspace Datastream

Total Shareholder Return since 2020



Source: LSEG Workspace Datastream

This graph shows the value, by 31 December 2024, of £100 invested in Pearson on 1 January 2020, compared with the value of £100 invested in the FTSE All-Share on the same date.

						John Fallon					Andy Bird	Omar Abbosh
	2015	2016	2017	2018	2019	2020	2020	2021	2022	2023	**2024**	**2024**
Total remuneration (single figure, £000s)	1,263	1,518	1,758	3,094	1,616	855	334	5,167	6,856	11,419	**2,588**	**16,330**
Annual incentive (% of maximum)	Nil	24%	44%	45%	Nil	Nil	N/A	63%	76%	85%	**64%**	**64%**
Long-term incentive (% of maximum)	Nil	Nil	Nil	42%	33%	Nil	N/A	N/A	N/A	85%	**75%**	**–**

Note 1: Total remuneration is as reflected in the single-total figure of remuneration table.

Note 2: Annual incentive is the actual annual incentive received by the incumbent as a percentage of maximum opportunity.

Note 3: Long-term incentive is the payout of performance-related share awards where the year shown is the final year of the performance period for the purposes of calculating the single total figure of remuneration.

Note 4: The single-figure remuneration for Andy Bird has been converted using the average USD:GBP exchange rate for the relevant period.

Dilution and use of equity

Awards under Pearson’s various share plans can be satisfied using existing shares bought in the market, treasury shares or newly issued shares. For restricted stock awards under the LTIP, we would expect to use market-purchased shares. There are limits on the amount of new-issue equity that can be used: In any rolling 10-year period, no more than 10% of Pearson equity will be issued, or be capable of being issued, under all Pearson’s share plans, and no more than 5% of Pearson equity will be issued, or be capable of being issued, under executive or discretionary plans.

The current dilution from all Pearson plans, executive or discretionary, and shares held in trust is as follows:

Dilution	**2024**
All Pearson plans	**2.4%**
Executive or discretionary plans	**0.4%**
Shares held in trust	**0.1%**

Comparative information

The following information provides additional context regarding Directors' total remuneration.

Relative percentage change in remuneration of Directors and employees

The following table sets out the year-on-year percentage change in base salary/fees, allowances and benefits and annual incentives in respect of all Directors during the year, compared to the average percentage change for all employees of Pearson. The figures for all Directors are calculated based on remuneration received in the relevant year as set out in the tables on page 127 and page 131. For base salary/fees, we have annualised part-year figures for this disclosure. Part-year allowances and benefits are not annualised and are excluded from the table.

While the Committee reviews base pay for the Executive Directors relative to Pearson's broader employee population, local practices drive our approach to benefits, and we determine eligibility depending on level and individual circumstances, which do not lend themselves to comparison.

	2024			2023			2022			2021			2020		
	Base salary/fees	**Allowances and benefits**	**Annual Incentives**	Base salary/fees	Allowances and benefits	Annual Incentives	Base salary/fees	Allowances and benefits	Annual Incentives	Base salary/fees	Allowances and benefits	Annual Incentives	Base salary/fees	Allowances and benefits	Annual Incentives
Average employee[1]	**5%**	**12%**	**-5%**	2%	6%	22%	4%	8%	16%	4%	17%	38%	1%	6%	9%
Executive Directors															
Omar Abbosh	**–**	**–**	**–**	–	–	–	–	–	–	–	–	–	–	–	–
Sally Johnson	**3%**	**0%**	**-22%**	4%	1%	37%	2.5%	0%	24%	1%	–	–	–	–	–
Andy Bird	**0%**	**–**	**–**	3%	4%	74%	0%	20%	21%	0%	–	–	–	–	–
Chair and Non-Executive Directors[2]															
Omid Kordestani	**0%**	**-35%**	**–**	0%	78%	–	–	–	–	–	–	–	–	–	–
Tim Score	**2%**	**-51%**	**–**	7%	73%	–	25%	–	–	13%	–	–	0%	-20%	–
Sherry Coutu CBE	**0%**	**-24%**	**–**	6%	119%	–	9%	–	–	5%	–	–	5%	–	–
Alison Dolan	**14%**	**-**	**–**	–	–	–	–	–	–	–	–	–	–	–	–
Alex Hardiman	**19%**	**-39%**	**–**	–	–	–	–	–	–	–	–	–	–	–	–
Esther Lee	**0%**	**-52%**	**–**	3%	122%	–	–	–	–	–	–	–	–	–	–
Graeme Pitkethly	**44%**	**22%**	**–**	8%	23%	–	5%	–	–	1%	–	–	8%	–	–
Annette Thomas	**2%**	**-51%**	**–**	12%	102%	–	7%	–	–	–	–	–	–	–	–
Lincoln Wallen	**0%**	**-60%**	**–**	0%	154%	–	0%	–	–	1%	–	–	1%	-97%	–

Note 1: The average employee pay figure is impacted by changes in headcount (17,024 employees for 2024 vs 18,360 in 2023). Actual merit increase budgets for 2024 were 3% in the UK and 3.5% in the US.

Note 2: Changes in Non-Executive Director fees during the year are a result of changes in Committee Chairs and membership. Allowances and benefits for the Chair and Non-Executive Directors refer to travel, accommodation and subsistence expenses incurred while attending Board meetings that were paid or reimbursed by the company, and which HMRC deems taxable in the UK. In 2020 and 2021, the impact of the coronavirus pandemic meant that there were very few in-person Board meetings, and as such the benefits figures for these years were negligible. This also meant that for 2022 there is no comparative percentage, as the value in the prior year was zero.

Directors' Remuneration Report *continued*

Chief Executive to employee pay ratio

The table below illustrates the ratio of Chief Executive to employee pay for 2024. We use the single total figure of remuneration, compared to the full-time equivalent total reward of employees whose pay is ranked at the 25th, 50th and 75th percentiles (as identified by the gender pay gap methodology) in Great Britain's (GB) workforce.

		Chief Executive pay ratio		
Year	Method	25th percentile	50th percentile	75th percentile
2024	**B: Gender pay gap methodology**	**534.3**	**354.9**	**228.4**
2024	**B. Gender pay gap methodology (Omar Abbosh 2024 remuneration)**	**289.0**	**192.0**	**123.5**
2023	B: Gender pay gap methodology	304.0	209.9	148.5
2022	B: Gender pay gap methodology	214.3	181.3	117.2
2021	B: Gender pay gap methodology	150.1	145.0	88.4
2020	B: Gender pay gap methodology	42.5	31.9	19.5
2019	B: Gender pay gap methodology	65.9	47.2	36.0

- We used GB gender pay gap data from April 2024 to identify employees at the 25th, 50th and 75th percentiles, and analysed data for employees around each quartile figure to ensure there were no anomalies.
- Using the gender pay gap data to identify the employees at each pay quartile gives a general representation of the relevant employee population at the year end, and is the most practicable methodology given the timing of the disclosure and determination of remuneration outcomes for the wider workforce.
- For the employees at each pay quartile, we calculated total remuneration on a similar basis to the Chief Executive's single figure. We based base salary, pension and benefits on full-year figures taken from payroll. Annual bonus figures are based on the relevant manager recommendations and relate to performance in 2023. None of the employees at the 25th, 50th or 75th percentile had share awards vesting in 2024.
- Total remuneration figures for the 25th, 50th and 75th percentile employees are: £35,407, £53,304 and £82,835. The respective base salaries are: £32,000, £43,000 and £61,800.
- We compared total remuneration for each of the identified employees, calculated with reference to 31 December 2024, compared to the sum of Omar Abbosh and Andy Bird's 2024 remuneration as per the single-figure table on page 127.
- For 2024, in order to maximise the comparability of the figures, we have also provided the single-figure for Omar Abbosh, with only the value of the buy-out award released to him in 2024 included. As the full value of the buy-out award is required to be included in the single-figure for 2024 (despite awards only being released to Omar Abbosh over the three-year period from 2024 to 2026), using the headline sIngle-figure numbers necessarily results in a higher pay ratio than if calculated by reference to the remuneration actually received by the CEO in respect of 2024. In addition, the statutory basis for the 2024 pay ratio requires the figure for CEO remuneration to be the sum of Omar Abbosh and Andy Bird's 2024 remuneration, which is not representative of the pay received by any single individual.
- A significant proportion of the Chief Executive's pay is linked to performance and, in respect of any LTIP award, share price performance. Therefore, the Chief Executive's pay can vary significantly year-on-year, based on company performance. The increase in the pay ratio for 2024 is driven by the requirement to add the remuneration received by Andy Bird and Omar Abbosh together, along with the inclusion of the full grant date value of Omar Abbosh's buy-out award in the 2024 single-figure, which, as noted above is not reflective of remuneration actually received.
- The median pay ratio is consistent with our wider policies on employee pay, reward and progression. The Committee is focused on ensuring that remuneration for all Pearson colleagues reflects our need to attract and retain the right talent for our digital future.

Relative importance of pay spend

The Committee considers Directors' remuneration in the context of the company's allocation and disbursement of resources to different stakeholders. Adjusted operating profit measures Pearson's ability to reinvest, and dividends are an important element of our return to shareholders.

			Headline change	
All figures in £	2024	2023	£m	%
Adjusted operating profit	**600**	573	27	5%
Dividends	**156**	155	1	1%
Dividend per share	**24.0p**	22.7p	1.3p	6%
Share buybacks[1]	**318**	186	132	71%
Total wages and salaries[2]	**1,188**	1,252	(64)	(5)%

Note 1: The Board approved a £300m share buyback programme in September 2023 with an extension of £200m announced 1 March 2024.

Note 2: Wages and salaries include continuing operations only and include Directors. Average employee numbers for continuing operations for 2024 were 17,024 (2023:18,360), hence the year-on-year negative movement in overall spend. Further details are set out in Note 5 to the financial statements on page 174.

The Remuneration Committee in 2024

Role	Name	Title
Chair	Sherry Coutu CBE	Independent Non-Executive Director
Members	Alison Dolan*	Independent Non-Executive Director
	Esther Lee	Independent Non-Executive Director
	Tim Score*	Deputy Chair and SID
	Annette Thomas	Independent Non-Executive Director
Internal attendees	Omid Kordestani	Chair
	Omar Abbosh	Chief Executive
	Sally Johnson	Chief Financial Officer
	Ali Bebo	Chief Human Resources Officer
	Paul Christian	Senior Vice President, Reward
	Graeme Baldwin	Company Secretary
External advisers	Alvarez & Marsal	

*Alison Dolan joined the Committee on 1 April 2024 and Tim Score stepped down on 26 April 2024.

No individual is present when their own remuneration is discussed.

Advisers to the Remuneration Committee

During 2024, the Remuneration Committee received advice from Alvarez & Marsal ("A&M"), our independent Remuneration Committee advisers. A&M were appointed by the Committee in 2023, following a formal tender process. A&M advises the Committee on market trends and developments, incentive plan design and target setting, investor engagement and other general executive remuneration matters. For provision of these services in 2024, A&M were paid fees of £102,250 (excluding VAT), based on time spent. A&M does not provide any other services to Pearson. A&M is a member of the Remuneration Consultants' Group and adheres to its Code of Conduct. The Committee is satisfied that A&M's advice was objective and independent. The Committee believes that the A&M engagement partner and team do not have any connections with Pearson or its Directors that may impair its independence.

Terms of reference

The Committee's full charter and terms of reference are available on the Governance page of our website. A summary of the Committee's responsibilities is set out on the right of this page. The terms of reference reflect the provisions of the UK Corporate Governance Code.

Committee responsibilities

Determine and review policy

Determine and regularly review the remuneration policies for the Executive Directors, Presidents and other members of Pearson's Executive Management team who report directly to the Chief Executive. These policies include base salary, annual and long-term incentives, pension arrangements, any other benefits and termination of employment. When setting the Remuneration Policy, the Committee considers remuneration practices and related policies for all employees.

Shareholder engagement

Ensure Pearson engages with its shareholders and shareholder representative bodies on the Remuneration Policy and its implementation.

Review and approve implementation

Regularly review the implementation and operation of the Remuneration Policy, and approve the individual remuneration and benefits packages of Pearson's Executive Management team, including Executive Directors.

Approve performance-related plans

Approve the design of, and determine targets for, any performance-related pay plans operated by the Group for Pearson's Executive Management team, and approve total payments to be made under such plans.

Set termination arrangements

Advise and decide on general and specific remuneration arrangements in connection with the termination of employment of Pearson's Executive Management team, including Executive Directors.

Determine Chair's remuneration

Delegated responsibility for determining the Chair's remuneration and benefits package.

Appoint remuneration consultants

Appoint and set the terms of engagement for any remuneration consultants who advise the Committee, and monitor the cost of such advice.

Talent, retention and gender pay gap

Review updates from management on talent, retention and gender pay gap.

Workforce remuneration

Have oversight of workforce remuneration, policies and practice for the wider organisation.

Directors' Remuneration Report *continued*

Remuneration Committee meeting focus during 2024

During the year, the Committee undertook the following activities:

- Reviewed and approved annual and long-term performance and payouts to Executive Directors and senior management for 2023.
- Reviewed and approved incentive arrangements for Pearson, and how these will apply to Executive Directors and senior management in 2024.
- Approved the 2023 Directors' Remuneration Report.
- Engaged extensively with shareholders in advance of and following the 2024 AGM to understand the views of shareholders (further detail on this is set out on page 121).
- Reviewed and considered all feedback received from shareholder engagement exercises as part of the Committee's discussions and considered ongoing shareholder engagement strategy.
- Received updates on Pearson's financial performance and progress against strategic measures. Noted and reviewed the status of in-flight incentives.
- Received updates on pay and conditions across Pearson, and took these into account when determining executive remuneration.
- Noted updates on corporate governance, including a review of the 2024 AGM remuneration reporting season, and anticipated areas of focus in 2025.
- Reviewed Pearson's UK gender and ethnicity pay gap disclosures and noted actions to address the respective gaps.
- Noted the activity of the Standing Committee on operating Pearson's equity-based reward programmes and noted Pearson's use of equity for employee share plans.
- Evaluated the Remuneration Committee's effectiveness and reviewed the Committee's Terms of Reference.

Committee performance review

The Committee undertakes an annual process to review its performance and effectiveness. For 2024, the Committee performance review was conducted by way of a tailored questionnaire. The process sought views on an anonymous basis from Committee members, the Chief Executive and Chair of the Board, together with other key contributors to the Committee, including the Chief Financial Officer, Chief Human Resources Officer, SVP Reward and external adviser. Topics covered in the performance review included the effectiveness of the Committee, the Committee's oversight of key areas within its remit, the quality of papers and meeting discussions and the relationships between the Committee and management.

Overall, the Committee was considered to be operating effectively with appropriate meeting focus, papers produced to a good standard and an open atmosphere for high quality discussions, challenge and debate. The composition of the Committee is appropriate and includes the necessary skills. The review recognised the quality of the process to appoint Alvarez & Marsal as independent advisers to the Committee and the positive impact they have on meeting discussions and the development of the remuneration strategy. There was acknowledgement of the ongoing focus needed on the evolution of the company's strategy and business model and how this impacts remuneration discussions and decisions. In 2025, the Committee will continue to focus on ensuring remuneration arrangements for senior management and the wider workforce support the attraction and retention of key talent as well as the delivery of Pearson's strategy. The Committee assesses how its activities support and enable Pearson's progress.

The Directors' Remuneration Report has been approved by the Board on 13 March 2025 and signed on its behalf by:

Sherry Coutu, CBE

Chair of Remuneration Committee

Voting on remuneration resolutions

The following table summarises votes cast for remuneration resolutions:

	Votes cast for	% of votes cast for	Votes cast against	% of votes cast against	Votes withheld
Annual Report on Remuneration (2024 AGM)	371,925,459	69.83%	160,714,355	30.17%	211,473
Directors' Remuneration Policy (2023 AGM)	299,899,081	53.63%	259,251,476	46.37%	223,851

Additional disclosures

The Directors' report for the year ended 31 December 2024 is on pages 68-141 of this document.

Set out below is other statutory and regulatory information that Pearson is required to disclose in its Directors' report.

Going concern

The Directors have confirmed that there are no material uncertainties that cast doubt on the Group's going concern status and that they have a reasonable expectation that the Group has adequate resources to continue in operational existence beyond 30 June 2026. The consolidated financial statements have therefore been prepared on a going concern basis.

Further details on the procedures undertaken may be found on page 164.

Viability statement

The Board assessed the prospects of the company using the company's long-range plan. Viability was assessed by considering downside scenarios. Based on the result of these procedures and considering the company's strong balance sheet, the Directors have a reasonable expectation that Pearson will be able to continue in operation and to meet its liabilities as they fall due over the five-year period ending 31 December 2029. Further details may be found on page 67.

Share capital

Details of share issues and cancellations are given in note 27 to the financial statements on page 199. The company has a single class of shares which is divided into ordinary shares of 25p each. The ordinary shares are in registered form. As at 31 December 2024, 666,264,831 ordinary shares were in issue. At the AGM held on 26 April 2024, the company was authorised, subject to certain conditions, to acquire up to 68,659,005 ordinary shares by market purchase and to issue up to 457,726,702 ordinary shares. Shareholders will be asked to renew these authorities, subject to revised caps, at the AGM on 2 May 2025.

As at 10 March 2025, 2,211 record holders with registered addresses in the United States held 27,880,480 ADRs which represented 4.18% of the company's outstanding ordinary shares. Some of these ADRs are held by nominees and so these numbers may not accurately represent the number of shares beneficially owned in the United States.

Share buyback

On 21 September 2023, the company launched a £300m share buyback programme, while a further £200m extension was announced by the company on 1 March 2024. The £300m programme completed on 7 March 2024 and approximately 32m shares were bought back and cancelled at a cost of £300m. The nominal value of these shares, approximately £8m, was transferred to the capital redemption reserve. The £200m extension commenced on 8 March 2024 and completed on 8 August 2024. Under the £200m extension, approximately 20m shares were bought back and cancelled at a cost of £200m. The nominal value of these shares, approximately £5m, was transferred to the capital redemption reserve.

On 28 February 2025, the company announced its intention to launch a £350m share buyback programme during 2025. The repurchased shares will be cancelled and the nominal value of the shares will be transferred to the capital redemption reserve.

The Board believes that the company's strategic priorities, combined with the disciplined approach to capital allocation, will enable Pearson to create sustainable, long-term value for every stakeholder.

We have set out clear capital allocation priorities as follows:

- Maintaining a strong balance sheet and solid investment-grade credit ratings through an appropriate capital structure.
- Focused and disciplined approach to investing in the business to accelerate growth opportunities.
- Delivering shareholder returns through a progressive and sustainable dividend policy.
- Returning surplus cash to shareholders as and when appropriate through buybacks or special dividends.

Major shareholders

Information provided to the company pursuant to the Financial Conduct Authority's Disclosure Guidance and Transparency Rules (DTR) is published on a Regulatory Information Service and on the company's website.

As at 31 December 2024, the company had been notified under DTR 5 of the following holders of significant voting rights in its shares.

	Number of voting rights	Percentage as at date of notification
Cevian Capital II GP Limited	85,202,977	12.02%
BlackRock, Inc.[1]	69,580,016	9.69%
Ameriprise Financial, Inc. and its group	33,879,475	5.08%
Artisan Partners Limited Partnership	33,783,078	5.04%
Artemis Investment Management LLP	35,207,368	5.00%
Libyan Investment Authority[2]	24,431,000	3.01%

1. Includes 10,034,738 (1.38%) qualifying financial instruments to which voting rights are attached.
2. Based on notification to the company dated 7 June 2010. We have not been notified of any change to this holding since that date. Assets belonging to, or owned, held or controlled on 16 September 2011 by the Libyan Investment Authority and located outside Libya on that date, are frozen in accordance with The Libya (Sanctions) (EU Exit) Regulations 2020.

Between 31 December 2024 and 10 March 2025, being the latest practicable date before the publication of this report, the company received a further notification under DTR 5, with the most recent position being as follows:

	Number of voting rights	Percentage as at date of notification
Ameriprise Financial, Inc. and its group	32,863,820	<5.00%

Annual general meeting

The notice convening the AGM, to be held at 10:30am on Friday, 2 May 2025 at 80 Strand, London WC2R 0RL, is contained in a circular to shareholders to be dated 27 March 2025.

Registered auditors

In accordance with section 489 of the Companies Act 2006 (the Act), a resolution proposing the re-appointment of Ernst & Young LLP as auditors to the company will be proposed at the AGM, at a level of remuneration to be agreed by the Audit Committee.

Additional disclosures *continued*

Amendment to Articles of Association

Any amendments to the Articles of Association of the company (the Articles) may be made in accordance with the provisions of the Act by way of a special resolution.

Rights attaching to shares

The rights attaching to the ordinary shares are defined in the Articles. A shareholder whose name appears on the company's register of members can choose whether their shares are evidenced by share certificates (i.e. in certificated form) or held electronically (i.e. uncertificated form) in CREST (the electronic settlement system in the UK).

Subject to any restrictions below, shareholders may attend any general meeting of the company and, on a show of hands, every shareholder (or his/her representative) who is present at a general meeting has one vote on each resolution and, on a poll, every shareholder (whether an individual or a corporation) present in person or by proxy shall have one vote for every 25p of nominal share capital held. A resolution put to the vote at a general meeting held partly by means of electronic facility or facilities shall, unless the chair of the meeting determines that it shall be decided on a show of hands, be decided on a poll. Subject to this, at any general meeting, a resolution put to the vote at the meeting shall be decided on a show of hands, unless before, or on the declaration of the result of, a vote on a show of hands, a poll is demanded. A poll can be demanded by the chair of the meeting, or by at least three shareholders (or their representatives) present in person and having the right to vote, or by any shareholders (or their representatives) present in person having at least 10% of the total voting rights of all shareholders, or by any shareholders (or their representatives) present in person holding ordinary shares on which an aggregate sum has been paid up of at least 10% of the total sum paid up on all ordinary shares. At this year's AGM, voting will again be conducted on a poll, consistent with best practice.

Shareholders can declare a final dividend by passing an ordinary resolution but the amount of the dividend cannot exceed the amount recommended by the Board. The Board can pay interim dividends on any class of shares of the amounts and on the dates and for the periods they decide. In all cases, the distributable profits of the company must be sufficient to justify the payment of the relevant dividend.

The Board may, if authorised by an ordinary resolution of the shareholders, offer any shareholder the right to elect to receive new ordinary shares, which will be credited as fully paid, instead of their cash dividend.

Any dividend which has not been claimed for eight years after it became due for payment will be forfeited and will then belong to the company, unless the Directors decide otherwise.

If the company is wound up, the liquidator can, with the sanction of a special resolution passed by the shareholders, divide among the shareholders in specie all or any part of the assets of the company and can value assets and determine how the division shall be carried out as between the shareholders or different classes of shareholders.

The liquidator can also, with the same sanction, transfer the whole or any part of the assets to trustees upon such trusts for the benefit of the shareholders.

Voting at general meetings

Any form of proxy sent by the shareholders to the company in relation to any general meeting must be delivered to the company (via its registrars), whether in written or electronic form, not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the appointment proposes to vote.

The Board may decide that a shareholder is not entitled to attend or vote either personally or by proxy at a general meeting or to exercise any other right conferred by being a shareholder if they or any person with an interest in shares has been sent a notice under section 793 of the Act (which confers upon public companies the power to require information with respect to interests in their voting shares) and they or any interested person failed to supply the company with the information requested within 14 days after delivery of that notice.

The Board may also decide, where the relevant shareholding comprises at least 0.25% of the nominal value of the issued shares of that class, that no dividend is payable in respect of those default shares and that no transfer of any default shares shall be registered unless the shareholder is not themself in default as regards supplying the information requested and the transfer, when presented for registration, is accompanied by a certificate from the shareholder in such form as the Board of Directors may require to the effect that after due and careful inquiry, the shareholder is satisfied that no person in default is interested in any of the ordinary shares which are being transferred, or the transfer is an approved transfer as defined in the Articles, or the registration of the transfer is required by the Uncertificated Securities Regulations 2001.

Pearson operates an employee benefit trust to hold shares, pending employees becoming entitled to them under the company's employee share plans. There were 678,659 shares held as at 31 December 2024. The trust has an independent trustee which has full discretion in relation to the voting of such shares. A dividend waiver operates on the shares held in the trust.

Pearson also operates nominee shareholding arrangements which hold shares on behalf of employees. As at 31 December 2024, there were 1,967,965 shares held in the Corporate Sponsored Nominee account administered by Computershare Investor Services PLC (Computershare). The beneficial owners of shares held in the Corporate Sponsored Nominee are invited to submit voting instructions online at http://www.investorcentre.co.uk/eproxy. If no instructions are given by the beneficial owner by the date specified, the trustees holding these shares will not exercise the voting rights.

Transfer of shares

The Board may refuse to register a transfer of a certificated share which is not fully paid, provided that the refusal does not prevent dealings in shares in the company from taking place on an open and proper basis. The Board may also refuse to register a transfer of a certificated share unless: (i) the instrument of transfer is lodged, duly stamped (if stampable) or duly certified or otherwise shown to the satisfaction of the Board to be exempt from stamp duty, at the registered office of the company or any other place decided by the Board, and is accompanied by the certificate for the share to which it relates and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer; (ii) it is in respect of only one class of shares; and (iii) it is in favour of not more than four transferees.

Transfers of uncertificated shares must be carried out using CREST and the Board can refuse to register a transfer of an uncertificated share in accordance with the regulations governing the operation of CREST.

Variation of rights

If at any time the capital of the company is divided into different classes of shares, the special rights attaching to any class may be varied or revoked either:

i. with the written consent of the holders of at least 75% in nominal value of the issued shares of the relevant class; or
ii. with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of the relevant class.

Without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares, any share may be issued with such preferred, deferred or other special rights, or such restrictions, whether in regard to dividend, voting, return of capital or otherwise as the company may from time to time by ordinary resolution determine.

Appointment and replacement of Directors

The Articles contain the following provisions in relation to Directors.

Directors shall be no less than two in number. Directors may be appointed by the company by ordinary resolution or by the Board.

A Director appointed by the Board shall hold office only until the next AGM and shall then be eligible for re-appointment. The Board may from time to time appoint one or more Directors to hold Executive office with the company for such period (subject to the provisions of the Act) and upon such terms as the Board may decide and may revoke or terminate any appointment so made.

The Articles provide that, at every AGM of the company, every Director shall retire from office and, unless not willing to act, be eligible for re-appointment.

If a Director is not re-appointed, they shall, subject to the Articles, retain office until the meeting appoints someone in their place, or, if it does not do so, until the end of the meeting, or, if the meeting is adjourned, the end of the adjourned meeting. Where a Director has been appointed after notice of the annual general meeting has been given, that Director shall retire at the next annual general meeting of which notice is first given after their appointment as Director.

If there is an insufficient number of appointed or re-appointed Directors at any of the company's annual general meetings thus rendering the Board inquorate, all Directors shall be automatically re-appointed only for the purposes of filling vacancies and convening general meetings of the company and to perform such duties as are appropriate to maintain the company as a going concern and to enable it to comply with its legal and regulatory obligations. The Directors are required to convene a further general meeting of the company as soon as reasonably practicable to allow new Directors to be appointed, and such Directors who were not appointed at the original general meeting shall subsequently retire.

The company may by ordinary resolution remove any Director before the expiration of their term of office. In addition, the Board may terminate an agreement or arrangement with any Director for the provision of their services to the company.

Powers of the Directors

Subject to the Articles, the Act and any directions given by special resolution, the business of the company will be managed by the Board who may exercise all the powers of the company, including powers relating to the issue and/or buying back of shares by the company (subject to authorisation, and any statutory restrictions or restrictions imposed by shareholders in a general meeting).

Directors' indemnities

A qualifying third-party indemnity (QTPI), as permitted by the Articles and sections 232 and 234 of the Act, has been granted by the company to each of its Directors. Under the provisions of the QTPI, the company undertakes to indemnify each Director against liability to third parties (excluding criminal and regulatory penalties) and to pay Directors' costs as incurred, provided that they are reimbursed to the company if the Director is found guilty, the court refuses to grant the relief sought or, in an action brought by the company, judgement is given against the Director.

The indemnity has been in force for the financial year ended 31 December 2024 and is currently in force. The company has purchased and maintains Directors' and Officers' insurance cover against certain legal liabilities and costs for claims in connection with any act or omission by such Directors and Officers in the execution of their duties.

Significant agreements

The following significant agreements contain provisions entitling the counterparties to exercise termination or other rights in the event of a change of control of the company.

As at 31 December 2024, the Group's principal bank facility, the $1bn Revolving Credit Facility (RCF) agreement, allowed that upon a change of control of the company, any participating bank may require its outstanding advances, together with accrued interest and any other amounts payable in respect of such facility, and its commitments, to be cancelled, each within 55 days of notification to the banks by the agent. The facility was undrawn at year end. The Group's outstanding fixed rate notes (see note 18 Borrowings for more information) also contain a provision requiring that, in the event of a change of control which leads to a downgrade in credit rating below Baa3 (Moody's) or BBB- (Fitch Ratings), the company is required to make an offer to investors to repurchase outstanding instruments at par plus accrued interest, which investors are not obliged to accept.

For these purposes, a 'change of control' occurs if the company becomes a subsidiary of any other company, or one or more persons acting either individually or in concert obtains control (as defined in section 1124 of the Corporation Tax Act 2010) of the company.

Shares acquired through the company's employee share plans rank ***pari passu*** with shares in issue and have no special rights. For legal and practical reasons, the rules of these plans set out the consequences of a change of control of the company.

Other statutory information

Other information that is required by the Act and by the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended) to be included in the Directors' report, and which is incorporated by reference, can be located as follows:

Additional disclosures *continued*

Summary disclosures index	See more
Dividend recommendation	page 32
Financial instruments and financial risk management	page 188
Important events since year end	page 206
Future development of the business	pages 10-11
Research and development activities	page 16
Employment of disabled persons	page 39
Employee involvement	page 38
Greenhouse gas emissions and energy consumption data	page 53
Statement describing employee engagement	page 22
Statement describing regard to suppliers, customers and other stakeholders' interests	page 23

With the exception of the dividend waiver described on page 138 there is no information to be disclosed in accordance with UK Listing Rule 6.6.1.

No political donations or contributions were made or expenditure incurred by the company or its subsidiaries during the year.

Our disclosures are consistent with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and are set out on pages 44-48.

Fair, balanced and understandable reporting and disclosure of information

As required by the UK Corporate Governance Code, we have established arrangements to ensure that all information we report to investors and regulators is fair, balanced and understandable. In making its assessment, the Board pays particular attention to a set of criteria recommended by the Financial Reporting Council, including the use of straightforward language, focus on content that is important to investors and exclusion of irrelevant information.

A process and timetable for the production and approval of this year's annual report and accounts was agreed by the Board at its meeting in December 2024. The full Board then had the opportunity to review and comment on the report as it progressed.

The Audit Committee is available to advise the Board on certain aspects of the annual report and accounts, to enable the Directors to fulfil their responsibility in this regard. As part of supporting the Board in this regard, the Audit Committee considers a report evidencing how the fair, balanced and understandable criteria are satisfied throughout the annual report and accounts.

Following their review, and taking into account a recommendation by the Audit Committee, the Directors consider that the annual report and accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the company's position, performance, business model and strategy.

Representatives from the Financial Reporting, Strategy, Investor Relations, Corporate Affairs, Sustainability, Company Secretarial, Legal, Internal Audit, Risk, HR and Reward teams are involved in the preparation and review of the annual report to ensure a cohesive and balanced approach and, as with all of our financial reporting, a thorough verification of narrative and financial statements is conducted. We also have procedures in place to ensure the timely release of inside information, through our Market Disclosure Committee.

The Directors also confirm that, for each Director in office at the date of this report:

- so far as the Director is aware, there is no relevant audit information of which the Group and company's auditors are unaware
- they have taken all the steps that they ought to have taken as Directors to make themselves aware of any relevant audit information and to establish that the Group and the company's auditors are aware of that information

Streamlined Energy and Carbon Reporting (SECR)

In line with the requirements set out in the UK Government's guidance on Streamlined Energy and Carbon Reporting, the following data points representing Pearson's energy use and associated GHG emissions from electricity and fuel can be found on page 53 in the Sustainability section of this report:

- Annual global and UK GHG emissions from activities for which the company is responsible, including combustion of fuel and operation of any facility, and the annual emissions from the purchase of electricity, heat, steam or cooling by the company for its own use.
- Underlying global and UK energy use.
- Energy use and GHG emissions figures from previous year.
- Emissions intensity ratio.
- Energy efficiency measures taken throughout the year.

Our performance metrics have been calculated with reference to the Greenhouse Gas Protocol, and externally verified. The external verification statement can be found here: **https://plc.pearson.com/en-GB/sustainability/our-esg-reporting**.

Directors in office

The following Directors were in office during the year and up to the date of approval of these financial statements:

O P Abbosh – appointed on 8 January 2024
A Bird – retired on 7 January 2024
S L Coutu
A Dolan
A Hardiman
S K M Johnson
O Kordestani
E S Lee
G D Pitkethly
T Score – retired on 26 April 2024
A C Thomas
L A Wallen

The Directors' report has been approved by the Board on 13 March 2025 and signed on its behalf by:

Graeme Baldwin

Company Secretary