

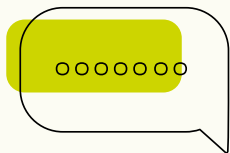


# Strategic progress. Sustainable profitable growth.

**Pearson is a strong company with excellent market potential, people committed to our mission, and a purpose that can genuinely help communities.**

**Omar Abbosh** Chief Executive





### Corporate overview

At Pearson, we know few things matter to the world more than education. That's why we're all working together to support people on their learning journey, wherever that path takes them. We're on a journey too, building a company that puts learners at the heart of everything we do.

The future of learning is vibrant, high quality learning experiences that help everyone realise the life they imagine. 2023 has been a critical year in Pearson's progress toward achieving our vision. A changing global economy, a need for new and different skills within communities, and new technology like generative AI challenged

the education space. Our resilience and ability to capitalise on changing market dynamics reinforced confidence in our strategy, our people, and the strength of our underlying business. As we look ahead to 2024, we remain committed to our goal of delivering long-term profitable growth, while we evolve our strategy to seize emerging opportunities and accelerate our digital expansion.

This Annual Report showcases strong 2023 growth, driven by our five divisions and our continued efforts to create interconnectivity between them. By delivering excellent financial results, driving a culture of performance, and leaning into new technology, like generative AI, we're making progress every day toward a future of sustainable, profitable growth for 2024 and beyond.

### Our purpose

**To add life to a lifetime of learning.**

### Our vision

**We want everyone to realise the life they imagine through learning.**

### Our mission

**Create vibrant and enriching learning experiences designed for real-life impact.**

### Our sustainable business pillars



**Driving learning for everyone with our products**



**Empowering our people to make a difference**



**Leading responsibly for a better planet**

Read more on Sustainability on page 34





**Our reshaped portfolio is more focused, we are firmly established as a digital-first learning company and technology is opening up exciting opportunities that will drive growth for many years to come.**

**Omid Kordestani** Chair

**2023 full year dividend growth**

**6%**

**Return on capital in 2023**

**10.3%**

## Overview

I am delighted to report that Pearson colleagues around the world have delivered another strong performance in 2023. It has been a transformational year for the business, further testament to the strategy we launched three years ago that has fundamentally repositioned Pearson so that we can serve ever more people through their lifelong learning journey. Our reshaped portfolio is more focused, we are firmly established as a digital-first learning company and technology is opening up exciting opportunities that will drive growth for many years to come.

Our culture has evolved significantly so that there is now a far greater sense of accountability across the global business and an increased focus on execution and delivery. There is also more interconnectivity across our divisions with growing collaboration underpinned by a shared belief in the important role Pearson plays in improving society through learning.

## Financial and operational highlights

For a third consecutive year, Pearson has delivered a strong financial performance with sales of £3,674m (£3,841m in 2022), representing 5% growth on an underlying basis, excluding the OPM and Strategic Review businesses. Statutory operating profit was £498m (£271m in 2022), or £573m on an adjusted basis, up 31% versus 2022. This was supported by our ongoing work to streamline the business and make it more efficient. During the year we successfully delivered £120m of cost savings, improving adjusted operating profit margin to 16%.

Pearson has continued to generate strong free cash flow enabling us to maintain a robust financial position whilst also supporting ongoing investment in the business. This is fuelling Pearson's evolution, particularly in digital and generative AI which are changing the way that people learn for good.

Our strong cash generation enables us to deliver returns for shareholders, with a £300m share buyback programme commenced in 2023 supplementing our progressive ordinary dividend. We have also announced that we will be extending this programme by £200m in 2024. Reflecting the strong performance in 2023 and its confidence in the outlook for the business, the Board is recommending a 6% increase in the final dividend for a full year dividend of 22.7 pence per share.

This will be paid on 3 May 2024 to shareholders on the register on 22 March 2024.





## CEO succession

In September, we announced that Andy Bird would be retiring from his role as our Chief Executive. On behalf of the Board and all the Group's stakeholders, I would like to thank Andy for his outstanding leadership, and his implementation of the ambitious vision and strategy that have successfully transitioned Pearson into the business we are today. During his tenure, adjusted operating profit has increased from £313m to £573m, and shareholders have benefited from a total 3-year return of 53%. Andy has accelerated our digital proposition and capability so that 82% of our portfolio today is digital or digitally-enabled. The launch of Pearson+ in July 2021 has been an important contributor, bringing us meaningfully closer to consumers and the platform had grown to around 5m registered users by the end of the full calendar year.

AI has been part of Pearson's DNA for many years, and under Andy's stewardship, we have leveraged advances in generative AI to enhance the value of our content with plans to make it available to millions more students across key titles in the year ahead. Having also put in place a strong management team, Andy leaves Pearson well-placed for the future.

Following a thorough selection process, which you can read more about on pages 83 and 91 respectively, the Board was delighted to appoint Omar Abbosh to succeed Andy. Omar is an inspirational, dynamic and growth-orientated leader with deep commercial, technology and operational expertise focused on delivering high-quality services and products across diverse markets and customer sets. He has extensive experience in creating and executing strategies to enable companies to harness technology and succeed in a world of disruptive change. He shares our values and our ambition and has a strong track record of execution. Omar joined us in January 2024 and the Board and I are enjoying working with him as we accelerate our strategy and continue to deliver value for all our stakeholders.

## Learning for impact

With our purpose of adding life to a lifetime of learning, we are focused on delivering Learning for Impact. We take a considered approach to the adoption of technologies such as generative AI that have enormous potential but also entail new risks, and we are committed to the highest standards of data privacy and security. We empower our people to make a difference, making further progress on employee engagement in the year as we continue to invest in talent and drive a culture of belonging that aims for increasingly diverse representation throughout the company. We recognise our responsibility to reduce our environmental impact, and are on track to meet our target of halving our carbon emissions by 2030, having made excellent progress to date, with a reduction of 16% vs 2022. This is the product of many different initiatives across our operations and supply chain, with significant benefits coming from our strategy to become increasingly digital, reducing the footprint and impacts of our print operations.

## The Board

We have a strong, diverse and highly experienced Board which continues to offer valuable perspective, insight and leadership. There were some changes to the Board during the year due to retirement, giving us the opportunity to welcome new talent and fresh thinking.

In June, we were delighted to welcome two new Non-Executive Directors, Alison Dolan and Alex Hardiman. Alison has been Chief Financial Officer at Rightmove plc since 2020 and brings extensive commercial and operational finance experience, specifically in digital businesses. Alex currently serves as The New York Times' Chief Product Officer and was previously at Facebook where she served as Head of News Products.

Tim Score, Deputy Chair and Senior Independent Director, will step down from the Board at the AGM in April 2024 following a nine year tenure. His vast experience has been enormously valuable to Pearson and I would like to thank him hugely for the significant contribution that he has made to the business. I am pleased that Graeme Pitkethly will be taking over the role as Deputy Chair and Senior Independent Director once Tim has stepped down.

# Total 1-year shareholder return 5%



## Governance

Through my face-to-face meetings with investors during the past year, I have heard first-hand views on a range of topics including strategy, succession, corporate governance, remuneration, environmental and social issues, as well as operational and financial performance. We have taken all their feedback and again sought to enhance our disclosures in this Annual Report. I look forward to hearing how we can continue to improve.

We have engaged extensively over the past year on remuneration with shareholders and their advisors, and executive remuneration remains a key area of focus for both the Board and the Remuneration Committee. The directors' remuneration policy that was approved at last year's AGM seeks to ensure that we can attract and retain the talent required to drive Pearson's success; that our executives are appropriately incentivised to achieve stretching targets; and that the structure of such incentives best aligns with the interests of shareholders and supports the delivery of long-term, sustainable returns. It's important to underline that incentives will only be realised in full if stretching annual and longer-term performance targets are met. Sherry Coutu CBE, Chair of the Remuneration Committee, sets out our approach on pages 107-109.

## Outlook

Our strong performance in 2023 underpins our confidence that we have the right strategy in place to drive continued sustainable growth. Our robust financial position and strong cash generation enable investment to strengthen our platform for the future while also funding attractive distributions to shareholders. We are excited about the experience and expertise that Omar brings to Pearson. Pearson is well-placed to make good progress in the year ahead and beyond.

**Omid Kordestani** Chair

**Our robust financial position and strong cash generation enable investment to strengthen our platform for the future while also funding attractive distributions to shareholders.**



**Pearson is well positioned today, with a stable platform for continued growth.**

**Omar Abbosh** Chief Executive

## Sales

**£3,674m**

(2022: £3,841m) headline decrease of 4%

Underlying sales growth increase

**5%\***

## Statutory operating profit

**£498m**

increase year on year of 84%

Adjusted operating profit in 2023

**£573m**

increase year on year of 31% on an underlying basis

## Dear Shareholders,

I want to start by sharing how delighted I am to join this very special company alongside this talented and passionate group of Pearson employees.

I'm pleased to report another year of strong financial performance with underlying sales growth of 5% and adjusted operating profit of £573m, up 31% compared to 2022. We have also improved the adjusted operating profit margin by 4% to 16%. This has been driven by our strong execution and the combination of our unique capabilities in assessment, content, and services, all of which stand us in good stead going forward.

## Delivering for Growth

These results reflect exciting progress across the business and especially strong financial performance in Assessment & Qualifications and English Language Learning. Further, our commitment to cost efficiencies delivered £120m in savings for the Group. Our careful stewardship of shareholder funds means we launched a share buyback of £300m in 2023 and announced an extension of this by a further £200m in 2024. Our strong balance sheet and excellent cash flows help us invest in opportunities to drive growth and create further value for our stakeholders.

## Several strategic achievements in 2023 also laid the foundation for our future:

- In Assessment & Qualifications, we saw strong performance in Pearson VUE, particularly in the IT and healthcare sectors. We completed the acquisition of PDRI, a trusted provider of workforce assessment services. In this business, we are already seeing promising revenue generation and new contracts with the US federal government.
- In English Language Learning, we won recognition for the Pearson Test of English in Canada for student and economic migration visas. With English as the gateway to employment and study in Canada, this opens a significant new business opportunity for us. In partnership with Pearson VUE, we opened our largest test centre, to help serve the growing PTE market in India. We also launched workplace specific content as well as other enhanced features in Mondly.

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

- Generative AI was a major focal point in Higher Education as we began the beta of our AI tools in Mastering and Pearson+. With over 60,000 AI conversations in Mastering Chemistry alone, we are helping students learn the most complex concepts. The positive student reaction to the tools led us to expand the beta for 2024. What's more, Pearson+ passed the milestone of one million paid subscriptions this calendar year. All of this taken together with improved platform stability and improvements in our sales teams, meant Pearson's Higher Education division increased platform sales while making significant strides in its overall digital consumer experiences.
- Within our Workforce Skills business, we evolved from a unified product approach to building a powerful technology stack that has enabled us to expose the core capabilities as modular offerings that can be tailored to our customers. This is just one element underpinning the solid sales figures we saw in 2023.
- Virtual Learning launched a new Connections Academy Career Pathways programme in five schools to offer students high school, university, and career credentials through an innovative tri-credit approach. We plan to roll out the initiative to more schools in 2024.
- Finally, in a major step toward the simplification of our portfolio, we completed the sale of our Pearson Online Learning Services business in June.

This progress could not have happened without the leadership of Andy Bird. He paved the way for us, and I'd like to thank him for laying the groundwork for our bright days ahead.

## Looking Forward with Confidence

Since I joined Pearson, I've become even more confident about the reasons I came here.

First, it's clear to me that Pearson is a strong, stable company with many growth options. Second, we have a purpose that is unmatched and a genuine ability to help people on their learning journey which, quite literally, changes lives. Finally, our world is also at an inflection point with AI. The next decade will centre on the application of AI in business, in communities, and in our individual lives.

The opportunities to use AI as a tool for better learning, while driving growth in our business are immense. With our vast, high quality data sets and our trusted IP, we are well positioned to lead on creating value from AI in the future.

It's against this backdrop that I'm setting three strategic priorities for 2024. Firstly, we will deliver on our 2024 guidance with an intense focus on organic growth, execution, and the needs of our customers. Secondly, we are sharpening our focus on the enterprise market. This is a large and still forming market, with no dominant player and presents good opportunity for us. Thirdly, we're optimistic about the possibilities that AI brings. We are increasing the energy by which we infuse our products and services with AI solutions that delight and support customers and consumers.

## A Future Built on Our Strengths

At Pearson we do three things. We create and curate world class learning and assessment content. We distribute this content digitally and through physical materials to millions of users globally. And we help individuals, employers and institutions build and verify skills.

These activities are made possible by our unique strengths, such as our long term and diverse customer relationships; the global size and scale of our Pearson VUE business; the depth and quality of our content in textbooks, assessments, videos, and exams; our network of trusted authors; the differentiated Global Scale of English; our deep expertise in learning science; and above all, our trusted and well-respected brand.

These strengths are a testament to the wonderful people of Pearson, and I want to thank them for their contribution to our success in 2023. I am excited for their partnership as we evolve our company to meet the diverse needs of learners around the world.

I believe Pearson is that rare type of company with an ability to deliver sustainable growth alongside a purpose that is meaningful to millions of people.

There is much more to come from Pearson.

**Omar Abbosh** Chief Executive



**The opportunities to use AI as a tool for better learning, while driving growth in our business are immense. With our vast, high quality data sets and our trusted IP, we are well positioned to lead on creating value from AI in the future.**

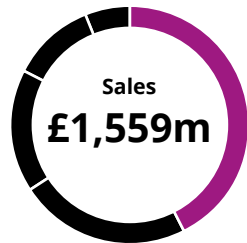
**Free cash flow in 2023**

**£387m**



## Divisional overviews

### Assessment & Qualifications



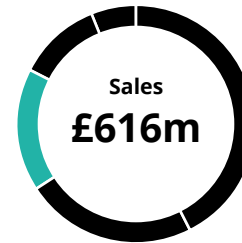
The Assessment & Qualifications division comprises four business units: Pearson VUE, Clinical Assessment, US Student Assessment, and UK & International School Qualifications. Pearson VUE excels as a global leader in scaled testing services, serving numerous industry sectors with its extensive test centre network and flexible delivery options. This line of business meets the critical need for workforce reskilling and professional certification, underpinning professional development at various stages. In Clinical Assessment, Pearson provides high-quality, research-backed assessment products for mental health and learning evaluations, serving professionals in healthcare and education.

Pearson's US Student Assessment specialises in customised large-scale testing programmes for US K-12 education, focusing on state-specific criteria and enhancing education standards. Internationally, Pearson offers globally recognised UK curriculum based qualifications such as GCSEs and A-levels, as well as courseware for English speaking regions throughout the world, supporting foundational student progression worldwide. These qualifications, coupled with Pearson's content expertise and scale of delivery, make it a key player in shaping global education standards and student futures.

In 2023, the division demonstrated strong financial performance, growth, and overall customer retention. 2024 will focus on maintaining strong competitive positions through contract renewals and new wins, while scaling value chain and adjacent market opportunities.

Select plans include VUE moving further up the technology certification value chain, UK & International Qualifications capitalising on the growing demand for international education and Clinical Assessment building out its international portfolio and creating new digitally-enabled business subscription models.

### Virtual Learning



Following the sale of the Pearson Online Learning Services business in the first half of 2023 and the loss of the ASU contract, the Virtual Learning business now works with customers in three ways: Partner Schools (c.95% sales), District Partnerships (c.3% sales), and Pearson Online Academy (c.2% sales).

The Partner Schools business provides tailored Virtual School solutions to public K-12 districts in the US, combining Pearson's courseware, instructional services, and support for high-quality, flexible online learning. Although providing much smaller revenue contribution, the District Partnerships channel offers customisable virtual education solutions for K-12 districts, focusing on smaller student cohorts with a more disaggregated approach than Partner Schools, ensuring access to quality, adaptable remote learning for various needs. We also offer Pearson Online Academy, which while small, extends similar services to Partner Schools but as a private, globally accessible option.

Virtual Learning launched a new Connections Academy Career Pathways programme in five schools for middle and high school students, where we are offering a tri-credit approach to career-readiness courses in partnership with Coursera and Acadeum, amongst others. We saw encouraging enrolment trends in these schools and are planning to roll the initiative out to additional schools in 2024 to drive future growth.

**Assessments sit at the heart of the value we bring to customers. Our ability to deliver in large volumes, in multiple languages, and across countries all over the world, makes us a trusted provider of choice.**

**Art Valentine** President – Assessment & Qualifications





## Higher Education

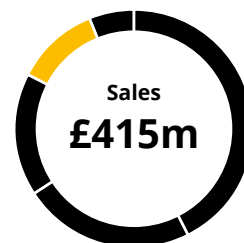


Pearson is the market leader in providing world-class learning experiences in the post-secondary market. Renowned as a market leader in both eText and courseware products, including MyLabs, Mastering, Pearson+ and Revel, Pearson caters to millions of students worldwide.

Pearson's goal is to scale teaching excellence, enhance learner outcomes, and to support faculty in their workflows. Pearson's strength lies in its relationship with authors, its proprietary educational technology platforms, and deep understanding of learning science, all of which are evolving with the AI landscape. Pearson's close relationships with instructors and faculty, who play a key role in adopting course materials, contribute significantly to its competitive edge.

In 2023, Pearson was the first major higher education publisher to integrate generative AI study tools into its propriety academic content. It also grew Pearson+ subscriptions, adding over 1 million eTextbook subscriptions during the calendar year. In the upcoming year, the focus is on scaling AI-enhanced offerings and continuing to deliver outstanding value for learners and faculty with significant product upgrades.

## English Language Learning

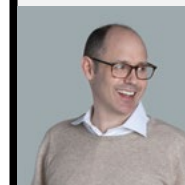


Our vision is to become the world's leading destination for committed learners to build and prove their proficiency in English, offering comprehensive English learning and assessment solutions, including the Pearson Test of English (PTE). Catering to a wide range of learners, including those in workplaces, schools (via institutional courseware and the Wizard platform), and individuals (through Mondly), Pearson provides diverse avenues for English proficiency. Central to Pearson's approach is the blend of leading pedagogical expertise in English language education with advanced technology. This strategy is geared towards delivering personalised, scalable English language learning for anyone seeking to use English for their personal or professional goals.

English Language Learning expanded partnerships and grew the PTE business in 2023, administering over 1 million tests. The 2024 strategy includes scaling the PTE business in Canada and growing corporate assessment and study offerings, leveraging technological advancements.

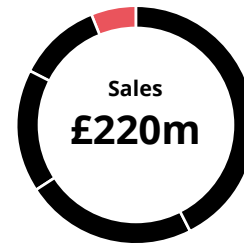
**What learners are demanding is evolving. We are listening to these changing needs and expectations, and enhancing our products to help students succeed in their learning goals.**

**Tom ap Simon** President – Higher Education and Virtual Learning





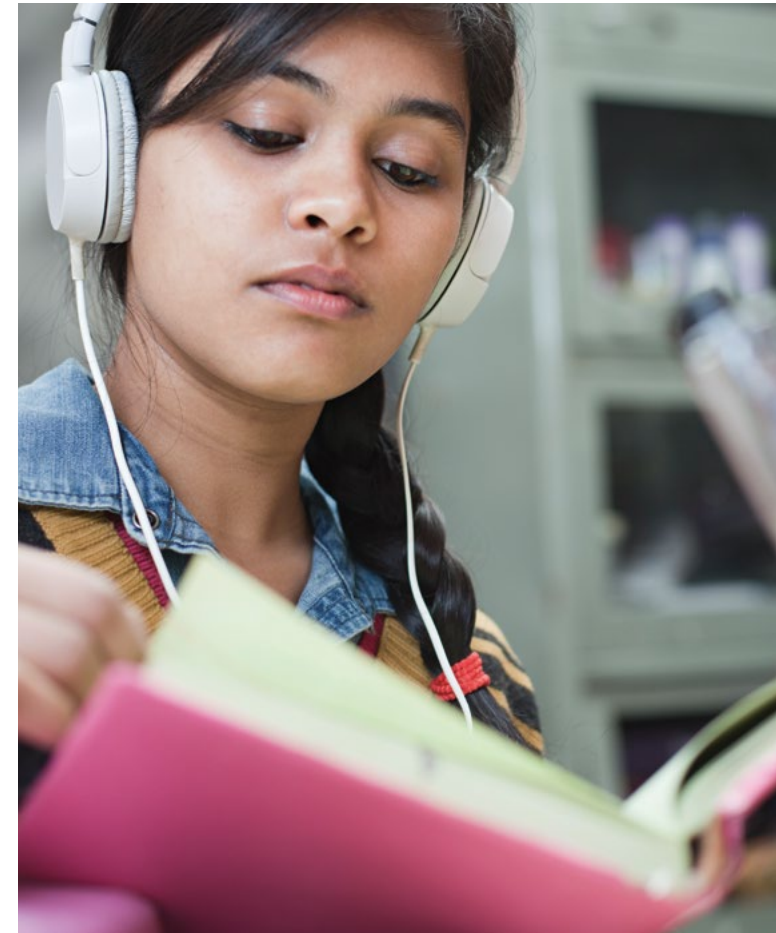
### Workforce Skills



The Workforce Skills division at Pearson includes both Vocational Qualifications (VQ) and Workforce Solutions. Pearson VQ is a global leader in career-focused qualifications, offering programmes that are rooted in real-world work scenarios. These qualifications enable hundreds of thousands of students, apprentices, and workers in the UK and globally to develop and apply knowledge, skills, and behaviours essential for employability. One in five working-age individuals in the UK holds a BTEC from Pearson, and its vocational qualifications are increasingly adopted by global ministries of education to advance skills reform.

Pearson Workforce Solutions addresses the evolving needs of businesses for skilled talent in a rapidly changing economy. Workforce Solutions assists companies in understanding and bridging their skills gaps, fostering genuine skills development aligned with commercial objectives. Pearson's corporate and employee solutions are modular and interconnected by a common skills framework, supporting organisations at various stages of their skills transformation journey and optimising their existing tools for maximum impact.

2023 saw us deliver a solid performance, with our qualifications performing well in institutional and corporate markets, and Workforce Solutions continuing to acquire new customers and expand existing relationships. The 2024 agenda includes driving market share gains, expanding addressable markets, and developing upskilling and reskilling solutions through key partnerships.



## 2023 highlights

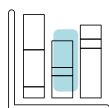
### A year of strategic and operational progress



Sales

**£3,674m**

(2022: £3,841m) headline decrease of 4%



Underlying sales growth increase of

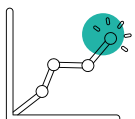
**5%\***



Statutory operating profit

**£498m**

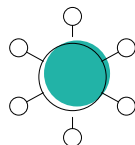
increase year on year of 84%



Adjusted operating profit

**£573m**

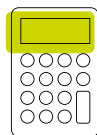
increase year on year of 31% on an underlying basis



#### Acquired PDRI

to drive additional growth in our biggest business: Assessment & Qualifications

[Read more on page 32](#)



Delivered **£120m cost savings**, accelerating Group adjusted operating profit margin expansion to **16%**

[Read more on page 3](#)



Launched beta versions of **generative AI tools** in Mastering and MyLab and Pearson+

[Read more on page 9](#)



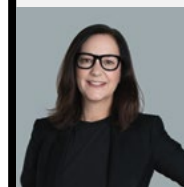
**Strong cash performance**, with free cash flow of **£387m**, and launched a £300m share buyback

[Read more on page 31](#)

Strategic report

**The success of Pearson+ is proof we're delivering on our commitment to give students the vibrant and enriching learning experiences they deserve.**

**Lynne Frank** Chief Marketing Officer and Co-President, Direct to Consumer



**Passed milestone** of 1m cumulative paid subscriptions for Pearson+

[Read more on page 15](#)

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

# An integrated strategy

Our corporate strategy is grounded in three primary objectives – 1) to deliver sustainable, profitable sales growth, 2) to focus on execution, quality, and trust across the business, and 3) to delight our customers and be obsessed with meeting their expectations. We will achieve these objectives through our continued dedicated commitment to building trusted relationships with consumers throughout their lifelong learning journey via an ecosystem of interconnected solutions.

Realising this vision will require us to remain focused on increasing our scale and reach by investing in and deepening our institutional, enterprise, government, and direct to consumer relationships. We will continue to capitalise on synergies across our businesses and lean into our competitive strengths, most notably as a global leader in trusted learning content and assessments.

We believe that by enabling consumers with best-in-class, integrated tools for learning, along with the assessments and credentials to demonstrate their knowledge and skills, we will create lasting value for our customers, learners, and other stakeholders, whilst delivering outsized growth for our investors.

**Strategic Priority #1:** Pearson's commitment to sustainable and profitable revenue growth yielded important achievements across its divisions, underlining the company's market-leading capabilities and strategic execution. Looking to 2024, Pearson's strategic focus remains steadfast on continuing to deliver profitable revenue growth, with each division poised to expand its market impact through targeted initiatives.

Strategic priority	Progress in FY23	Objectives for FY24
Deliver sustainable and profitable revenue growth	<div>AQ</div> Acquired PDRI in March 2023, leading to major federal contract wins with the TSA and US Air Force	<div>AQ</div> Scale value chain and adjacent market opportunities across sub-divisions, with a continued drive to grow within the federal market by providing secure and scalable testing services tailored to the government workforce
	<div>HE</div> Invested in product improvements and implemented new sales teams and processes, in addition to achieving a profitability increase of 3% driven by cost savings	<div>HE</div> Pilot innovative courseware pricing models to drive competitiveness in the growing Open Educational Resources (OER) and Do-It-Yourself (DIY) market segments, whilst continuing to drive international market growth with targeted investments in the Higher Education sector
	<div>EL</div> Grew PTE volumes c.50% to over 1m tests administered and earned recognition for the Student Direct Stream and Migration in Canada	<div>EL</div> Further scale the PTE business and continue to gain market share in Canada, as well as expand the corporate offerings for assessment and study by leveraging the flexibility of the Mondly and Versant (mid-stakes assessment) platforms
	<div>VL</div> Launched and enrolled over 1k students in an innovative career readiness offering	<div>VL</div> Transform the enrolment funnel to bring down the lead-to-enrolment time to 1-2 weeks, a c.75% reduction, aiming to improve student acquisition and retention
	<div>WS</div> Expanded workforce reach to 66 of the Fortune 500 companies, achieving a growth rate of 11%	<div>WS</div> Invest in skills intelligence, credentialing, and assessment solutions, and evolve corporate solutions from single to multi-product sales
	<div>DC</div> Grew the Pearson+ platform to around 5m registered users by end of calendar year 2023 and passed the milestone of 1m cumulative paid subscriptions for the same calendar year	<div>DC</div> Drive Pearson+ growth by expanding distribution and further scaling Channels subscriptions

Key

AQ

 Assessment & Qualifications

WS

 Workforce Skills

VL

 Virtual Learning

HE

 Higher Education

EL

 English Language Learning

DC

 Direct to consumer offering



## Key

**AQ** Assessment & Qualifications **WS** Workforce Skills **VL** Virtual Learning **HE** Higher Education **EL** English Language Learning **DC** Direct to consumer offering

**Strategic Priority #2:** Pearson's focus on execution, quality, and trust across its business divisions led to significant achievements, reinforcing its position as a leader in educational services and products. Looking forward, Pearson is set to further strengthen this commitment across all business divisions, with a clear focus on innovation and strategic development.

Strategic priority	Progress in FY23	Objectives for FY24
<b>Focus on execution, quality, and trust across the business</b>	<b>AQ</b> Launched the Pearson Assessment for Learning Suite - a complementary set of services for US school districts	<b>AQ</b> Invest in product and platform development to improve and expand go-to-market efforts in 2024
	<b>HE</b> Retained the market-leading position within the Higher Education space driven by reaffirming commitment to sales leadership and enhancing execution capability	<b>HE</b> Continue to develop innovative AI features and product enhancements
	<b>EL</b> Launched an enhanced e-commerce journey and fortified relationships with key PTE regional partners	<b>EL</b> Invest in digital platforms and experiences, and utilise the Mondly platform as a versatile tool for trialling technology capabilities and propositions
	<b>VL</b> Reduced marketing cost per enrolment by approximately 25% over the last year, significantly improving operational efficiency	<b>VL</b> Target development of an additional 15 career programmes, up from five last year, and scale to new schools and states
	<b>WS</b> Improved performance in qualification result delivery within Vocational Qualifications ensuring learners had their results when needed	<b>WS</b> Prioritise technology based strategic projects, such as leveraging AI in quality assurance within the enterprise qualifications businesses
	<b>DC</b> Enhanced Pearson+ from primarily an e-reading platform to a more robust educational resource by introducing Channels, delivering tutorial video content and practice problems	<b>DC</b> Expand course offerings available on the Channels platform, building on the 23 college courses supported in 2023

**Strategic Priority #3:** Pearson's dedication to delighting customers and providing exceptional educational experiences was evident across all divisions. Looking ahead, the divisions will continue to drive this strategic initiative, ensuring that customer satisfaction remains at the forefront of the company's operations.

<b>Delight our customers and be obsessed with meeting their expectations</b>	<b>AQ</b> Improved standards of customer care across the A&Q businesses, with examples including shifting from a regional to global approach model, in addition to VUE opening its largest company-owned test centre in Chandigarh, India, with capacity to deliver 14k high-stakes tests per month	<b>AQ</b> Expand VUE value chain capabilities into learning and test prep for the technology certification segment, and release major flagship revisions for the Clinical Assessment sub-division that maintain brand promise but meet current market needs
	<b>HE</b> Piloted and launched AI-enhanced eText and Mastering titles, incorporating cutting-edge technology	<b>HE</b> Increase the selection of AI-enhanced titles and invest in the channels component of Pearson+ with diverse formats, including integrated videos
	<b>EL</b> Improved the e-commerce journey for PTE, making it easier for customers to access and purchase products, enhancing the overall user experience and improving the NPS score from 52 to 55	<b>EL</b> Implement more advanced Mondly content and expand reach to institutional and enterprise customers by harnessing synergies with the wider ELL portfolio
	<b>VL</b> Created c.370k custom assessments since the start of the 2023/24 school year, exceeding the initial target by more than 20x, enabling teachers to further improve the student learning experience and maintain a strong NPS score of +67	<b>VL</b> Improve overall customer satisfaction by integrating content directly onto the Virtual Learning platform, in addition to driving operational improvements and expanding programme offerings
	<b>WS</b> Streamlined operations and implemented an improved go-to-market strategy for strategic accounts, utilising an integrated, team-selling approach to capitalise on strong traction with government entities and large organisations for Workforce Solutions	<b>WS</b> Develop customised solutions and professional services that align with enterprise requirements, and launch the Official GED App by Summer 2024
	<b>DC</b> Invested in AI and introduced AI-generated content summarisation, explanations, and practice quizzes to enhance the user experience within Pearson+	<b>DC</b> Leverage the interconnectedness of Pearson+ with Higher Education's courseware to enhance personalisation and trial career-focused propositions

### Assessment & Qualifications

*Spotlight on Clinical Assessment: Business model innovation enabled by digital capability, driving growth and customer satisfaction in K-12 Special Education*

#### Opportunity

Our Clinical Assessment business represents one of the four sub-divisions within Assessment & Qualifications. We have been a longstanding leader in special education assessment, catering to the requirements of psychologists, educators, speech pathologists, and other professionals that support the special learning needs of students. Throughout our interactions, we always aim to match the evolving needs of the important customers we serve with our gold-standard products and state-of-the-art capabilities. Our portfolio of intellectual property drives much of our competitive advantage as we offer hundreds of products to the market to support a broad array of needs.

Meeting the growing mental health and learning support needs of student populations has become increasingly complex, making resource planning for physical assessment products difficult at best. With our Digital Assessment Library for Schools (DALs) offering, we leverage our expertise and digital innovation to remove the guesswork from resource planning.

#### Progress so far

In 2017 we launched DALs, a subscription offering that provides unlimited access to an industry-leading set of testing instruments. Our Special Education customers are no longer forced to commit to specific evaluation products and diagnostic needs of an unknown student population and are freed from having to anticipate inventory and its cost implications during the budget season. Our customers are excited by the cost-predictability. But more importantly, the access to a broader set of instruments allows our professionals to tailor evaluations to the unique needs of individual students, improving responsible and efficacious use of Individualised Education Plan (IEP) funding.

Since its inception, DALs has quickly become the preferred model for Special Education, which is outlined by its exceptional growth. In fact, other clinical assessment publishers have recognised the importance of DALs and we have begun offering optional DALs upgrades that can include competitor products.

DALs has achieved year-over-year growth of 23% and a five-year CAGR at nearly 80%, supported by exceptional renewal rates. It is now being used by districts servicing 25% of IEPs currently in place across the country. In 2023, we signed deals with some of the largest and most influential school districts in the US, including Chicago Public Schools, Miami-Dade, and Los Angeles Unified School District. These deals represent a strong endorsement of the value and quality of this offering, and we are honoured to be a trusted partner.

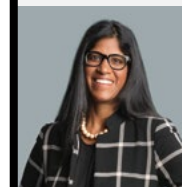
As we look ahead to 2024 and beyond, we are excited to expand the subscription model to new regions and markets, and are currently in the process of exploring expansion into the healthcare and private practice segments. In addition to this, we plan to introduce new features and functionalities that will further differentiate our offering from the competition. Some of the highlights include:

- Expanding DALs in Canada, Australia, and the UK, where we have already introduced the model in 2023 and received positive feedback from customers. We will continue to market and promote DALs in these regions, as well as explore opportunities in other international markets.
- Launching the Digital Assessment Library for University & College Counselling Centres, a new segment that has a high demand for mental health assessments and interventions, especially in the wake of the COVID-19 pandemic. We have partnered with Titanium Schedule, a leading software provider for counselling centres, to integrate our offering into their platform and reach their existing customer base.
- Adding new and revised assessments to the DALs portfolio, as well as complementary assessments from other test publishers, such as the MHS Education Library. This will ensure that our DALs customers have access to the most up-to-date and comprehensive selection of digital assessments available.

The Digital Assessment Library has been an important evolutionary step for Pearson, reinforcing our leadership by facilitating a virtuous cycle of innovation, customer feedback, and continuous improvement, as we leverage our digital platforms and data to enhance our products and services. We are confident that our offering will continue to drive growth and customer satisfaction for our business in 2024 and beyond.

**The benefits of targeted investment, reshaping the portfolio, and delivering on strategy are reflected in our strong financial performance.**

**Sue Kolloru** Chief Strategy Officer



## English Language Learning

*Spotlight on PTE, part of our high-stakes assessments business*

### Opportunity

Our business is centred on three key components which represent a c.£6bn addressable market:

- High Stakes Assessments: an addressable market upwards of £900m. Our flagship product PTE is a verified, secure certification of English proficiency for international migrants and students.
- Institutional English Language Learning: an addressable market of c.£3bn. We offer digital and blended courseware solutions to academic institutions, private language schools and enterprises across the globe.
- Online Direct to Consumer: an addressable market of c.£2bn, which we have entered through our acquisition of Mondly.

### Progress so far

Our high-stakes assessments business saw strong volume growth of c.50% in 2023, driven by market share gains in key countries like India. The past year has also seen our PTE product earn key approval for the Student Direct Stream and Migration in Canada; these notable recognitions underscore the impact and extensive reach that our initiatives have had within the broader language learning sphere.

Our achievements in the broader high-stakes assessments space have been underpinned by a holistic comprehension of the challenges faced by test takers coupled with a commitment to solving their pain points. A key driver of our success lies in creating a better end-to-end experience for the test taker, from booking their test, preparing for it, and taking it in one sitting in our highly secure and convenient VUE test centres, to receiving their score in industry-leading return times, with bias and stress removed from the scoring process. Strategic collaborations with local partners in key markets have proven instrumental in scaling our operations and driving sales. Concurrently, our impactful hyper-local marketing campaigns have effectively heightened awareness of our distinctive offerings, further solidifying our market position.

We enter 2024 in a strong position, continuing the momentum from the prior year. We are poised to continue investing in our high-stakes assessment ecosystem, encompassing advancements in assessment technology, strategic partnerships, and test security and integrity. These initiatives are strategically aligned to elevate the overall customer experience, fostering increased market share gains. In addition, our commitment extends to the expansion and scaling of assessments within our portfolio, including our Versant suite of tests. These endeavours reflect our dedication to sustained growth and excellence in the dynamic landscape of mid- and high-stakes assessments. With our combination of technological capability and deep learning expertise, we will continue to bring real value to the language learning market.

## Pearson+

*Spotlight on the development of our Channels feature alongside user growth and monetisation*

### Opportunity

We are a frontrunner in the Higher Education courseware market, with our influence underscored by the millions of students currently enrolled in courses utilising Pearson eTextbooks.

Capitalising on this robust market position, our initiatives are outlined in two phases over the forthcoming year:

1. Shift eTextbook consumption directly to Pearson+ and improve monetisation
2. Engage and retain students with relevant and valuable services beyond eTextbooks, to improve average revenue per user, and ultimately consumer lifetime value

Pearson+ is currently monetised through paid access to eTextbooks by students after the faculty adopts content in their courses. Our existing Higher Education business provides a large, efficient customer acquisition funnel for Pearson+. Study features, such as Pearson+ Channels, will encourage further use of the application beyond the eTextbook. Over time, Pearson+ users can be further monetised through cross-selling other relevant Pearson products and services, such as Mondly.

### Progress so far

Over 2023 we made significant progress advancing our Pearson+ strategy. Most notably, we added and enhanced what students want, including beta AI study features in three titles, improved search, simpler e-commerce, and an overall better user experience.

By further developing Channels with video content and practice questions this year, Pearson+ is an increasingly valuable study tool for students in 23 college courses, including courses that do not require Pearson eTextbooks. To provide increased access, we have also bundled together Pearson+ eTextbooks and Channels in an affordable "Study and Exam Prep Pack".

For the first time, we saw Pearson+ reach 1m paid subscriptions in a calendar year, with the total number of Pearson+ registered users reaching around 5m by the end of the 2023 calendar year, validating the platforms appeal and effectiveness in meeting the diverse needs of our audience.

Looking ahead to 2024, we aim to drive continued growth by expanding our distribution. Additionally, we plan to capitalise on the synergies between Pearson+ and Higher Education's courseware, in particular the combined platform capabilities, and use this as a springboard to optimise personalisation and diversify our course offerings. As we continue to expand our reach and enhance the value proposition of Pearson+, these initiatives serve as a testament to our commitment to innovation and our ability to deliver products and services that resonate with our user base.

# Learning from our stakeholders

As learning evolves into something more fluid and more necessary across our lifetime, the needs of learners are changing too. Our ability to meet them at this pivotal moment, depends in part on our ability to engage with and mobilise a diverse group of stakeholders. We are building a company that is digital-first and puts the consumer at the heart of all we do.

Building strong relationships inside and outside Pearson means we can make an impact on the people and communities we serve. In return, all of these stakeholders - consumers, employees, shareholders, educators, employers, business partners, and government - can make a positive impact on our business. This year, more than ever, we've seen a renewed effort to partner with stakeholders to respond to the needs of people as they move through different life stages.

We all benefit when a cross-section of stakeholders collaborate and come together to meet the needs of learners and to help to drive growth for the company.



## Consumers

### Why and how we engage

With our efforts to engage more deeply with consumers, Pearson is bringing to life its commitment to put the consumer at the heart of everything we do. This helps us more fully understand how consumers use our products, perceive the company, and feel about the trends driving learning in a digital era.

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

In some specific cases, this also includes surveying consumers directly via our products. This kind of engagement recently has been used in Pearson+ and in Mastering to gauge user opinions on the effectiveness of our new generative AI study tools. In those cases, students were asked if they believe that the tools were helpful in their studies and how likely they were to use them again. Product teams for both products have also been engaging indirectly with consumers by analysing layers of student usage data and testing enhancements based on that.

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

### Outcome of engagement

Understanding our consumers allows us to be more effective in the design and creation of products, along with go-to-market strategies and ongoing implementation.

Consumer feedback has been particularly critical as Pearson rolled out its beta of generative AI features in Pearson+ and Mastering. Student feedback early in the design process was clear in telling us that students wanted AI features that helped them obtain better grades. Designers were able to focus on the features that would be most effective in doing that. By the end of the Autumn 2023 semester, 75% of those using the AI study tools ranked them as helpful or very helpful. In Pearson+ and Mastering, product managers have been acting on other user feedback to improve AI experiences in real time, including adjusting tonality to meet student prompts and incorporating positive language to encourage students to succeed. Together, the feedback before and during the beta will lead to the expansion of AI study in at least 40 more Mastering and MyLab titles.

