



# Education Bond Reporting

Allocation of Costs for the period 1st Jan 24 - 31st Dec 24

## Educational bond summary

At Pearson, our purpose is simple; to help people realise the life they imagine through learning. We believe that every learning opportunity is a chance for a personal breakthrough.

The world needs more learning, and Pearson is the world’s lifelong learning company. Learning impacts all aspects of an individual’s life, creating a ripple effect with expansive outcomes. For instance, we know that with every extra year of education, there is a 2% reduction in mortality risks. Our c. 18,000 Pearson employees are committed to creating vibrant and enriching learning experiences designed for real-life impact. We serve customers in nearly 200 countries with digital content, assessments, qualifications, and data.

That’s why we issued a £350m Education Bond in September 2024. Proceeds from the bond were to be used in full, to finance or refinance projects and expenditures that meet the Eligible Categories set out in [Pearson's Social Bond Framework](#) (published September 2024). The framework is in alignment with the 2023 International Capital Market Association (ICMA) Social Bond Principles. Moody’s have rated the Social Bond Framework as SQS1 (Highest sustainability rating available) with the [report](#) available on the Pearson website.

Pearson has now fully allocated £350m of the bond proceeds to projects in the Connections Academy, Clinical Assessment, and GED businesses relating to cash costs incurred during 2023 and 2024.

Connections Academy, our full-time virtual schools programme provides high quality education to all, free to the user. The expenditure’s primary objective is to advance the UN’s Sustainable Development Goals (SDG) #4 –Quality Education. We have not allocated proceeds to projects and expenditure related to Pearson Online Academy, the K-12 online international private school.

Pearson’s Clinical Assessment business is particularly noted for their gold-standard assessment contributions in cognitive/ability, memory, neuropsychology,

behavior, personality/ psychopathology, achievement and speech/ language. The expenditure’s primary objective is to advance the UN’s Sustainable Development Goals (SDG) #4 –Quality Education and (SDG) #10-Socioeconomic Advancement and Empowerment. Our large-scale assessments help state, district and school leaders make informed decisions and help learners reach their potential. At Pearson, we partner with schools and educational professionals at every level to help enhance instruction and improve learning outcomes.

The GED programme is designed to help adult learners who have not completed a high school diploma and who find access to further education, career opportunities and training programmes is limited. The programme allows learners to obtain the skills and importantly the credentials needed to access a variety of post-secondary education pathways and to progress in the workplace and in advanced career training programmes.

The process of identifying eligible projects and reporting on expenditure allocation to be approved by the Social Bond Governance Group (SBGG) was undertaken by Pearson’s Treasury Team in collaboration with the Pearson Sustainability Team. The SBGG reviewed projects and expenditures to ensure their alignment with Pearson’s sustainability policy and any ESG risks. This included screening under Pearson’s existing policies on Anti-Bribery and Corruption, Safeguarding, Data Privacy/ Information Security, and Health & Safety. We can confirm that this statement relating to Use of Proceeds and alignment with the UN SDG targets has been properly prepared in accordance with the Framework for the year ended 2024.

### Pearson Allocation and Reporting

We are committed to reporting annually to investors on the use of proceeds until the bond is fully allocated. Reporting will now cease given that the full £350m proceeds have been allocated. The total amount of proceeds from Pearson’s Education Bond allocated across 2023 and 2024 to Connections Academy is £246m, to Clinical Assessments is £96m, and to the GED programme is £8m.

Project Overview				Target Population		Allocation Information			Impact	Indicators
Allocation Period	SBP Category	Eligible Project	Location	SDG Alignment	Target Population	Eligible Costs	Allocated Amount as at reporting date	Refinancing Amount	Number of Learners in the target population	% of learners who have completed the course
Year-ended 31 December 2023	Access to Essential Services - Education	Connections Academy	US	SDG 4.1 SDG 4.3 SDG 4.4	Under served learners and people with disabilities	£127m	£125m	£125m	44,000	94%
Year-ended 31 December 2023	Socioeconomic Advancement and Empowerment	Clinical Assessments	US	SDG 4.1 SDG 4.4 SDG 10.2	Those requiring testing for Special needs and Under served learners with special needs	£50m	£50m	£50m	9,500,000	100%
<b>2023 Total</b>						<b>£177m *</b>	<b>£175m *</b>	<b>£175m</b>		
Year-ended 31 December 2024	Access to Essential Services - Education	Connections Academy	US	SDG 4.1 SDG 4.3 SDG 4.4	Under educated, under served learners and people with disabilities	£121m	£121m	£121m	58,000	94%
Year-ended 31 December 2024	Socioeconomic Advancement and Empowerment	Clinical Assessments	US	SDG 4.1 SDG 4.4 SDG 10.2	Those requiring testing for Special needs and Under served learners with special needs	£46m	£46m	£46m	11,000,000	100%
Year-ended 31 December 2024	Access to Essential Services - Education	GED Programme	US	SDG 4.1 SDG 4.3 SDG 4.4	Under served learners who have limited/ no access to further education or job roles which allow them to progress	£9m	£8m	£8m	97,291	75%
<b>2024 Total</b>						<b>£177m *</b>	<b>£175m *</b>	<b>£175m</b>		
<b>Total</b>						<b>£353m</b>	<b>£350m</b>	<b>£350m</b>		

\* This data is subject to external independent limited assurance by Ernst & Young LLP (EY)

## Use of Proceeds

Within the Social Bond Framework, we define Eligible Expenditure in the following ways:

- Expenditure may be for either direct operating expenses or capital expenditure, and
- Includes but is not limited to employment costs for teachers, curriculum development costs, expenditure required by law to provide education, and the cost of developing and maintaining digital content and technology platforms.
- Certain expenditure is excluded from Eligible Expenditure:
  - Marketing costs, administrative and student acquisition costs (these do not have a direct impact on students learning outcomes).
  - Amortisation and depreciation of capital expenditure and product development costs incurred before the measurement period.

## Impact

We provide data on the number of learners taking each type of course (e.g. the number of learners in Connections Academy) as a measure of the output.

As a measure of the impact of the spend we will show the percentage of learners who have completed the course (Connections Academy), undertook a Clinical test (Clinical Assessments), or undertook a GED test (GED Programme).

For Connections Academy learners, given that each state may have a different set of criteria for defining completion, for the purposes of the social bond, we are defining completion as students who have demonstrated sufficient presence to generate funding by the state.

## Reporting Period

We focused on expenditures in the Financial Year 2024 (1<sup>st</sup> of January 2024 – 31<sup>st</sup> of December 2024). This aligns with Pearson annual public reporting cycle. We have previously reported on expenditures in the Financial Year 2023 (1<sup>st</sup> of January 2023 – 31<sup>st</sup> of December 2023).

## Monitoring

Pearson has tracked the proceeds of the bonds in Pearson's primary ERP system, with costs allocated and reviewed as part of our ongoing control environment. All costs to be incurred are subject to review and approval by relevant authorised reviewer and approver. Once costs are incurred, then a subsequent review and approval takes place by financial control. A full breakdown of cost was provided to the SBGG who are responsible for the alignment of spend to expenditure as defined within the Social Bond Framework.

## Ineligible Spend

The SBGG ensure that only eligible projects are funded from the proceeds of the Education Bond.

Under the Social Bond Framework, if an approved project or expenditure ceases to meet the eligibility criteria or is involved in a material controversy, Pearson will remove the expenditure from the allocation (on a look forward basis) whilst a review is undertaken. Further details can be found within the Social Bond Framework.

## Assurance

Ernst & Young LLP (EY) have been engaged to provide independent limited assurance over the eligible expenditure and the use of proceeds from the Education Bond. EY's assurance report for 2024 eligible expenditure and allocation of proceeds can be accessed [here](#). EY's assurance report for 2023 eligible expenditure and allocation of proceeds can be accessed [here](#).