



# Education Bond Reporting

1st Jan 21 - 31st Dec 21



## Educational bond summary

At Pearson, our purpose is simple; to add life to a lifetime of learning. We believe that every learning opportunity is a chance for a personal breakthrough.

Pearson's talent and content should reflect the diversity of the markets we serve, ensuring we create the best products, with the greatest impact, for the greatest number of people in the world. We want Pearson to have a positive impact on our customers' lives, on the communities that we serve, and on the world of learning globally.

That's why we issued a £350m Education Bond in June 2020. Proceeds from the bond were to be used in part, or in full, to finance or refinance projects and expenditures that meet the Eligible Categories set out in [Pearson's Social Bond Framework](#) (published May 2020). The framework, which is in alignment with the ICMA Social Bond Principles and the [second party opinion by Vigeo Eiris](#) are published on the Pearson website

In 2021 Pearson reported that we allocated £240m of proceeds of the bonds to our Connections Academy (covering FY2020). We have now allocated (covering the period 1<sup>st</sup> January 2021 to 31<sup>st</sup> December 2021 ) the remaining £110m of the proceeds to Connections Academy

The allocation of proceeds covers specifically our Partner Schools and District Partnerships one of a pool of eligible projects and expenditures, identified in our Social Bond Framework.

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.

The Responsible Business Leadership Council (RBLC) on behalf of Pearson plc is responsible for the preparation of this report and all supporting records, including selecting appropriate reporting criteria to establish Pearson's Social Bond Framework (published in May 2020) and assessing the statement as to the Use of Proceeds against that Framework. The allocation and tracking of the funds received is the responsibility of the RBLC as described in the Social Bond Framework. We confirm that the statement as to Use of Proceeds is properly prepared in accordance with the Framework for the year ended 2021.

## Pearson Allocation and Reporting

We 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 to Connections Academy is £240m<sup>^</sup> for FY 2020 and £110m for FY2021<sup>^^</sup>.

Project Overview					Target Population	Output Indicator		Impact Indicators		
Allocation Period	SBP Category	Eligible Project	Location	SDG Alignment	Target Population*	Refinancing Amount	Financing Amount	Allocated Amount as at reporting date	Number of Learners	% of learners who have completed the course
Year-ended 31 December 2020	Access to Essential Services – Education	Connections Academy	US	SDG 4.1 SDG 8.6	Undereducated, underserved learners* and people with disabilities	£100m	£140m	£240m <sup>^</sup>	77,000	95%
Year-ended 31 December 2021	Access to Essential Services – Education	Connections Academy	US	SDG 4.1 SDG 8.6	Undereducated, underserved learners* and people with disabilities	£0	£110m	£110m <sup>^^</sup>	107,000	94%
Total						£100m	£250m	£350m		

## Use of Proceeds

Within the Social Bond Framework, we defined 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.

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. This is recorded in our enrolment system.

## Reporting Period

We focused on expenditures in the Financial Year 2021(1<sup>st</sup> of January 2021 – 31<sup>st</sup> of December 2021). This aligns with Pearson annual public reporting cycle. We have previously reported on expenditures in the Financial Year 2020 (1<sup>st</sup> of January 2020 – 31<sup>st</sup> of December 2020).

## 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 RBLC who are responsible for the alignment of spend to expenditure as defined within the Social Bond Framework.

## Ineligible Spend

The RBLC 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

PricewaterhouseCoopers LLP (PwC) have been engaged to provide independent limited assurance over the allocation of the use of proceeds from the Education Bond. The data subject to assurance is noted with a '^' for FY2020 and '^' for FY2021 and PwC's assurance reports are available at <https://plc.pearson.com/en-GB/investors/debt-investors/social-bond-framework>