Organization Information

Organization Name *
North Carolina Connections Academy

Telephone

Fax

Address

Unit/Suite

Zip Code

City

State
North Carolina

Primary Contact Name *
Marchelle Sutton

Opening Year *
2026

Is Management Organization Used
● Yes ○ No

Primary Contact Relation To Board *
President

Management Organization Name
Connections Education LLC dba Pearson Virtual Schools USA (Pearson)

Management Organization Contact Name
Megann Arthur

Primary Contact Email *
Marchelles117@gmail.com

Management Organization Phone
443-415-2111

Primary Contact Phone *
9195831148

Management Organization Email
Megann.arthur@pearson.com

PrimaryContact Address *
116 Kingston Circle

Unit/Suite *

Zip Code *
27530

City *
Goldsboro

State *
North Carolina

Board Members Roster

Name	Street Address	Zip Code	Email	Expertise
2. Nicholas D'Antonio	610 Scales Towne Court, Raleigh, NC	27608	drnicholasdantonio@gmail.com	Program and project manager; workforce planning; professional development; apprenticeship and training solutions, communications; budget management; career development; community college partnership development
3. Tonya Faison	12562 Jessica Place, Charlotte, ND	28269	Faison827@gmail.com	School leadership and administration; virtual schools; CTE; curriculum; teacher professional development and best practices in a virtual environment; school improvement; EOG Proficiency Data analysis; staff retention; student behavior; curriculum and alignment to standards; attendance and graduation initiatives; EOC test score improvement; assessments; teacher evaluation; finance & accounting
4. Daniel Krchnavek	500 Benson Road, Suite 134, Garner, NC	27529	dkrchnavek@chalmersadams.co	Education law; legal expertise, including contracts, privacy, and education law
5. Alexandria Speller	25 Cackling Way, Zebulon, NC	27597	ratcliff.spellera@gmail.com	Special education and regulations; data analysis; leadership training; learning management systems; communication and collaboration; professional development facilitation; parent and community engagement; instruction; differentiated lesson planning; using data to guide interventions
6. Marchelle Sutton	116 Kingston Circle, Goldsboro, NC	27530	Marchelles117@gmail.com	K-12 leadership, administration, and governance; special populations; CTE and career development; standardized assessments; school handbooks; parent and community engagement
7. Ward Ulmer	4910 Little Oak Drive, Greensboro, NC	27410	Wardulmer@gmail.com	Virtual education and higher education governance; EdTech; education institution business operations, growth, and academic outcomes; student experience; strategic planning; curriculum development and maintenance; fiscal responsibility; parent and community engagement
1. Alexis Boykin	17 Wrexham Place, Elizabethtown, NC	28337	Alexis.boykin@bcbsnc.com	Professional development and performance management; technology; operations; project management; high school instruction; financial applications

1. Application Contact Information

Q1.Name of Proposed Charter School

North Carolina Connections Academy

Applicant Comments :

North Carolina Connections Academy

Q2.Primary Contact's Alternate Telephone Number (xxx-xxx-xxxx)

- The primary contact will serve as the contact for follow-up, interviews, and notices regarding this Application

(919) 583-1148

Applicant Comments :

(919) 583-1148

Q3.Geographic County in which charter school will reside

Durham County (tentative)

Applicant Comments :

Durham County (tentative)

Q4.LEA/District Name

Not Applicable (the school will have a statewide enrollment as a remote academy)

Applicant Comments :

Not applicable as the school is a remote academy with statewide enrollment

Q5.Zip code for the proposed school site, if known

27705

Applicant Comments :

27705

Q6.Was this application prepared with the assistance of a third party such as a consultant or Charter Support Organization (CSO)?

I. **Definition - Charter Support Organization (CSO)**

A for profit or nonprofit, nongovernmental entity that provides:

a. assistance to developers during the application, planning, program design, and initial implementation of a charter school; or

b. technical assistance to operating charter schools, including specific and limited services such as but not limited to professional development, nonprofit board development, payroll, and curriculum development.

● Yes

○ No

Q7.Give the name of the third-party consultant or CSO:

Connections Education LLC dba Pearson Virtual Schools USA (Pearson)

Q8.Describe any fees provided to the third-party person or CSO as reflected in the budget.

No fees were provided to a third-party person or CSO for assistance with this application.

Applicant Comments :

No fees were provided to a third-party person or CSO for assistance with this application.

Q9.Provide a full detailed response of the assistance provided by the third-party consultant or group while preparing this application and when the assistance will end:

The Board has chosen to partner with Connections Education LLC dba Pearson Virtual Schools USA (Pearson) as our Education Management Organization (EMO) for the term of the charter contract as well as for support with preparing this application. The Board will operate as a non-profit entity with authority and governance over the school. Students will benefit from a top-quality, proven curriculum on a user-friendly platform from Pearson, and the Board benefits from expert support in a variety of areas, including application support in the sections on the curriculum, professional development, marketing, enrollment, and finance. Members of the Board sought assistance and feedback from Pearson with drafting this charter application. While Pearson supported the Board in gathering requested information, the Board thoroughly vetted all Pearson contributions and ultimately finalized each response in this application. The Board will be capable of providing comprehensive learning experiences to all its students as a public virtual charter school.

The virtual learning model and the curriculum provided by Pearson, as described in this application, are currently implemented in 45 virtual schools for over 100,000 students throughout the country. The students and families of NC Connections will benefit from the best practices culled from implementing this proven core model of virtual learning over the past 20 years. The Board is also partnering with Pearson for its Career Program for students who may need different pathways to achieve their educational goals and will provide this option to students throughout North Carolina.

The Board will oversee the policy decisions, academic success, and financial health of the school. The School Leader will manage the day-to-day operation of the school with the support of the administrative team. While implementing the policies and procedures of the Board, the School Leader and leadership staff will in turn supervise and support the teaching staff. The Board will set policy and select contractors, including those providing the school's day-to-day operations, curriculum, technology, and instructional services. The Board is also responsible for fiscal oversight and ensures the school meets the terms of its charter contract. The Board will also execute and oversee the school's contract with Pearson and will hold Pearson accountable for ensuring that the school meets its obligations.

Upon approval of the application, the Board will use a carefully structured and highly detailed agreement with the proposed partner that outlines expectations and the specific services that Pearson will provide to ensure strong mutual understanding of the mutual roles and responsibilities. More details on the roles and responsibilities can be found in the draft Statement of Agreement uploaded with this application.

Applicant Comments :

The Board has chosen to partner with Connections Education LLC dba Pearson Virtual Schools USA (Pearson) as our Education Management Organization (EMO) for the term of the charter contract as well as for support with preparing this application. The Board will operate as a non-profit entity with authority and governance over the school. Students will benefit from a top-quality, proven curriculum on a user-friendly platform from Pearson, and the Board benefits from expert support in a variety of areas, including application support in the sections on the curriculum, professional development, marketing, enrollment, and finance. Members of the Board sought assistance and feedback from Pearson with drafting this charter application. While Pearson supported the Board in gathering requested information, the Board thoroughly vetted all Pearson contributions and ultimately finalized each response in this application. The Board will be capable of providing comprehensive learning experiences to all its students as a public virtual charter school.

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Upon approval of the application, the Board will use a carefully structured and highly detailed agreement with the proposed partner that outlines expectations and the specific services that Pearson will provide to ensure strong mutual understanding of the mutual roles and responsibilities. More details on the roles and responsibilities can be found in the draft Statement of Agreement uploaded with this application.

Q10.Projected School Opening Month

August 2026

Applicant Comments :

August 2026

Q11.Will this school operate on a year-round schedule?

○ Yes (Year-Round)

● No

Q12.Complete the Enrollment Summary table (see resources), providing grade levels and total projected student enrollment for Years 1-5. Please note: If applying as a **"FACE VIRTUAL"** remote academy, the applicant must provide separate enrollment figures for in-person and remote student cohorts (see resources).

☑ Upload Required **File Type:** excel **Max File Size:** 30 **Total Files Count:** 1

Resources

Enrollment Summary Table_ 0124.xlsx

Applicant Evidence :

Enrollment Summary Table_ 0124.xlsx

Uploaded on **4/22/2024** by **Marchelle Sutton**

Q13.At full capacity, what is your estimated student enrollment and grade spans?

At full capacity in year 5, the estimated student enrollment is 3,500 students across grades K-12.

Q14.Complete the Enrollment Demographics table (see resources), providing projected enrollment for each of the following demographic groups.

☑ Upload Required **File Type:** excel **Max File Size:** 30 **Total Files Count:** 1

Resources

Enrollment Demographics Table rev 11.15.22.xlsx

Applicant Evidence :

Enrollment Demographics Table rev 11.15.22.xlsx

Uploaded on **4/25/2024** by **Andrew LaVoie**

Q15.Describe the rationale for the number of students and grade levels served in year one and the basis for the growth plan outlined above.

There is a compelling need for this virtual school from across the state for a K-12 virtual charter school. As more parents seek alternatives to the traditional school system to accommodate circumstances ranging from safety concerns to individualized pacing needs to teen pregnancy, remote learning options have continued to be in increasing demand. This was evident from information sessions and organic requests for information for a Connections Academy school. The Board received 469 statements of support representing 83 counties through information sessions and direct outreach. This model received 4,225 organic requests for information for a Connections Academy school in the last five years from across the state of North Carolina. Parents are wanting this high quality, virtual school option for their children. The Board noted this demand and plans to scale the school over the five-year term with fiscally viable and responsibly maintained school programs and instructional initiatives.

The number of students (enrollment projections) and the grade levels to be served in year one were developed based on several factors. First, data from the National Center for Education Statistics (NCES) on student population projections was analyzed, which showed that the state's student population is projected to grow over the next five years and that the population of virtual education students is in the tens of thousands. Secondly, data on the historical student enrollments at virtual schools in North Carolina was reviewed; both of the pilot virtual charter schools (NCCA and NCVA), currently have waitlists of families wanting to enroll but unable due to current enrollment caps. Lastly, historical data from Pearson's 20+ years of national and state enrollments was evaluated to assess growth trends. Based on these data points and trends, we developed enrollment estimates across K-12 grade levels. In addition to these data sources, the year-by-year enrollment estimates assume an annual increase in student enrollment while considering factors for students leaving the school such as relocation, family life changes, and other changes.

Q16.This subsection is entirely original and has not been copied, pasted, or otherwise reproduced from any other application.

● I certify

○ I do not certify

Q17.Explanation (optional)

2. Non-Profit Corporation Information

Private Non-profit Corporation (NCGS 115C-218.1)

- The nonprofit corporation must be officially authorized by the NC Secretary of State upon application submission.

Q18.Organization Type

● Non-Profit Corporation

○ Municipality

Applicant Evidence :

Appendix K - Articles of Incorporation.pdf

Uploaded on **4/23/2024** by **Marchelle Sutton**

Q19.Official name of the private, non-profit corporation as registered with the NC Secretary of State

- This is the entity that will hold the Charter if final approval is granted by the NC Charter Schools Review Board (CSRB).

North Carolina for Online Instruction, Inc.

Q20.Has the organization applied for 501(c)(3) non-profit status?

○ Yes

● No

Applicant Comments :

The Board plans to apply for 501(c)(3) non-profit status upon approval of the charter and should receive federal tax-exempt status no later than 24 months following final approval of the charter application, as required.

Q21.The private non-profit listed as the responsible organization for the proposed charter school has 501(c)(3) status:

- Federal Tax-Exempt Status (NCGS 115C-218.15)
- If the non-profit organization has yet to obtain 501(c)(3) status, the tax-exempt status must be obtained from the Internal Revenue Service within twenty-four (24) months of the date the Charter Application is given final approval.

○ Yes

● No

Applicant Comments :

The Board plans to apply for 501(c)(3) non-profit status upon approval of the charter and should receive federal tax-exempt status no later than 24 months following final approval of the charter application, as required.

Q22.Attach as Appendix F Federal Documentation of Tax-Exempt Status

☑ Upload Required **File Type:** pdf, image, excel, word, text **Max File Size:** 30 **Total Files Count:** 10

Applicant Comments :

The Board plans to apply for 501(c)(3) non-profit status upon approval of the charter and should receive federal tax-exempt status no later than 24 months following final approval of the charter application, as required.

The Articles of Incorporation includes language that states the nonprofit has been formed for one or more of the purposes designated by section 501(c)(3).

Applicant Evidence :

Appendix F - Tax Exempt Status.pdf

Uploaded on **4/24/2024** by **Marchelle Sutton**

Q23.Name of Registered Agent and Address

- As listed with the NC Secretary of State

Corporation Service Company, 2626 Glenwood Avenue, Suite 550, Raleigh, NC, 27608

Q24.Federal Tax ID

FEIN 99-1895314

3. Acceleration

Per NC Administrative Code 16 NCAC 06G .0509 (https://simbli.eboardsolutions.com/Policy/ViewPolicy.aspx?S=10399&revid=84R1LVelxY9lvhpKdhHt1w==&ptid=muNUlKiR2jsXcslsh28JpBkiw==&secid=x9VPtMUo9twbb6Q1kKyM7A==&PG=6&IRP=0), the State Board of Education, in its discretion, may accelerate the mandatory planning year to increase the number of high-quality charter schools.

Q26.**Requirements**

The State Board of Education may accelerate the mandatory planning year for a charter applicant that meets the following requirements:
(1) agrees to participate in the planning year while the charter application is being reviewed without any guarantee of charter award; and
(2) demonstrates that there is a facility identified by the applicant that is feasible for opening on an accelerated schedule. Do you want your application to be considered for acceleration?

○ Yes

● No

4. Conversion

Q40. Is this application a Conversion from a traditional public school or private school?

- ○ Yes
- ● No

5. Replication

Per NC Administrative Code 16 NCAC 06G .0512, the State Board of Education (SBE) may, in certain well-defined instances, grant permission for a non-profit corporation board of directors (board) to replicate either its own successful model or to employ an educational management company (EMO) or a charter management organization (CMO) to replicate a successful model currently being operated under the management of the EMO or CMO. The SBE may also, in certain well-defined instances, grant permission for a non-profit corporation board to “fast track” such a replication by foregoing the planning year normally required for newly-approved charter applicants.

If applying for a replication, please review the following definitions and continue in this section.

(1) "Charter school model" or "model" mean the mission as defined in the charter application and function of a charter school, including its governance, its curriculum, its organizational structure, its targeted population, and other key characteristics of the school, such as small class size, thematic academics, and extended day.
(2) "Successful model" means a charter school model that meets the eligibility requirements in Rule .0513 of this Section.
(3) "Replication" means the act of copying, recreating, or repeating, a successful charter school model. A "replication" requires the utilization of one charter school "model" to form the creation of a new charter school.
(4) "Fast-Track Replication" is a special form of replication in which the approved applicant foregoes the planning year required of new charter school applicants.

History Note: Authority G.S. 115C-218.3;

Emergency Adoption Eff. August 20, 2019;

Eff. March 17, 2021.

Q57. Do you want this application to be considered for standard or fast-track replication?

○ Standard

○ Fast-Track

● No, this is not a replication

6. Alternative

*A charter school meeting the eligibility criteria set forth in this policy and seeking designation as an “alternative school” must submit an application to the Office of Charter Schools describing in detail the school’s mission as it relates to the request for the designation; the criteria the school plans to use that will meet the eligibility requirements set forth below, including the documentation the school will use to support its admissions process; how the school intends to serve the select population, educationally and otherwise; and the goals the school is setting for academic achievement for this population. The application must also include an admission plan that is well-defined and specifically limited to serving at-risk students as described in the application. A plan that is not well-defined will not be approved.

*The school must, in its application, designate which of the alternative accountability options it is requesting under ACCT-038 (https://simbli.eboardsolutions.com/ePolicy/policy.aspx?PC=ACCT-038&Sch=10399&S=10399&C=ACCT&RevNo=1.02&T=A&Z=P&St=ADOPTED&PG=6&SN=true). The option selected, if approved, cannot be changed except at the time of renewal (as outlined in CHTR-020.III (https://simbli.eboardsolutions.com/ePolicy/policy.aspx?PC=CHTR-020&Sch=10399&S=10399&C=CHTR&RevNo=1.02&T=A&Z=P&St=ADOPTED&PG=6&SN=true)).

Q68. Do you want your application to be considered for an Alternative Charter School?

○ Yes

● No

7. EMO/CMO

Q70.Does the Charter School plan to contract for services with an “educational management organization” or “charter management organization?

● Yes

○ No

Q71.EMO/CMO Mailing Address City, State, Zip

Pearson, 509 S. Exeter Street, Suite 202, Baltimore, MD 21202

Q72.EMO/CMO Website

https://www.connectionsacademy.com/

Q73.Explain how the contract with the specified EMO or CMO will be in the best educational and financial interest of the charter school.

The Board has chosen to partner with Connections Education LLC dba Pearson Virtual Schools (Pearson) as our Education Management Organization (EMO). The NC Connections Board, supported by its partner Pearson, will be capable of providing comprehensive learning experiences to all its students as a public charter remote academy.

North Carolina Commitment

Pearson has a long history of supporting education in North Carolina. Pearson employs 428 people in North Carolina, operating Professional Centers in Asheville, Charlotte, Greenville, Raleigh, Wilmington, and Winston-Salem, and VUE testing centers in 32 counties across the state, from Cherokee in the west to Vance in the north, Columbus in the south, and Pamlico in the east. Its divisions in the state include Higher Ed, GEDWorks, Online and Blended Learning, Assessment, Schools, and Clinical. Pearson has also established partnerships with NC organizations like District C, which has brought its unique internship experiences to 95 schools and institutions; 5,022 students; and 461 businesses in North Carolina.[1]

Pearson partnered with the original North Carolina Connections Academy as a separate and independent charter board (now North Carolina Cyber Academy) from 2015 to 2019. The school served approximately 5,460 students while partnered with Pearson’s Connections Academy and was successful in delivering positive outcomes for students. For example, the school exceeded statewide proficiency in grades 6-8 for three consecutive years. During the final year of the partnership and as the school grew, Pearson expressed concerns that the Connections Academy program was not being implemented with fidelity to the core model and chose to not continue the contract. The decision to cease the partnership was a mutual decision. While it is unfortunate the relationship could not continue, the Board is committed to the Connections Academy high quality model and is confident that the new and distinct North Carolina Connections Academy, with a career focus, will be a success.

Effective and High Quality Education Service Provider

The Board will operate as a non-profit entity with authority and governance over the school. NC Connections will serve students in grades K-12 and will implement the proven Pearson virtual school model, incorporating its recognized and award-winning curriculum focusing on and supporting academic achievement for all students. The virtual learning model and the curriculum provided by Pearson, as described in this charter school application, are currently implemented in virtual schools in 29 states throughout the country. The students and families of NC Connections will benefit from the best practices culled from implementing this proven core model of virtual learning over the past 20 years.

As a new charter school, it is imperative we partner with a highly respected virtual education provider given their extensive technical expertise and resources, to assist us in establishing and operating a K-12 remote academy. Thus, the Board determined that it is in the best interest of NC Connections students and families to contract with Pearson, a proven virtual education provider.

In order to meet the educational needs of our students, the Board determined that we required a quality curriculum that was designed to meet best practices for remote instruction, that offered accredited courses, and whose courses were approved by the National Collegiate Athletic Association (NCAA) for our high school offering.

As the Board of NC Connections, we have investigated our options for the provision of services, including administrative support, educational services, equipment, and educational products and platforms that will allow the school to best operate. As part of its investigation, the Board focused on contracting with providers of an accredited virtual education program that have (i) the capability to deliver a fully remote education program easily utilized by teachers, parents, and students alike; (ii) a reliable and secure technology platform and infrastructure; (iii) the ability to provide assistance to the Board in staffing the education program with highly qualified teachers, administrative staff, and support staff; (iv) the capacity to provide the school with sufficient resources to support the effective delivery of the education program; and (v) a demonstrated success academically with both high-performing learners as well as struggling students.

The Board desires to contract with a virtual education provider with the reputation, experience, and capacity to resource, staff, and support a fully functioning K-12 statewide remote academy. The Board would like a provider that has demonstrated the ability to achieve NC Connections’ mission “to help students meet performance standards and maximize their potential through an individualized learning program. The school's tailored approach prepares students of all abilities to succeed in school and life.”

Operationally, we required that the provider offer services for enrollment, placement of students in a virtual environment (given the statewide nature of our model), as well as student data and reporting functions. The provider had to possess a robust technology infrastructure and the ability to support disadvantaged families. The Board also wants a provider capable of distributing computers and equipment.

After spending considerable time reviewing the national experience of Pearson, its curriculum, and infrastructure, the Board concluded that Pearson is best able to provide the quality virtual education experience that NC Connections wishes to provide students. Pearson is the best option for our Board and school as it is a national leader in the development and delivery of K-12 virtual education programming. Pearson can deliver the quality education experience that the Board set out to achieve when applying for the ability to operate a fully remote statewide K-12 charter school.

Pearson’s curriculum, coupled with its education management system, will help teachers, students, and caretakers thrive in the virtual classroom. Pearson’s core model is accredited by Cognia (formerly AdvancED). Cognia is a global nonprofit that serves 36,000 institutions, nearly 25 million students, and 5 million educators every day. Many of the Pearson-supported schools are also accredited by one or more of six regional accrediting organizations for higher-education institutions, recognized by the Council for Higher Education Accreditation and the United States Department of Education.

Pearson will provide NC Connections’ students with a wide catalog of courses that meet the North Carolina Course of Study, as well as National Collegiate Athletics Association (NCAA) Eligibility Center initial eligibility requirements. Our Board believes Pearson’s involvement in the day-to-day operation of the school is critical to the school’s being able to deliver the high-quality education program expected.

It is the Board’s belief that teaching in a fully remote environment requires a different skill set than teaching in a brick-and-mortar environment. Pearson has 20+ years of experience in working with boards to hire and evaluate teachers and staff of virtual schools. In the 2022-23 school year, Pearson served more than 110,000 students through its partnerships. The Board will oversee the governance of the school, but we take comfort in working closely with Pearson to ensure our teaching and administrative staff are fully prepared to be successful in a remote environment.

Strong Oversight of Roles and Responsibilities

The proposed Statement of Agreement requires Pearson to assist us in the recruitment of staff and conduct/provide all necessary and recommended staff training. The dollar value of the contract will vary, depending on the number of students enrolled in a given academic year. In addition, the Board has requested that Pearson provide ancillary services critical to a high-quality education program, including technical support services for students and staff, an online repository for school records, and information outreach campaigns to inform potential students and their caretakers.

Everything described herein is critical to the success of a remote charter school. Contracting with a source other than Pearson would not be feasible or cost-effective. While the Board maintains ultimate authority over our school and understands the need to perform our duties as public school Board members, the Board would like to implement these integrated services and the overall Pearson education program.

For these reasons, the Board believes contracting with Pearson is the best option in order to achieve the school’s mission and vision.

[1] https://www.districtc.co/

Q74.Attach as Appendix A4.1: Executed or Draft Management Contract

☑ Upload Required **File Type:** pdf, image, excel, word, text **Max File Size:** 30 **Total Files Count:** 5

Applicant Evidence :

Appendix A4.1 - Draft Management Contract.pdf

Uploaded on **4/23/2024** by **Marchelle Sutton**

Q75.What other EMO/CMOs were pursued and why did the applicant select this one? Please include information regarding other management organizations' fees and financial/academic records that led to the selection of the proposed EMO/CMO as the best fit for this proposed school.

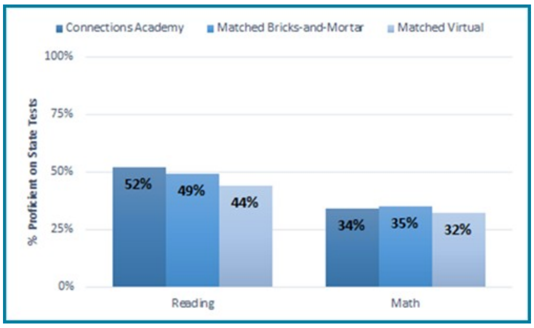
The Board is aware of other EMOs but has been tracking the success of students in Connections Academy schools, especially during the Covid pandemic. Students in Connections Academy schools experienced neither the national “COVID slide” nor lasting learning loss; in fact, Connections Academy students exceeded national performance in MAP reading and math scores as well as Renaissance STAR scores in reading and math. Board members agreed, based on the points below, that the Connections Academy model is the only one the Board could fully endorse.

1. The Board sought to partner with an EMO with experience; Pearson is a recognized national leader in virtual education with over 20 years of experience. Pearson offers a unique and innovative full-time online educational program for online schools based on its Connections Academy virtual school model. This model serves students in grades K-12 nationwide who need an alternative to the traditional classroom and find that online education is the best fit for their specific needs. Pearson has grown from providing services to 500 students in grades K-8 in two states—in its first school year, 2002— to serving over 110,000 students via full-time virtual education in 29 states via 45 virtual statewide public schools. Since 2001, it has successfully served more than 1 million students with its products and services, including over 20,000 students in North Carolina over the past five years through partnerships with local school districts. Pearson’s core model is accredited by Cognia (formerly AdvancED). In addition, many of the core and elective courses have been approved by the NCAA Eligibility Center for use toward initial eligibility when delivered by Pearson-affiliated teachers using its EMS.

By virtue of its work over the past 20 years, Pearson has helped create the field that is now known as K-12 online learning. When the first Connections Academy school began in 2002, fewer than 1,000 students were enrolled in full-time virtual education around the U.S., and fewer than 100,000 were taking supplementary online courses. Today, the total number of full-time virtual students is estimated to be more than 300,000 and over three million students take supplementary online courses. Through collaborative efforts with thought-leader organizations such as the Aurora Institute and Digital Learning Collaborative, Pearson has played a key role in catalyzing this growth while working diligently to provide access to online educational opportunities that are consistently high-quality, highly accountable, and characterized by continuous improvement. Pearson has aimed to be a pioneer, advocating for a new paradigm of K-12 education where the focus is on schooling, not schools; academic results, not inputs and processes; and achievement, not seat time.

Pearson has been recognized for its achievements. In the 2022 EdTech Digest Awards, Pearson was named a Finalist in the category of “e-learning, blended, flipped solution or remote solution” in the “Cool Tools” Awards. Pearson was also honored as a finalist in the category of “EdTech Company Setting a Trend” of the “EdTech Trendsetter” Award. Pearson was named a Tech & Learning Winner: 2021 Best Remote & Blended Learning Tools for Primary (K-6) and Secondary (6-12). Tech & Learning judges deemed Connections Academy schools as a standout for helping students, parents, and teachers succeed in new learning environments.

2. The Board sought to partner with an EMO with demonstrated academic success. Pearson-partnered schools have consistently had a higher graduation rate than other statewide virtual schools. The 4-year Adjusted Graduation Cohort Rate for all Connections Academy schools with a graduating class, weighted by size of school, has steadily increased over the past five years. Student cohorts in Connections Academy schools statistically outperformed (by 7.9 percentage points) cohorts in other online schools (matched on prior achievement) in terms of the percentage scoring proficient in reading on state assessments. There was no statistical difference in percentage scoring proficient in math between student cohorts in Connections Academy schools and cohorts in other online schools that were matched on prior achievement. The results of the study were validated by SRI and have been subjected to assurance by Price Waterhouse Coopers. The achievement of Connections Academy students was compared to the achievement of students attending brick-and-mortar schools and other online schools, and cohorts were matched in terms of prior achievement. The research team collected school and district state achievement data (defined as the percentage of students scoring proficient or above on state tests) from 19 state departments of education, at 3rd–8th grades, over three years. States were included if they had a Connections Academy school that had operated for three or more years. The results provide evidence that Connections Academy students receive the same quality of education as that offered at their local public school and those students are better positioned for success in Connections Academy schools than they are at other online schools.



School Comparison Study Results for Connections Academy, Brick-and-Mortar, and Online Schools

3. The Board sought to partner with Connections Academy due to the demand in the state. There have been 4,225 requests for information for a Connections Academy school that have come in over the last 5 years from across the state. In addition, 13 information sessions were held across the state, and 469 North Carolina residents have signed statements of support for opening NC Connections, representing 83 of the 100 counties. The list of signatures and counties are available in Appendix A: Evidence of Community/Parent Support.

4. The Board sought to partner with an EMO with a unique career program. The Board determined there was a need in North Carolina for a statewide remote charter academy with a unique career program that includes badging components focused on developing leadership skills, career readiness, and workforce development skills. Our partner’s cutting-edge career/college prep program builds on two decades worth of lessons learned about engaging students in a distributed online setting, including how best to connect teachers, students, and families to maximize potential and meet the highest performance standards. Unique technology tools allow students to dynamically assess their interests, plug into a community of support and expertise, and earn professional-grade badges with lifelong value. Internships, mentorships, and apprenticeships extend students’ learning into the real world. Pearson partners with Coursera, the global online learning platform; Acadeum, the largest course sharing network in higher education; e-Dynamic Learning, a provider of career technical education; and Credly, a global leader in digital credentialing. The career program includes a Career Exploration and Community Platform, Career Pathways, Skills Badging, Engagement Badging, an Experiential Career Network, Career Counseling, and Age-Appropriate Programming.

For these four reasons, partnering with Pearson will enable NC Connections to meet the educational needs of students who, for a variety reasons, are not being served by their current educational offering. The Board investigated options for the provision of services, including administrative support, equipment, and educational products and platforms that will allow the school to operate successfully as a K-12 school with the capacity to serve thousands of students. As part of its investigation, the Board focused on contracting with an EMO of an accredited virtual education program that has the capability to deliver a virtual education program easily utilized by teachers, parents, and students alike; a reliable and secure technology infrastructure; the capacity to support the effective delivery of the education program; and demonstrated success academically with both high-performing learners as well as struggling students.

After spending considerable time reviewing the experience of Pearson, its academic success, its comprehensive infrastructure, and its unique career exploration program and partners, the Board concluded Pearson is best able to provide the quality virtual education experience the school expects.

While the Board maintains ultimate authority over the school and understands its fiduciary duties as public school board members, the Board would like to implement these integrated services and the overall Pearson education program. For these reasons, the Board believes contracting with Pearson is the best option to achieve its mission. The SOA the Board has negotiated provides for an education program unique in nature such that its sole availability is through Pearson as the only contractor that provides the goods and services the Board desires to procure.

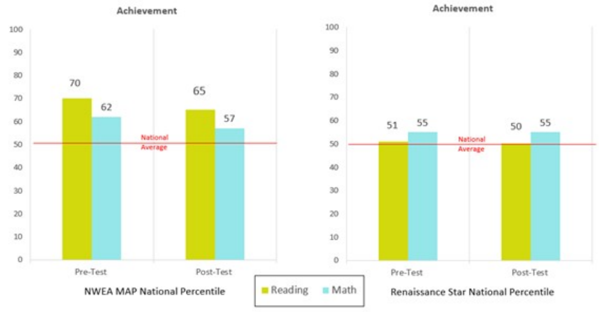
Q76.Provide and discuss student performance, governance performance, and financial data from other schools managed by the management company to demonstrate how this organization is a good fit for the targeted student population. Nationally, what are the highest and lowest-performing schools of the EMO/CMO? Why are these two schools so different in overall achievement?

Student Performance

The proposed model and instructional methods have shown many positive outcomes regarding student performance. Students in a Pearson-supported Connections Academy school often on average achieve higher scores than the national average on nationally administered benchmark assessments, as shown in the figure that follows. The vertical bar graphs show the percentile achievement of Connections Academy schools to the national norming data for the associated benchmark assessments. A percentile achievement of 50 represents the national average. The benchmark assessments are the NWEA MAP assessment and the Renaissance Star 360.

The NWEA MAP assessment is computer adaptive, measures student performance, and tracks student growth over time. MAP provides in-depth reporting and aggregates data by class and school/district. Individual reporting tracks student growth and identifies students' areas of strength and weakness. MAP also identifies students who demonstrate poor growth.[1] NWEA assessments have been taken by over 10.2 million students.[2]

Renaissance Star 360 is a comprehensive pre-K–12 assessment suite that enables greater student growth as teachers lead students toward mastery of state-specific learning standards for reading, math, and early literacy. The computer-adaptive assessments identify areas of strength and need in the student's learning profile and measure student growth during the school year to help formulate learning goals and monitor student progress.[3] These assessments align with state standards as well as the curriculum and are given to students in the fall, winter, and spring. Nationally, more than 34,000 schools and districts in all 50 states use Star assessments.[4]



Students at Connections Academy Schools Have Higher Achievement Scores on Benchmark Assessments than the National Average.

In addition, recent research from an independent study conducted on schools partnered with Pearson shows that there is no statistical difference in the performance of students in virtual schools on state math and reading tests and the performance of students in brick-and-mortar schools when matched for student mobility and other demographic data.[5]

Performance on National Tests

ACT® – The National Average Composite score for 2023 was 19.5, while the College Readiness benchmark is 23. Connections Academy schools that met or exceeded the national average and their corresponding score (schools in bold also met or exceeded the ACT College Readiness benchmark):

- **Iowa Connections Academy – Average Composite was 26**
- Kansas Connections Academy – Average Composite was 20
- **Minnesota Connections Academy – Average Composite was 24**
- Ohio Connections Academy – Average Composite was 21
- **Texas Connections Academy @ Houston – Average Composite was 24**

SAT® – The College Readiness Benchmark is 1,010 (530 Math/480 Evidence based Reading and Writing), while the 2023 national average was higher at 1,028 (508 Math/520 Evidence Based Reading and Writing). Connections Academy schools that exceeded the college readiness benchmark and their corresponding scores (schools in bold also met or exceeded the national average):

- **California Connections Academy – Average Score was 1157 (561 Math/596 EBRW)**
- **Colorado Summit Connections Academy – Average Score was 1093 (534 Math/559 EBRW)**
- Maine Connections Academy – Average Score was 1072 (511 Math/561 EBRW)
- **Pearson Online Academy – Average Score was 1209 (587 Math/622 EBRW)**
- Texas Connections Academy @ Houston – Average Score was 1074 (516 Math/558 EBRW)
- TEC Connections Academy – Average Score was 1080 (520 Math/560 EBRW)

State Tests – Achievement Highlights from the 2022-2023 School Year

The following schools exceeded state performance in their respective state assessments:

- California Connections Academy North Bay – Performed 28% higher than state average
- Willamette Connections Academy – Performed 26% higher than state average
- Wisconsin Connections Academy – Performed 21% higher than state average
- California Connections Academy Monterey Bay – Performed 12% higher than state average
- Texas Connections Academy @ Houston – Performed 9% higher than state average
- Oklahoma Connections Academy – Performed 9% higher than state average
- Georgia Connections Academy – Performed 9% higher than state average
- Oregon Connections Academy – Performed 8% higher than state average
- Kansas Connections Academy – Performed 4% higher than state average
- South Carolina Connections Academy – Performed 2% higher than state average

Governance Performance

Since February 2002, Pearson has assisted Connections Academy partnering boards by ensuring they are aware of and follow their governance responsibilities and duties, especially as volunteer board members. Each partnering board is supported by governance experts in the field who focus on ensuring the board is operating in compliance with state open meetings laws, charter requirements, organizational bylaws, and other national governance standards and best practices.

In 2023, Pearson hosted two Board Academy trainings for those new to non-profit board governance that were attended by approximately 30 partnering board members. Board Academy is a retreat that is helpful in expanding board members' knowledge base of Charter School Governance standards. Additionally, the training provides board members with the opportunity to meet key members of the Pearson Leadership Team, support teams, and other Connections partnering Board members so that there is a great community to learn from each other. Going forward in 2024, Pearson plans to hold an annual retreat open to all Connections Academy partnering board members.

As part of board support, Pearson teams also work with governing board members across the country to ensure they are compliant with annual state- and authorizer-mandated trainings. Furthermore, partnering boards are provided with a slate of state and national conference options that may be advantageous for them to consider attending and allocating budget toward for governance training and professional development.

Financial Data

Pearson provides bookkeeping, budgeting, forecasting, reporting, revenue and expense management, pay agent services, financial framework adherence, grant accounting, and financial compliance services for nearly all Connections Academy schools. The Pearson School Financial Services team brings a wealth of knowledge and experience to support Connections Academy schools across the country. The team is led by a group of Certified Public Accountants and structured in a manner that brings strict adherence to internal controls. This service is imperative to allowing the school to focus on its main priority, educating students.

Connections Academy schools have a reputation for stellar financial performance and governance, as represented by upstanding independent audits and fund balance growth year over year. Collectively, Connections Academy schools have grown their fund balances by 32.8% from 2023 to projected in 2024. This growth allows the schools to reinvest in students and their priorities.

Additionally, the Pearson School Financial Services team supports the annual independent audit process. The team supported 71 audits, including many single audits, for school years 2020-21, 2021-22, and 2022-23. Of the audits supported, 98.6% resulted in no findings, deficiencies, or weaknesses with regards to financial matters. None of the schools' audit findings resulted in corrective action plans with regards to Generally Accepted Account Principles or financial reporting internal controls.

Highest & Lowest Performing Schools

In order to assess the performance of schools supported by our partner, the Board asked Pearson to analyze the past three years of data on both state assessment performance and graduation rate performance for the schools they support. For highest performing schools, a school was given 1 point if in that year, their combined ELA, Math, and Science performance was higher than the state average. Based on this criterion, the maximum points a school could get would be three, one for each of the three years. Similarly, for graduation rate, a school was given one point if they were in the top five Connections Academy schools in graduation rates for that year. Thus the maximum points a school could receive is three for state assessments and three for graduation rate. Using this rating system, Kansas Connections Academy (KCA) and Wisconsin Connections Academy (WCA) are the highest performing schools, each earning two points for state assessments, and two points for graduation rate.

For the lowest performing schools, a similar point system was used, with a school earning one point if they were in the bottom five of Connections Academy schools in combined ELA, Math, and Science state assessments, and one point if they were in the bottom five of Connections Academy schools in graduation rate. The lowest performing schools were Great River Connections Academy (GRCA) in Ohio and Great Lakes Learning Academy (GLLA) in Michigan.

The difference in performance between the highest performing and lowest performing schools is due to multiple factors. First, the two highest performing schools close enrollment earlier in the school year than the lower performing schools due to state law or requirements by the authorizing district. The lower performing schools are specifically focused on serving students who are in crisis and enroll later than most other virtual schools. The late enrollees are students who did not have the benefit of a full year of academics at the school and demonstrate the impact of mobility on state assessments and graduation rates. Another factor is the focus on alternative populations. Neither of the two highest performing schools has any students using alternative curriculum. On the other hand, of the two lower performing schools, GLLA data includes students in an alternative school. GLLA was also supported by a different EMO for 2 of the past 3 years, and only recently (2023) asked Pearson to become their EMO.

[1] Source: https://www.nwea.org/the-map-suite/

[2] Source: https://www.nwea.org/resource-center/fact-sheet/29446/map-growth_NWEA_factsheet.pdf/

[3] Source: https://www.renaissance.com/products/assessment/star-360/?int_content=int_web

[4] Source: https://www.renaissance.com/state-approvals/

[5] Gatti, G. (2018). A comparison study of Connections Academy Schools to matched brick and mortar and virtual schools, examining the types of students who attend K–12 virtual school and the effects on performance of a highly mobile student body. Efficacy & Research Report. London: Pearson.

Q77.Describe how the governance structure will be affected, if at all, by the EMO/CMO, and particularly discuss how the board of directors of the charter school will govern the school independently of the EMO/CMO.

The Founding Board will naturally transition to the Governing Board following approval of the charter school application and establishment of school operations. The Governing Board is incorporated as an independent, public, non-profit corporation and is not a subsidiary of another entity, or in any way connected with, or under the control of another entity. The Board will be a good and effective steward of public money and provide independent governance of the school.

The Board members are parents, educators, and business and community leaders who are committed to bringing an innovative remote charter academy for students in grades K-12 across North Carolina. Board members have unique skills and expertise in virtual education, technology, instruction, curriculum, professional development, assessments, special education, and financial analysis. These qualifications will help ensure the success of the school and the effective representation of key stakeholders.

The roles and responsibilities of the Board include, but are not limited to, the following:

- Protect the legal interests of the charter school and adhere to all applicable laws;
- Approve the school budget;
- Practice financial management strategies;
- Act as fiduciary of the school;
- Establish a framework for the budget;
- Authorize major expenditures, substantial program changes, etc.;
- Elect the officers of the corporation and determine their terms;
- Ensure that the charter is achieving its vision and mission;
- Oversee and monitor services and activities of the EMO;
- Set Board policy;
- Provide academic program approval;
- Monitor the activities and success of the School Leader and other members of the school leadership team;
- Govern the operations of the school but leave daily operations to the School Leader;
- Exercise sound legal and ethical practices and policies;
- Manage liabilities wisely;
- Advocate good external relations with the community, school districts, media, neighbors, parents, and students;
- Hire contractors, negotiate service agreements, and hold contractors accountable for performance under such agreements;
- Review and renew the contract with the EMO;
- Comply with state and federal reporting requirements;
- Practice strategic planning;
- Ensure adequate resources and manage them effectively;
- Assess the organization's performance including monitoring achievement of accountability framework;
- Attend mandatory training annually that is relevant to effective leadership;
- Act as tribunal for disciplinary hearings;
- Approve real estate transactions.

The Board will oversee the policy decisions, academic success, and financial health of the school. The School Leader will manage the day-to-day operation of the school with the support of the administrative team. While implementing the policies and procedures of the Board, the School Leader and leadership staff will in turn supervise and support the teaching staff. The Board will set policy and select contractors, including those providing the school's day-to-day operations, curriculum, technology, and instructional services. The Board is also responsible for fiscal oversight and ensures the school meets the terms of its charter contract. The Board will also execute and oversee the contract with Pearson and will hold Pearson accountable for ensuring that the school meets its obligations.

Upon approval of the application, the Board will use a carefully structured and highly detailed agreement with the proposed EMO that outlines expectations and the specific services that Pearson will provide to ensure strong mutual understanding of the mutual roles and responsibilities. While Pearson will assist with curriculum, technology, and other support services in compliance with North Carolina law, the Board will maintain responsibility for ensuring the school meets all educational, fiscal, and programmatic goals outlined in the charter. Thus, the Board does not anticipate the governance of the school to be impacted by its partnership with Pearson as the Board will maintain oversight at all times.

Q78. Provide a description of the relationship that will exist between the charter school employees and the Management Organization.

The operating structure will be similar to a traditional educational environment, with the School Leader implementing the policies and procedures of the Board while supervising the teaching staff. The School Leader will be responsible for the instructional leadership, curriculum implementation, personnel decisions, facilities management, and any special staffing needs. Additionally, the School Leader will manage the teachers ensuring that each student successfully completes his/her instructional program. The School Leader will be responsible for the overall school operation working with parents, students, support staff, and highly qualified teachers who virtually facilitate the student instructional program. The School Leader, and all other staff of NC Connections, will be employees of Pearson. While the Board has delegated to Pearson the hiring of the staff, the Board will hold Pearson responsible through its SOA and will work closely with Pearson on any employment matters as they arise.

Pearson will provide NC Connections with a comprehensive array of HR services that will include talent acquisition, employee onboarding, benefits administration, payroll administration, leave of absence management, employee engagement, human resources information system support, data integration, compensation management, HR-related regulatory and legal compliance, performance management, employee relations, and HR handbook and policy development.

Pearson will provide comprehensive payroll and benefits services through a Statement of Agreement with NC Connections. Pearson will process semi-monthly payrolls to staff and coordinate all local and federal payroll and tax requirements, implement the pay structure for the school, and process all required payments and deductions. In addition, a comprehensive benefits plan will be provided to staff including medical, dental, vision, short- and long-term disability, employer paid life and AD&D, optional life and AD&D, 401(k) with employer match, tuition reimbursement, adoption assistance, and paid time off.

Q79. Explain how the contract includes measurable objectives whereby the charter school board can evaluate annually the performance of the EMO/CMO, and if necessary, terminate the contract without significant obstacles.

The Statement of Agreement outlines clear roles and responsibilities for our partner. Pearson will be responsible for implementing the educational program. Therefore, the Board will hold Pearson accountable for helping NC Connections achieve the goals listed in this application.

The Board is independent from the EMO and has complete legal, fiduciary, and oversight authority of NC Connections. The Board is responsible for the contractual relationship with our partner and will regularly review services received. Pearson will be responsible for reporting to the Board and will be answerable to the Board. Furthermore, the Board may conduct an annual review of the EMO. The evaluation typically includes the following areas: Educational Program, Technology, School Support Services, and Board Support Services at a minimum. The design, performance criteria, and methodology will be developed by the Board.

While the evaluation will be conducted annually, feedback from the Board, the School Leader, and interested parties is expected to be received by our partner on a routine and as-needed basis to address the needs of the school and ensure the needs of the students are being met in a timely and thorough manner.

The Board will meet regularly and routinely update governance and fiscal policies to ensure the school is compliant with open meeting laws, public record requests, health and safety laws, fiscal oversight, and any other regulations required at any level of government.

The Board will ensure that the school will abide by state ethics laws at all times and follow state testing procedures and mitigate any risk of cheating or violation of policies.

The Board may contract with a third party for its annual ESP evaluation to facilitate an evaluation of the following: quality of curriculum; educational support provided to students and staff; overall academic performance; technology services for students; Learning Coaches and staff; support services provided directly to families (hardware fulfillment, placement, and enrollment); financial reporting and budgeting; and operational services including the school's operational reporting HR, regulatory services, outreach services, legislative support services, and governance support. Specific measures include 0 annual financial or operational audit findings due to EMO error. The Board will evaluate the EMO through the annual evaluation as well as routinely provide feedback on services during Board meetings and in between meetings, as may be necessary.

The Board has the right to terminate its contract with the EMO if it does not meet its performance obligations and is unable to cure such deficiency after being given reasonable notice. The draft Statement of Agreement in Appendix A4.1 describes the draft terms of termination and states that it is the prerogative and discretion of the Board.

Applicant Evidence :

Appendix A4.1 - Draft Management Contract.pdf

Uploaded on **4/23/2024** by **Marchelle Sutton**

Q80.Is the facility provided by the EMO/CMO?

○ Yes

● No

Q81.Attach as Appendix A4.2 Facility Buyout Agreement, if applicable

Not applicable as the school's administrative offices will be leased

Q82.List the fund balance and surpluses for each school managed by the EMO/CMO over the last three years in North Carolina.

The EMO does not manage any other schools in North Carolina.

Q83.**Attach Appendix A4.3: EMO/CMO Financial History** Provide as Appendix A4.3 the financial history and statements of the EMO/CMO over the last three years. Specifically, if contracting with an EMO, provide confirmation that the EMO is in good standing by providing bank statements from the prior three years.

☑ Upload Required **File Type:** pdf, image, excel, word, text **Max File Size:** 30 **Total Files Count:** 6

Applicant Comments :

There are no standalone financial statements for Pearson Virtual Schools, a wholly owned subsidiary of Pearson PLC. Pearson PLC operates a cash concentration structure with Pearson Virtual Schools, meaning that access is always available to the cash balances of the group as required. The overall financial history and statements of Pearson Virtual Schools (part of Pearson's Virtual Learning division) is captured in Pearson PLC's annual financial reports in its Form 20-F, published on the SEC's website. Please see footnote 2 to Pearson PLC's consolidated financial statements for the past three years. Below are links to each, and they are also attached.

Links:

1. 2023: https://www.sec.gov/ix?doc=/Archives/edgar/data/0000938323/000119312524067358/d605808d20f.htm
2. 2022: https://www.sec.gov/ix?doc=/Archives/edgar/data/0000938323/000119312523086885/d429723d20f.htm
3. 2021: https://www.sec.gov/ix?doc=/Archives/edgar/data/0000938323/000119312522089608/d265193d20f.htm

Applicant Evidence :

Appendix A4.3 - EMO-CMO Financial History.pdf

Uploaded on **4/24/2024** by **Marchelle Sutton**

Q84.**Attach Appendix A4.4: IRS Form 990** Provide as Appendix A4.4 the IRS Form 990 (or equivalent documents if the organization does not file a 990) for the prior three years

☑ Upload Required **File Type:** pdf, image, word **Max File Size:** 30 **Total Files Count:** 10

Applicant Comments :

Not applicable. The Board has not yet filed IRS Form 990 as the organization was only recently legally incorporated. However, since the organization is a nonprofit entity, the board anticipates future filings.

Applicant Evidence :

Appendix A4.4 - IRS Form 990.pdf

Uploaded on **4/24/2024** by **Marchelle Sutton**

8. Remote Academies

§ 115C-218.120(a). Remote charter academies.
A charter that includes a remote charter academy may do any of the following:

(1) Provide only remote instruction to enrolled students served by the charter in accordance with this Part.

(2) Provide remote instruction to students enrolled in the remote charter academy and provide in-person instruction to other students served by the charter.

(3) Provide enrolled students both remote instruction and in-person instruction. **A student who receives more than half of the student's instruction through remote instruction shall be classified as enrolled in the charter's remote charter academy.**

Q85.
Is the school you're applying to create a remote charter academy?

● Yes

○ No

Q86.Indicate which status is appropriate for the Remote Academy application.

● FULL VIRTUAL -- Full virtual: the school has no physical building where students meet with each other or with teachers, all instruction is virtual.

○ FACE VIRTUAL -- Virtual with face-to face options: the school focuses on a systematic program of virtual instruction but includes some physical meetings among students and teachers.

Q88.
If “FACE VIRTUAL” is selected, where will the physical meetings/instruction take place? Please provide street address, if known. If unknown, provide county and potential zip codes.

Not applicable as the school will be a full virtual school.

Q89.
Which of the following enrollment areas will the remote charter academy use to to enroll students?

● A statewide remote charter academy that admits students in accordance with G.S. 115C-218.45

○ A regional remote charter academy that, notwithstanding G.S. 115C-218.45(a), admits students only from the county in which the charter school facility is located and the counties of the State geographically contiguous to that county.

Q90.Indicate which grade levels the proposed remote academy will serve. [*115C-218.120(c)*]

☑ Kindergarten

☑ 1st

☑ 2nd

☑ 3rd

☑ 4th

☑ 5th

☑ 6th

☑ 7th

☑ 8th

☑ 9th

☑ 10th

☑ 11th

☑ 12th

Q91.
Pursuant to H259-2023, remote academies are required to meet the following requirements to operate.

Please confirm, by selecting each box below, the applicant understands the following enrollment requirements must be met by the remote academy § 115C-218.121:

☑ All students enrolled in the remote academy must have parental consent.

☑ A Board of Directors shall require an admissions application to secure parental consent prior to enrollment of a student in a remote academy.

☑ A remote academy must identify charateristics for successful remote learning and establish criteria for admittance to a remote charter academy and must make that information available to parents.

☑ A student may not be denied admission to the remote academy solely on the basis that the student is a child with a disability.

☑ Students with a disability that are admitted to the remote academy must have an IEP team that plans for successful student entry and the provision of accommodations necessary to provide for a free and appropriate public education.

Q92.
Pursuant to H259-2023, remote academies are required to meet the following requirements to operate.

Please confirm, by selecting each box below, the applicant understands the following must be provided to students in the remote academy § 115C-218.122:

☑ Any hardware or software needed to participate in the remote academy is provided by the school.

☑ Access to a learning management platform that enables monitoring of student performance and school-owned devices, as well as allows video conferencing and supervised text-based chat for synchronous communication is provided.

☑ Access to the internet that is available during instructional hours, evenings, and weekends.

☑ Technical support during instructional hours.

☑ Adaptive or assistive devices, transportation, and in-person services as required by the program or plan are provided for children with an individualized education plan (IEP).

Q93. Please confirm, by selecting each box below, the applicant understands the following requirements must be met by the remote academy:

☑ The remote academy does not charge rental fees for hardware or software.

☑ If students are charged damage fees for use or abuse of software, it must be clearly outlined in the local board policy.

☑ The remote academy satisfies the minimum required number of instructional days or hours for the school calendar through remote instruction.

☑ All employees of the remote academy meet the same licensure and evaluation requirements as required for in-person employees of the local school administrative unit.

Q94. Please confirm, by selecting each box below, that the applicant understands the remote academy must have sufficient staff in the following roles:

☑ Instructional Technology Facilitator 115C-218.122(d)(1)

☑ School Library Media Coordinator 115C-218.122(d)(2)

☑ Data Manager 115C-218.122(d)(3)

☑ Remote technicians to provide technical support throughout the instructional day 115C-218.122(d)(4)

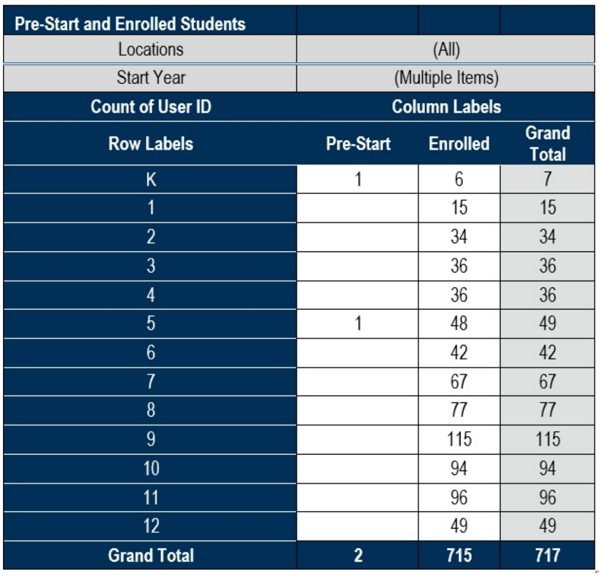
Q95. How will the remote academy monitor enrollment?

Enrollment will be monitored in real time through the EMS, which is updated on an on-going basis. The school leadership team will meet weekly to review enrollment numbers. The Board plans to contract with Pearson to implement and conduct the enrollment process on behalf of NC Connections, in accordance with placement and withdrawal policies and procedures adopted by the Board and consistent with local, state, and federal law. The enrollment policies will be reviewed and approved by the Board as part of finalizing the school handbook. The Pearson enrollment team will report regularly on enrollment metrics and trends to the school leadership team and the Board as requested.

Pearson supports a successful regionalized enrollment model to provide dedicated support to each school. They manage enrollment with robust and effective systems that enable them to provide customized services to NC Connections, including:

- Regular communication with school leadership on enrollment strategy and resolution of escalated issues.
- North Carolina–specific training for all enrollment personnel as well as refresher trainings.
- Robust quality monitoring to make sure the services and support provided to NC Connections families and students are accurate and comprehensive so that staff supporting the school are acting as an extension of NC Connections' team.
- The School Leader has real time access in the EMS to see how many students are enrolled at any given time. The School Leader can also monitor enrollments and withdrawals within the system.

Sample Enrollment Report



Pre-Start and Enrolled Students			
Locations	(All)		
Start Year	(Multiple Items)		
Count of User ID	Column Labels		
Row Labels	Pre-Start	Enrolled	Grand Total
K	1	6	7
1		15	15
2		34	34
3		36	36
4		36	36
5	1	48	49
6		42	42
7		67	67
8		77	77
9		115	115
10		94	94
11		96	96
12		49	49
Grand Total	2	715	717

Q96. How will the remote academy monitor calendar compliance?

NC Connections will follow the calendar guidelines required by § 115C-84.2, School Calendar, which requires a minimum of 185 days or 1,025 hours of instruction covering at least nine calendar months.

NC Connections will publish its annual calendar on its website and monitor calendar compliance through synchronous and asynchronous contact with staff and students throughout the year, as well as lesson and course completion. As shown in the school calendar, students will have 190 school days, which includes a Connections Week. The start date for students is 8/3/2026, and the last day is 5/28/2027. Teachers have synchronous LiveLesson sessions each week. LiveLesson®, a real-time, interactive web-conferencing tool, allows students to meet regularly in a virtual setting and gives classmates the opportunity to share ideas, compare experiences, and learn together. NC Connections will also offer in-person gatherings, activities, and field trips so that students have a chance to interact outside of the virtual classroom.

Q97.

How will the remote academy monitor daily attendance?

Note: Remote Academies are subject to policies outlined in the NC School Attendance and Student Accounting Manual and NC State Board of Education policies.

While students will have a great deal of flexibility regarding when and where they complete their coursework, they will nevertheless be held fully accountable for meeting all State-mandated attendance requirements. Attendance recorded by the Learning Coach and verified by teachers will ensure NC Connections is properly calculating and adequately monitoring that students complete a minimum of 185 days or 1,025 hours of instruction. The school will have 190 school days for students (approximately 6 hours/day); this includes 185 days plus a Connections Week, or C-Week, during which students will be able to take part in project-based learning, career and college exploration, test preparation, and remediation and/or credit recovery, as needed.

To maximize student learning, regular attendance is imperative. The program offers a great deal of flexibility about how many hours students spend each day on schoolwork and on what days of the week they complete that work. Due to this flexibility, the school will have zero tolerance for truancy. Caretakers will be held legally responsible for ensuring that their students are fully participating in school, even if they have designated another individual as their student's Learning Coach.

Parents or other parent-designated caring adults will serve as Learning Coaches and play an active role in the learning process, providing input, and communicating regularly with teachers. The Learning Coach will fulfill the following activities:

- Record Hours of Schooling – For each instructional day, Learning Coaches will enter a number between 0 and 9 in the EMS to indicate the number of hours of schooling that occurred. NC Connections will ensure students meet the daily and weekly totals to ensure compliance with state regulations. Learning Coaches may also ask for assistance from the school to enter attendance records if they are unable to access a computer on a given day.
- Alert School of Excused Student Absences – Learning Coaches will not be able to enter "E" (for excused absence) in the attendance code field in EMS. If a student is absent, the Learning Coach must send information to the school about the absence, and the school determines if the absence can be classified as excused, per the guidelines listed in the school handbook and applicable state law.
- Complete Defined School Year – Regardless of the number of hours of schooling a student may complete prior to the last day of the school year, students will be required to meet the daily and weekly required instructional hours up to and including the last day of the school year.

Entering attendance is expected to be taken seriously as a regular part of the school day for the Learning Coach. NC Connections staff will verify that the attendance records are accurate, which includes not only the attendance hours recorded by the Learning Coach, but also the lesson and assignment completion rates and the amount of communication the student has with the teacher. During course design and alignment, lesson and assignment completion times are estimated, thus student lessons and assignment completion can be used to estimate the amount of student time spent on learning.

If a teacher has concerns about the validity of a student's attendance records, they may revise the student's recorded hours of attendance-based work completion rates and/or contact the School Leader or attendance clerk for further assistance. The Learning Coach will be notified if attendance records are changed. Therefore, even if a Learning Coach records a high number of instructional hours in the attendance records, if a student's work completion rates are not on track and/or if they fail to communicate on a regular basis with the teacher, they will be flagged for review using the student status indicators. The Approaching Alarm or Alarm status is displayed in the EMS and will require follow-up action from the school to ensure that the student completes his or her lessons, assessments, and required weekly hours of attendance. In reviewing attendance documentation, teachers must determine that each student has met or exceeded the required amount of instructional time stipulated by North Carolina regulations.

NC Connections' administration will monitor and review attendance records on a weekly basis. After a predetermined amount of time (usually 10 days), the EMS will no longer allow a teacher or Learning Coach to edit past attendance records. Any requests for adjustments to the "locked" records must first go to the homeroom teacher (in writing via webmail) for review and approval and then to the School Administrator or attendance clerk for adjustment.

The expectations and procedures for attendance will be documented in the school handbook, alongside the state and school-specific requirements for weekly and annual hours of instruction. Parents must agree to the policies in the handbook when completing enrollment. Attendance procedures will be addressed in training for all stakeholders (Learning Coaches, students, teachers, and administrators).

The school's documents explaining attendance requirements will emphasize the value and importance of school attendance without over-reliance on punitive measures for non-attendance. Hours of schooling per day and/or week will be accumulated by completing lessons, assessments, portfolio items, labs, attending direct instruction sessions, attending educational field trips, participating in state-mandated assessments, and by participating in other educational activities. Failure to attend mandated LiveLesson sessions, state testing, or respond to messages and phone calls from teachers may be counted against documented attendance hours.

Q98.

How will the remote academy monitor course credit accrual, progress toward graduation (if applicable), and course completion? (Required if RA serves grades 9-12)

The school will use an Education Management System (EMS) that is both a Learning Management System (LMS) and Content Delivery System (CDS), Student Information System (SIS), and communication system. A powerful Grade Book, embedded in the EMS, will enable teachers and parents to track progress daily, and to see up-to-the-minute information on grades, assessments, and overall lesson and course completion. A student's report card will track course credit accrual, progress toward graduation, and course completion.

The EMS is the platform for organizing and supporting the entire educational environment for the school. This suite of web-based software delivers assignments and tracks activities (whether conducted virtually or offline) while monitoring the completion of individual lessons as well as mastery of skills and knowledge, all under the watchful eye of administrators, teachers, and Learning Coaches. The EMS operates within a secure, robust technology infrastructure protecting data from loss and intrusion while maintaining a safe environment. Students, teachers, administrators, and Learning Coaches access the EMS to organize, document, and interact, ensuring an unprecedented level of engagement. The EMS is continually updated and improved upon for the success of schools and families. All new releases and updates of the EMS are automatically provided.

The EMS will allow parents, counselors, teachers, Learning Coaches, and students to work together in a safe and supportive environment. The EMS will allow communication with teachers and other students and families via secure email messages and message boards. LiveLesson sessions (with individual and small groups of students using voice-over IP, chat, electronic whiteboard, and shared web surfing) will allow teachers and students to interact with one another in real time in a "virtual classroom." Threaded discussions on course-based message boards will also be used as appropriate by grade level to provide opportunities for collaboration and interaction. Curriculum-based assessments (CBAs), via telephone conversation or LiveLesson session, allow a quick and effective way to gather information on students' understanding of concepts.

Students and parents can access the EMS online 24 hours per day using a username and password. Email is securely located within the EMS. Students, parents, and teachers may only use it to communicate with each other, protecting them from spam, contact from strangers, and other mainstream email issues.

The EMS integrates key functions and services that are critical to maximizing the academic experience and performance of enrolled students for both the education program and school operations. NC Connections will have personalized access to the EMS through the creation of a branded registration page, login page, and EMS menu bar. The EMS allows teachers, students and parents to:

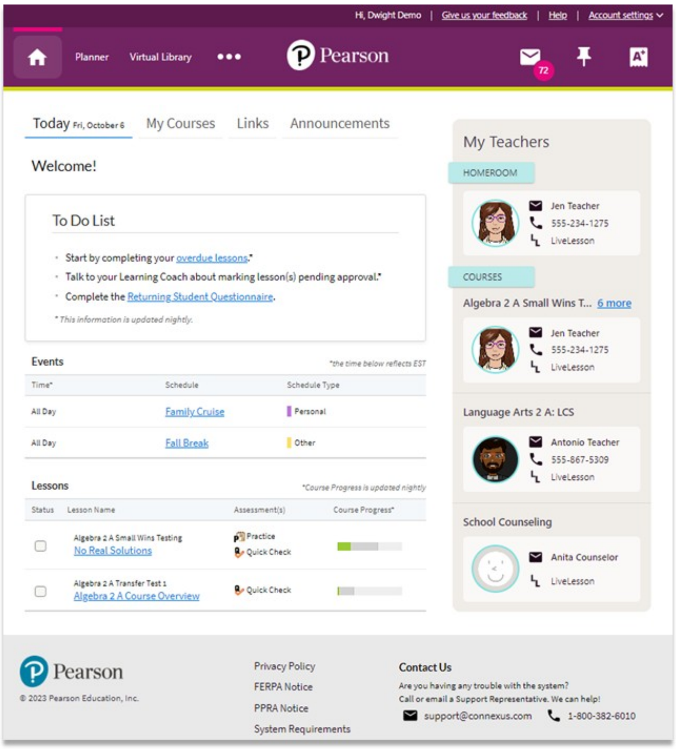
- View daily, weekly, and monthly schedules at a glance;
- Access all lessons and course assignments;
- Monitor progress through an up-to-the-minute Grade Book;
- Receive alerts and communicate through secure email messages;
- Communicate with teachers and other students and families via message boards; and
- Provide ratings and written feedback about specific lessons and overall learning experiences.
- Access library materials such as EBSCO and Scholastic Go!

The EMS allows parents, counselors, teachers, Learning Coaches, and students to work together in a safe and supportive environment.

In addition to tracking progress in the EMS toward graduation (if applicable), and course completion, the School Counselor will help each student and family track course completion and progress toward graduation for students in middle and high school. The School Counselor will be an expert on course and credit requirements and will work to establish counseling processes for middle and high school students. The School Counselor will be responsible for the successful completion of the following tasks, among others:

- Advise students and families related to academics, career planning and graduation;
- Keep abreast of all high school graduation requirements, including special requirements such as community service, and communicate this information to the High School Coordinator and to the principal;
- Assist students and parents with the secondary school course selection process according to specific state credit and graduation requirements and student needs and interests. An integral part of this process is assisting students and parents to develop a Four-Year Plan for meeting graduation requirements;
- Advise students with issues related to dropping courses and changing schedules, seeking support as needed, while ensuring that the school's course selection and drop policies are adhered to;
- Review student transcripts and the entry of credits into the online transcript system;
- Follow procedures to ensure that transcripts are accurate and up to date;and
- Work with the administrative assistants to obtain school records from the student's previous school (where applicable) and forwarding student records when appropriate.

The school counseling team will have an established system for early identification of students who are behind in earning high school credits, or those who are off track for graduation. Once students are identified, School Counselors will work with these students to create a graduation recovery plan to identify strategies to successfully earn credits and get back on track to graduate with his/her cohort. School Counselors will work with students and families individually to identify and develop an effective plan to meet the needs of each student. Based on a student's demonstrated mastery of the material, teachers will add, expand, or replace assignments; they will also grade students in each subject, and make promotion or retention decisions. Depending on the needs of the learner, teacher direct contact — via telephone, LiveLesson session, and email — with the student and Learning Coach may be as frequent as several times a day, and at minimum twice per week. Teachers view the students' attendance, participation, and performance on a daily basis via the EMS teacher's dashboard on their home page.



Welcome!

To Do List

- Start by completing your overdue lessons.*
- Talk to your Learning Coach about marking lesson(s) pending approval.*
- Complete the Returning Student Questionnaire.

*This information is updated nightly.

Events *the time below reflects EST

Time*	Schedule	Schedule Type
All Day	Family Cruise	Personal
All Day	Fall Break	Other

Lessons *Course Progress is updated nightly

Status	Lesson Name	Assessment(s)	Course Progress*
☐	Algebra 2 A Small Wins Testing No Real Solutions	Practice Quick Check	
☐	Algebra 2 A Transfer Test 1 Algebra 2 A Course Overview	Quick Check	

Jen Teacher
555-234-1275
LiveLesson

Jen Teacher
555-234-1275
LiveLesson

Antonio Teacher
555-867-5309
LiveLesson

Anita Counselor
LiveLesson

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Contact Us
Are you having any trouble with the system?
Call or email a Support Representative. We can help!
support@connexus.com 1-800-382-6010

The student homepage provides at-a-glance links to teachers, lessons, tech support, and more.

Q99.

List the hardware and software that students will need to participate in the remote academy.

Hardware and Software

Students will participate in the remote academy using an Education Management System (EMS) called Pearson Online Classroom, which is a user-friendly combination of a Learning Management System (LMS) and Content Delivery System (CDS), Student Information System (SIS), and communication system. The EMS is the online platform for organizing and supporting the entire educational environment for the school. This suite of web-based software delivers assignments and tracks activities (whether conducted virtually or offline) while monitoring the completion of individual lessons as well as mastery of skills and knowledge, all under the watchful eye of administrators, teachers, and Learning Coaches. Students and parents can access the EMS online 24 hours per day using a username and password. Email is securely located within the EMS.

The EMS allows teachers, students and parents to:

- View daily, weekly, and monthly schedules at a glance;
- Access all lessons and course assignments;
- Monitor progress through an up-to-the-minute Grade Book;
- Receive alerts and communicate through secure email messages;
- Communicate with teachers and other students and families via message boards; and
- Provide ratings and written feedback about specific lessons and overall learning experiences.
- Access library materials such as EBSCO and Scholastic Go!

In addition to asynchronous learning through the online classroom, NC Connections students will also have the opportunity to join online classrooms through a real-time, interactive web conferencing tool called LiveLesson®. LiveLesson sessions allow teachers to work synchronously and directly with students using video, voice-over IP, electronic whiteboard, breakout rooms, and shared web surfing. These sessions are also recorded so students can watch on their own schedule.

For each student, a leased computer (free to the student) with preloaded software, necessary to fully access and support the Pearson curriculum, will be sent to the home, along with a Computer Setup Guide with instructions, contact information for technical support, and detailed information regarding the equipment. Any computer equipment supplied by the school is on loan during enrollment and must be returned upon withdrawal, graduation, or at the request of the school. Internet subsidies will also be provided on a per-family basis, thus ensuring equitable access to technology. Technology specifications are as follows (the makes/models may vary but each unit has comparable performance specifications):

- Hardware
- ○ Laptop Computer Intel i3 processor or functional equivalent
- ○ 6-inch LCD LED display with integrated webcam
- ○ 8 GB RAM
- ○ 256 GB SSD (Solid State Drive)
- ○ 2 USB 2.0
- ○ Integrated keyboard, webcam, and trackpad
- ○ Headset/Microphone combo input
- Software
- ○ Microsoft Windows 10 or later
- ○ Microsoft 365 (Word, Excel, and PowerPoint only)
- ○ Microsoft Defender
- ○ Web Filtering Software
- ○ Custom School Configurations
- ○ Microsoft Endpoint Management to secure, manage, and monitor devices
- ○ Unlimited Technical Support

Online Help Desk

Students, parents, and staff will have access to extensive application and technical support through on-line Help (in the EMS) and live phone support via Pearson-provided Support Services to families and staff. Procedures for contacting the Support Services team are shared during the onboarding process and are posted for families and staff in the EMS.

In addition, an online detailed training will be available as well as numerous online resources for parents, students, and staff. The extensive Online Help system is searchable and easy to use covering topics about:

- Using features of the EMS
- Troubleshooting problems with a student's computer
- Using the software on a student's computer

Q100.

Please indicate which learning management platform the remote academy will use to deliver synchronous and asynchronous instruction. If the platform the remote academy is using is not listed, please select 'Other' and provide the name.

☐ Canvas

☐ SeeSaw

☐ Haiku

☐ Blackboard

☐ Google Classroom

☐ Moodle

☐ Schoolology

☑ Other

Applicant Comments :
Pearson Online Classroom

For its learning management platform, the school will use an Education Management System (EMS) called Pearson Online Classroom, which is a combination of a learning management system (LMS), student information system (SIS), Content Delivery System (CDS), and communication tool. The EMS is the platform for organizing and supporting the entire educational environment for the school. This suite of web-based software delivers assignments and tracks activities (whether conducted virtually or offline) while monitoring the completion of individual lessons as well as mastery of skills and knowledge. Students, teachers, administrators, and Learning Coaches can access the EMS 24 hours per day using a username and password.

Q101.

Provide the source of online content for each grade level and subject area. Use the following format to complete your answers:

- **Grade Level, Subject Area- Content Source**

- **Examples**
- **1st Grade, ELA/Reading - EdMentum**
- **3rd Grade, Social Studies & Science- Teacher-created**

Below is the list of sources of online content for each grade level and subject area that are anticipated to be offered in the 2026-27 school year. NC Connections plans to provide a robust and comprehensive K-12 curriculum, all of which will be accessible by students and teachers from the EMS, regardless of content source. The availability of some elective courses may be subject to student demand and teacher availability. New CTE courses may also be added.

- Grade K, Language Arts – Pearson Curriculum
- Grade 1, Language Arts – Pearson Curriculum
- Grade 2, Language Arts – Pearson Curriculum
- Grade 3, Language Arts – Pearson Curriculum
- Grade 4, Language Arts – Pearson Curriculum
- Grade 5, Language Arts – Pearson Curriculum
- Grade 6, Language Arts – Pearson Curriculum
- Grade 7, Language Arts – Pearson Curriculum
- Grade 8, Language Arts – Pearson Curriculum
- Grade 9, English – Pearson Curriculum
- Grade 10, English – Pearson Curriculum
- Grade 11, English – Pearson Curriculum
- Grade 12, English – Pearson Curriculum
- Grade K, Math – Savvas Learning (formerly Pearson)
- Grade 1, Math – Savvas Learning (formerly Pearson)
- Grade 2, Math – Savvas Learning (formerly Pearson)
- Grade 3, Math – Savvas Learning (formerly Pearson)
- Grade 4, Math – Savvas Learning (formerly Pearson)
- Grade 5, Math – Savvas Learning (formerly Pearson)
- Grade 6, Math – Pearson Curriculum
- Grade 7, Math – Pearson Curriculum
- Grade 8, Math – Pearson Curriculum
- Math I – Pearson Curriculum
- Math II – Pearson Curriculum
- Math III – Pearson Curriculum
- Math IV – Pearson Curriculum
- Pre-Calculus – Pearson Curriculum
- Grade K, Science – Pearson Curriculum
- Grade 1, Science – Pearson Curriculum
- Grade 2, Science – Pearson Curriculum
- Grade 3, Science – Pearson Curriculum
- Grade 4, Science – Pearson Curriculum
- Grade 5, Science – Pearson Curriculum
- Grade 6, Science – Pearson Curriculum
- Grade 7, Science – Pearson Curriculum
- Grade 8, Science – Pearson Curriculum
- Grades 9-12, Physical Science – Pearson Curriculum
- Grades 9-12, Earth and Space Science – Pearson Curriculum
- Grades 9-12, Environmental Science – Pearson Curriculum
- Grades 9-12, Marine Science – eDynamic Learning
- Grades 9-12, Biology – Pearson Curriculum
- Grades 9-12, Chemistry – Pearson Curriculum
- Grades 9-12, Physics – Pearson Curriculum
- Grade K, Social Studies – Pearson Curriculum
- Grade 1, Social Studies – Savvas Learning (formerly Pearson)
- Grade 2, Social Studies – Savvas Learning (formerly Pearson)
- Grade 3, Social Studies – Pearson Curriculum
- Grade 4, Social Studies – Pearson Curriculum
- Grade 5, Social Studies – Pearson Curriculum
- Grade 6, Social Studies – Savvas Learning (formerly Pearson)
- Grade 7, Social Studies – Savvas Learning (formerly Pearson)
- Grade 8, Social Studies – Savvas Learning (formerly Pearson)
- Grades 9-12, American Government, Pearson Curriculum
- Grades 9-12, Economics, Pearson Curriculum
- Grades 9-12, Personal Finance, Pearson Curriculum
- Grades 9-12, US History, Pearson Curriculum
- Grades 9-12, World Geography, Pearson Curriculum
- Grades 9-12, World History, Pearson Curriculum
- Grade K, Physical Education – Pearson Curriculum
- Grade 1, Physical Education – Pearson Curriculum
- Grade 2, Physical Education – Pearson Curriculum
- Grade 3, Physical Education – Pearson Curriculum
- Grade 4, Physical Education – Pearson Curriculum
- Grade 5, Physical Education – Pearson Curriculum
- Grade 6, Health and Physical Education – Pearson Curriculum
- Grade 7, Health and Physical Education – Pearson Curriculum
- Grade 8, Health and Physical Education – Pearson Curriculum
- Grades 6-8, Middle School Health – eDynamic Learning
- Grades 6-8, Middle School Fitness – eDynamic Learning
- Grades 9-12, Health, Fitness, and Nutrition – Pearson Curriculum
- Grades 9-12, Personal Fitness – Pearson Curriculum
- Grades 9-12, Physical Education – Pearson Curriculum
- Grades 9-12, Health and Physical Education – eDynamic Learning
- Grades 9-12, Personal Fitness – eDynamic Learning
- Grades 9-12, Nutrition and Wellness – eDynamic Learning
- Grades 9-12, Health 1: Life Management Skills – eDynamic Learning
- Grades 9-12, Human Development & Wellness – Pearson Curriculum
- Grade K, Art – Pearson Curriculum
- Grade 1, Art – Pearson Curriculum
- Grade 2, Art – Pearson Curriculum
- Grade 3, Art – Pearson Curriculum
- Grade 4, Art – Pearson Curriculum

- Grade 5, Art – Pearson Curriculum
- Grade 6, Art – Pearson Curriculum
- Grade 7, Art – Pearson Curriculum
- Grade 8, Art – Pearson Curriculum
- Grades K-2, Experiencing Music I – Pearson Curriculum
- Grades K-2, Experiencing Music II – Pearson Curriculum
- Grades K-2, Experiencing Music III – Pearson Curriculum
- Grades 3-5, Discovering Music I – Pearson Curriculum
- Grades 3-5, Discovering Music II – Pearson Curriculum
- Grades 3-5, Discovering Music III – Pearson Curriculum
- Grades 6-8, Exploring Music I – Pearson Curriculum
- Grades 6-8, Exploring Music II – Pearson Curriculum
- Grades 6-8, Exploring Music III – Pearson Curriculum
- Grades 9-12, Living Music I – Pearson Curriculum
- Grades 9-12, Living Music II – Pearson Curriculum
- Grade K, Educational Technology and Online Learning – Pearson Curriculum
- Grade 1, Educational Technology and Online Learning – Pearson Curriculum
- Grade 2, Educational Technology and Online Learning – Pearson Curriculum
- Grade 3, Educational Technology and Online Learning – Pearson Curriculum
- Grade 4, Educational Technology and Online Learning – Pearson Curriculum
- Grade 5, Educational Technology and Online Learning – Pearson Curriculum
- Grade 6, Educational Technology and Online Learning – Pearson Curriculum
- Grade 7, Educational Technology and Online Learning – Pearson Curriculum
- Grade 8, Educational Technology and Online Learning – Pearson Curriculum
- Grade 6, Internet Safety – Pearson Curriculum
- Grade 7, Internet Safety – Pearson Curriculum
- Grade 8, Internet Safety – Pearson Curriculum
- Grades K-2, Computer Science – Pearson Curriculum
- Grades 3-5, Computer Science – Pearson Curriculum
- Grade 2, Accelerated Literature Study – Pearson Curriculum
- Grade 3, Accelerated Literature Study – Pearson Curriculum
- Grade 4, Accelerated Literature Study – Pearson Curriculum
- Grade 5, Accelerated Literature Study – Pearson Curriculum
- Grade 6, Accelerated Literature Study – Pearson Curriculum
- Grade 7, Accelerated Literature Study – Pearson Curriculum
- Grade 8, Accelerated Literature Study – Pearson Curriculum
- Grades K-5, Elementary Sign Language – Pearson Curriculum
- Grades 3-5, Spanish I – Pearson Curriculum
- Grades 3-5, Spanish II – Pearson Curriculum
- Grades 3-5, Chinese I – Pearson Curriculum
- Grades 3-5, Chinese II – Pearson Curriculum
- Grades 6-8, Middle Spanish I – Pearson Curriculum
- Grades 6-8, Middle Spanish II – Pearson Curriculum
- Grades 6-8, Middle Chinese I – Pearson Curriculum
- Grades 6-8, Middle Chinese II – Pearson Curriculum
- Grades 9-12, American Sign Language I – eDynamic Learning
- Grades 9-12, American Sign Language II – eDynamic Learning
- Grades 9-12, American Sign Language III – eDynamic Learning
- Grades 9-12, French I – Vista World Languages
- Grades 9-12, French II – Vista World Languages
- Grades 9-12, French III – Vista World Languages
- Grades 9-12, French IV – Vista World Languages
- Grades 9-12, German I – Pearson Curriculum
- Grades 9-12, German II – Pearson Curriculum
- Grades 9-12, German III – Vista World Languages
- Grades 9-12, Japanese I – Pearson Curriculum
- Grades 9-12, Japanese II – Pearson Curriculum
- Grades 9-12, Spanish I – Pearson Curriculum
- Grades 9-12, Spanish II – Pearson Curriculum
- Grades 9-12, Spanish III – Pearson Curriculum
- Grades 9-12, Spanish IV – Vista World Languages
- Grades 6-8, Middle School 2D Studio Art – eDynamic Learning
- Grades 6-8, Middle School Career Exploration 1 – eDynamic Learning
- Grades 6-8, Middle School Career Exploration 2 – eDynamic Learning
- Grades 6-8, Middle School Coding – eDynamic Learning
- Grades 6-8, Middle School Digital Art and Design – eDynamic Learning
- Grades 6-8, Middle School Exploring Business – eDynamic Learning
- Grades 6-8, Middle School Exploring Health Science – eDynamic Learning
- Grades 6-8, Middle School Exploring Information Technology– eDynamic Learning
- Grades 6-8, Middle School Exploring Music – eDynamic Learning
- Grades 6-8, Middle School Game Design – eDynamic Learning
- Grades 6-8, Middle School Journalism – eDynamic Learning
- Grades 6-8, Middle School Photography – eDynamic Learning
- Grades 6-8, Middle School Study Skills – Pearson Curriculum
- Grades 6-8, WebQuest – Pearson Curriculum
- Grades 9-12, AP Biology – Pearson Curriculum
- Grades 9-12, AP Calculus – Pearson Curriculum
- Grades 9-12, AP English Language and Composition – Edmentum
- Grades 9-12, AP English Literature and Composition – Pearson Curriculum
- Grades 9-12, AP Environmental Science – Edmentum
- Grades 9-12, AP Human Geography – Pearson Curriculum
- Grades 9-12, AP Macroeconomics – Edmentum
- Grades 9-12, AP Microeconomics – Edmentum
- Grades 9-12, AP Psychology – Edmentum
- Grades 9-12, AP Spanish – Edmentum
- Grades 9-12, AP Statistics– Edmentum

- Grades 9-12, AP United States Government and Politics – Pearson Curriculum
- Grades 9-12, AP United States History – Pearson Curriculum
- Grades 9-12, Accounting, eDynamic Learning
- Grades 9-12, African American History, eDynamic Learning
- Grades 9-12, Animation, eDynamic Learning
- Grades 9-12, Art History – Pearson Curriculum
- Grades 9-12, Art in World Cultures, eDynamic Learning
- Grades 9-12, Astronomy, eDynamic Learning
- Grades 9-12, Career Planning and Skill Development – Pearson Curriculum
- Grades 9-12, Careers in Criminal Justice, eDynamic Learning
- Grades 9-12, Coding, eDynamic Learning
- Grades 9-12, College Prep with ACT – Pearson Curriculum
- Grades 9-12, College Prep with SAT – Pearson Curriculum
- Grades 9-12, Computer Science – Pearson Curriculum
- Grades 9-12, Computing for College & Careers, eDynamic Learning
- Grades 9-12, Concepts of Engineering and Technology, eDynamic Learning
- Grades 9-12, Cosmetology, eDynamic Learning
- Grades 9-12, Creative Writing, eDynamic Learning
- Grades 9-12, Word: Office Fundamentals Series, eDynamic Learning
- Grades 9-12, Excel: Office Fundamentals Series, eDynamic Learning
- Grades 9-12, Access: Office Fundamentals Series, eDynamic Learning
- Grades 9-12, Advanced Networking, eDynamic Learning
- Grades 9-12, Allied Health Assisstant, eDynamic Learning
- Grades 9-12, Anatomy and Physiology, eDynamic Learning
- Grades 9-12, Business Communications, eDynamic Learning
- Grades 9-12, Business Information Management, eDynamic Learning
- Grades 9-12, Business Ownership, eDynamic Learning
- Grades 9-12, Computer Maintenance, eDynamic Learning
- Grades 9-12, Culinary Arts, eDynamic Learning
- Grades 9-12, Digital Design, eDynamic Learning
- Grades 9-12, Digital Media Fundamentals, eDynamic Learning
- Grades 9-12, Digital Photography, eDynamic Learning
- Grades 9-12, Early Childhood Education, eDynamic Learning
- Grades 9-12, Entrepreneurship, eDynamic Learning
- Grades 9-12, Game Design for Chromebooks, eDynamic Learning
- Grades 9-12, Health Science Foundations, eDynamic Learning
- Grades 9-12, Health Science Theory, eDynamic Learning
- Grades 9-12, Introduction to Networking, eDynamic Learning
- Grades 9-12, Introduction to Programming, eDynamic Learning
- Grades 9-12, Learning in a Digital World, eDynamic Learning
- Grades 9-12, Legal Admin Specialist, eDynamic Learning
- Grades 9-12, Life Skills, eDynamic Learning
- Grades 9-12, Management, eDynamic Learning
- Grades 9-12, Marketing, eDynamic Learning
- Grades 9-12, Marketing Foundations, eDynamic Learning
- Grades 9-12, Medical Assistant, eDynamic Learning
- Grades 9-12, Medical Office Administration, eDynamic Learning
- Grades 9-12, Medical Terminology, eDynamic Learning
- Grades 9-12, Microsoft Word, eDynamic Learning
- Grades 9-12, Microsoft PowerPoint , eDynamic Learning
- Grades 9-12, Network Security Fundamentals, eDynamic Learning
- Grades 9-12, Office Administration, eDynamic Learning
- Grades 9-12, Personal Psychology, eDynamic Learning
- Grades 9-12, Principles of Business, Marketing, and Finance, eDynamic Learning
- Grades 9-12, Principles of Information Technology, eDynamic Learning
- Grades 9-12, Speech and Debate, Pearson Curriculum
- Grades 9-12, Sports Management, Pearson Curriculum
- Grades 9-12, Web Development 1, eDynamic Learning
- Grades 9-12, Web Development 2, eDynamic Learning

Q102.

How will learning take place synchronously and asynchronously?

The program provides an asynchronous model that uses synchronous support. In synchronous learning, students and teachers work together at the same time in the same virtual place (e.g., LiveLesson rooms). Typical synchronous instruction involves teacher-facilitated lessons, group projects, and class discussions. In asynchronous learning, students work at their own pace and place, completing coursework within defined time limits. Students and instructors are not necessarily interacting in real time during asynchronous learning.

Schoolwork that students perform on their own time typically includes:

- Viewing pre-recorded virtual classroom sessions at home;
- Reviewing course materials online or offline;
- Completing assignments; and
- Collaborating with other students via secure message boards.

Some students thrive with one-on-one attention while others crave the space to work through problems independently at their own pace. Offering a combination of the two learning approaches allows remote academies to create a more personalized learning experience that supports different learning styles.

There are many benefits to asynchronous learning. Through asynchronous instruction and materials, students are provided the flexibility to:

- Learn at their own pace, place, and peak times, unconstrained by others' schedules;
- Work at their own level, moving as quickly or slowly through course materials as needed;
- Review difficult materials as often as needed; and
- Explore resources that may be unavailable in the traditional classroom.

There are also several benefits to synchronous learning, which supports the asynchronous learning. Interactivity is the key to synchronous instruction, allowing students to:

- Demonstrate their knowledge and practice their communication skills;
- Ask questions to deepen their understanding; and
- Build relationships with their teacher and fellow classmates.

In addition, synchronous learning allows teachers to:

- Engage students in discussions, problem solving, and group projects;
- Focus class time on bridging skills gaps; and
- Build one-on-one relationships with students.

Teachers can record class discussions and instructional sessions, making them available as asynchronous resources to reinforce learning or accommodate student scheduling conflicts. Together, these two approaches provide teachers and students the best of real-time and any-time learning.

Q103.

What measures will be used to ensure that synchronous and asynchronous remote instruction support learning growth that continues towards mastery of the standard course of study?

Student Data

Student data such as lesson completion, attendance, and formative assessments will be used as measures to ensure that synchronous and asynchronous remote instruction support learning growth that continues toward mastery of the standard course of study, as well as to identify students needing additional intervention and remediation. Formative assessments are embedded throughout the curriculum and include quizzes, curriculum-based assessments (CBAs), portfolios, quick checks, and unit tests to assess skills and standards. Teachers will engage with students, individualizing instruction and interventions to ensure that each student's learning needs are being met, which is a key component of the school's educational philosophy.

NC Connections will have a Student Support Team (SST) that utilizes the Multi-tiered System of Supports (MTSS) Framework, which ensures individual students receive the academic and behavioral support and intervention they need. Students who need support beyond the core curriculum with differentiation (Tier I) receive targeted intervention via the supplemental instructional programs in Tier II and Tier III. Students' responses to interventions are monitored, and adjustments to the type and intensity of support are made as needed. This MTSS process is facilitated by data from the EMS to help identify students' instructional needs that may require intervention. The process of identifying student intervention needs, assigning interventions, tracking their success, and communicating with parents, is ongoing. All efforts are made to meet each student's needs within the general education program.

In addition, intervention Indicators are displayed in the EMS to facilitate a teacher's identification of students who may need additional instruction or intervention in math, reading, or both. Teachers can also run performance reports through the EMS. This method accomplishes the following:

- Enhances the multitiered instruction model;
- Provides a multi-tiered system of support model;
- Provides access to and analysis of real-time data to determine mastery/proficiency;
- Incorporates data-driven decisions throughout instruction;
- Maximizes use of the instructional support programs, resources, and data;
- Identifies the need for tiered interventions for non-mastered/proficient skills and standards; and
- Identifies students' response to the implemented interventions.

As student performance data becomes available, analysis will be performed using current and prior data to identify trends for each performance indicator. Once performance trends are identified, they will be reviewed to determine if any trends are considered "challenges." Trends and priority performance challenges will be captured. NC Connections staff will analyze root causes and set performance targets, improvement strategies, and interim measures and benchmarks.

Teachers will use a variety of resources and strategies for instruction and behavior to enhance and extend learning through differentiated and personalized instruction. These instructional tools also allow teachers to fill in skill gaps and extend learning while providing additional evaluative data on student achievement. Differentiation involves thoughtful planning for the following: instructional design used to deliver content to students; lesson content used to support and extend concepts and skills; instructional practice used to provide targeted instruction and actively engage students; assessments used to evaluate student learning; insightful best-practice for engaging in an online classroom, and instructional and behavioral activities to meet the needs of individual and small groups of students. When Tier I differentiation strategies fail to produce adequate progress, Tier II intervention is considered.

Tier II instructional and behavioral support can use many of the same instructional strategies and/or research-based programs that were used for differentiation as part of Tier I; however, it is the increase in the frequency and intensity of use that defines the intervention as Tier II. Tier II intervention is explicit, systematic, and targeted to the greatest area of student learning needs. Supplemental programs provide teachers with reports for progress monitoring that can be uploaded to the EMS to ensure all student performance data is in one place. Tier II instructional support will be provided two to three times a week for 20–30 minutes per session. Teachers will use the student's log to document student performance and response to the instructional intervention every two weeks.

Tier III interventions are facilitated and monitored by the general education teacher who increases the occurrence of synchronous direct instruction using LiveLesson sessions as well as implements other instructional strategies and research-based programs that are explicit, systematic, and targeted to specific student learning needs. Students participating in the Tier III level of intervention will receive targeted instruction that is live and teacher driven for four to five days a week in order to focus more intensively on skill deficits and areas of concern. Through Tier III interventions, students may be assigned a personalized course of study that allows for increased learning time in their areas of academic or behavioral need. Teachers will use the student's log to document student performance and response to the intervention every week.

Assessment Strategies

NC Connections will apply multiple formative assessment strategies in alignment to the curriculum and assessment: students will engage in informal formative assessments that tap into all levels of student learning such as scored daily assignments, daily checks for understanding that require students to apply and integrate new skills in a thoughtful manner, and regular online quizzes and tests to measure understanding of newly presented material. In addition to informal formative assessments, the curriculum includes unit assessments and offline and online portfolio assignments. Throughout each logical unit of study, students will be required to complete a series of offline and online assessments. Offline assessments may include written compositions, science lab reports, short-answer questions, essays, book responses, and a variety of work samples. These assessments require direct teacher evaluation. Online assessments include quick checks, quizzes, online practices, and unit tests. While the quick checks and quizzes may be brief and frequent, the more comprehensive unit tests occur at the end of an entire unit. Many online assessments provide students and families with immediate objective feedback while offline assessments provide valuable reflection, feedback, and expertise from credentialed teachers. Student progress reports and grades include a combination of online and offline assessments.

For high school students, these formative and summative assessments are personalized, following each student's college- and career-focused course pathway. Courses along a true career pathway prepare students to earn an industry-recognized certificate or credential upon completion. Microcredentials can be earned as students progress along a pathway. Formative and summative assessments are embedded throughout the content in order to ensure students are mastering the requisite skills along the path to the certificate/credential and/or college credit.

Methods of Instruction & Assessment

NC Connections will adhere to state-established accountability measures, administer state assessments, and follow proficiency measures defined by North Carolina policy and legislation, in addition to using its own internal assessment tools. The school's various assessments will combine with top-quality curriculum and instruction to improve student achievement and maintain a high level of accountability. NC Connections will use assessments that are aligned with the curriculum, performance goals, and state standards.

Pearson's Assessment Design team defines assessment "tools" as any resource that supports the content or design of an assessment. Such tools may include assessment resources that accompany the text used in a course (i.e., benchmark and other progress-monitoring assessments, unit tests, and topic test banks) and any assessments delivered via software. All assessment tools go through a multi-step evaluation prior to approval for course use. Tools are first evaluated by the Assessment Design team to determine their quality and appropriateness in regard to the following criteria: alignment with course content and standards; age appropriateness; reading ability; cognitive rigor (questions are measured against Bloom's Taxonomy and Webb's Depth of Knowledge); best practices for item creation (e.g., clarity, relevance, and plausibility of item and distractors); accessibility; and compatibility with the EMS assessment engine (ease of implementation).

NC Connections' assessment efforts will begin with a thorough placement process and progress review, including online placements tests where indicated. The school will also utilize ongoing online and offline assessments to measure student progress on the curriculum and a technology-based assessment tool to review student progress over the school year. NC Connections will use the following tools to evaluate the progress of students:

- Interim Assessments: NC Connections will utilize a variety of interim assessments from Renaissance Star selected for their appropriateness for each grade level. These assessments align with state standards as well as the curriculum and will be given to students in the fall, winter, and spring. Star Assessments are computer-adaptive tests, meaning each student's testing experience is unique. When a student answers a question correctly, Star automatically selects a more difficult item to be the next question. When a student answers a question incorrectly, the opposite occurs, and the next item is less difficult than the current one. The system understands how skills relate to one another—and that a student correctly answering advanced items doesn't need to be tested separately on the basic component skills. By adapting to students and eliminating unnecessary questions, Star can accurately measure student performance and growth with fewer items and less time. Complete results are immediately available for educators via interactive, easy-to-read reports.[1]
- Ongoing Informal Assessments: Students engage in formative assessments that tap into all levels of student learning such as scored daily assignments, daily checks for understanding that require students to apply and integrate new skills in a thoughtful manner, and regular online quizzes and tests to measure understanding of newly presented material.
- Unit Assessments and Offline and Online Portfolio Assignments**:** Throughout each logical unit of study, students will be required to complete a series of offline and online assessments. Offline assessments may include written compositions, science lab reports, short-answer questions, essays, book responses, and a variety of work samples. These assessments require direct teacher evaluation. Online assessments include quick checks, quizzes, online practices, and unit tests. While the quick checks and quizzes may be brief and frequent, the more comprehensive unit tests occur at the end of an entire unit. Many online assessments provide students and families with immediate objective feedback while offline assessments provide valuable reflection, feedback, and expertise from credentialed teachers. Student progress reports and grades include a combination of online and offline assessments.
- Curriculum-Based Assessments: Teachers will conduct curriculum-based assessments (CBAs), via telephone conversation or through one-on-one LiveLesson sessions, as a quick and effective way to gather

information on students' understanding of concepts. CBAs are used to validate a student's understanding of concepts against the collected formative data within the EMS and identify areas where they may need additional support or practice. CBAs also assist teachers in verifying that students are doing their own work. CBAs pinpoint strengths and weaknesses in student mastery of concepts and verify that student learning.

- Baseline Achievement Data: Whenever possible, standardized test results will be integrated into an incoming student's basic information in the EMS. Likewise, results for the state assessments that students take while enrolled at the school, which are proctored face-to-face at a physical location, are included in the EMS along with internal pre-, mid-, and post-test data. This data will be used to track student progress from year to year and within the year and to inform course placement and instructional needs.
- State-mandated assessments: NC Connections will be dedicated to meeting and exceeding all of North Carolina's grade level requirements. Students will participate in the Beginning-of-Grade 3 (BOG3) Reading Test, College and Career Readiness Alternate Assessments (CCRAA) in grades 10 and 11 as appropriate, End-of-Course (EOC) Tests, End-of-Grade (EOG) Tests, Grade 3 Read to Achieve (RtA) Program, National Assessment of Educational Progress (NAEP), NCEXTEND1 Alternate Assessment as appropriate, PreACT, ACT®, and ACT WorkKeys®, and all other assessments depending upon grade level, or course enrollment, as required by law. The school will set up in-person, proctored locations throughout the state based on the geographic locations of the student population. While the school administrative office may be enlisted as a testing site, most testing will occur at other locations. Testing sites may include locations such as hotel conference rooms, public library meeting rooms, local schools if available, private tutoring and learning centers, and local colleges. Test sites will be easy for families to find, safe, secure, and ideally will provide free parking. Geographic population maps will be created to identify areas where testing sites are needed based on student population. Sites will be reviewed annually to adjust for an increase in student population. Students will be assigned to a testing center. If a family has transportation issues and is not able to make it to a testing site, the school will work with the family to make accommodations and may help with travel (via public transport).

[1] Source: https://www.renaissance.com/products/star-assessments/explore/ (https://www.renaissance.com/products/star-assessments/explore/)

Q104.

Describe the professional development that will be provided to those teaching in the remote academy related to the pedagogy of providing remote instruction.

Teachers at NC Connections will benefit from ongoing and effective professional growth, including professional development focused on providing remote instruction. The training begins with an initial teacher orientation and several days of face-to-face pre-service training. Teachers will build a strong foundation for teaching in the online environment with student success as a focus. Professional Learning Communities (PLC), nationally facilitated professional learning sessions, and weekly updates will keep teachers up to date and on the road to being experts in online learning. Research on effective professional development indicates that professional development must be intensive, ongoing, and connected to practice. Teachers need to try out new ideas and strategies with their students and to reflect on the results of these strategies. Intensive monthly professional development, especially when it includes application of knowledge to planning and instruction, has a greater chance of influencing teaching practices, and in turn, leading to gains in student learning. Teachers will take part in ongoing professional development activities throughout the school year.

Intensive training for teachers and other school staff prior to and throughout the school year will be provided. At the beginning of the year, training sessions focus on the "how to" — the basic tools and skills that teachers need to know and understand to provide remote instruction, navigate the EMS (e.g., how to access the Grade Book, how to modify a lesson), and complete the tasks associated with the school year cycle of activities. Before the start of each school year, all teachers will complete the Teacher Orientation Course: Foundations of Instruction. This course will be delivered through the EMS, and contains lessons, assessments, and links to online tutorials. This introductory course supports teachers in transitioning from a brick-and-mortar school to an online school and covers curriculum, assessment, personalizing instruction, school year events, grading, communication, and essential tools in the EMS to monitor and support student learning. Teachers will be instructed on how to modify a course through new teacher orientation. Upon successful completion of these courses and assessments, teachers will be ready to begin instruction. Teachers are expected to earn a grade of 80% or higher in this course.

Teachers will also participate in on-going synchronous and asynchronous professional learning on topics such as:

- The Dynamic Classroom, The Dynamic Classroom Instructional Model, and the role of the Dynamic Classroom Teacher,
- Implementing specific research-based instructional strategies,
- Using effective teaching practices and communication skills for an online environment,
- Utilizing the state and national standards to inform instruction,
- Using technology to engage students in collaborative learning activities, and
- Using data to guide instruction.

The School Leader will develop a systematic approach to professional development for all staff. Topics for trainings will be selected based on school goals, student performance data, student needs, national initiatives in education, and research-based best practices. Professional learning sessions will include an evaluation survey to elicit teacher and administrator feedback. Professional learning will be:

- Intensive – Participants will identify the purpose of educational practices and examine how they can be implemented in the online environment. Participants will collaboratively discuss strategies that can be implemented with students.
- Ongoing – New instructional strategies and the latest learning science research will be connected to topics presented and discussed in prior sessions to demonstrate how specific educational practices form the "big picture" of effective instruction. Further discussion and exploration at the school level will strengthen these connections.
- Connected to Practice – Following each session, participants will apply what they have learned to their professional practice. They will integrate precise, targeted strategies into their planning and instruction, and reflect on the outcomes through the Teacher ePortfolio data view, a virtual portfolio which allows them to document their attendance and upload resources related to their professional learning.

Teaching in a remote environment offers flexibility and allows for a greater level of professional learning throughout the school year. Although designated professional development days will have a specific focus, additional professional learning support will be available daily. Teachers will have multiple opportunities for seeking assistance and support with instructional strategies for engaging students and families, making decisions based on data, and completing school year cycle tasks in a timely and efficient manner. The school will receive multiple levels of support from Pearson to implement professional development that meets the needs of the teachers and the school.

Q105.

What are the criteria for admission to the remote academy?

NC Connections will abide by all applicable federal, state, and local statutes, policies, and guidelines for student application procedures, admission, and enrollment and will not impose admission requirements that are inconsistent with these policies and guidelines. These policies and guidelines include compliance with the Charter School Act and the lottery requirements set forth in G.S. 115C-218.45, as well as the McKinney-Vento Act regarding students experiencing homelessness. The School Leader or their designee will serve as the liaison for homeless students. Students who meet the definition of homeless will be enrolled without delay despite the inability to provide required documents, such as proof of residency. Students in foster care will also be immediately enrolled, in accordance with Title I requirements for educational stability and continuity.

NC Connections student recruitment and enrollment decisions will be made in a nondiscriminatory manner and without regard to race, color, creed, national origin, sex, religion, ancestry, disability or need for special education services.

NC Connections will not enroll students without parental consent.

Each year NC Connections will conduct an open application period for the following school year which will take place in the spring for a minimum of 30 days. The dates of the open application period will be announced on the school's website and advertised as otherwise required by law and the school's charter. During the school's open application period, students/caretakers who are interested in enrolling must begin by completing the online registration form which will be made available on the school's website. Caretakers without access to a computer or internet may call the school to seek help completing the open application form.

NC Connections restricts information gathered during the open application step to information required to conduct the lottery. The school will not request nor allow Caretakers to submit additional documentation or provide additional enrollment information during the open application period. Additional details about the policies and procedures related to the open application period, the potential lottery process, and enrollment priorities can be found in the response to Q213.

Minimum Age to Enroll

A kindergarten student may enroll in NC Connections if the student is five (5) years of age on or before August 31 of the current school year.

Maximum Age to Enroll

A general education student may enroll in NC Connections if the student has not turned 21 years of age before the first day of the school year. A student receiving special education services may enroll in NC Connections if the student has not turned 22 before the first day of school.

Enrollment of Students Suspended or Expelled from Another School

Students who have been suspended or expelled from another school and who are eligible to return to that school system, but who wish to enroll in NC Connections, will be required to submit a disciplinary history showing that they are cleared to return to their school during the enrollment process. The disciplinary history will be reviewed by the School Leader who will make a final decision regarding enrollment. Students who have been suspended or expelled from another school may not enroll in NC Connections until their term of suspension or expulsion is over. Failure to disclose a prior suspension or expulsion during the enrollment process that is later verified through prior school records will result in an immediate withdrawal.

Enrollment after the Start of the School Year

Students may enroll after the start of the school year, provided there is space available in the school at the time of application and enrollment is still open. Families will be able to contact the enrollment team for details on the school's enrollment capacity at the given time of application or inquiry. Families enrolling mid-year are subject to all the same enrollment requirements as families that enroll prior to the start of the school year.

Q106.

What are the identified characteristics for successful remote learning in the remote academy?

Successful remote learning at NC Connections consists of three powerful characteristics, as follows.

- Expert Teachers: Effective instruction at NC Connections begins with appropriately certified teachers specially trained to excel in guiding students through a remote academy and a college/career preparation program. Each student will have a staff of experts, including North Carolina-certified teachers and career experts from the field, working together to leverage the school's myriad of resources — technological, instructional, and interpersonal — for success. Teachers will use innovative technology tools to guide students through the online curriculum as a whole class, in small groups, and one-on-one. Teachers will work closely with each student to provide feedback and instructional assistance; evaluate assignments and work products; and assign and score assessment activities. Based on a student's demonstrated mastery of the material, teachers will add, expand, or replace assignments; they will also grade students in each subject, and make promotion or retention decisions. Depending on the needs of the learner, teacher direct contact — via telephone, LiveLesson session, and email — may be as frequent as several times a day, and at minimum twice per week. Teachers in remote academies like NC Connections often comment that because of this data-driven personalization, they understand their students better in the virtual environment than they did in a traditional classroom.
- Involved Learning Coaches: Each student will have a Learning Coach (a parent, extended family member, or trusted adult designated by the parent/guardian) who is encouraged to work in person with the student. The Learning Coach helps keep students motivated and on track, and regularly communicates with the students' North Carolina-certified teachers. Learning Coaches are also encouraged to, and typically function as, an integral part of the student's learning team. For younger students, the Learning Coach may be directly involved with daily instruction, while at the high school level, the Learning Coach is encouraged to continue serving as an important supervisory role for the student.
- Engaging Learning Experiences: NC Connections is designed to engage all students with high-quality learning experiences combining standards-aligned curriculum and multiple opportunities for collaboration. The NC Connections program and its teachers will use proven strategies to make instruction fun and engaging, provide a safe way for students to respond, and help students succeed. For example:
  - Asynchronous/synchronous blend: The NC Connections model of online learning is asynchronous with synchronous support. Students work at their own pace and place, completing coursework within defined time limits, while also convening in real time via LiveLesson sessions for teacher-facilitated lessons, group projects, and class discussions. NC Connections recognizes that some students thrive with one-on-one attention while others crave the space to work through problems independently at their own pace. Offering a combination of the two learning approaches allows virtual schools to create a more personalized learning experience that supports different learning styles.
  - Multi-tiered intervention: NC Connections will employ a multi-tiered instructional framework so that every student has access to the resources they need to be successful: Tier I Core Curriculum with Differentiation, Tier II Supplemental Instructional Supports (two to three times per week), and Tier III Supplemental Instructional Supports (four to five times per week). Student Support and IEP teams will meet regularly to develop an intervention plan and strategies for improvement for students who are struggling.
  - Real-world sizzle: NC Connections' college/career prep programming emphasizes engagement with industry role models, collaborative work-related projects, and multiple "ships" (internships, apprenticeships, mentorships and the like). All of these connection points to the real world beyond school makes the learning experience come vividly to life for NC Connections students.

Mobility has been found to have an adverse impact on student well-being and learning skills. NC Connections understands the reasons why students may decide to move from their brick-and-mortar schools, which is key to helping students to be successful. In 2022-2023, for example, 30% of students moved from a brick-and-mortar school to a virtual school for safety reasons; 26% were experiencing bullying in their previous school, and 32% experienced mental and or physical health issues.[1] With this deep understanding of the students served, teachers and staff receive extensive training on developing strong student-teacher relationships – a factor that research has demonstrated is critical to student success and their decision to remain a student beyond that critical first year as well as positive well-being and feelings of support.

In 2022-2023, 93% of students in a similar virtual model said it was easy to get along with their teachers; 86% of students said that there is an adult at their school they can turn to for support or advice; and 96% said there is an adult at their school who always wants them to do their best.[2] These positive perceptions were found to be significant predictors of achievement gains and students' decisions to re-enroll at their virtual school. Teacher quality, responsiveness, and support were also the top reasons that parents[3] reported being satisfied with virtual schools supported by Pearson.

[1] Source: Pearson Virtual Schools annual survey results, 2022.

[2] Source: Pearson Virtual Schools bi-annual Social Emotional Learning survey results; survey is based on the well-being scale developed by the University of Pennsylvania (Duckworth AL, Kautz T, Defnet A, et al. Students Attending School Remotely Suffer Socially, Emotionally, and Academically. Educational Researcher. 2021;50(7):479-482).

[3] Note: Legal guardians are included in the definition of Parents in this application.

Q107.

Describe all training and/or resources that will be provided as an orientation for students to encourage success.

Comprehensive Onboarding

The NC Connections School Leader will plan and host a personalized virtual Family Information Session prior to the launch of the school. During the event, prospective and newly enrolled students and their families will learn more about the requirements of the virtual program, receive an overview of the EMS, view a demo of the platform, and participate in a Q&A session. The event can be recorded, and the recording can be made available to the school as a resource for families.

Parent satisfaction and retention rates are strongly tied to how prepared the family feels for the first day of school. As such, significant resources have been invested to create a comprehensive onboarding program that facilitates the transition to a remote academy and prepares the family for success at the school.

The onboarding process begins when a family first expresses interest in the school, continues all the way through the first few months of being enrolled, and is supplemented by ongoing support throughout the school year. The goal is to ensure everyone in the family understands their role in a virtual school environment, appropriate routines are set up, and are aware of resources available to further assist them. The onboarding program is a combination of proactive communications (teacher welcome phone call, email series, welcome kit) as well as resources that can be accessed any time (Orientation courses and Virtual Orientation sessions, dedicated website). The onboarding program starts with the essentials a family needs to know, and increases the amount of information incrementally, to ensure the families are not overwhelmed and their chances of success in a virtual school are maximized.

Students will have access to a student orientation course upon enrollment, which highlights how to navigate the EMS platform, how to access and complete lessons, how to contact their teacher, the grade book, and more. In addition, courses have a course information area with a large amount of pertinent material, including topics such as teacher contact, how to get started, pace charts, materials list, and academic integrity.

Parents/Learning Coaches will also have access to an orientation course that is designed to familiarize them with the important role they play in supporting their student as a learner. The Learning Coach Support team offers additional resources and programs for Learning Coaches including:

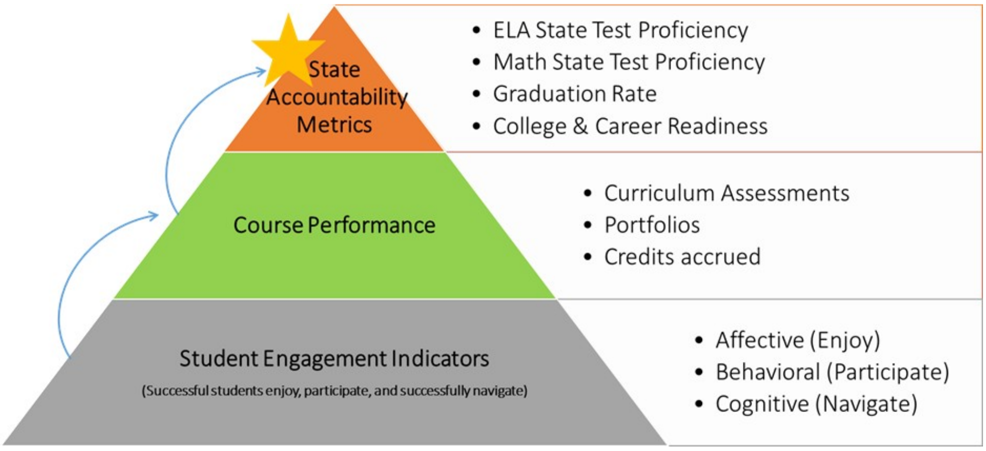
- **Learning Coach Central** – This resource repository accessed from the Learning Coach Home Page in the EMS provides multiple resource documents, videos, and helpful links that support Learning Coaches in their role and in providing instructional support to their student.
- **Learning Coach Success Series** – Learning Coaches are invited to attend live webinars that equip them with the skills and knowledge they need to assist their students in the online school environment. Time for questions and answers is provided at the end of each presentation. Recordings are available following the live webinars. The webinar series consists of two types of webinars.
  - The *Getting Started in Virtual School* series offered to new Learning Coaches provides detailed information introducing Learning Coaches to the EMS. Topics relevant to planning and organization to best support students in the home environment are also presented. Additionally, Learning Coaches are introduced to course and lesson structure and are shown how to use the lesson content to guide their students to academic success.
  - The *Adding to Your Learning Coach Toolbox* series is offered to all Learning Coaches throughout the year. This series provides information and tips to engage students surrounding topics like student motivation, the learning process, subject-specific learning, and character development.
- **Learning Coach Community (optional)** – The school may choose to opt into a program that provides an online, interactive, school-sponsored forum for Learning Coaches to communicate with one another. The Learning Coach Support team monitors Learning Coach interaction and posts timely information, school announcements and advice from seasoned Learning Coaches.

Student Retention

NC Connections knows that building student connections and ensuring students' comfort with navigating online learning are vital to student success. For example, we know that students who feel connected to teachers and students by October are twice as likely to stay enrolled and perform 4-8% higher in their courses.

For this reason, NC Connections will implement the Good School Model (GSM), a research-based operating model to drive optimal learning outcomes. GSM is constructed on the knowledge that student connections are key to engagement, which in turn results in improved course performance and eventually stronger state accountability metrics. The model is continuously evolving, as NC Connections would join 28 other participating schools providing real-time data. GSM is designed to adjust quickly based on improved student outcomes.

NC Connections will be laser-focused on supporting students and families at the foundation level of our student success pyramid to set them off for a successful school year. NC Connections will support students in staying enrolled during the school year and choosing to return for the next school year. The school will utilize tools, services, and data that increase socialization opportunities and maximize teacher effectiveness in a way that enables them to focus on relationship building and personalized instruction.



Building a Healthy School Culture to Increase Student Retention and Performance

Dedicated teams will use a variety of evidence-based practices to support students and families. A sample of these evidence-based practices are included below.

- Student connections and a healthy school culture begin with outreach to students and families prior to the start of the school year by dedicated Engagement Specialists on the enrollment team. This welcome team contacts families to speak with them about the school, answer questions they may have, and help guide them through the next steps. Research shows that the earlier the student and family are contacted, the higher the likelihood that the student will stay enrolled and have a sense of connectedness to the school.
- Students will have an opportunity to complete a brief "About Me" form at enrollment that will allow them to share interests and learning preferences with school staff prior to the start of the year. Research reveals that 100% of teachers say that this information enables them to better personalize the learning experience, and students that complete "About Me" are significantly more likely to feel a sense of belonging and connectedness to their school.
- Teachers can direct students to Global Clubs and Activities as a way to link student interests with similar-minded students. Research shows that students that participate in clubs and activities are significantly more likely to report a sense of belonging at the school and to stay enrolled.
- Teachers and school staff will connect with students and families via early welcome calls to acclimate the whole family to their new school's culture and to provide an opportunity to get to know one another. During this welcome call, teachers will talk to the student and parent or guardian and prepare them for the first day of school and also reference the information the student provided in the About Me form to ensure the student feels known. Research shows that this early connection with a teacher is related to increased feelings of connectedness to the school, retention, and even higher course performance! Why? Students that feel comfortable with their teachers are more likely to ask them for help when stuck.
- NC Connections will have a dedicated Enrollment Team Support person that can speak to families, answer questions, and help guide them through the enrollment process. The team can track students that may be at risk of withdrawal using a research-based retention dashboard that, along with other important student information, enable the teams to intervene with the student with appropriate supports.
- To ensure that contacts and onboarding have been successful, students can complete a brief check-in at the 3-week mark to alert teachers, counselors, and other school staff about students needing additional support with connecting to teachers and peers and navigating the learning environment. NC Connections leaders will track welcome calls as well as student responses to the check-in. Teachers receive an interactive digital resource outlining evidence-based practices and providing resources to set students up for success.

- For teachers needing some additional support or simply new ideas for providing a healthy school environment, Professional Learning Facilitators assigned to support teacher development can provide training such as the Quality Contacts series. The program helps to ensure that even the newest teachers feel confident and equipped to welcome and connect with students and families.
- NC Connections will offer an annual student orientation course for all students enrolled in the school and their Caretakers to complete together. Research shows that students are more successful when parents and students complete these orientations and engage with the platform.[1] Teachers will closely monitor completion of the courses.

[1] Source: Ricker, G. Belenky, D., & Koziarski, M. (2021). Are parents logged in? The Importance of parent involvement in K-12 online learning. Journal of Online Learning Research, 7(2), 185-201.

Q108.
How will information about remote academy admission requirements be communicated to parents and guardians?

NC Connections will ensure active communication of enrollment and admission requirements and procedures to parents as well as the school community to ensure to ensure that students and parents have an equal chance to learn about and apply to the school. The enrollment and admission opportunities, including an admission lottery should there be a need for the school to conduct one, will be displayed on the school's website no later than two weeks prior to each enrollment or admission opportunity.

The school will have an open application period to be specified during the second semester of each school year for the following school year. The dates of the open application period will be announced on the school's website. During this period, students/caretakers who are interested in enrolling must begin by completing either the online registration form which will be made available on the school's website or an offline registration form which can be requested from the Enrollment team by phone. This team will also be available by phone to address questions related to admission requirements for any families interested in enrolling their student(s) in NC Connections who do not have access to a computer.

NC Connections will abide by all applicable federal, state, and local statutes, policies, and guidelines for student application and admission procedures and enrollment and will not impose requirements that are inconsistent with these policies and guidelines. These policies and guidelines include compliance with the McKinney-Vento Act regarding students experiencing homelessness. The School Leader or their designee will serve as the liaison for homeless students. Students who meet the definition of homeless will be enrolled without delay despite the inability to provide required documents, such as proof of residency. Students in foster care will also be immediately enrolled, in accordance with Title I requirements for educational stability and continuity.

Q109.
How will information about the characteristics of successful remote learning be communicated to parents and guardians?

As described previously, information about the characteristics of successful remote learning will be communicated via the school's website, multiple information sessions, and support from a toll-free call center, beginning when a family first expresses interest in the school, and continuing all the way through the first few months of being enrolled, and supplemented by ongoing support throughout the school year. The goal is to ensure that everyone in the family understands their role in a remote academy environment, that appropriate routines are set up, and that everyone is aware of resources available to further assist them. The onboarding program is a combination of proactive communications (teacher welcome phone call, email series, welcome kit) as well as resources that can be accessed any time (Orientation courses and Virtual Orientation sessions, dedicated website). The onboarding program starts with the essentials a family needs to know, and increases the amount of information incrementally, to ensure the families are not overwhelmed and their chances of success in a virtual school are maximized.

The NC Connections School Leader will work with a designated Pearson administrator to plan and host a personalized virtual Family Information Session prior to the launch of the school. During the event, prospective and newly enrolled students and their families will learn more about the requirements of the virtual program, receive an overview of the EMS, view a demo of the platform, and participate in a Q&A session. The event can be recorded, and the recording can be made available to the school as a resource for families.

Q110.
Describe any school nutrition services provided to students.

NC Connections will not offer food services as students learn outside of a traditional brick-and-mortar school setting. The school's social workers and counselors will work with families to connect them with local resources if a family is experiencing food insecurity.

Q111.Describe any transportation services provided to students.

As a remote academy that students attend from home or other locations, NC Connections does not plan to provide general school transportation, food service, or other ancillary services traditionally provided by brick-and-mortar schools. However, the school does plan to provide computer technology and Internet subsidy to students. Internet and computer access provides virtual "transportation" to and from the school.

Services for students with disabilities will be equally accessible to all students in North Carolina. As determined by the IEP team, students may receive these services in a virtual setting and/or face-to-face. Services may be provided face-to-face at the providers' locations, via computer, in homes, community sites, and medical offices. Decisions as to the location of service delivery will be made during the IEP team meeting with input from the parents of the student.

When the IEP team determines that the services will be provided face-to-face, the services will be provided at a mutually convenient location for both the family and the provider. Potential options for locations include the student's home, the therapist's business location, libraries, community centers, and so forth. For services provided outside of the home, special transportation will be provided, or the parent may choose to receive mileage reimbursement for transporting their child (which could be in the form of a gas card or similar). NC Connections will provide related services by engaging private businesses, agencies, hospitals, adult service providers, and any other acceptable providers. For each provider serving enrolled students, NC Connections will maintain copies of licensure and certification, background checks, etc. consistent with North Carolina law.

For any required in-person state testing, the school will set up in-person, proctored locations throughout the state, based on the geographic locations of the student population. Geographic population maps will be created to identify areas where testing sites are needed based on student population. Sites will be reviewed annually to adjust for an increase in student population. Students will be assigned to a testing center. If a family has transportation issues and is not able to make it to a testing site, the school will work with the family to make accommodations and may help with travel.

9. Mission Purposes, and Goals

9.1. Mission and Vision

The mission and vision statements, taken together, should:

- Identify the students and community to be served;
- Illustrate what success will look like; and
- Align with the purposes of the NC Charter School Law.

Q112.Please state the mission statement of the proposed charter school (35 words or less)

- The mission statement defines the organization’s purpose and primary objectives, describing why it exists.
- The mission statement should indicate in measurable terms what the school intends to do, for whom, and to what degree.

NC Connections’ mission is to help students meet performance standards and maximize their potential through an individualized learning program. The school's tailored approach prepares students of all abilities to succeed in school and life.

Q113.Please state the vision statement of the proposed school.

- What will the school look like when it is achieving the mission?
- The vision statement outlines how the school will operate and what it will achieve in the long term.

The vision of NC Connections is that the school will be a virtual learning leader delivering life-changing learning outcomes and experiences for North Carolina students in K-12, building the next generation of curious, skilled, career-ready citizens. Young people in North Carolina face a future of burgeoning opportunities in fields from advanced manufacturing to IT to health care – and bewildering challenges brought on by evolving work culture, AI, and the demand for “new collar” skillsets. NC Connections is designed to harness these dynamics for the benefit of students and communities in every part of the state.

Calibrated to the economy of today and tomorrow, NC Connections will provide students across North Carolina with a cutting-edge career/college readiness program in a quality virtual charter school setting. Our school’s creative alignment of K-12, higher education, and workforce systems is coupled with state-based and national partnerships plus personalized technology tools to help each student discover, explore, and prepare for their own best post-secondary future.

Through our uniquely individualized program of career exploration, experiential learning, dynamic skills development, and badging – undergirded by future-focused counseling, “early talent” employer linkages, and a top-quality curriculum with tri-credit opportunities – NC Connections students will graduate from high school ready to flourish in their own ideal combination of college and career.

NC Connections is built on innovative approaches to college/career readiness crafted specifically to achieve its mission. These include:

- **A fresh “yes/and” take on college and career, transcending outdated “either/or” academic frameworks that have compelled a choice between preparing for university and developing work-related skills.** North Carolina’s current and future economy demands new combinations of career credentials and post-secondary degrees. At the same time, NC Connections prepares its students for this new world of work with dynamic partnerships, integrated counseling, tri-credit courses, and more.
- **An organizational infrastructure calibrated to the rapidly changing needs of both learners and the economy.** Every aspect of NC Connections’ program is designed to prepare this new generation of students to be the highly coveted “early talent” that employers in North Carolina and beyond so urgently need. NC Connections’ technology tools allow students to dynamically assess their interests, plug into a community of support and expertise, and earn professional-grade badges with lifelong value. NC Connections’ instructional reach is multiplied by a universe of “ships” – from internships to mentorships to apprenticeships and beyond – that extend students’ learning into the real world, and a school year that is enhanced by a signature one-week “C-Term” focused on special projects and focused prep.
- **A next-generation remote charter school model.** NC Connections’ cutting-edge career/college prep program builds on two decades worth of lessons learned about engaging students in a distributed online setting, including how best to connect teachers, students, and families to maximize potential and meet the highest performance standards. NC Connections holistically integrates updated technology, curriculum, and synchronous/asynchronous instructional approaches to meet the future-building needs of Generation Z and Alpha Gen learners.

Q114.**Educational Need and Targeted Student Population of the Proposed Charter School** Does the school plan to provide services to certain targeted subgroup(s), if so please explain? Provide a description of the Targeted Population in terms of demographics. In your description, include how this population will reflect the racial and ethnic composition of the school system in which it is located. Additionally, how it will reflect the socioeconomic status of the LEA, SWD population, and MLL population of the district? See G.S. 115C-218.45 (e) (https://www.ncleg.net/EnactedLegislation/Statutes/PDF/BySection/Chapter_115C/GS_115C-218.45.pdf).

NC Connections will be a statewide remote charter academy and a high-quality, proven educational option for nontraditional students. Through this unique model, the school is dedicated to providing a much needed high-quality, full-time virtual option to children that will develop their readiness skills for their future. NC Connections will be tailor-made for a diverse array of students who may benefit from a quality option to the traditional brick-and-mortar classroom. As a statewide school, the anticipated student demographics reflect those of the state while also factoring in demographics of families choosing virtual school options: 44% White, 25% Black or African American, 21% Hispanic, 5% two or more races, 4% Asian, and 1% American Indian or Alaskan Native students, and 52% economically disadvantaged students, 13% students with disabilities, 3% English Language Learners, and 2% students experiencing homelessness.

NC Connections’ community of students will include:

- Students with an interest in focusing on their college and career readiness;
- Children in rural communities who lack access to challenging classes and Advanced Placement®(AP)/Honors courses within their current existing public school options;
- Students whose families seek more involvement in their child’s education;
- Students who are medically homebound due to illness or disability;
- Students who are immunocompromised and are concerned about health conditions outside of the home environment;
- Exceptional students who are far ahead of or far behind their peers in school;
- Students pursuing artistic or athletic interests or career development opportunities requiring a flexible schedule;
- Students who require a flexible school schedule;
- Students with special learning needs;
- Students who have been bullied;
- Students who are at risk of academic failure, who may particularly benefit from intensive, personalized instruction;
- Students who desire a comprehensive, robust full-time virtual school experience; and

Data provided by Pearson shows that Connections Academy virtual schools serve highly mobile students with complex needs known to impact academic performance. As demonstrated in the list above, these characteristics create a unique student population that differs from traditional brick-and-mortar schools.

Moving to a remote charter academy can be the answer to a variety of different student needs including highly mobile students. Highly mobile students include:

- 11% Returning students with various challenges;
- 8% Advanced students;
- 11% Students with health problems;
- 13% New students, previously bullied;
- 11% New students, struggling academically;
- 31% New students who want flexibility, virtual school choice; and
- 16% Returning students who want flexibility, virtual school choice.

Q115.What are the enrollment trends and academic performance outcomes of surrounding schools in the selected community? What elements of your educational model will meet the needs of your target student population?

Surrounding Schools Enrollment Trends and Academic Performance Outcomes

NC Connections would consider the two existing virtual pilot public charter schools to be “surrounding schools” because they serve statewide and provide a full-time online education in a public charter setting. NC Connections will also enroll statewide. Both of the pilot virtual charter schools, North Carolina Cyber Academy (NCCA) and North Carolina Virtual Academy (NCVA), have waitlists annually. NCCA had an ADM of 2,387 students in School Year 2022-23 and NCVA had 2,862 students. Both schools began with a cap of 1500 and have gradually increased their enrollment since the first year of the pilot in the SY15-16. Because there are waitlists and because NC Connections offers a new virtual model, the Board firmly believes there is room for this innovative model in North Carolina and plans to grow incrementally and responsibly.

NCCA’s academic performance grade for SY22-23 was a D and NCVA’s was a C. We are confident that NC Connections, when the model is operated with fidelity, will have outcomes similar to South Carolina Connections Academy (SCCA) and will meet or exceed the state performance of other virtual schools. For example, SCCA, which is in its 16th year of operation, performed higher than the state averages overall in grades 3-8 for both the 2021-22 and 2022-23 school years and exceeded the state proficiency average in every ELA assessment other than grade 5. In addition, SCCA was successful in outperforming the state in subgroup populations: Multiple races 0.8 points (48.4% vs 47.6%), Hispanic/Latino 8.8 points (45.9% vs 37.1%), Black/African American 10.1 points (38.0% vs 27.9%), Asian 14.1 points (88.9% vs 74.8%), Economically disadvantaged 3.2 points (38.2% vs 35.0%), English Learners by 23.5 points (55.0% bs 31.5%), & Students with Disabilities 5.5 points (18.7% vs 13.2%). We expect to have similar academic success in North Carolina with NC Connections.

Educational Model Will Meet the Needs of Target Student Population

NC Connections’ educational model will meet the needs of students across the state. The school's tailored approach prepares students of all abilities to succeed in school and life. NC Connections is dedicated to providing a high quality, full-time virtual option to children of all backgrounds. Students whose instructional needs will be effectively met by NC Connections include students whose families seek direct involvement in their education; students who are medically homebound due to illness or disability; exceptional students who are far ahead of or far behind their peers in school; students pursuing artistic or athletic careers; students who require a flexible school schedule; students in group homes or institutions; students who have been bullied; and students at risk of academic failure, who may particularly benefit from intensive, personalized instruction.

In addition, this school will also help meet the college and career readiness goals for students across North Carolina by providing a career program that is accessible virtually. NC Connections’ target student population has a palpable need for the school’s unique approach to career and college readiness. When asked in a 2023 Pearson survey what major roadblocks stand between them and their ideal career, nearly half (47%) of young people cited a lack of connections — not knowing anyone who could help in their career explorations. Some 42% of students said they lacked confidence that they possessed useful talents or skills; and 39% said they simply didn’t know where to begin. NC Connections is designed to meet these needs.

Young people across North Carolina, in every community and across every kind of school, face a dynamic but often intimidating employment market. Their readiness for college and career is being roiled by AI, post-pandemic work patterns and the emergence of “new collar” jobs requiring skillsets that transcend the conventional college degree.[1] In 2023, North Carolina ranked first in the nation for its positive business climate,[2] but a persistent shortage of skilled workers and an aging population represent significant headwinds against future economic growth.[3] The boom in sectors like technology, advanced manufacturing and health services has been concentrated in urban areas like the Triangle and Charlotte, while rural counties struggle to recover from the erosion of traditional North Carolina industries such as furniture, textiles and tobacco. Statewide, a painful mismatch persists between the skills employers need and the preparation most North Carolina students receive, even those in their high school’s traditional Career & Technical Education programs. Estimates show that 54% of jobs in North Carolina require skills beyond high school but less than a four-year college degree.[4] As evidence of the challenge, the state has launched a campaign to dramatically increase — from 1.6 million to 2 million — the number of young adult North Carolinians with high-quality credentials or postsecondary degrees.[5] NC Connections has the solution built into its DNA.

NC Connections is prepared to meet the needs of all students in grades K-12 and will have the advantages of being engaged in a school supported by a proven educational model and with a Board dedicated to ensure its success.

[1] https://www.usatoday.com/story/tech/columnist/2016/12/13/we-need-fill-new-collar-jobs-employers-demand-ibms-rometty/95382248/

[2] https://www.cnbc.com/2023/07/11/north-carolina-is-top-state-for-business-led-by-workforce-economy-.html (https://www.cnbc.com/2023/07/11/north-carolina-is-top-state-for-business-led-by-workforce-economy-.html)

[3] Fixing North Carolina’s talent crisis, https://businessnc.com/fixing-north-carolinas-talent-crisis/ (https://businessnc.com/fixing-north-carolinas-talent-crisis/)

[4] https://www.acteonline.org/wp-content/uploads/2023/04/NC-CTE-Fact-Sheet-April2023.pdf

[5] https://www.myfuturenc.org/ (https://www.myfuturenc.org/)

Q116.What will be the total projected enrollment at the charter school and what percentage of the Average Daily Membership (ADM) does that reflect when compared to the Local Education Agency (LEA) of the same offered grade levels? (i.e. If the proposed school will be grades 9-12, only compare the total enrollment to the total enrollment of the LEA in grades 9-12).

The total projected enrollment for NC Connections and the percentage when compared to total statewide ADM is shown in the table below. As NC Connections will be a fully remote academy with statewide enrollment, the percentage of the ADM is based on the total statewide enrollment using the latest available data for 2022-23.[1]

Academic School Year	**Grade Levels**	**Total Projected Student Enrollment**	**Percentage of Total Statewide ADM**
2026-27	K-12	750	.048%

When compared to other statewide online public schools, North Carolina Cyber Academy had an ADM of 2,387 students in School Year 2022-23 and North Carolina Virtual Academy had 2,862 students. NC Connections intends to grow at a responsible rate and gradually increase its enrollment. NC Connections’ first year enrollment targets and estimated ADM is half of the 1,500 cap that each of the two other virtual schools had in their first year.

As the total statewide enrollment data for the next 5 years is not yet known, we provided a comparison for the first year only; however, the enrollment projections for the full term of the charter for NC Connections are projected to be 750 students in Year 1; 1250 students in Year 2; 2000 students in Year 3; 2750 students in Year 4; and 3500 students in Year 5.

[1] https://www.dpi.nc.gov/documents/fbs/resources/2023-highlightspdf-0/download?attachment

Q117.Summarize what the proposed school will do differently than the surrounding schools serving the same population of students. What will make this school unique and more effective than the currently available public-school options?

NC Connections stands apart from other public school options available to North Carolina youth, including location-based brick-and-mortar schools with CTE programs on the one hand, and other remote/virtual charter schools on the other. The Connections Academy model has several unique characteristics and offerings that other available schools do not provide.

First, students in Connections Academy schools academically outperform students in other virtual schools with consistently higher graduation rates than other statewide virtual schools. Independent study results provide evidence that Connections Academy students receive the same quality of education as that offered at their local public school, and those students are better positioned for success in Connections Academy schools than they are at other online schools.

Second, the unique Good Schools Model applies an exclusive mixture of evidence-based practices to support students and families, such as early outreach to students and families prior to the start of the school year, Global Clubs and Activities, dedicated Enrollment Team Support, and a check-in at the 3-week mark to alert teachers, counselors, and other school staff about students needing additional support.

Third, while the role of the Learning Coach may not be unique, the resources offered to the Learning Coach are much more comprehensive than at other virtual schools. These resources include an orientation course; Learning Coach Central, a resource repository accessed from the Learning Coach Home Page in the EMS; Learning Coach Success Series of live webinars; and a Getting Started in Virtual School series for new Learning Coaches; and more.

Fourth, the NC Connections program and its teachers use proven strategies to make instruction fun and engaging, including an asynchronous/synchronous blend in which students work at their own pace and place, completing coursework within defined time limits, while also convening in real time via LiveLesson sessions for teacher-facilitated lessons, group projects, and class discussions.

Lastly, the power of career-focused education to improve outcomes for K-12 students is well documented: 98% of students on such paths in North Carolina graduate from high school, and 98% have a clear post-secondary plan. Unfortunately, without NC Connections, not every North Carolina student who could benefit from CTE has access to a program that works for them. As a high-quality remote charter school focused exclusively on college and career readiness, NC Connections erases barriers of space and time for North Carolina youth. In addition, unlike traditional CTE, NC Connections starts early, with age-appropriate career awareness programming for grades K-5 and a jump-start on career readiness in grades 6-8, when students in virtual schools across the country report that they begin serious thinking about their post-secondary path. For students in grades 9-12, NC Connections provides opportunities to earn triple credit (high school, college, and industry) for key courses and builds the confidence, connections and capabilities students say they need most.

NC Connections aims to be the very first remote charter school in North Carolina with a career focus. As such, our school will leverage 20+ years of remote/virtual charter school experience. NC Connections builds on a proven foundation of standards-aligned curriculum, high-quality instruction by certified teachers, and high parent involvement to bring a fresh approach to career and college readiness to North Carolina’s next generation.

Q118.Describe the relationships that have been established to generate support for the school. How have you assessed demand for the school? Briefly describe these activities and summarize their results

Relationships Established to Generate Support for the School

NC Connections has developed relationships with the organizations below and envisions that these organizations will support NC Connections students in meaningful ways as they prepare for life after school.

- District C[1] is a North Carolina non-profit organization dedicated to bringing meaningful internship experiences to students, preparing them for the real-world and forging connections that will benefit local companies and the future workforce of North Carolina. For example, as of August 2023, District C provided over 5,145 learning experiences, 19 Summer Career Accelerator programs in 2023, guiding students through an intercultural problem-solving experience. District C partners with businesses representing all types of organizations from across industries to prepare students differently for an economy that is rapidly changing.
- Future Business Leaders of America[2] (FBLA) FBLA is the largest business Career and Technical Student Organization (CTO) in the world with 5,200+ chapters across the country. CTOs are more than just clubs; they are professional organizations designed to help the next generation of talent by preparing them with skills and experience to pursue in-demand careers. FBLA partnership offer hands-on experience, insight into growing fields and opportunities, as well as connection to collegiate and industry partners and local, national, and international Business & IT-related competitive events. NC Connections students as early as middle school will gain the experience, mindset, and skills they need in order to thrive as community-minded business leaders in a global society.

FBLA's programs offer leadership development and achievement, leadership conferences, challenging competitions, community service experience, informative publications, networking with peers and business professionals, scholarships, and internships.

The school has received Letters of Support from the following organizations and individuals:

- District C
- Be Pro Be Proud NC
- North Carolina Home Builders Association
- Associated Builders and Contractors, Inc. of the Carolinas (ABC Carolinas)
- Parents for Educational Freedom in North Carolina (PEFNC)
- Representative Frank Sossamon, 32nd District
- Representative Jeffrey Elmore, 94th District

In addition, each member of the Board has personal and professional relationships with North Carolina organizations, including Blue Cross, Lockheed Martin, Amazon, Tip of the Spear Strategies, YMCA, Walden University, NC State, and several other colleges, universities and school districts.

Our partner Pearson collaborates with workforce agencies across North Carolina, through the North Carolina Association of Workforce Development Boards. With county and regional workforce agency relationships, and support from dynamic workforce investment initiatives like the City of Charlotte Mayor's Youth Employment Program, students at Connections Academy schools are set up for success when it comes to work-based learning both during the summer and throughout the school year. Our partner has historically referred eligible youth to work-based learning (WBL) with city and agency partners, and its CTE curriculum is aligned with high growth/high demand industries with pathways in tech, business and health. Connections Academy students also have the opportunity to explore upskilling through Job Corps programs, like the electrical pre-apprenticeship at Oconaluftee Job Corps and Civilian Conservation Center. The Board is proud to connect students to a variety of workforce training options that will lead to economic mobility for students and their families and drive regional economic growth at the same time.

Assessing Demand for the School

Information Sessions

In talking with families at information sessions and in the organic requests for information about a college- and career-focused Connections Academy school in North Carolina, there is a compelling demand from a statewide community for the proposed remote charter academy. Information sessions have been held across the state to assess demand, including the following:

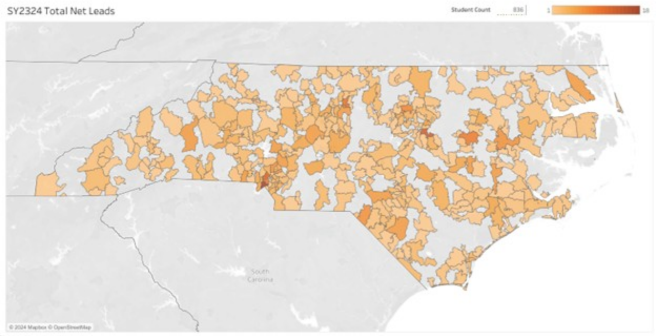
Date	Time	Location
February 20, 2024	11:00 a.m.	305 McGill Avenue Northwest, Concord, NC 28025
February 20, 2024	7:00 p.m.	878 West 4th Street, Winston-Salem, NC 27101
February 21, 2024	9:00 a.m.	411 W. 4th Street, Winston-Salem, NC 27101
February 21, 2024	7:00 p.m.	197 N. 2nd Street, Albemarle, NC 28001
February 22, 2024	8:00 a.m.	220 E. Trade Street, Charlotte, NC 28202
March 20, 2024	12:00 p.m.	238 S. Cherokee Street, Kings Mountain, NC 28086
March 20, 2024	3:00 p.m.	135 Locust Street, Columbus NC 28722
March 20, 2024	7:00 p.m.	10 Broadway Street, Asheville, NC 28801
March 21, 2024	10:00 a.m.	39 Catawba Avenue, Old Fort, NC 28762
March 21, 2024	8:00 p.m.	4509 Creedmoor Road, Raleigh, NC 27612
April 11, 2024	12:00 p.m.	213 N Greene St, Snow Hill, NC 28580
April 11, 2024	2:00 p.m.	214 N Heritage St, Kinston, NC 28501
April 11, 2024	7:00 p.m.	1 N Lake Park Blvd, Carolina Beach, NC 28428

Signed Statements of Support

In addition, 469 North Carolina residents have signed statements of support for opening NC Connections, representing 83 of the 100 counties. Please see Appendix A: Evidence of Community/Parent Support for the list of signatures and counties.

Requests for Information

Another indicator of demand is the 4,225 requests for information that have come in over the last five years from across the state. The figure below illustrates the location of the families who contacted Pearson's enrollment team interested in a virtual school in North Carolina this past year.



NC Connections will be an online public charter school/remote academy and a high-quality, proven educational option for nontraditional students. Through this unique model, NC Connections is dedicated to providing a much needed high-quality, full-time virtual option to children that will develop their readiness skills for their future.

Families are inquiring about a Connections Academy school in North Carolina for the following reasons:

- Heightened awareness of online learning as an option;
- To accommodate health concerns (student or family);
- Dissatisfaction with local options;
- Flexible schedule;
- Safe environment;
- To avoid bullying;
- Personalized education;
- Support from certified teachers;
- More involvement with child's learning;
- Accredited program;
- Free public education; and
- Recognition that a quality full-time virtual program is more than an online meeting or self-paced course. It requires a comprehensive and integrated program with systems, curriculum, instructional practice, and teachers who are highly skilled in distance teaching and establishing one-on-one relationships with students, while monitoring their progress using real-time data—in compliance with state frameworks and standards.

[1] https://www.districtc.co/

[2] https://www.fbla.org/

Q119.**Attach Appendix A: Evidence of Community/Parent Support.**

- **Provide evidence that demonstrates parents and guardians have committed to enrolling their children in your school.**
- **You must provide evidence through a narrative or visual of this educational need through survey data, or times and locations of public meetings discussing this proposed charter school.**
- **(Please do not provide more than one sample survey form).**

☑ Upload Required **File Type:** pdf, image, excel, word, text **Max File Size:** 30 **Total Files Count:** 5

Applicant Evidence :

Appendix A - Evidence of Community-Parent Sup...

Uploaded on **4/25/2024** by **Andrew LaVoie**

9.2. Purposes of the Proposed Charter School

Q120.**Select one or more of the six legislative purposes the proposed charter will achieve, as specifically addressed in the NC charter school statute GS 115C-218, and the proposed school's operations. The Six Legislative Purposes of a Charter School are:**

☑ Create new professional opportunities for teachers, including the opportunities to be responsible for the learning program at the school site.

☐ Hold schools accountable for meeting measurable student achievement results.

☑ Provide parents and students with expanded choices in the types of educational opportunities that are available within the public-school system.

☑ Improving student learning.

☑ Increasing learning opportunities for all students, with a special emphasis on at-risk or gifted students.

☑ Encourage the use of different and innovative teaching methods.

Q121.**Provide a brief narrative to coincide with <u>each</u> applicable legislative purpose(s).**

NC Connections addresses multiple legislative purposes for charter schools, while also advancing North Carolina's economic future.

- **NC Connections creates new professional opportunities for teachers**. Teachers at NC Connections will have enhanced support in building relationships and engaging students, which will allow them more time to teach and impact the learning program at the school. Classroom management looks very different in a remote academy, and teachers are freed up from such duties as lunchroom duty, bathroom breaks, bell schedules, and playground duty. The increased time for planning, teaching, and engagement should increase teacher satisfaction. Teacher satisfaction is a critical factor in the success of the school, and regular surveys will be conducted to understand and support school staff needs. Across all schools supported by Pearson, recent (2021-2022) survey trends highlight the following:
  - Overall Engagement factor has an average rating of 84% favorable.
  - Very high favorability around student support and the impact that staff feel they have on their students in the Service & Quality Focus factor (92% average favorable rating).
  - Teacher retention rates are strong across these schools:4% of teachers returned for the 2021-2022 School Year; the prior school year welcomed back 92.7% of teachers.
  - Teacher turnover rates are about half of the national average of 16% according to the National Center for Education Statistics (NCES).
  - 95% of newly hired teachers say they feel motivated to exceed expectations at their school and they are proud to work at their school.
  - 93% of newly hired teachers say they feel welcome, build good relationships with peers, had quality training and a supportive mentor.

In addition, helping students from the earliest grades to the post-secondary threshold imagine themselves in fulfilling careers and then chart effective personalized pathways to their futures will require our teachers to refine their craft in new and exciting ways. The school will activate these opportunities with specially tailored professional learning programming and industry engagement. It also increases the opportunity for teachers and staff to work in an online environment with students and other staff from across the state.

- **NC Connections provides parents and students with expanded public-school choices.** Families at Connections Academy schools are highly satisfied with this unique public-school choice: In a 2023 survey conducted by Shapiro + Raj (an independent market research company) of students in a Connections Academy school, 95% of parents agreed their school's curriculum is high quality, 97% of parents were satisfied with the helpfulness of teachers, and 96% agreed their student is satisfied with the program.

As North Carolina's first career-focused remote charter academy, NC Connections offers unique, future-ready educational opportunities to families in every corner of the state who would not otherwise have access to them in addition to offering the high quality Connections Academy school model that has consistently been requested in high demand by North Carolina families.

- **NC Connections improves student learning.** Students in Connections Academy schools academically outperform students in other virtual schools with consistently higher graduation rates than other statewide virtual schools. Independent study results provide evidence that Connections Academy students receive the same quality of education as that offered at their local public school, and those students are better positioned for success in Connections Academy schools than they are at other online schools.

In addition, a focus on future work has been shown to improve student academic achievement. In North Carolina; students in career-focused secondary school programs graduated at a rate of nearly 98%,[1] significantly higher than the four-year cohort graduation rate in North Carolina. By coupling the proven effectiveness of career-focused programming with an innovative, top-quality approach to remote education, NC Connections will boost K-12 outcomes while preparing its students to thrive in the volatile future as lifelong learners.

- **NC Connections will increase learning opportunities for all students.** NC Connections will be a statewide remote charter academy and a high-quality, proven educational option for nontraditional students. Through this unique model, the school is dedicated to providing a much needed high-quality, full-time virtual option to children that will develop their readiness skills for their future. NC Connections will be tailor-made for a diverse array of students who may benefit from a quality option to the traditional brick-and-mortar classroom. Parents and students choose remote academies for a variety of reasons. NC Connections understands the reasons why students may decide to move from their brick-and-mortar schools, which is key to helping students to be successful. In 2022-2023, for example, 30% of students moved from a brick-and-mortar school to a virtual school for safety reasons; 26% were experiencing bullying in their previous school, and 32% experienced mental and or physical health issues. With this deep understanding of the students served, teachers and staff receive extensive training on developing strong student-teacher relationships – a factor that research has demonstrated is critical to student success and their decision to remain a student beyond that critical first year as well as positive well-being and feelings of support.

In addition, our deeply engaging, highly personalized approach to college/career readiness works well for all learners, especially those – like the at-risk, accelerated learners, or otherwise exceptional – whose needs are often not well-addressed by convention education programs.

- **NC Connections encourages the use of different and innovative teaching methods.** Teachers at NC Connections will benefit from ongoing and effective professional growth, including professional development focused on providing remote instruction using innovative teaching methods. The training begins with an initial teacher orientation and several days of face-to-face pre-service training. Teachers will build a strong foundation for teaching in the online environment with student success as a focus. Professional Learning Communities (PLC), nationally facilitated professional learning sessions, and weekly updates will keep teachers up to date and on the road to being experts in online learning. Research on effective professional development indicates that professional development must be intensive, ongoing, and connected to practice. Teachers need to try out new ideas and strategies with their students and to reflect on the results of these strategies, and they will have this opportunity at NC Connections. Intensive monthly professional development, especially when it includes application of knowledge to planning and instruction, has a greater chance of influencing teaching practices, and in turn, leading to gains in student learning. Teachers will take part in ongoing professional development activities throughout the school year. Preparing North Carolina's young people to thrive in their own best futures requires innovative curricular and instructional methodologies that integrate unique technology tools and deep engagement with industry.

[1] https://cte.ed.gov/pcrn/profile/state/performance/2021/NC/summary/met/secondary/summary

9.3. Goals for the Proposed Charter School

Q122.Provide specific and measurable goals for the proposed school for the first 5 years of operation outlining expectations for the proposed school's operations, academics, finance, and governance. Address how often, who, and when the information will be communicated to the governing board and other stakeholders.

Academic Goals

1. By the end of the 5th year, the school will perform at national average on the Renaissance benchmark assessments in ELA and Math. Interim goals: Year 1 – within 4 percentile points of national average, Year 2 – within 3 percentile points of national average, Year 3 – within 2 percentile points of national average, Year 4 – within 1 percentile point of national average.
2. By the end of the 5th year, the school will perform at national average on Renaissance Star benchmark growth measures in ELA and Math. Interim goals: Year 1 – within 4 percentile points of national average, Year 2 – within 3 percentile points of national average, Year 3 – within 2 percentile points of national average, Year 4 – within 1 percentile point of national average.
3. By the end of the 5th year, 80% of students enrolled at the end of the year will be promoted to the next grade level. Interim goals: Year 1 – 75% promoted, Year 2 - 78% promoted, Year 3 - 80% promoted, Year 4 - 80% promoted.
4. 85% of students enrolled from October 1 until the end of the school year will earn at least one badge per year.

Governance, Operations and Finance Goals

1. By the end of the 5th year, the During School Year retention rate will be at least 78%. Interim goals: Year 1 – 65% retention rate, Year 2 - 68% retention rate, Year 3 - 72% retention rate, Year 4 - 75% retention rate.
2. The school will have an average of 85% positive responses to the Annual Parent Satisfaction Survey beginning with academic year 2026-27 and will rise to 90% by academic year 2028-29.
3. NC Connections will have an overall staff engagement score of at least 80%. The engagement score is the result of an annual staff engagement survey that measures many factors, including satisfaction with the school, leadership, the employee's role, growth & development, and teamwork.
4. The school will consistently monitor admissions, enrollment, discipline and truancy policies so as to meet all major audit requirements annually.
5. The school will adhere to board approved fiscal policies and proper internal controls so as to not receive any significant audit findings.
6. The Board will meet regularly and routinely update governance and fiscal policies to ensure the school is compliant with open meeting laws, public record requests, health and safety laws, fiscal oversight, and any other regulations required at any level of government.

How Often, Who, and When the Information Will Be Communicated to the Governing Board and Stakeholders

As a public school, NC Connections will measure and report the academic achievement of all students annually, as well as ongoing progress and performance of the graduation rate and the school.

The school will account for its progress against its student performance measures to all stakeholders, including parents/guardians, and greater community partners periodically. In addition, the Board may contract with an outside evaluator (such as a college or university) to assess the school's overall performance against its mission on a long-term basis.

The Board will hold the School Leader and Pearson responsible for providing an accountable program and maintaining integrity. Pearson will be transparent in providing regular and timely information on progress towards attainment of goals, alignment with policies and standards, management of material, financial and people support services, and achievement of student learning outcomes. Data will be shared with all stakeholders. School leadership will report regularly on an agreed-upon schedule to the Board and as appropriate to the Charter Schools Review Board (CSRB).

NC Connections will consistently strive for strategies to mark improvement in student learning and academic achievement and will use many different data points to provide direction for NC Connections. For instance, NC Connections will collect data regarding attendance, retention, course passing rates, state testing, formative testing, graduation rate, and parent satisfaction among others, to baseline and detail the growth and accountability of the school.

Periodic Progress Reports and External Evaluations: NC Connections will account for progress against student performance measures to stakeholders, including the CSRB, the NC Connections Board, parents/guardians, and greater community partners. The School Leader will meet regularly with the NC Connections Board to discuss student progress and program progress. A Monthly School Report will be generated as well as other data from interim assessments that will be shared along with instructional strategies to improve student learning outcomes.

Annual Report: At least once annually, the school leadership team will account for its progress against student performance measures to the NC Connections Board for presentation at a public meeting.

Academic Data: With student performance as the ultimate measure of success, NC Connections will engage in ongoing review and revisions of policies, processes, and systems, with improvements based on evidence analyzed and lessons learned. This is facilitated by ongoing and strategic events focused on improving learner outcomes. Some of the events include weekly data reviews and SMART goal-focused teacher Professional Learning Community (PLC) meetings, focused student outcomes as well as staff meetings that will focus on key processes from Welcome Calls to regular Curriculum-Based Assessments to Multi-tiered Instructional System of Supports (MTSS). Data Training sessions and PLCs will be used to process data, review student outcomes, and share and discuss best practices.

Periodic after-action reviews will focus on outcomes and lessons learned from major improvement initiatives, such as beginning-of-the-year on-boarding of new families. At regularly held meetings, NC Connections leadership will be provided opportunities to reflect on Quarterly Metrics, Goals, and Improvement Plans – reviewing results, efforts related to those results, and ways to improve those continuous improvement processes and tools themselves. Assessment data is the primary focus; however, numerous other data types from multiple data sources will also be used.

Q123. How will the governing board know that the proposed public charter school is working toward attaining their mission statement?

NC Connections' mission is to help students meet performance standards and maximize their potential through an individualized learning program. The school's tailored approach prepares students of all abilities to succeed in school and life. As mentioned previously, the school will account for its progress toward attaining its mission by using multiple performance measures, including data regarding attendance, retention, course passing rates, state testing, formative testing, graduation rate, and parent satisfaction, among others.

NC Connections will account for progress against student performance measures to stakeholders, including the CSRB, the NC Connections Board, parents/guardians, and greater community partners. The School Leader will meet regularly with the NC Connections Board to discuss student progress and program progress. A Monthly School Report will be generated as well as other data from interim assessments that will be shared along with instructional strategies to improve student learning outcomes.

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10. Educational Plan

10.1. Instructional Program

Q124.Provide a detailed description of the overall instructional program of the proposed charter school, including:

- major instructional methods
- assessment strategies, and
- explain how this instructional program and model meet the needs of the targeted student population

Overall Instructional Program

Aligning K12, higher education, and workforce systems is a critical part of ensuring that young people from all backgrounds have the skills and credentials needed to thrive in the workforce and their communities. NC Connections will guide students into high-demand careers through an offering aligned to state and regional workforce needs while preparing them for the post-secondary path that is right for them.

Following are signature elements of the NC Connections education model as developed to fulfill our mission and meet the needs of our target population:

- Tuition-Free Virtual Education – The school will offer a tuition-free public virtual education at no cost to students and their families.
- High-Quality Curriculum – Our curriculum and instruction meet standards at the state and national level while also integrating the best materials, texts, and resources available.
- Exceptional Teachers – Our dedicated teachers are at the foundation of the school experience. Teachers are certified in North Carolina and trained to excel in online teaching. Students have opportunities to work 1:1 with teachers for personalized instruction.
- Individualized Learning – Each student has unique abilities and performs better when receiving individualized attention in a nurturing learning environment. Teachers identify individual students' interests, learning preferences, and skills and encourage personal development, giving each student the best opportunity to succeed. An individualized learning approach means that students can accelerate their pace on material they grasp easily and receive extra attention in areas of weakness.
- Parent-Supported Learning – A parent, guardian, or other responsible adult serves as their student's virtual school Learning Coach, choosing to be closely involved in their child's daily education and take on an active role in supporting and encouraging their child. The Learning Coach is supported with resources and training to encourage caregivers in the learning process.
- Easy-to-Use Technology – Through the Education Management System (EMS), an online learning platform, parents/guardians and students can easily access curriculum, review grades, and schedule lessons. The EMS is user-friendly and provides students with access to a collaborative learning experience anywhere they can connect to the Internet.
- Socialization and Community – LiveLesson®, a real-time, interactive web-conferencing tool, allows students to meet regularly in a virtual setting and gives classmates the opportunity to share ideas, compare experiences, and have fun learning together. Students can also meet others with similar interests through online clubs and activities. NC Connections will also offer in-person gatherings, activities, and field trips so that students have a chance to interact outside of the virtual classroom.
- A College and Career & Technical Education Focus – The school will offer a program designed to increase employment opportunities and/or college readiness for its students. NC Connections will contract with Pearson as it expands its college- and career-readiness program of offerings. Pearson partners with Coursera, the global online learning platform; Acadeum, the largest course sharing network in higher education; e-Dynamic Learning, a provider of career technical education; and Credly, a global leader in digital credentialing. The College and Career focus includes:
- Career Exploration and Community Platform: The Career Program will include interest and aptitude assessments that connect students with exploration opportunities that align with their individual results. These opportunities include Career Communities through which they are exposed to a variety of jobs and experts within their clusters of interest along with opportunities to identify and pursue individual topics of interest and activity exploration.
- Career Pathways: In addition to the experiential components of the program, students will have access to a variety of Pathways that will prepare them to earn industry certifications across several Career Clusters, including in North Carolina's highest-growth industries such as Health and IT. School leadership will leverage higher education partnerships to ensure students have access to robust dual enrollment opportunities.
- Skills Badging: As students progress through their Pathways and participate in experiential components of the Program, they will be able to earn badges.
- Engagement Badging: NC Connections students of all ages can earn Engagement Badges, focused on school culture and responsible citizenship, for outstanding participation in synchronous LiveLesson sessions, assessments, field trips, and the like.
- The Experiential Career Network: Through a series of strategic industry and college partnerships, the school will facilitate mentorships, internships, and project-based learning opportunities that expose students to authentic post-secondary experiences and guide them to informed decisions about their futures beyond high school.
- Career Counseling: A dedicated College and Career Counselor will work directly with the school leadership and counseling teams to help students navigate all aspects of their College and Career preparation journey, to include helping with pathway selection, identifying experiential opportunities most beneficial to students based on their interest and aptitude, and compiling portfolios that will set the students up for immediate success following graduation, whether enrolling in college, a trade school or entering the job market.
- Age-Appropriate Programming: The NC Connections college and career readiness model prepares students in grades 9-12 to thrive in their imminent future; guides students in grades 6-8 in exploring and planning for the years ahead; and introduces K-5 students to badging and durable skills such as communication and collaboration that will serve them well through school and beyond.
- "C-Week": NC Connections will incorporate a one-week Connections Week ("C-Week") in addition to the 185 school days; this session will commence in the early spring prior to state testing. Students in all grades who are on track will participate in project-based learning with a focus on leadership building activities and career exploration. Students may also spend this time catching up on assignments and/or preparing for state testing depending on their personalized learning plan.

Instructional Methods

NC Connections incorporates instructional methods and practices that support the school's unique college/career readiness model — and have separately been proven to develop self-motivated, competent, lifelong learners. The NC Connections instructional approach consists of three powerful elements, as follows.

- **Expert Teachers:** Effective instruction at NC Connections begins with appropriately certified teachers specially trained to excel in guiding students through an online college/career preparation program. Each student will have a staff of experts, including North Carolina–certified teachers and career experts from the field, working together to leverage the school's myriad of resources — technological, instructional, and interpersonal — for success. Teachers will use innovative technology tools to guide students through the online curriculum as a whole class, in small groups, and one-on-one. Teachers work closely with each student to provide feedback and instructional assistance; evaluate assignments and work products; and assign and score assessment activities. Based on a student's demonstrated mastery of the material, teachers will add, expand, or replace assignments; they will also grade students in each subject, and make promotion or retention decisions. Depending on the needs of the learner, teacher direct contact — via telephone, LiveLesson session, and email — may be as frequent as several times a day, and at minimum twice per week. Teachers in schools like NC Connections often comment that because of this data-driven personalization, they understand their students better in the virtual environment than they did in a traditional classroom.
- **Involved Learning Coaches:** Each student has a Learning Coach (a parent, extended family member, or trusted adult designated by the parent/guardian) who is encouraged to work in person with the student. The Learning Coach helps keep students motivated and on track, and regularly communicates with the students' North Carolina-certified teachers. Learning Coaches are also encouraged to, and typically function as, an integral part of the student's learning team. For younger students, the Learning Coach may be directly involved with daily instruction, while at the high school level, the Learning Coach is encouraged to continue serving as an important supervisory role for the student.
- **Engaging Learning Experiences:** NC Connections is designed to engage all students with high-quality learning experiences combining standards-aligned curriculum and multiple opportunities for collaboration. The NC Connections program and its teachers use proven strategies to make instruction fun and engaging, provide a safe way for students to respond, and help students succeed. For example:
  - ○ Asynchronous/synchronous blend: The NC Connections model of online learning is asynchronous with synchronous support. Students work at their own pace and place, completing coursework within defined time limits, while also convening in real time via LiveLesson sessions for teacher-facilitated lessons, group projects, and class discussions. NC Connections recognizes that some students thrive with one-on-one attention while others crave the space to work through problems independently at their own pace. Offering a combination of the two learning approaches allows virtual schools to create a more personalized learning experience that supports different learning styles.
  - ○ Multi-tiered intervention: NC Connections will employ a multi-tiered instructional framework so that every student has access to the resources they need to be successful: Tier I Core Curriculum with Differentiation, Tier II Supplemental Instructional Supports (two to three times per week), and Tier III Supplemental Instructional Supports (four to five times per week). Student Support and IEP teams will meet regularly to develop an intervention plan and strategies for improvement for students who are struggling.
  - ○ Real-world sizzle: NC Connections' college/career prep programming emphasizes engagement with industry role models, collaborative work-related projects and multiple "ships" (internships, apprenticeships, mentorships and the like). All of these connection points to the real world beyond school makes the learning experience come vividly to life for NC Connections students.

Assessment Strategies

NC Connections will integrate assessment strategies to optimize every student's performance against academic standards as well as their outward-facing career and college readiness. Our specific assessment approaches include the following.

Internal Academic Assessments**:** NC Connections is dedicated to the use of smart embedded assessments to evaluate student performance and progress as well as to determine the current baseline standard of achievement to meet the school's performance-based goals. Our internal assessments include:

- Benchmark assessments from Renaissance STAR selected for their appropriateness for each grade level. These will be given to students in the fall, winter, and spring. STAR Assessments are computer-adaptive tests, meaning each student's testing experience is unique.10NC Connections will use Acadience Reading assessments for grades K-2 to assess core early literacy skills and help teachers identify children at risk for reading difficulties and determine the skills to target for instructional support.11
- Formative assessments such as scored daily assignments, daily checks for understanding, and regular online quizzes and tests to measure understanding of newly presented material.
- Content-embedded assessments, both online and offline, integrated into the school's curriculum. Offline assessments may include written compositions, science lab reports, short-answer questions, essays, book responses, and a variety of work samples. Online assessments include quick checks, quizzes, online practices, and unit tests.
- Curriculum-based assessments (CBAs), which provide a quick and effective way to gather additional information on students' understanding of concepts. Teachers conduct CBAs via telephone conversation or through one-on-one LiveLesson sessions to validate a student's understanding of concepts against the collected formative data within the EMS and identify areas where they may need additional support or

practice.

Mandatory Standardized Assessments**:** As a public school, NC Connections will ensure that its students participate in all required state-mandated assessments, including summative assessments as appropriate and required by state law. A State Test Plan will be developed each school year to ensure that all students participate in all state-mandated assessments. The Test Plan will address the tests, testing schedule, testing sites, student registration, test security, site security, and Special Education accommodations. The State Test Plan will also include a strategy to create an awareness and communication campaign for families, track student registration, participation, and make-up testing, all to help ensure that the 95% Accountability Rate testing requirement is met. The school will be provided support and resources from Pearson to support statewide testing.

Career-Related Assessments**:** Beginning in secondary grades, students will engage in a series of interest and aptitude assessments that will connect them with rich and varied career exploration opportunities through NC Connections' integration of the innovative Pathful platform. Each student's assessed interests and aptitudes will drive a personalized menu of mini-lessons, video job shadowing, and planning aids to ensure deep exploration of possible career pathways.

Certification Exams**:** Students will participate in industry-set certification exams to qualify for tri-credit course opportunities (providing high school credit, college credit, and certification) and for full credentials in key career pathways.

How This Instructional Program and Model Meet the Needs of the Targeted Student Population

We believe that NC Connections' innovative school model will help to immediately bridge the gap between K-12 learning and true college and career readiness, while ensuring success for all students and fulfilling the requirements of the North Carolina Accountability Model. Early evidence and education research on key aspects of our approach is promising.

- **High-Quality Teachers, Specially Prepared:** Research on online learning echoes the critical importance of teacher quality and preparation that guides NC Connections' staffing vision. In "Teacher Preparation and Promising Practices in Online Learning" (Center for Online Learning, 2015) Mary F. Rice, Theron (Bill) East and Daryl F. Mellard confirmed that "teachers are the most important component of successful online learning" and that "teacher preparation and support" are of paramount importance.
- **Timely and Actionable Feedback:** The unique ability of an online teacher to communicate one-on-one with students and offer timely and actionable feedback is key to student success in a virtual learning environment. As noted in *Providing Quality Feedback in Virtual Learning Environments* (Wiley Education Services, 2020), "By providing effective feedback, you will have a powerful method for keeping students on track to meeting their personal, professional, and academic goals."
- **Personalized Instruction:** Students clearly benefit from customized instruction that is personalized in terms of pace, content, sequence, and style. In a study published by Pearson in 2016, students in a developmental math class experienced between a 13% and 27% increase in course completion using personalized learning in a digital platform. A Canadian study conducted over the course of the pandemic found that students benefited from the more personalized experience they had while learning from home virtually; the learning environment was less overwhelming, so the focus increased on academics (Burke, Phys.org, 2022).
- **Data-Driven Instruction:** Research on data-driven decision-making states: "...educators should consult and factor in multiple sources and types of student data to get a more complete view of student progress or achievement" (Mertler, Introduction to Data-Driven Educational Decision Making, ASCD, 2014). At NC Connections, teachers will be provided tools and clear guidance on how to analyze and use student performance data to provide targeted instruction, intervention, lesson modifications, custom assessments, remediation, and enrichment.
- **Parent Involvement:** As part of its ongoing work to rethink the high school experience, the XQ Institute shared in November 2020 that there is substantial evidence of a strong correlation between parental involvement and academic achievement. From that same research, the data showed that parental involvement improves graduation rates and college enrollment. NC Connections integrates parental involvement in every aspect of its school program through the role that parents play as Learning Coaches.
- **Extended School Year:** NC Connections' integration of a one-week Connections Week (C-Week) in addition to the 185-day standard school year conforms with research showing that an extended school year increases academic outcomes for students. A meta-analysis of the literature found that "extending school time can be an effective way to support student learning" (Patall, Cooper and Allen, Extending the school Day or School Year: A Systematic Review of Research, Sage, 2010). In addition, the study found that students most at risk saw the most benefits.
- **Positive Outcomes of Career Focus:** A focus on future work has been shown to improve student academic achievement. In North Carolina, students in career-focused secondary school programs graduated at a rate of nearly 98%, significantly higher than the four-year cohort graduation rate in North Carolina.[1]
- **Power of Digital Badges:** Multiple studies document the K-12 motivational effects of digital badging, a key component of the NC Connections model. A review of 23 research studies showed that digital badges improve student engagement and motivation in both practical and academic work (Roy and Clark, British Journal of Education Technology, 2018).

[1] https://cte.ed.gov/pcrn/profile/state/performance/2021/NC/summary/met/secondary/summary

Q125.Will the proposed charter school serve a single-sex student population?

○ Yes

● No

Q129.**Curriculum and Instructional Design** Describe the basic learning environment (e.g., classroom-based, independent study), including class size and structure for each grade span (i.e. elementary, middle, high) the school would ultimately serve.

Basic Learning Environment

In each of the elementary and middle school grade levels or high school core subjects, students will be taught by an appropriately certified teacher with expertise in a particular grade level or content area. Teachers will work closely with each student on a one-on-one basis using innovative technology tools. The teacher will be responsible for teaching, evaluating assignments and work products, providing instructional assistance, assigning and scoring assessment activities, and providing feedback on the student's performance.

Based on a student's demonstrated mastery of the material, teachers will add, expand, or replace assignments; they will also grade students in each subject, and make promotion or retention decisions. Depending on the needs of the learner, teacher direct contact — via telephone, LiveLesson session, and email — with the student and Learning Coach may be as frequent as several times a day, and at minimum twice per week. Teachers view the student's attendance, participation, and performance on a daily basis via the EMS teacher's dashboard on their home page. Teachers will not wait to be contacted; they will be proactive participants in their students' learning plans. Teachers in virtual schools often comment that they understand their students better in the virtual environment than in a traditional classroom since they work with students one-on-one.

The online school program stimulates creativity in students by offering an environment that allows learning to transcend beyond the walls of a traditional brick-and-mortar school. NC Connections students will learn each day in virtual classrooms through a real-time, interactive web conferencing tool called LiveLesson®. LiveLesson sessions allow teachers to work synchronously and directly with students using video, voice-over IP, electronic whiteboard, and shared web surfing. These sessions are also recorded so students can watch on their own schedule. This live support is a direct reflection of formative assessment that indicates to the teacher where additional efforts are needed to help students master the content. Teachers document all synchronous contact with a student within the student's Log in the EMS.

LiveLesson sessions allow teachers to work synchronously and directly with students in a virtual classroom.

Class Size and Structure

Students in grades K-5 will be enrolled as elementary school students, and students in grades 6-8 will be enrolled as middle school students. Students in grades 9-12 will be enrolled as high school students.

A virtual school like NC Connections has the opportunity to reexamine class size and teacher-student ratios due to the delivery method. For example, class size and ratios were designed specifically for a traditional brick-and-mortar classroom that had goals both academically and for classroom management. Classroom management looks very different in a virtual school, and teachers are freed up from those duties such as lunchroom duty, bathroom breaks, bell schedules, and playground duty. This removal of the traditional classroom management duties allows for an innovative approach to class sizes and structure.

As a virtual program, NC Connections also has additional flexibility when it comes to student-to-teacher ratios that traditional programs don't have allowing the school to meet academic student outcomes in a model unique to a virtual setting. Besides the flexibility of not determining class size and ratios based upon classroom management, virtual schools can be strategic about making assignments due to complexity and overall effort. For example, each course is assigned an overall level of effort score. This sophisticated analysis permits assignment of lower class loads to teachers of more intensive-effort courses, such as higher mathematics and AP® (25:1). Courses with less intensive teaching demands, such as physical education or sign language, may have higher class loads without sacrificing quality of instruction, for an average of 40 students per section. This analysis helps the target population be successful in core areas and improves pupil achievement. In addition, this helps teachers focus their attention on building strong relationships with their students and their caretakers, which supports the individualization and differentiation of the approved curriculum. This in turn supports high academic achievement and thus higher graduation rates for the target population, especially for students in North Carolina who have been historically underserved by traditional educational approaches, larger class sizes, larger student-teacher ratios, lower graduation rates, and less post-secondary opportunities.

Importantly, teacher-driven instruction and differentiation works for each student, tools, services, and data can maximize teacher effectiveness, and engagement with families and learning coaches makes a huge difference. For example, the ability to differentiate instruction through the Lesson Introduction Page has demonstrated improved math scores, especially for students who struggle in math. Families choose virtual education for this increased interaction between students and teachers. Each year a parent satisfaction survey is administered to families. Ninety-two percent of families are satisfied with the helpfulness of their child's Connections Academy teacher[1], which demonstrates the needs of the targeted population and educational choice.

NC Connections anticipates ratios of 40:1 for grades K-5; ratios of 38:1 for grades 6-12; ratios of 25:1 for special education. To further improve pupil achievement, a counselor or advisory teacher will be assigned to every 6th- to 12th-grade student. Counselors/advisors work to increase student success in courses through the implementation of advisor/counselor processes and protocols with an emphasis on quality communications, effective use of data, and accurate documentation of efforts. Additionally, advisors/counselors aim to improve the student and family's overall online education experience and success in courses through collaboration and coordination of efforts with teacher managers, teachers, and other internal stakeholders. Counselors/advisory teachers will:

- Monitor student participation and performance;
- Help students navigate the EMS and other technology; and
- Facilitate communication between the student and the subject matter teacher(s) as needed.

The goal of NC Connections is to provide high-quality learning opportunities and interaction between students and teachers. NC Connections teachers will have the ability to spend more time in direct instructional activities and interaction with students as the online classroom is designed to create more opportunities for this type of interaction. For example, teachers are provided with all of their lesson plans and assessments, rather than having to create them. This allows them to personalize the lessons and modify assessments for each student. This personalization is especially important with under-served populations. Time spent on grading is streamlined because all multiple-choice and other objective questions are auto graded; short answer, essay, show your work, and project work are all personally teacher graded. Yet even these take less time because rubrics and other guidelines are provided to support the teacher. Our teachers will have a number of productivity tools at their disposal, such as daily automated reports of each student's progress in multiple areas, including attendance, assessment completion, and grades. This would not be possible without the lesson structure and the technology tools that are unique to the program. The focus of the teachers is on student success and individualizing to meet their learning needs. Data driven instruction is a key component allowing teachers to target interventions and support for those students most in need and improve their academic achievement.

As a North Carolina statewide remote K-12 charter school with a specific focus on college/career readiness, NC Connections will build on the foundation of excellence established by schools supported by Pearson, our proposed partner. By combining top-quality curriculum and instructional design, expert instruction by specially trained and certified teachers, a highly individualized online classroom structure, and technology tools focused on personalized performance learning, Pearson-supported schools across the country meet or exceed state standards for a population of students in need of an innovative alternative to the traditional classroom.

Curriculum

Elementary and Middle School Curriculum (Grades K-8)

Students in grades K-5 will be enrolled as elementary school students, and students in grades 6-8 will be enrolled as middle school students. The program of instruction for students in grades K-8 has the ability to be individualized, personalized, and delivered in a non-traditional environment to give students the best pathways to success. North Carolina–certified teachers will customize and deliver a personalized elementary school and middle school curriculum that will be tailored to best meet the needs of their students.

We provide an overall description of the curriculum provided by Pearson. However, the exact courses offered at the school will vary each year (with the anticipation of expanding offerings) and depend on the number of students enrolled, the grade levels of enrolled students, the number of staff hired meeting educational, operational, and financial requirements and the priorities of the school.

Although students in a full-time online school have flexibility in their daily schedules, elementary and middle school students will take seven to nine courses per year with a minimum of seven courses. The following lessons will be scheduled on a weekly basis for students in elementary grade levels, K-8. In addition to lessons, students will have the opportunity to participate in clubs, activities, and extracurricular experiences on a weekly basis.

Kindergarten-Grade 5:

- Language Arts, 5 lessons per week
- Mathematics, 5 lessons per week
- Social Studies, 3 to 4 lessons per week
- Science, 3-4 lessons per week
- Fine Arts, 1 to 2 lessons per week
- Education Technology, 1 lesson per week
- Physical Education & Health, 1 lesson per week, with daily physical activity
- Optional – electives such as Music, Sign Language, or Spanish

Grades 6-8:

- Language Arts, 5 lessons per week
- Mathematics, 5 lessons per week
- Social Studies, 3 to 5 lessons per week
- Science, 4 to 5 lessons per week
- Fine Arts, 1 to 2 lessons per week
- Education Technology, 1 lesson per week
- Physical Education & Health, 1 lesson per week, with activities for daily physical activity
- Optional – electives such as Music, Sign Language, Spanish, or Chinese

NC Connections will also offer a selection of accelerated and enrichment classes in math, science, and language arts. With individualized lessons, special courses for accelerated learners, and specialized teachers, an environment is created where talents are nurtured, and potential is realized. The Accelerated experts will also create programs for "twice-exceptional" students, those who are accelerated learners but also have special education needs.

What sets the elementary and middle school curriculum apart is the flexibility and individualized approach in all courses. Students have the ability to learn at a pace and time that meets their learning needs. The middle and high school curriculum encourages parent involvement including learning opportunities, resources, and guides to support their child's needs. The K-8 students at NC Connections will engage with the curriculum and the larger community through projects that tie into the educational philosophy of focusing on the purpose of learning for future success. Students in the elementary curriculum will explore careers through field trips and in their community while middle school students will have the opportunity to engage in the wider community and understand the breadth of occupations that will engage them in the future and help them develop their own interests and expertise. A variety of interactive tools, assessments, and real-world exploration opportunities will help students begin to discover their preferred career pathways. Taking into consideration the outcomes of those early assessments, an introductory career curriculum will allow students to explore options in fields such as teaching, business, government, hospitality, health science, IT and others and align their interests, values, and skills to multiple career possibilities. Curated exposure to and interactions with experts in higher ed and industry will further support this early exploration. Finally, badging in K-8 will support life/durable skills such as communication, decision making, collaboration, and problem solving.

High School Curriculum (Grades 9-12)

NC Connections will provide a balanced, challenging high school experience focused on students pursuing paths that lead to success, whether via college or an immediate career choice. A student's personalized path will be monitored along the way by the student, parents, teachers, and their school counselor. The school will provide a comprehensive program with multiple levels of academic coursework aligned to North Carolina Standard Course of Study (NCSCOS) that include Credit Recovery, Standard, Honors, and Advanced Placement® (AP).

While all levels are designed to meet standards and provide students with a rigorous curriculum, levels enable differentiation based on student needs and college and career goals. Students will work with an academic placement advisor or their school counselor to determine appropriate course level placement. North Carolina–certified teachers will deliver a personalized high school curriculum that will be tailored to best meet the needs of their students.

To support high school students in meeting their graduation goals and credit requirements, NC Connections will provide credit recovery courses to students who need to recover credits. In these courses, at the start of each unit, students will take a pretest that covers the learning objectives inside the lessons within the unit. If students demonstrate mastery of the learning objectives in a lesson on the pretest, the lesson will be exempt. Students will only be assigned lessons for learning objectives they have not yet mastered.

The proposed high school curriculum includes a wide variety of electives and intensive world language instruction from Spanish to Japanese. Courses will continue to be added as they become available.

The high school model will include both teacher- and student-directed instruction, with feedback and support through asynchronous and synchronous e-learning tools. The high school curriculum integrates digital versions of textbooks from major publishers with enhanced multimedia, interactive materials and resources, discussions, and communication/conferencing tools. In addition, students have offline assignments, projects, lab experiences, and practice work.

High school courses incorporate graded asynchronous online discussions which are required for all students creating opportunities for peer collaboration and interaction among students, increases problem solving skills, and provides opportunities for a "real-world" audience. The high school model also includes a host of services and procedures to address credits, transcripts, and counseling. It is important for students to start early on planning for graduation and post-secondary education or the world of work. Without early planning, students run the risk of missing crucial courses that might thwart their plans or aspirations.

The career program will offer secondary students multiple pathways for career exploration. These include the areas of Health Sciences, Business Management, Information Technology, and Business Operations. Courses cover a vast spectrum of career fields from Business Law and Business Communications to Pharmacology and Web Development. Additional Pathways may be added over time in response to student interest and industry data. We recognize that there are new challenges facing industry today and a new generation of learners with a unique perspective regarding what they want out of a career. Traditional approaches will no longer completely meet the needs of society nor prepare high school graduates for roles in this new age - we must be prepared to innovate and offer new approaches that will help accomplish both goals. We believe that our approach to career exploration, the various pathways we offer, our unique Tri-Credit approach and our focus on engaging students with Higher Education and industry professionals as early and often as possible will help to immediately bridge the gap between high school and true career readiness. Engaging in real-world activities and interactions will help them elevate those skills and, in a world increasingly driven by AI and automation, the emotional intelligence, empathy, and creative judgment found only in durable skills will make students more valuable and help them "future-proof" their careers.

An Honors/AP program will also be available for high school students. By enrolling in these demanding courses, students demonstrate their commitment to a college-prep-level education, which may give them a competitive advantage during the college application process.

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[1] https://plc.pearson.com/en-GB/insights/five-star-school-experience-connections-academy-parents-give-top-marks#:~:text=The%202021%20Connections%20Academy%20Parent,%22%20or%20%22B%22%20grade.

Q130. Identify how this curriculum aligns with the proposed charter school's mission, targeted student population, and North Carolina Accountability Model. Provide evidence that the chosen curriculum has been successful with the target student population, how the plan will drive academic improvement for all students, and how it has been successful in closing achievement gaps.

Alignment to the School's Mission & Targeted Student Population

The mission of NC Connections is to help students meet performance standards and maximize their potential through an individualized learning program. The school's tailored approach prepares students of all abilities to succeed in school and life. NC Connections' chosen curriculum advances this mission by meeting the needs of its target population while fulfilling the requirements of the North Carolina Accountability Model.

NC Connections will use the award-winning, high-quality online curriculum and instructional program from Pearson. This curriculum is aligned to the standards of the North Carolina Accountability Model as well as the National Standards for Quality Online Courses (https://www.nsqol.org/the-standards/quality-online-courses/ (https://www.nsqol.org/the-standards/quality-online-courses/)).

The NC Connections Board believes the school will benefit from the best practices Pearson has developed over the past 21 years through implementation of its proven core model of online learning. Not only is the program accredited by Cognia, formerly AdvancED, but Pearson was named a Tech & Learning Winner: 2021 Best Remote & Blended Learning Tools for Primary (K-6) and Secondary (6-12). In the 2022-23 survey conducted by the independent group Shapiro + Raj, 95% of parents agreed the curriculum was high quality, and 97% of parents were satisfied with their Pearson-supported Connections Academy school.

The curriculum supports instruction that combines the best of both synchronous and asynchronous learning. Students access the curriculum directly, at the pace and time that works best for them within a framework of fully accountable progress. Teachers monitor each student's mastery and provide LiveLesson sessions, office hours, small-group interventions, and one-on-one tutoring sessions throughout the week.

As a school dedicated to college and career preparation, NC Connections will also offer Tri-Credit Opportunity courses. Through NC Connections' unique partnership with Coursera, the global online learning platform, and Acadeum, the largest course sharing network in higher education, learners can simultaneously earn high school credit, plus college credit, plus industry certification, for specially selected courses. Initially focused on the Health, IT and Business career clusters, these triple-credit courses will both advance successful high school completion and connect students to college and employment opportunities immediately upon graduation, thus helping them avoid the debt of previous generations.

Ensuring Alignment to State Standards

The NC Connections Board has selected the curriculum in large part due to its rigorous process for the creation and delivery of content. The average online course has a six-year life cycle, with the following process of course creation and maintenance during this time period.

- Objective Taxonomy and Standards Alignment: The Curriculum Frameworks team develops the objective taxonomy by doing an analysis of national and state standards, breaking them down into learning objectives, or discrete concepts and skills, and then looking at where those learning objectives align with each other, where they build on and support each other, and where they are distinct from each other. They then build lessons and assessments to fit those learning objectives. Using Language Arts 6 as an example, the team looks at the most commonly found learning objectives and uses those to build out the scope and sequence and the course map for the base grade 6 Language Arts course. Then, they identify which learning objectives are needed for each state and use those to build out the state-specific scopes and sequences and course maps.
- Scope and Sequence: During the analysis phase, the Curriculum Frameworks and Assessment Design teams create a purposefully structured and logically sequenced framework for the course. This framework is called the scope and sequence, which briefly outlines the standards, a suggested order for teaching content and skills, and a recommended number of lessons for each unit.
- Course Map: A course map serves as the blueprint for a course and is heavily influenced by the objective taxonomy and scope and sequence. It provides an overview of the course content and helps in guiding the development of units and lessons in the course. Once the big picture is described, the unit maps provide additional information, including the specific content for each lesson.

The curriculum is updated regularly, based on a rigorous analysis of student performance on state standards as measured by state testing results and internal assessments. As North Carolina's standards are modified or changed in the future, the curriculum will continue to be modified or updated to meet them.

Success with the Target Student Population, Academic Improvement for All Students, and Success in Closing Achievement Gaps

The Board carefully chose the curriculum due to its proven success in similar virtual schools, its strong research foundation, and its instructional principles. NC Connections will serve students throughout North Carolina, including general education students, students with special needs, students academically behind at least one grade, at-risk students, accelerated students, and Multilingual Learners. It is anticipated NC Connections will serve highly mobile students as well, which is a nationwide trend for virtual schools.

Based on an examination across Connections Academy schools, research indicates that building student-teacher relationships is vital to student success and is a specifically important component for the targeted population that the school intends to serve. Course performance and retention are driven heavily by students feeling that they belong at the school and that teachers are interested in and support them. Connections Academy students with disabilities and those that are Multilingual Learners are more likely to agree with these statements than the general population of students, and this may explain, in part, why more than 95% of students with disabilities stay enrolled at Connections Academy schools for the entire school year.

Also important is that all Connections Academy students regardless of ethnicity report similarly high levels of connectedness and teacher support. For example, 95% of Black and Hispanic students agreed that there is an adult at their school who always wants them to do their best, and 93% of Hispanic students would recommend their school to people who want to learn online (based on a sample of 5,813 students). These findings may contribute to the absence of achievement gaps on ELA and Math state tests among Hispanic students attending Connections Academy schools.

Importantly, Pearson creates tools and services to allow teacher-driven instruction and differentiation to be effective for all students. For example, the ability to differentiate instruction through the Lesson Introduction Page has demonstrated improved reading and math scores, and those gains are most pronounced among students who are most in need of intervention. For example, students receiving Tier 3 supports that used the lesson intro page had an average year-over-year gain of 17 percentage points in their overall reading course score.

In addition, the career-focused curricular program of NC Connections has been shown to improve student achievement. In North Carolina, students in career-focused secondary school programs graduated at a rate of nearly 98%, significantly higher than the four-year cohort graduation rate in North Carolina.[1] As students explore areas of career focus and earn badges in lower grades and certifications in higher grades, they are more involved and engaged as they receive tangible benefits from their education. "Concentrating in CTE can provide students with a strong foundation of technical knowledge and employability skills to complement their academic studies and prepare them for both college and career options," according to a study5 from the U.S. Department of Education. Other studies note a career-focused school benefits students and improves achievement by increasing graduation rates as students are more engaged in their coursework.6 Early career exploration provides students with a sense of direction in their schooling, and industry certifications allow students to be workforce ready upon graduation with additional benefits outlined in an eDynamic study.7 Learners in CTE are increasingly high performers as the real-world examples help learners understand academic classes which was demonstrated with higher pass rates in subjects such as English or Algebra.[2]

The research-based[3] curriculum uses the following proven instructional principles:

- Curriculum fosters breadth and depth of understanding in subject area.
- Content is aligned to the North Carolina Standard Course of Study (NCSCS).
- Curriculum is supported by quality, reputable, recently published textbooks, and/or proven instructional resources and materials.
- Content and assessments are accurate and unbiased.
- Content is current, relevant, and provides real-world applications.
- Content is appropriate for the learner (age, ability, background, reading level, style).
- Instructional design is adaptable and flexible to meet individual needs.
- Instructional design provides students opportunities to improve learning skills using technology (cyber labs and instruments, business software, online calculator).
- Navigation is intuitive and age-appropriate.
- Scope of course is appropriate with regard to amount of content, length of course and lessons, and course requirements.
- Lesson introduction is effective, presents lesson objectives, accesses prior knowledge, sets expectations, and motivates students.
- Background information prepares students to access new content, skills, and strategies.
- Curriculum includes opportunities for developing problem-solving and critical thinking skills, real-world applications, collaboration and independent study, and developing oral/ written communication skills.
- Curriculum incorporates ongoing formative assessment and provides timely and appropriate feedback to students and teachers.
- Curriculum promotes active learning through interactive elements in each course (including online and/or offline interaction) that address diverse learning styles and preferences, including textual, visual, auditory, and/or hands-on.
- Curriculum includes a variety of sequenced pathways focused on high-demand career fields and aligned to industry certifications.

Students in a Pearson-supported Connections Academy schools on average achieve higher scores than the national average on nationally administered benchmark assessments, NWEA MAP assessment and the Renaissance Star 360 assessment. NWEA assessments have been taken by over 10.2 million students.[4] Nationally, more than 34,000 schools and districts in all 50 states use Star assessments.[5]

Students clearly benefit from instruction that is personalized in terms of pace, content, sequence, and style. In a study published in 2016,[6] students in a developmental math class experienced between a 13% and 27% increase in course completion using personalized learning in a digital platform. In addition, student cohorts in Connections Academy schools statistically outperformed (by 7.9 percentage points) cohorts in other online schools (matched on prior achievement) in terms of the percentage scoring proficient in reading on state assessments. There was no statistical difference in percentage scoring proficient in math between student cohorts in Connections Academy schools and cohorts in other online schools that were matched on prior achievement. The results of the study were validated by SRI and have been subjected to assurance by Price Waterhouse Coopers. The achievement of Connections Academy students was compared to the achievement of students attending brick and mortar schools and other online schools, and cohorts were matched in terms of prior achievement. The research team collected school and district state achievement data (defined as the percentage of students scoring proficient or above on state tests) from 19 state departments of education, at 3rd–8th grades, for 2014, 2015, and 2016. States were included if they had a Connections Academy school that had operated for three or more years. The results provide evidence that Connections Academy students receive the same quality of education as that offered at their local public school and those students are better positioned for success in Connections Academy schools than they are at other online schools.

A majority of the schools partnered with Connections Academy exceeded the state average in English Language Arts and Science on the 2020-21 State Assessments, and in Mathematics, 10 out of 15 schools had proficiency rates greater than 85% of the state average. Five schools exceeded the state average.

Lastly, the weighted average 4-year Adjusted Graduation Cohort Rate for Connection Academy schools has increased every year since 2016-17. During this time, Connection Academy schools have made significant progress in closing the gap to the average state graduation rate across all those states. Connection Academy schools have increased their graduation rate by 20.9 percentage points, while the states have only increased by 6.4 percentage points.

[1] https://cte.ed.gov/pcrn/profile/state/performance/2021/NC/summary/met/secondary/summary

[2] https://cte.careertech.org/sites/default/files/documents/fact-sheets/CTE_and_Student_Achievement_2020_0.pdf

[3] American Psychological Association's Learner-Centered Psychological Principles: A Framework for School Reform and Redesign http://www.apa.org/ed/governance/bea/learner-centered.pdf (http://www.apa.org/ed/governance/bea/learner-centered.pdf)

[4] Source: https://www.nwea.org/resource-center/fact-sheet/29446/map-growth_NWEA_factsheet.pdf/

[5] Source: https://www.renaissance.com/state-approvals/

[6] "Using personalized learning, a developmental math professor increases her course passing rate". Website blog. Pearson Education Blog. Pearson Education, 2016.

Q131.Describe the primary instructional strategies that the school will expect teachers to master and explain why these strategies will result in increased academic achievement for the targeted student population for each grade span (i.e. elementary, middle, high) the school would ultimately serve.

NC Connections' North Carolina-certified teachers will master key strategies that support excellence in remote/virtual instruction and effectiveness in college/career readiness – all with the goal of increasing both K-12 academic achievement and post-secondary success. Teachers will be hired with these capabilities in mind, and then supported in expanding their expertise through specialized onboarding and ongoing professional development.

- **Data-Driven Personalization:** Teachers work closely with each student to provide feedback and instructional assistance; evaluate assignments and work products; and assign and score assessment activities. Based on a student's demonstrated mastery of the material, teachers will add, expand, or replace assignments; they will also grade students in each subject, and make promotion or retention decisions. Teachers in schools like NC Connections often comment that because of this data-driven personalization, they understand their students better in the virtual environment than they did in a traditional classroom.
- **Asynchronous/Synchronous Blend:** The NC Connections model of online learning requires teachers to be equally adept at working asynchronously with students at their own pace and place while they complete coursework within defined time limits, and also convening with students in real time via LiveLesson sessions for teacher-facilitated lessons, group projects, and class discussions.
- **Multi-Modal Contact:** Depending on the needs of the learner, teacher direct contact — via telephone, LiveLesson session, and email — may be as frequent as several times a day, and at minimum twice per week.
- **Use of Technology:** Teachers will use innovative technology tools, including rich online content and robust learning platforms, to guide students through the online curriculum as a whole class, in small groups, and one-on-one.
- **Multi-tiered intervention:** NC Connections will employ a multi-tiered instructional framework so that every student has access to the resources they need to be successful: Tier I Core Curriculum with Differentiation, Tier II Supplemental Instructional Supports (two to three times per week), and Tier III Supplemental Instructional Supports (four to five times per week). Teachers will collaborate with Student Support and IEP teams who meet regularly to develop an intervention plan and strategies for improvement for students who are struggling.
- **Parent/Family Engagement:** Each NC Connections student has a Learning Coach (a parent, extended family member, or trusted adult designated by the parent/guardian) typically working in person to keep them motivated and on track. The NC Connections teachers must communicate frequently and effectively with these Learning Coaches, becoming expert in helping Learning Coaches optimize their role.
- **Professional Collaboration:** Each NC Connections teacher will be part of a team of experts that – in addition to the Learning Coaches and Student Support/IEP staff noted above – also includes counselors specially trained to promote college/career readiness, and strategic industry and college partners who facilitate mentorships, internships, and project-based learning opportunities for NC Connections students.

Q132.Explain how the proposed instructional plan and graduation requirements will ensure student readiness to transition from grade to grade and to the next grade span upon program completion.

From its highly personalized instructional program to its innovative integration of K-12, higher education and industry imperatives, NC Connections is designed to ensure every student's true readiness for each next stage of their journey, whether from grade to grade within our school or from NC Connections to the post-secondary future. In addition to completing the usual academic requirements for promotion and for graduation, NC Connections students will develop durable skills such as communication and collaboration from the earliest grades and explore multiple career options beginning in middle school, earning badges along the way to demonstrate their readiness for advancement. In grades 9-12, students will have the opportunity to pursue tri-credit courses that will allow them to gain college credit and industry certifications while building their transcripts toward high school graduation. Across all grades and stages, NC Connections students will gain the academic mastery and real-world skills they need for success.

Student promotion and retention will be a part of NC Connections' School Year Cycle Timeline. Starting each year in March, a Student End of Year Task Dataview (a report in the EMS) will open for all students in grades K-8. All NC Connections teachers will be able to review their homeroom students in grades K-7 to make an informed and comprehensive decision regarding promotion to the next grade level or retention in the current grade level for the following academic year. Based on the school's mission and vision, grade level retention for students is always the last resort and ongoing conversations will have already taken place throughout the school year, if a student is at risk for retention.

As teachers begin to review student data during the End-of-Year Promotion/Retention Process, they will use multiple data points to determine if a student has mastered the essential skills and standards of their grade level to be successful in the subsequent grade level. Some of these data point include, but are not limited to:

- Performance on State Assessments and Benchmarks – Do the Benchmarks demonstrate achievement and growth? To what extent?
- Performance Metric greater than 0.6 - The student's overall passing rates within each course, with an emphasis on their core courses of Math and Language Arts
- Attendance Metric greater than 0.7 and Participation Metric greater than 7 - Is the student actively engaged in the virtual setting? Are they participating in their coursework consistently so that there is enough time to master the skills and standards?
  - The attendance metric is set by the attendance hours that the parent logs for their student.
  - The participation metric tracks the number of lessons a student has completed in their courses compared to the number of expected lessons they should have completed at that point in the school year.
- Successful completion of 1st and 2nd semester Math and Language Arts
- Essentials Standards Tracker – Has the student demonstrated mastery of the standards
- Identified special needs – If a student has identified special needs, then they must be considered when making a decision about promotion to a grade level that will be most supportive of their individual learning and development. Conversations about special needs will include special education staff.
- Multi-Tiered Support System (MTSS) and Student Support Team (SST) – Has the student been receiving academic interventions? What does this data look like?
- Finally, in alignment with the school's beliefs, partnering with all adults in a child's life is an important part of supporting their development. Beyond the criteria already listed, information provided by parents, guardians, teachers, and other outside resources may be relevant data points to include when considering the decision about whether or not to promote a student.

While these are a majority of the data points used to determine if a student is ready for promotion into the next grade level, it is not an extensive list. There would need to be a holistic determination of that student's readiness to include—but not be limited to—academic mastery. Sometimes, it is the best decision for a specific student to promote them to the next level, even if they have not quite reached the desired level of mastery. If this promotion happens, all stakeholders, including the child's parents, will work with one another on a transition plan that outlines the supports, interventions, and specific areas of focus the student will need for the upcoming school year.

The following grading scale will be used for students in grades K-8. Students in Kindergarten will use a Satisfactory/Unsatisfactory Grade Scale, while students in Grades 1-8 will use the letter grading scale. Grades are only one piece of measuring student mastery, as teachers will be tracking the mastery of the essential skills and standards as well.

Grade	Grade %	Passing?
A	90-100%	Yes
B	80-89%	Yes
C	70-79%	Yes
D	60-69%	Yes
F	0-59%	No
Satisfactory	NA	Yes
Unsatisfactory	NA	No

High School students are awarded credit only for courses in which they have earned a grade of D (60%) or higher. This applies both to courses taken at NC Connections and at other schools. Courses required for graduation must be re-taken by the student if a grade of D (60%) or higher is not earned and re-taking such courses may delay the student's graduation. The school's grading scale is below. Semester and year-end GPA calculations will follow a four-point scale (below). Grade point averages will only include graded courses; pass/fail courses will not be averaged into a student's GPA. Grades for Honors courses are weighted with .5 additional points, and Advanced Placement (AP) courses are weighted with one (1) extra grade point.

Grade	Grade %	Passing?	Non-Weighted	Weighted (Honors/AP)
A	90-100%	Yes	4.00	4.50/5.00
B	80-89%	Yes	3.00	3.50/4.00
C	70-79%	Yes	2.00	2.50/3.00
D	60-69%	Yes	1.00	1.50/2.00
F	0-59%	No	0.00	0.00

Connections Academy uses a standard whereby one credit equals approximately 180 hours of instruction (sometimes referred to as Carnegie Units). Students are required to be enrolled in a minimum of four instructional courses per semester in order to be considered full-time students. Instructional courses exclude extracurricular clubs and activities.

NC Connections will incorporate a one-week Connections Week ("C-Week") in addition to the 185 school days; this session will commence in the early spring prior to state testing. Students in all grades who are on track will participate in project-based learning with a focus on career exploration and leadership building activities. Students may also spend this time catching up on assignments and/or preparing for state testing depending on their personalized learning plan. Students will not earn credits during C-Week unless catching up on assignments or working on credit recovery.

More details on high school promotion and graduation requirements are provided in responses to questions 137, 138, and 139.

Q133.**Describe in a brief narrative how the yearly academic calendar coincides with the tenets of the proposed mission and education plan.**

NC Connections’ mission is to help students meet performance standards and maximize their potential through an individualized learning program. The school's tailored approach prepares students of all abilities to succeed in school and life. In support of this mission, the yearly academic calendar includes the mandatory 185 school days plus one additional week in the C-Week for project-based learning and career exploration activities. In addition, the calendar includes 200 school days for teachers, which includes training, professional development, and planning days. The school year is composed of two semesters with built-in breaks and holidays.

While this schedule is a typical schedule that students in grades K-12 follow in the traditional school setting, a fully virtual schooling program allows for flexibility and for students to work at their own pace along with personalized teacher support.

Students learn at vastly different paces that are not recognized by traditional schooling programs. This can lead to a variety of consequences, from students falling behind to students not meeting their full potential, due to a lack of challenge.

The schedule provided by NC Connections will provide the following benefits, meeting the needs of the non-traditional student:

1.) Self-pacing allows students to build their self-confidence. Self-pacing provides multiple opportunities for students to achieve mastery, as they are given the time and support to get there at their own pace. As students achieve mastery in learning, this can boost their confidence to continue with learning and not give up.

2.) NC Connections’ schedule allows for the differentiation that is needed to support academic growth and achievement for the nontraditional student. Students who master the skills and standards outlined in their lessons are free to move on to the next lesson, while students who need more time and support can take them time needed to achieve mastery. This schedule allows for students to catch up in their learning and for those that have mastered previous concepts to work ahead or accelerate, which is not typical in a traditional school setting.

3.) This type of schedule also promotes self-regulation, which is a necessary lifelong skill. This schedule allows for students to take ownership of their schedule and both plan for and manage their learning. Research shows that this has been correlated with faster learning and higher achievement (Kizilcec, Perez-Sanagusten, & Maldonado, 2017).

Q134.**Describe the structure of the school day and week. Include the number of instructional hours/minutes in a day for core subjects such as language arts, mathematics, science, and social studies. Note the length of the school day, including start and dismissal times. Explain why the school’s daily and weekly schedule will be optimal for student learning.**

Structure of the School Day and Week

The charts and graphics that follow show sample schedules for students and teachers in each grade span. Since each student has flexibility in the development of their daily schedule, the daily times can flex, but instructional hours will meet the NC requirements for a minimum of 1,025 hours, which equals approximately 6 hours/school day. For the core subjects of language arts, mathematics, science, and social studies, students spend approximately 60 minutes for each core subject per day but have flexibility if they choose to do all their social studies work in three days a week rather than five, for example, but using the same total weekly amount of time.

Due to the more flexible nature of virtual schooling, start and dismissal times can vary—although scheduled LiveLesson sessions are synchronous and must be attended at the scheduled times—but nevertheless students must log in daily and complete their daily schedule of lessons. Learning Coaches also log attendance daily.

While students will have a great deal of flexibility regarding when and where they complete their coursework, they will still be held fully accountable for meeting all State-mandated attendance requirements. Attendance recorded by the Learning Coach and verified by teachers will ensure NC Connections is properly calculating and adequately monitoring that students complete at least students complete at least the required minimum of 1,025 hours, which equals approximately 6 hours/school day.

Optimal Schedule for Student Learning

While the schedules shown on the pages that follow are similar to those of students in grades K-12 in the traditional school setting, a fully virtual schooling program allows for flexibility and for students to work at their own pace along with personalized teacher support, which is optimal for student learning and directly aligned to the school's mission.

As described previously, students learn at vastly different paces that are not recognized by traditional schooling programs. This can lead to a variety of consequences, from students falling behind, to students not meeting their full potential due to a lack of challenge.

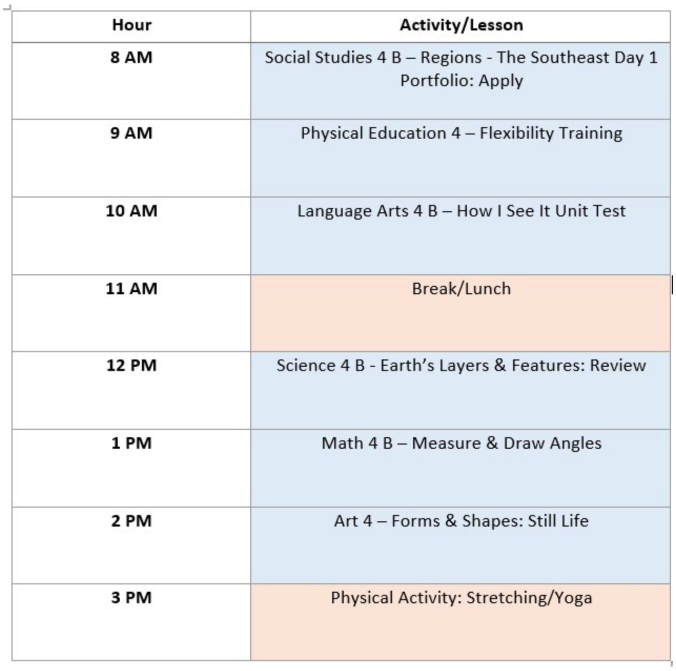
The daily and weekly structure provided by NC Connections will provide the following benefits, meeting the needs of the non-traditional student:

1.) Self-pacing allows students to build their self-confidence. Self-pacing provides multiple opportunities for students to achieve mastery, as they are given the time and support to get there at their own pace. As students achieve mastery in learning, this can boost their confidence to continue with learning and not give up.

2.) NC Connections' schedule allows for the differentiation that is needed to support academic growth and achievement for the nontraditional student. Students who master the skills and standards outlined in their lessons are free to move on to the next lesson, while students who need more time and support can take them time needed to achieve mastery. This schedule allows for students to catch up in their learning and for those that have mastered previous concepts to work ahead or accelerate, which is not typical in a traditional school setting.

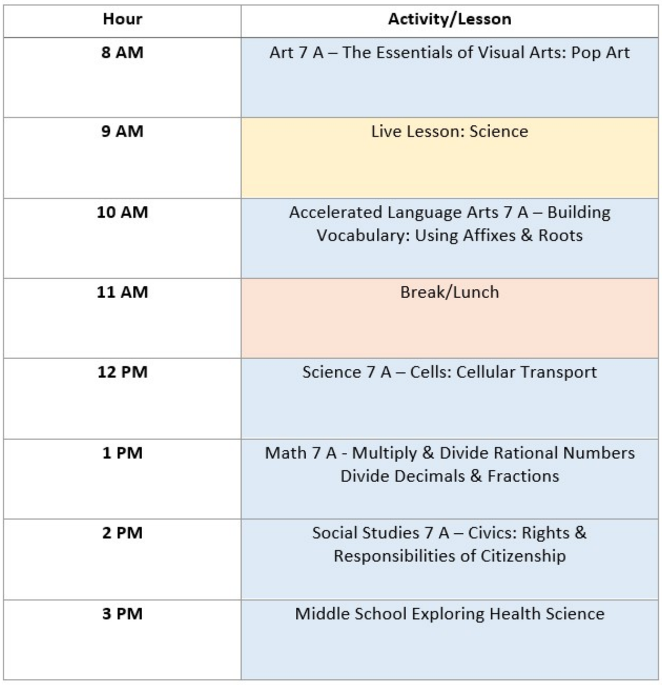
3.) This type of schedule also promotes self-regulation, which is a necessary lifelong skill. This schedule allows for students to take ownership of their schedule and both plan for and manage their learning. Research shows that this has been correlated with faster learning and higher achievement (Kizilcec, Perez-Sanagusten, & Maldonado, 2017).

Sample Fourth Grade Daily Schedule



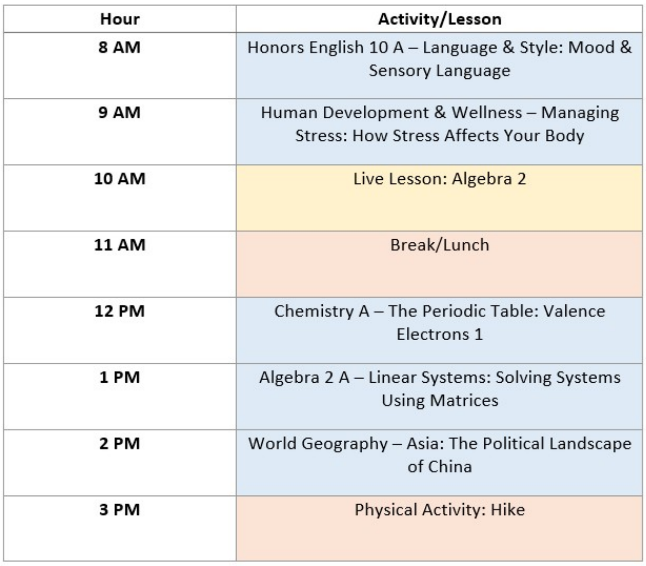
Hour	Activity/Lesson
8 AM	Social Studies 4 B – Regions - The Southeast Day 1 Portfolio: Apply
9 AM	Physical Education 4 – Flexibility Training
10 AM	Language Arts 4 B – How I See It Unit Test
11 AM	Break/Lunch
12 PM	Science 4 B - Earth's Layers & Features: Review
1 PM	Math 4 B – Measure & Draw Angles
2 PM	Art 4 – Forms & Shapes: Still Life
3 PM	Physical Activity: Stretching/Yoga

Sample Seventh Grade Daily Schedule



Hour	Activity/Lesson
8 AM	Art 7 A – The Essentials of Visual Arts: Pop Art
9 AM	Live Lesson: Science
10 AM	Accelerated Language Arts 7 A – Building Vocabulary: Using Affixes & Roots
11 AM	Break/Lunch
12 PM	Science 7 A – Cells: Cellular Transport
1 PM	Math 7 A - Multiply & Divide Rational Numbers Divide Decimals & Fractions
2 PM	Social Studies 7 A – Civics: Rights & Responsibilities of Citizenship
3 PM	Middle School Exploring Health Science

Sample Tenth Grade Daily Schedule



Hour	Activity/Lesson
8 AM	Honors English 10 A – Language & Style: Mood & Sensory Language
9 AM	Human Development & Wellness – Managing Stress: How Stress Affects Your Body
10 AM	Live Lesson: Algebra 2
11 AM	Break/Lunch
12 PM	Chemistry A – The Periodic Table: Valence Electrons 1
1 PM	Algebra 2 A – Linear Systems: Solving Systems Using Matrices
2 PM	World Geography – Asia: The Political Landscape of China
3 PM	Physical Activity: Hike

Q135.Describe a typical day for a teacher and a student in the school’s first year of operation.

Typical Day for a Teacher

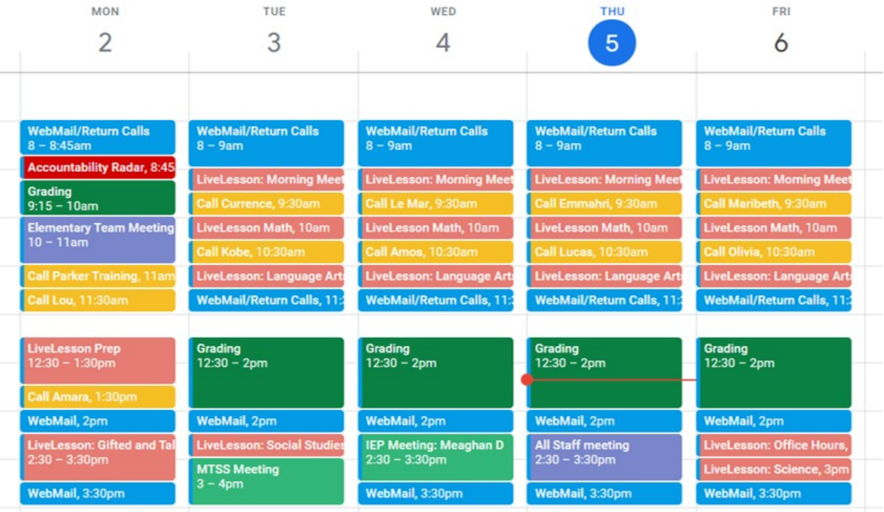
Certified teachers will teach students and manage the instructional programs. Through use of the telephone, Internet, and various curriculum tools, teachers will consult regularly with Learning Coaches and students to ensure that each child successfully completes their instructional program.

Teachers will be responsible for the successful completion of the following tasks:

- Teach students;
- Support the instructional program with synchronous instruction and asynchronous web conferencing sessions;
- Complete all grading, create progress reports, and conduct parent conferences in a timely manner;
- Communicate with parents, students, and other teachers on a regular basis to develop and update schedules, score assessments, provide feedback on student work, suggest instructional approaches and strategies, monitor completion of assignments and coach special projects;
- Develop a general knowledge of the curriculum and a very detailed knowledge of the grades for which responsible;
- Support students and parents with alternate strategies and provide additional assistance with daily assignments and projects;
- Communicate regularly with parents, students, and curriculum specialists through use of computer and telephone;
- Keep student records and data up to date, including cumulative files, online student and family information, attendance accounting, and logging of all student and parent contacts;
- Consult with team members and staff learning specialists to develop alternate enrichment activities and modifications to students' programs to increase student understanding;
- Suggest social activities and relevant field trips for students;
- Manage regional field trips and make efforts to integrate trips into the curriculum;
- Devise and implement virtual methods of creating and maintaining a school community;
- Participate in the organization and administration of state testing, as directed;
- Participate in student recruiting sessions and other outreach efforts that require teacher representation;
- Review curriculum and devise alternate approaches to given lessons to increase student understanding (working directly with parents and students);
- Attend field trips and other community activities implemented for families; and
- Other duties as assigned.

The following graphics depict sample schedules for teachers at NC Connections.

Sample Elementary Teacher Schedule



MON 2
WebMail/Return Calls 8 – 8:45am
Accountability Radar, 8:45
Grading 9:15 – 10am
Elementary Team Meeting 10 – 11am
Call Parker Training, 11am
Call Lou, 11:30am
LiveLesson Prep 12:30 – 1:30pm
Call Amara, 1:30pm
WebMail, 2pm
LiveLesson: Gifted and Tal 2:30 – 3:30pm
WebMail, 3:30pm

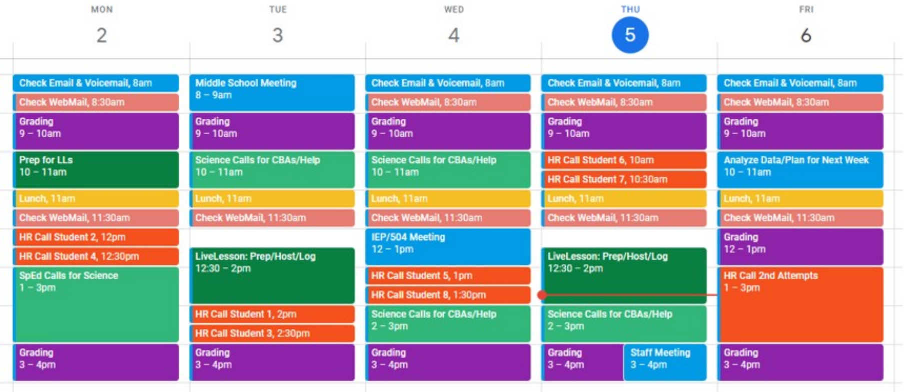
TUE 3
WebMail/Return Calls 8 – 9am
LiveLesson: Morning Meet
Call Currence, 9:30am
LiveLesson Math, 10am
Call Kobe, 10:30am
LiveLesson: Language Art
WebMail/Return Calls, 11:
Grading 12:30 – 2pm
WebMail, 2pm
LiveLesson: Social Studie
MTSS Meeting 3 – 4pm

WED 4
WebMail/Return Calls 8 – 9am
LiveLesson: Morning Meet
Call Le Mar, 9:30am
LiveLesson Math, 10am
Call Amos, 10:30am
LiveLesson: Language Art
WebMail/Return Calls, 11:
Grading 12:30 – 2pm
WebMail, 2pm
IEP Meeting: Meaghan D 2:30 – 3:30pm
WebMail, 3:30pm

THU 5
WebMail/Return Calls 8 – 9am
LiveLesson: Morning Meet
Call Emmahri, 9:30am
LiveLesson Math, 10am
Call Lucas, 10:30am
LiveLesson: Language Art
WebMail/Return Calls, 11:
Grading 12:30 – 2pm
WebMail, 2pm
All Staff meeting 2:30 – 3:30pm
WebMail, 3:30pm

FRI 6
WebMail/Return Calls 8 – 9am
LiveLesson: Morning Meet
Call Maribeth, 9:30am
LiveLesson Math, 10am
Call Olivia, 10:30am
LiveLesson: Language Art
WebMail/Return Calls, 11:
Grading 12:30 – 2pm
WebMail, 2pm
LiveLesson: Office Hours,
LiveLesson: Science, 3pm
WebMail, 3:30pm

Sample Middle School Teacher Schedule



MON 2
Check Email & Voicemail, 8am
Check WebMail, 8:30am
Grading 9 – 10am
Prep for LLs 10 – 11am
Lunch, 11am
Check WebMail, 11:30am
HR Call Student 2, 12pm
HR Call Student 4, 12:30pm
SpEd Calls for Science 1 – 3pm
Grading 3 – 4pm

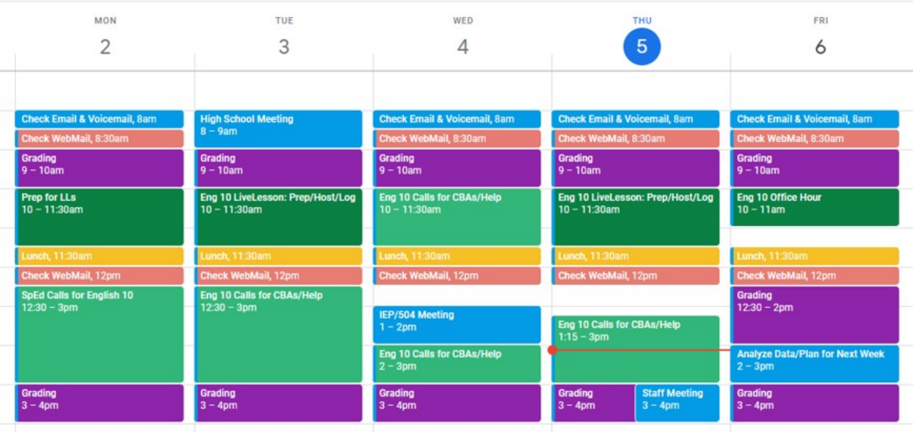
TUE 3
Middle School Meeting 8 – 9am
Grading 9 – 10am
Science Calls for CBAs/Help 10 – 11am
Lunch, 11am
Check WebMail, 11:30am
LiveLesson: Prep/Host/Log 12:30 – 2pm
HR Call Student 1, 2pm
HR Call Student 3, 2:30pm
Grading 3 – 4pm

WED 4
Check Email & Voicemail, 8am
Check WebMail, 8:30am
Grading 9 – 10am
Science Calls for CBAs/Help 10 – 11am
Lunch, 11am
Check WebMail, 11:30am
IEP/504 Meeting 12 – 1pm
HR Call Student 5, 1pm
HR Call Student 8, 1:30pm
Science Calls for CBAs/Help 2 – 3pm
Grading 3 – 4pm

THU 5
Check Email & Voicemail, 8am
Check WebMail, 8:30am
Grading 9 – 10am
HR Call Student 6, 10am
HR Call Student 7, 10:30am
Lunch, 11am
Check WebMail, 11:30am
LiveLesson: Prep/Host/Log 12:30 – 2pm
Science Calls for CBAs/Help 2 – 3pm
Grading 3 – 4pm
Staff Meeting 3 – 4pm

FRI 6
Check Email & Voicemail, 8am
Check WebMail, 8:30am
Grading 9 – 10am
Analyze Data/Plan for Next Week 10 – 11am
Lunch, 11am
Check WebMail, 11:30am
Grading 12 – 1pm
HR Call 2nd Attempts 1 – 3pm
Grading 3 – 4pm

Sample High School Teacher Schedule



MON 2
- Check Email & Voicemail, 8am
- Check WebMail, 8:30am
- Grading 9 – 10am
- Prep for LLs 10 – 11:30am
- Lunch, 11:30am
- Check WebMail, 12pm
- SpEd Calls for English 10 12:30 – 3pm
- Grading 3 – 4pm

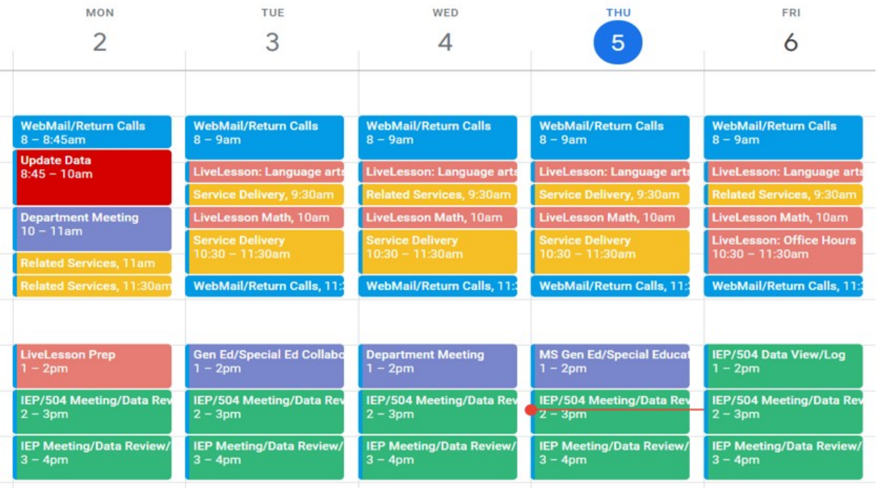
TUE 3
- High School Meeting 8 – 9am
- Grading 9 – 10am
- Eng 10 LiveLesson: Prep/Host/Log 10 – 11:30am
- Lunch, 11:30am
- Check WebMail, 12pm
- Eng 10 Calls for CBAs/Help 12:30 – 3pm
- Grading 3 – 4pm

WED 4
- Check Email & Voicemail, 8am
- Check WebMail, 8:30am
- Grading 9 – 10am
- Eng 10 Calls for CBAs/Help 10 – 11:30am
- Lunch, 11:30am
- Check WebMail, 12pm
- IEP/504 Meeting 1 – 2pm
- Eng 10 Calls for CBAs/Help 2 – 3pm
- Grading 3 – 4pm

THU 5
- Check Email & Voicemail, 8am
- Check WebMail, 8:30am
- Grading 9 – 10am
- Eng 10 LiveLesson: Prep/Host/Log 10 – 11:30am
- Lunch, 11:30am
- Check WebMail, 12pm
- Eng 10 Calls for CBAs/Help 1:15 – 3pm
- Grading 3 – 4pm
- Staff Meeting 3 – 4pm

FRI 6
- Check Email & Voicemail, 8am
- Check WebMail, 8:30am
- Grading 9 – 10am
- Eng 10 Office Hour 10 – 11am
- Lunch, 11:30am
- Check WebMail, 12pm
- Grading 12:30 – 2pm
- Analyze Data/Plan for Next Week 2 – 3pm
- Grading 3 – 4pm

Sample Special Education Teacher Schedule



MON 2
- WebMail/Return Calls 8 – 8:45am
- Update Data 8:45 – 10am
- Department Meeting 10 – 11am
- Related Services, 11am
- Related Services, 11:30am
- LiveLesson Prep 1 – 2pm
- IEP/504 Meeting/Data Rev 2 – 3pm
- IEP Meeting/Data Review/ 3 – 4pm

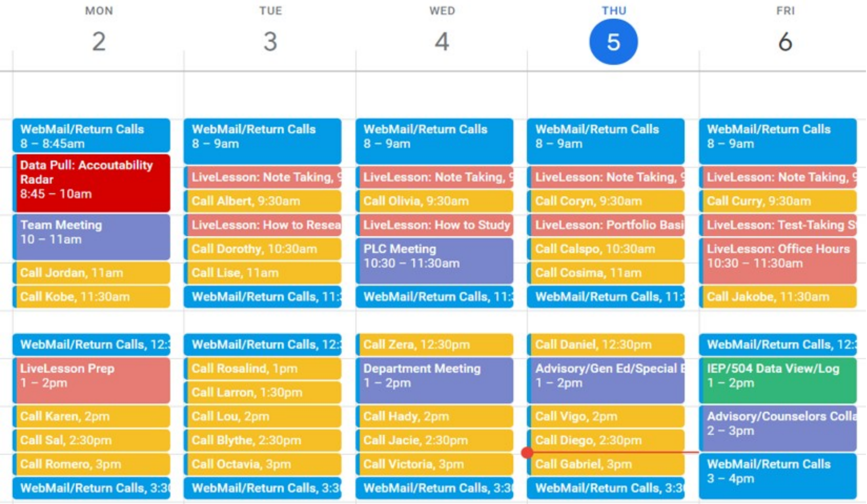
TUE 3
- WebMail/Return Calls 8 – 9am
- LiveLesson: Language arts
- Service Delivery, 9:30am
- LiveLesson Math, 10am
- Service Delivery 10:30 – 11:30am
- WebMail/Return Calls, 11:
- Gen Ed/Special Ed Collabo 1 – 2pm
- IEP/504 Meeting/Data Rev 2 – 3pm
- IEP Meeting/Data Review/ 3 – 4pm

WED 4
- WebMail/Return Calls 8 – 9am
- LiveLesson: Language arts
- Related Services, 9:30am
- LiveLesson Math, 10am
- Service Delivery 10:30 – 11:30am
- WebMail/Return Calls, 11:
- Department Meeting 1 – 2pm
- IEP/504 Meeting/Data Rev 2 – 3pm
- IEP Meeting/Data Review/ 3 – 4pm

THU 5
- WebMail/Return Calls 8 – 9am
- LiveLesson: Language arts
- Service Delivery, 9:30am
- LiveLesson Math, 10am
- Service Delivery 10:30 – 11:30am
- WebMail/Return Calls, 11:
- MS Gen Ed/Special Educat 1 – 2pm
- IEP/504 Meeting/Data Rev 2 – 3pm
- IEP Meeting/Data Review/ 3 – 4pm

FRI 6
- WebMail/Return Calls 8 – 9am
- LiveLesson: Language arts
- Related Services, 9:30am
- LiveLesson Math, 10am
- LiveLesson: Office Hours 10:30 – 11:30am
- WebMail/Return Calls, 11:
- IEP/504 Data View/Log 1 – 2pm
- IEP/504 Meeting/Data Rev 2 – 3pm
- IEP Meeting/Data Review/ 3 – 4pm

Sample Advisory Teacher Schedule



MON 2
- WebMail/Return Calls 8 – 8:45am
- Data Pull: Accoutability Radar 8:45 – 10am
- Team Meeting 10 – 11am
- Call Jordan, 11am
- Call Kobe, 11:30am
- WebMail/Return Calls, 12:
- LiveLesson Prep 1 – 2pm
- Call Karen, 2pm
- Call Sal, 2:30pm
- Call Romero, 3pm
- WebMail/Return Calls, 3:3

TUE 3
- WebMail/Return Calls 8 – 9am
- LiveLesson: Note Taking, 9
- Call Albert, 9:30am
- LiveLesson: How to Resea
- Call Dorothy, 10:30am
- Call Lise, 11am
- WebMail/Return Calls, 11:
- WebMail/Return Calls, 12:
- Call Rosalind, 1pm
- Call Larron, 1:30pm
- Call Lou, 2pm
- Call Blythe, 2:30pm
- Call Octavia, 3pm
- WebMail/Return Calls, 3:3

WED 4
- WebMail/Return Calls 8 – 9am
- LiveLesson: Note Taking, 9
- Call Olivia, 9:30am
- LiveLesson: How to Study
- PLC Meeting 10:30 – 11:30am
- WebMail/Return Calls, 11:
- Call Zera, 12:30pm
- Department Meeting 1 – 2pm
- Call Hady, 2pm
- Call Jacie, 2:30pm
- Call Victoria, 3pm
- WebMail/Return Calls, 3:3

THU 5
- WebMail/Return Calls 8 – 9am
- LiveLesson: Note Taking, 9
- Call Coryn, 9:30am
- LiveLesson: Portfolio Basi
- Call Calspo, 10:30am
- Call Cosima, 11am
- WebMail/Return Calls, 11:
- Call Daniel, 12:30pm
- Advisory/Gen Ed/Special E 1 – 2pm
- Call Vigo, 2pm
- Call Diego, 2:30pm
- Call Gabriel, 3pm
- WebMail/Return Calls, 3:3

FRI 6
- WebMail/Return Calls 8 – 9am
- LiveLesson: Note Taking, 9
- Call Curry, 9:30am
- LiveLesson: Test-Taking S
- LiveLesson: Office Hours 10:30 – 11:30am
- Call Jakobe, 11:30am
- WebMail/Return Calls, 12:
- IEP/504 Data View/Log 1 – 2pm
- Advisory/Counselors Colla 2 – 3pm
- WebMail/Return Calls 3 – 4pm

Typical Day for a Student

The scenario in the table below depicts a typical day for a 1st grade student whose proficiency level is emerging according to the English Language Proficiency Test. The student is enrolled in grade level courses, as well as two electives. The student is supported with direct Multilingual Learner services using Sheltered Instruction Observation Protocol (SIOP) to develop lessons, two times per week for 60 minutes each session in a LiveLesson setting to support reading, writing, listening, and speaking skills, as well as access to the general education curriculum. The student also participates in a daily LiveLesson for each core content area and electives. Additionally, the student uses a Tiered Intervention Support Program to support literacy and language skills. The student and Learning Coach have access to all teachers via WebMail (the internal email embedded in the EMS), additional LiveLesson time, and by phone should additional support be needed.

Sample Day for a Multilingual Learner

Time	Lessons & Activities
8:00-9:00	Math lesson
9:00-9:30	Social Group time facilitated by homeroom general education teacher via LiveLesson session

9:30-10:30	ELA Lesson
10:30-11:30	Math LiveLesson with content teacher
11:30-12:30	Break and Lunch
12:30-1:30	English Learner direct instruction services delivered via LiveLesson session
1:30-2:30	Science Lesson
2:30-3:30	Physical Ed. Lesson

Given the balance of modes and media for learning at NC Connections, actual time spent working online for students will vary according to each student's developmental level, learning needs, and learning styles. Students in grades K-2 typically spend 15-30% of their school day online; students in grades 3-5 typically spend 40-50% of their school day online; students in grades 6-8 typically spend about 50-75% of their school day online; and students in grades 9-12 typically spend 75+% or more of time online.

Since the majority of the work is done offline for students in grades K-5, including reading books and writing, students will have a flexible schedule. For students in grades K-5, between 15-30% of the school day will be centered on interactive online courses.

Students in grades 6-8 will be provided with a prescribed schedule, although students may work with teachers as needed to create more accommodating schedules. About 50-75% of the school day will be centered on interactive online courses.

When students move into grades 9-12, they will maintain their prescribed schedule. Again, students may work with teachers to create modified schedules. About 75+% of the school day will be centered on interactive online courses.

Q136.Will this proposed school include a high school?

● Yes

○ No

Q137.**High School Graduation and Post Secondary Readiness** Describe how the proposed charter school will meet the Future-Ready Core requirements.

Future-Ready Core Requirements

NC Connections will meet Future-Ready Core requirements, including having high school students meet minimum state graduation requirements to earn a diploma and graduate. All students must earn at least 22 credits in the Future-Ready Course of Study to graduate from high school. Below are the specific course requirements that NC Connections will follow, per North Carolina Department of Public Instruction.[1]

Students entering ninth grade for the first time in 2021-2022 or afterwards must pass the following courses and earn at least 22 credits:

Four sequential English credits:

1. English I
2. English II
3. English III
4. English IV

Four Mathematics credits:

1. NC Math 1, 2, and 3 and a fourth mathematics course to be aligned with the student's post high school plans
2. In the rare instance a principal exempts a student from the Future-Ready Core mathematics sequence, except as limited by N.C.G.S. §115C-81(b), the student will be required to pass: NC Math 1 and Math 2 plus two additional courses identified on the NC DPI Math options chart.

Note: Credit shall be awarded for Math I, II, III if taken prior to the 2016-17 school year.

Three Science credits:

1. a physical science course
2. Biology
3. an earth/environmental science course

Four Social Studies credits:

1. Founding Principles of the United States of America and North Carolina: Civic Literacy
2. Economics and Personal Finance
3. American History
4. World History

One Health and Physical Education credit:

1. Students are required to successfully complete CPR instruction to meet Healthful Living Essential Standards as a requirement for high school graduation.
2. Accommodations/alternative assessments for students identified by ADA or IDEA will be provided.

Two Elective credits of any combination from either:

1. Career and Technical Education (CTE) or
2. Arts Education or
3. World Language

Note: For clarification, possible elective combinations may include 2 World Language credits; or 1 CTE credit and 1 Arts Education credit; or 2 CTE credits; or 1 Arts Education credit and 1 World Language credit; or other combinations from a, b and c.

Four Elective credits from the following (four-course concentration recommended):

1. Career and Technical Education (CTE)
2. ROTC
3. Arts Education (e.g., dance, music, theater arts, visual arts)
4. Any other subject area or cross-disciplinary courses (e.g., mathematics, science, social studies, English and dual enrollment courses)

NOTE: Beginning in fall 2022, students entering Grade 6 and subsequently entering Grade 9 for the first time in 2025-26 shall have at least one arts education course in grades 6-12.

Students must complete the standard course of study (no local electives) for a given arts education course in its entirety to satisfy this requirement. After-school activities or partial courses do not fulfill this graduation requirement.

Students who transfer into a public school unit beginning in the ninth grade or later may be exempt, if such a requirement would prevent a student from graduating with the graduation cohort to which the student was assigned when transferring.

Methods for Supporting Students in Meeting Graduation Requirements

NC Connections' instructional model relies on the support of highly effective and appropriately certified teachers, supportive Learning Coaches, and a high quality, standards-aligned curriculum. Each student will have a staff of experts, including North Carolina–certified teachers, working together to leverage the school's myriad of resources — technological, instructional, and interpersonal — for success. Learning Coaches are also encouraged to, and typically function as, an integral part of the student's learning team.

Appropriately Certified Teachers: Student learning benefits from committed educators and involved parents who provide total support. Each student will have one or more certified North Carolina teachers specially trained in teaching in an online environment, the online curriculum, and specific instructional methods.

Students will be taught by a highly effective and certified teacher with expertise in a particular grade level or content area, including career and college readiness focus. Teachers will work closely with each student on a one-on-one basis using innovative technology tools. The teacher will be responsible for teaching, evaluating assignments and work products, providing instructional assistance, assigning and scoring assessment activities, and providing feedback on the student's performance.

Based on a student's demonstrated mastery of the material, teachers will add, expand, or replace assignments; they will also grade students in each subject, and make promotion or retention decisions. Depending on the needs of the learner, teacher direct contact — via telephone, LiveLesson session, and email — with the student and Learning Coach may be as frequent as several times a day, and at minimum twice per week. Teachers view the student's attendance, participation, and performance on a daily basis via the EMS teacher's dashboard on their home page. Teachers will not wait to be contacted; they will be proactive participants in their students' learning plans. Teachers in online schools often comment that they understand their students better in the virtual environment than in a traditional classroom since they work with students one-on-one.

Supportive Learning Coaches: Each student has a Learning Coach (a parent, extended family member, or trusted adult designated by the parent/guardian) who is encouraged to work in person with the student. Typically, a Learning Coach helps keep students motivated and on track and regularly communicates with the students' teachers. At the high school level, the Learning Coach is less involved with daily instruction but is encouraged to continue serving as an important supervisory role for the student.

Key Instructional Methods: One key to the program of instruction is the online Dynamic Classroom instructional model, which is a flipped instructional model. Students complete their curriculum asynchronously. They experience the content via their courses' narrative slides, videos, screencasts, audio bits, images, and activities – various delivery methods to meet various student learning styles. Doing this prework allows the student to have a different quality learning experience with the teacher, often within a LiveLesson session, delivered either individually, in a small group, or in a whole group setting. Dynamic Classroom time is not dedicated to lectures, but instead deeper understanding, critical thinking, problem-solving, and discussion. This allows NC Connections teachers to create active and collaborative learning experiences that can enhance the material presented in the asynchronous curriculum and engage learners in ways that meet their unique learning styles.

A second key to the program of instruction is the use of Universal Design for Learning (UDL)[2], an overarching framework that addresses the learning environment as a whole. This includes both the physical learning environment as well as the instruction. When the whole environment is addressed first, it removes physical, mental and psychological barriers so all students have full access to the instruction, regardless of their needs and abilities.

With UDL, teachers will utilize the following principles to guide their instruction:

- Principle I: Provide Multiple Means of Representation (the ‘what’ of learning). Learners differ in the ways that they perceive and comprehend information that is presented to them.
- Principle II: Provide Multiple Means of Action and Expression (the ‘how’ of learning). Learners differ in the ways that they can navigate a learning environment and express what they know.
- Principle III: Provide Multiple Means of Engagement (the ‘why’ of learning). Affect represents a crucial element to learning, and learners differ markedly in the ways in which they can be engaged or motivated to learn.

A third key to the program of instruction is the inclusion of 21st century skills, which also aligns to NC Connections’ educational philosophy. These skills include but are not limited to critical thinking, communication, collaboration, and creativity and represent an approach to instruction that prepares students for the quick-changing reality of the world after graduation. These skills are so important and are infused throughout both asynchronous and synchronous instructional opportunities at the school.

Also key to the Program of Instruction is the asynchronous model that uses synchronous support. These LiveLesson® sessions are real-time using an interactive web conferencing tool. LiveLesson sessions allow teachers to work directly with students using video, voice-over IP, chat, electronic whiteboard, break-out rooms, and shared web surfing. LiveLesson sessions are also recorded so students can watch or review at their convenience, providing students and families the flexibility they desire. Typical synchronous instruction involves teacher-facilitated lessons, group projects, and class discussions. In asynchronous learning, students work at their own pace and place, completing coursework within defined time limits. This allows students who need more time on a particularly challenging skill or concept to take that additional time, while moving more quickly through skills and standards that are already mastered, which cannot be done in a traditional classroom setting. Schoolwork that students perform on their own time typically includes viewing pre-recorded online classroom sessions at home; reviewing course materials online or offline; completing assignments; and collaborating with other students via secure message boards.

These teaching methods and instructional approaches allow NC Connections to create a more personalized instructional experience that aligns to the online curriculum, assessments, and educational philosophy of the school and meet the Future-Ready Core Requirements.

[1] https://www.dpi.nc.gov/districts-schools/high-school-graduation-requirements#Future-ReadyCourseofStudy22creditsStudentsenteringGrade9in2021-2022andbeyond-1951

[2] Source: http://www.udlcenter.org (http://www.udlcenter.org)

Q138.Provide details on how the students will earn credit hours, how grade-point averages will be calculated, what information will be on transcripts, and what elective courses will be offered.

How Students Will Earn Credit Hours & How Grade-Point Averages Are Calculated

Students are awarded credit only for courses in which they have earned a grade of D (60%) or higher. This applies both to courses taken at NC Connections and at other schools. Courses required for graduation must be re-taken by the student if a grade of D (60%) or higher is not earned and re-taking such courses may delay the student's graduation. The school's grading scale is below. Semester and year-end GPA calculations will follow a four-point scale (below). Grade point averages will only include graded courses; pass/fail courses will not be averaged into a student's GPA. Grades for Honors courses are weighted with .5 additional points, and Advanced Placement (AP) courses are weighted with one (1) extra grade point.

Grade	Grade %	Passing?	Non-Weighted	Weighted (Honors/AP)
A	90-100%	Yes	4.00	4.50/5.00
B	80-89%	Yes	3.00	3.50/4.00
C	70-79%	Yes	2.00	2.50/3.00
D	60-69%	Yes	1.00	1.50/2.00
F	0-59%	No	0.00	0.00

Connections Academy uses a standard whereby one credit equals approximately 180 hours of instruction (sometimes referred to as Carnegie Units). Students are required to be enrolled in a minimum of four instructional courses per semester in order to be considered full-time students. Instructional courses exclude extracurricular clubs and activities.

Transcript Information

Upon graduation or withdrawal, the official school transcript will display both the credits earned at the school as well as any transfer credits. Transcripts will reflect all courses taken by a student along with the grades earned. Transcripts will also include the student's cumulative GPA.

Elective Courses

NC Connections will offer the following elective courses; final courses available in the 2026-27 School Year may depend on student demand and teacher availability:

- Grade K, Art – Pearson Curriculum
- Grade 1, Art – Pearson Curriculum
- Grade 2, Art – Pearson Curriculum
- Grade 3, Art – Pearson Curriculum
- Grade 4, Art – Pearson Curriculum
- Grade 5, Art – Pearson Curriculum
- Grade 6, Art – Pearson Curriculum
- Grade 7, Art – Pearson Curriculum
- Grade 8, Art – Pearson Curriculum
- Grades K-2, Experiencing Music I – Pearson Curriculum
- Grades K-2, Experiencing Music II – Pearson Curriculum
- Grades K-2, Experiencing Music III – Pearson Curriculum
- Grades 3-5, Discovering Music I – Pearson Curriculum
- Grades 3-5, Discovering Music II – Pearson Curriculum
- Grades 3-5, Discovering Music III – Pearson Curriculum
- Grades 6-8, Exploring Music I – Pearson Curriculum
- Grades 6-8, Exploring Music II – Pearson Curriculum
- Grades 6-8, Exploring Music III – Pearson Curriculum
- Grades 9-12, Living Music I – Pearson Curriculum
- Grades 9-12, Living Music II – Pearson Curriculum
- Grade K, Educational Technology and Online Learning – Pearson Curriculum
- Grade 1, Educational Technology and Online Learning – Pearson Curriculum
- Grade 2, Educational Technology and Online Learning – Pearson Curriculum
- Grade 3, Educational Technology and Online Learning – Pearson Curriculum
- Grade 4, Educational Technology and Online Learning – Pearson Curriculum
- Grade 5, Educational Technology and Online Learning – Pearson Curriculum
- Grade 6, Educational Technology and Online Learning – Pearson Curriculum
- Grade 7, Educational Technology and Online Learning – Pearson Curriculum
- Grade 8, Educational Technology and Online Learning – Pearson Curriculum
- Grade 6, Internet Safety – Pearson Curriculum
- Grade 7, Internet Safety – Pearson Curriculum
- Grade 8, Internet Safety – Pearson Curriculum
- Grades K-2, Computer Science – Pearson Curriculum
- Grades 3-5, Computer Science – Pearson Curriculum
- Grade 2, Accelerated Literature Study – Pearson Curriculum
- Grade 3, Accelerated Literature Study – Pearson Curriculum
- Grade 4, Accelerated Literature Study – Pearson Curriculum
- Grade 5, Accelerated Literature Study – Pearson Curriculum
- Grade 6, Accelerated Literature Study – Pearson Curriculum
- Grade 7, Accelerated Literature Study – Pearson Curriculum
- Grade 8, Accelerated Literature Study – Pearson Curriculum
- Grades K-5, Elementary Sign Language – Pearson Curriculum
- Grades 3-5, Spanish I – Pearson Curriculum
- Grades 3-5, Spanish II – Pearson Curriculum
- Grades 3-5, Chinese I – Pearson Curriculum
- Grades 3-5, Chinese II – Pearson Curriculum
- Grades 6-8, Middle Spanish I – Pearson Curriculum
- Grades 6-8, Middle Spanish II – Pearson Curriculum
- Grades 6-8, Middle Chinese I – Pearson Curriculum
- Grades 6-8, Middle Chinese II – Pearson Curriculum
- Grades 9-12, American Sign Language I – eDynamic Learning
- Grades 9-12, American Sign Language II – eDynamic Learning
- Grades 9-12, American Sign Language III – eDynamic Learning

- Grades 9-12, French I – Vista World Languages
- Grades 9-12, French II – Vista World Languages
- Grades 9-12, French III – Vista World Languages
- Grades 9-12, French IV – Vista World Languages
- Grades 9-12, German I – Pearson Curriculum
- Grades 9-12, German II – Pearson Curriculum
- Grades 9-12, German III – Vista World Languages
- Grades 9-12, Japanese I – Pearson Curriculum
- Grades 9-12, Japanese II – Pearson Curriculum
- Grades 9-12, Spanish I – Pearson Curriculum
- Grades 9-12, Spanish II – Pearson Curriculum
- Grades 9-12, Spanish III – Pearson Curriculum
- Grades 9-12, Spanish IV – Vista World Languages
- Grades 6-8, Middle School 2D Studio Art – eDynamic Learning
- Grades 6-8, Middle School Career Exploration 1 – eDynamic Learning
- Grades 6-8, Middle School Career Exploration 2 – eDynamic Learning
- Grades 6-8, Middle School Coding – eDynamic Learning
- Grades 6-8, Middle School Digital Art and Design – eDynamic Learning
- Grades 6-8, Middle School Exploring Business – eDynamic Learning
- Grades 6-8, Middle School Exploring Health Science – eDynamic Learning
- Grades 6-8, Middle School Exploring Information Technology– eDynamic Learning
- Grades 6-8, Middle School Exploring Music – eDynamic Learning
- Grades 6-8, Middle School Game Design – eDynamic Learning
- Grades 6-8, Middle School Journalism – eDynamic Learning
- Grades 6-8, Middle School Photography – eDynamic Learning
- Grades 6-8, Middle School Study Skills – Pearson Curriculum
- Grades 6-8, WebQuest – Pearson Curriculum
- Grades 9-12, AP Biology – Pearson Curriculum
- Grades 9-12, AP Calculus – Pearson Curriculum
- Grades 9-12, AP English Language and Composition – Edmentum
- Grades 9-12, AP English Literature and Composition – Pearson Curriculum
- Grades 9-12, AP Environmental Science – Edmentum
- Grades 9-12, AP Human Geography – Pearson Curriculum
- Grades 9-12, AP Macroeconomics – Edmentum
- Grades 9-12, AP Microeconomics – Edmentum
- Grades 9-12, AP Psychology – Edmentum
- Grades 9-12, AP Spanish – Edmentum
- Grades 9-12, AP Statistics– Edmentum
- Grades 9-12, AP United States Government and Politics – Pearson Curriculum
- Grades 9-12, AP United States History – Pearson Curriculum
- Grades 9-12, Accounting, eDynamic Learning
- Grades 9-12, African American History, eDynamic Learning
- Grades 9-12, Animation, eDynamic Learning
- Grades 9-12, Art History – Pearson Curriculum
- Grades 9-12, Art in World Cultures, eDynamic Learning
- Grades 9-12, Astronomy, eDynamic Learning
- Grades 9-12, Career Planning and Skill Development – Pearson Curriculum
- Grades 9-12, Careers in Criminal Justice, eDynamic Learning
- Grades 9-12, Coding, eDynamic Learning
- Grades 9-12, College Prep with ACT – Pearson Curriculum
- Grades 9-12, College Prep with SAT – Pearson Curriculum
- Grades 9-12, Computer Science – Pearson Curriculum
- Grades 9-12, Computing for College & Careers, eDynamic Learning
- Grades 9-12, Concepts of Engineering and Technology, eDynamic Learning
- Grades 9-12, Cosmetology, eDynamic Learning
- Grades 9-12, Creative Writing, eDynamic Learning
- Grades 9-12, Word: Office Fundamentals Series, eDynamic Learning
- Grades 9-12, Excel: Office Fundamentals Series, eDynamic Learning
- Grades 9-12, Access: Office Fundamentals Series, eDynamic Learning
- Grades 9-12, Advanced Networking, eDynamic Learning
- Grades 9-12, Allied Health Assisstant, eDynamic Learning
- Grades 9-12, Anatomy and Physiology, eDynamic Learning
- Grades 9-12, Business Communications, eDynamic Learning
- Grades 9-12, Business Information Management, eDynamic Learning
- Grades 9-12, Business Ownership, eDynamic Learning
- Grades 9-12, Computer Maintenance, eDynamic Learning
- Grades 9-12, Culinary Arts, eDynamic Learning
- Grades 9-12, Digital Design, eDynamic Learning
- Grades 9-12, Digital Media Fundamentals, eDynamic Learning
- Grades 9-12, Digital Photography, eDynamic Learning
- Grades 9-12, Early Childhood Education, eDynamic Learning
- Grades 9-12, Entrepreneurship, eDynamic Learning
- Grades 9-12, Game Design for Chromebooks, eDynamic Learning
- Grades 9-12, Health Science Foundations, eDynamic Learning
- Grades 9-12, Health Science Theory, eDynamic Learning
- Grades 9-12, Introduction to Networking, eDynamic Learning
- Grades 9-12, Introduction to Programming, eDynamic Learning
- Grades 9-12, Learning in a Digital World, eDynamic Learning
- Grades 9-12, Legal Admin Specialist, eDynamic Learning
- Grades 9-12, Life Skills, eDynamic Learning
- Grades 9-12, Management, eDynamic Learning
- Grades 9-12, Marketing, eDynamic Learning
- Grades 9-12, Marketing Foundations, eDynamic Learning
- Grades 9-12, Medical Assistant, eDynamic Learning
- Grades 9-12, Medical Office Administration, eDynamic Learning
- Grades 9-12, Medical Terminology, eDynamic Learning

- Grades 9-12, Microsoft Word, eDynamic Learning
- Grades 9-12, Microsoft PowerPoint , eDynamic Learning
- Grades 9-12, Network Security Fundamentals, eDynamic Learning
- Grades 9-12, Office Administration, eDynamic Learning
- Grades 9-12, Personal Psychology, eDynamic Learning
- Grades 9-12, Principles of Business, Marketing, and Finance, eDynamic Learning
- Grades 9-12, Principles of Information Technology, eDynamic Learning
- Grades 9-12, Speech and Debate, Pearson Curriculum
- Grades 9-12, Sports Management, Pearson Curriculum
- Grades 9-12, Web Development 1, eDynamic Learning
- Grades 9-12, Web Development 2, eDynamic Learning

Q139.Explain how the graduation requirements will ensure student readiness for college or other postsecondary opportunities (trade school, military service, or entering the workforce).

In keeping with its mission to help students meet performance standards and maximize their potential through an individualized learning program and prepares students of all abilities to succeed in school and life, NC Connections is designed to ensure each of its graduates is ready for the personalized post-secondary opportunities that are right for them. NC Connections believes in a "yes/and" future for all of its students, whether their next step is college, trade/technical training, the workforce, the military, or whatever unique combination best suits them.

The school will provide a comprehensive program with multiple levels of academic coursework, including an Honors/AP program available for high school students. By enrolling in these demanding courses, students demonstrate their commitment to a college-prep-level education, which may give them a competitive advantage during the college application process. Students graduating from Connections Academy schools have gone on to secondary education at the University of North Carolina, Wake Forest University, North Carolina State University, Duke University, Appalachian State University, Catawba University, and Western Carolina University.

Through the school's individualized program of career exploration, experiential learning, dynamic skills development, and badging – undergirded by future-focused counseling, "early talent" employer linkages, and a top-quality curriculum with tri-credit opportunities – NC Connections students will graduate from high school ready to flourish in their own ideal combination of college and career, work and training, or service to their nation and community.

College and Career Focus

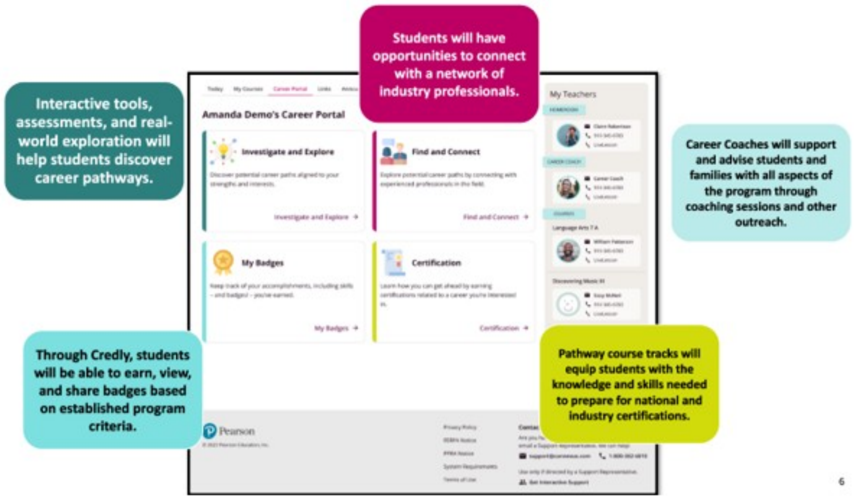
The NC Connections college and career readiness model prepares students in grades 9-12 to thrive in their imminent future; guides students in grades 6-8 in exploring and planning for the years ahead; and introduces K-5 students to badging and durable skills such as communication and collaboration that will serve them well through school and beyond. Aligning K12, higher education, and workforce systems is a critical part of ensuring that young people from all backgrounds have the skills and credentials needed to thrive in the workforce and their communities. NC Connections proposes to implement a program designed to increase employment opportunities and/or college readiness for its students. The College and Career offering will be aligned to state and regional workforce needs to guide students into high-demand careers.

NC Connections students will have multiple supports to achieve success in employment opportunities and/or college readiness:

Investigate and Explore	•Interactive tools, assessments, and real-world exploration will help students discover career pathways.
Find and Connect	•Students will have opportunities to connect with a network of industry professionals.
My Badges	•Through Credly, students will be able to earn, view, and share badges based on established program criteria.
Certification	•Pathway course tracks will equip students with the knowledge and skills needed to prepare for national and industry certifications.
Career Coaches	•Career Coaches will support and advise students and families with all aspects of the program through coaching sessions and other outreach.

NC Connections will implement a program designed to increase employment opportunities and/or college readiness for all its students, and students will have multiple supports to achieve success in the path they choose.

NC Connections' Career Readiness Program enhances pathways to opportunities for graduates beyond high school, in the job market, or in further study:



The Career Program will include interest and aptitude assessments that connect students with exploration opportunities that align with their individual results. These opportunities include exposure to a variety of jobs and experts within their clusters of interest along with opportunities to identify and pursue individual topics of interest and activity exploration.

- Career Pathways: In addition to the experiential components of the program, students will have access to a variety of Pathways that will prepare them to earn industry certifications across several Career Clusters. Pathways in the areas of business, IT, and/or Health may be selected as they are associated with high growth, high opportunity industries that have meaningful employment gaps. School leadership will work with our partner Pearson to identify (and will leverage its own) higher education partnerships to ensure students have access to robust dual enrollment opportunities.
- Skills Badging: As students progress through their Pathways and participate in experiential components of the Program, they will be able to earn badges based on the correlation of WEF (World Economic Forum) standards to school curriculum and NACE (National Association of Colleges and Employers) Career Readiness Competencies.
- The Experiential Career Network: Through a series of strategic industry and college partnerships, the school will facilitate mentorships, internships, and project-based learning opportunities that expose students to authentic post-secondary experiences and guide them to informed decisions about their futures beyond high school. Middle school students will benefit from clubs, activities, and Pearson opportunities connected to areas of potential interest to them, while high school students will engage in strategic partnerships to facilitate mentorships, internships and apprenticeships.

Career Coaches will work with the school staff to help students navigate all of aspects of their College and Career preparation journey, to include helping with pathway selection, identifying experiential opportunities most beneficial to students based on their interest and aptitude, and compiling portfolios that will set the students up for immediate success following graduation, whether enrolling in college, a trade school or entering the job market.

Q140. Explain what systems and structures the school will implement for students at risk of dropping out and/or not meeting the proposed graduation requirements.

Student data such as lesson completion, attendance and formative assessments will be used to identify students at-risk of dropping out and/or not meeting graduation requirements. Formative assessments are embedded throughout the curriculum and include quizzes, curriculum-based assessments (CBAs), portfolios, quick checks, and unit tests to assess skills and standards. Teachers will engage with students, individualizing instruction and interventions to ensure that each student's learning needs are being met, which is a key component of the school's educational philosophy.

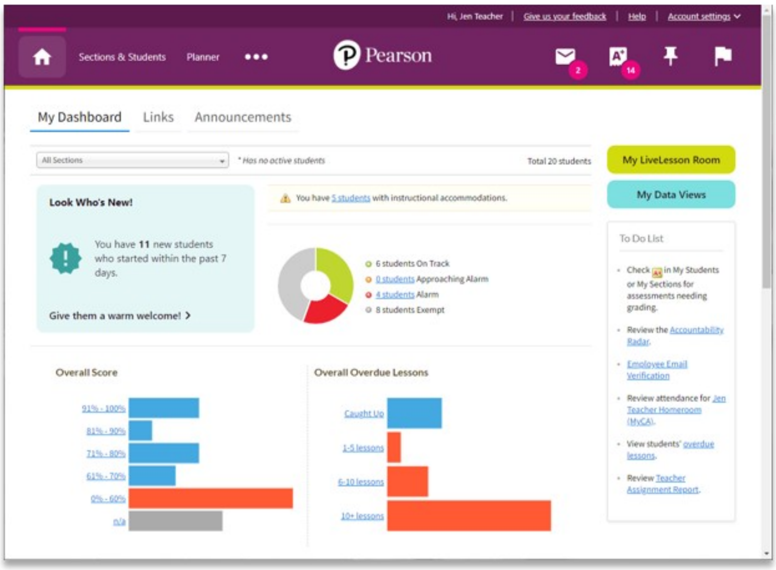
Students at risk of not meeting graduation requirements will have the opportunity to take credit recovery courses. To support high school students in meeting their graduation goals and credit requirements, NC Connections will provide credit recovery courses to students who need to recover credits. In these courses, at the start of each unit, students will take a pretest that covers the learning objectives inside the lessons within the unit. If students demonstrate mastery of the learning objectives in a lesson on the pretest, the lesson will be exempt. Students will only be assigned lessons for learning objectives they have not yet mastered.

All enrolled students are always in one of three escalation statuses:

1. On-Track
2. Approaching Alarm
3. Alarm

These statuses are displayed by student names on the teacher homepage for fast identification of students who may be struggling. Students and their Learning Coaches will also see these statuses on their homepage. Escalation status is based on several criteria and is a combination of measures that indicate if a student is demonstrating adequate participation and therefore attendance in the program. This not only includes the actual attendance, but also lesson and assignment completion rates, and the amount of student communication with the teacher. Therefore, if a student's work completion rates are not on track or if they fail to communicate on a regular basis with the teacher, they will be placed into an escalated (Approaching Alarm or Alarm) status. Teachers will then reach out to the family, schedule one-on-one LiveLesson sessions with the student, or provide supplemental support to help the identified student. The school will also work with the family and student to help get the student's attendance back on track if attendance is a factor in the status indicators.

The Teacher Homepage enables teachers to easily identify students who may be struggling academically:



* Has no active students

You have 5 students with instructional accommodations.

Look Who's New!

You have **11** new students who started within the past 7 days.

Give them a warm welcome!

6 students On Track
0 students Approaching Alarm
4 students Alarm
8 students Exempt

To Do List

- Check in My Students or My Sections for assessments needing grading.
- Review the Accountability Radar.
- Employee Email Verification
- Review attendance for Jen Teacher Homeroom (MyCA).
- View students' overdue lessons.
- Review Teacher Assignment Report.

NC Connections will also have a Student Support Team (SST) that utilizes the Multi-tiered System of Supports (MTSS) Framework, which ensures individual students receive the academic and behavioral support they need. Students who need support beyond the core curriculum with differentiation (Tier I) receive targeted intervention via the supplemental instructional programs in Tier II, and Tier III. Students' responses to interventions are monitored, and adjustments to the type and intensity of support are made as needed. This MTSS process is facilitated by data from the EMS to help identify students' instructional needs that may require intervention. The process of identifying student intervention needs, assigning interventions, tracking their success, and communicating with parents, is ongoing. All efforts are made to meet each student's needs within the general education program.

In addition, intervention Indicators are displayed in the EMS to facilitate a teacher's identification of students who may need additional instruction or intervention in math, reading, or both. Teachers can also run performance reports through the EMS. This method accomplishes the following:

- Enhances the multitiered instruction model;
- Provides a multi-tiered system of support model;
- Provides access to and analysis of real-time data to determine mastery/proficiency;
- Incorporates data-driven decisions throughout instruction;
- Maximizes use of the instructional support programs, resources, and data;
- Identifies the need for tiered interventions for non-mastered/proficient skills and standards; and
- Identifies students' response to the implemented interventions.

As student performance data becomes available, analysis will be performed using current and prior data to identify trends for each performance indicator. Once performance trends are identified, they will be reviewed to determine if any trends are considered "challenges." Trends and priority performance challenges will be captured. NC Connections staff will analyze root causes and set performance targets, improvement strategies, and interim measures and benchmarks.

Teachers will use a variety of resources and strategies for instruction and behavior to enhance and extend learning through differentiated and personalized instruction. These instructional tools also allow teachers to fill in skill gaps and extend learning while providing additional evaluative data on student achievement. Differentiation involves thoughtful planning for the following: instructional design used to deliver content to students; lesson content used to support and extend concepts and skills; instructional practice used to provide targeted instruction and actively engage students; assessments used to evaluate student learning; insightful best-practice for engaging in an online classroom, and instructional and behavioral activities to meet the needs of individual and small groups of students. When Tier I differentiation strategies fail to produce adequate progress, Tier II intervention is considered.

Tier II instructional and behavioral support can use many of the same instructional strategies and/or research-based programs that were used for differentiation as part of Tier I; however, it is the increase in the frequency and intensity of use that defines the intervention as Tier II. Tier II intervention is explicit, systematic, and targeted to the greatest area of student learning needs. Supplemental programs provide teachers with reports for progress monitoring that can be uploaded to the EMS to ensure all student performance data is in one place. Tier II instructional support will be provided two to three times a week for 20–30 minutes per session. Teachers will use the student's log to document student performance and response to the instructional intervention every two weeks.

Tier III interventions are facilitated and monitored by the general education teacher who increases the occurrence of synchronous direct instruction using LiveLesson sessions as well as implements other instructional strategies and research-based programs that are explicit, systematic, and targeted to specific student learning needs. Students participating in the Tier III level of intervention will receive targeted instruction that is live and teacher driven for four to five days a week in order to focus more intensively on skill deficits and areas of concern. Through Tier III interventions, students may be assigned a personalized course of study that allows for increased learning time in their areas of academic or behavioral need. Teachers will use the student's log to document student performance and response to the intervention every week.

Student Retention

NC Connections knows that building student connections and ensuring students' comfort with navigating online learning are vital to student success and keeping students in school. For example, we know that students who feel connected to teachers and students by October are twice as likely to stay enrolled and perform 4-8% higher in their courses.

For this reason, NC Connections will be laser-focused on supporting students and families at the foundation level to set them off for a successful school year. NC Connections will support students in staying enrolled during the school year and choosing to return for the next school year. The school will utilize tools, services, and data that increase socialization opportunities and maximize teacher effectiveness in a way that enables them to focus on relationship building and personalized instruction. Dedicated teams will use a variety of evidence-based practices to support students and families. A sample of these evidence-based practices are included below.

- Student connections and a healthy school culture begin with outreach to students and families prior to the start of the school year by dedicated Pearson Engagement Specialists on the enrollment team. This welcome team contacts families to speak with them about the school, answer questions they may have, and help guide them through the next steps. Research shows that the earlier the student and family are contacted, the higher the likelihood that the student will stay enrolled and have a sense of connectedness to the school.
- Students will have an opportunity to complete a brief "About Me" form at enrollment that will allow them to share interests and learning preferences with school staff prior to the start of the year. Research reveals that 100% of teachers say that this information enables them to better personalize the learning experience, and students that complete "About Me" are significantly more likely to feel a sense of belonging and connectedness to their school.
- Teachers can direct students to Global Clubs and Activities as a way to link student interests with similar-minded students. Research shows that students that participate in clubs and activities are significantly more like to report a sense of belonging at the school and to stay enrolled.
- Teachers and school staff will connect with students and families via early welcome calls to acclimate the whole family to their new school's culture and to provide an opportunity to get to know one another. During this welcome call, teachers will talk to the student and parent or guardian and prepare them for the first day of school and also reference the information the student provided in the About Me form to ensure the student feels known. Research shows that this early connection with a teacher is related to increased feelings of connectedness to the school, retention, and even higher course performance! *Why?* Students that feel comfortable with their teachers are more likely to ask them for help when stuck.
- Students will have access to an annual student orientation course for all students enrolled in the school and their Caretakers to complete together. Research shows that students are more successful when parents and students complete these orientations.
- NC Connections will have a dedicated Enrollment Team Support person that can speak to families, answer questions, and help guide them through the enrollment process. The team can track students that may be at risk of withdrawal using a research-based retention dashboard that, along with other important student information, enable the teams to intervene with the student with appropriate supports.
- To ensure that contacts and onboarding have been successful, students complete a brief check in at 3-weeks to alert teachers, counselors, and other school staff about students needing additional support with connecting to teachers and peers and navigating the learning environment. NC Connections leaders will track welcome calls as well as student responses to the check-in. Teachers receive an interactive digital resource outlining evidence-based practices and providing resources to set students up for success.
- For teachers needing some additional support or simply new ideas for providing a healthy school environment, Training & Learning Facilitators assigned to support teacher development at each school can provide training such as the Quality Contacts series. The program helps to ensure that even the newest teachers feel confident and equipped to welcome and connect with students and families.

Q141.**Attach Appendix C: 9-12 Core Content Electives** Provide a visual description of what courses (both core content and electives) will be offered at the charter high school to ensure students meet the proposed charter school's graduation requirements. Please ensure the projected staff and budget aligns with the course offerings.

Please see the attached visual description of the courses (both core content and electives) that will be offered at the charter high school to ensure students meet graduation requirements.

☑ Upload Required **File Type:** pdf, image, excel, word, text **Max File Size:** 30 **Total Files Count:** 6

Applicant Evidence :

Appendix C - 9-12 Core Content Electives.pdf

Uploaded on **4/24/2024** by **Marchelle Sutton**

Q142.**Attach Appendix B: Curriculum Outline per Grade Span (for each grade span the school would ultimately serve).** One sample curriculum outline (in graph form) in the Appendices for one core subject (specific to the school's purpose) for each grade span the school would ultimately serve.

☑ Upload Required **File Type:** pdf, image, excel, word, text **Max File Size:** 30 **Total Files Count:** 5

Applicant Evidence :

Appendix B - Curriculum Outline per Grade Span...

Uploaded on **4/24/2024** by **Marchelle Sutton**

Appendix B - Course Alignments.xlsx

Uploaded on **4/24/2024** by **Marchelle Sutton**

Q143.**Attach Appendix D: Yearly Academic Calendar** (minimum of 185 instructional days or 1,025 hours)

☑ Upload Required **File Type:** pdf, image, word **Max File Size:** 30 **Total Files Count:** 3

Applicant Evidence :

Appendix D - Yearly Academic Calendar.docx.pdf

Uploaded on **4/23/2024** by **Marchelle Sutton**

Q144.**Attach Appendix E: Daily and Weekly Schedule** Provide a sample daily and weekly schedule for each grade band (K-5, 6-8, and 9-12) the school ultimately plans to serve.

☑ Upload Required **File Type:** pdf, image, excel, word, text **Max File Size:** 30 **Total Files Count:** 15

Applicant Evidence :

Appendix E - Sample Daily and Weekly Schedules...

Uploaded on **4/23/2024** by **Marchelle Sutton**

10.2. Special Populations and "At-Risk" Students

Q145.Explain how the school will identify and meet the learning needs of students who are performing below grade level and monitor their progress. Specify the programs, strategies, and supports you will provide for these students.

NC Connections will utilize multiple data points and strategies to identify and meet the needs of students who are performing below grade level and monitor their progress. Student data such as lesson completion, attendance, and formative assessments will be used to identify students with academic deficiencies or weaknesses who may need additional intervention and remediation. Formative assessments are embedded throughout the curriculum to assess skills and standards. Teachers will engage with students, individualizing instruction and interventions to ensure that each student's learning needs are being met.

NC Connections will have a Student Support Team (SST) that utilizes the Multi-tiered System of Supports (MTSS) Framework, which ensures individual students receive the academic and behavioral support and intervention they need. Students who need support beyond the core curriculum with differentiation (Tier I) receive targeted intervention via the supplemental instructional programs in Tier II and Tier III. Students' responses to interventions are monitored, and adjustments to the type and intensity of support are made as needed. This MTSS process is facilitated by data from the EMS to help identify students' instructional needs that may require intervention. The process of identifying student intervention needs, assigning interventions, tracking their success, and communicating with parents, is ongoing. All efforts are made to meet each student's needs within the general education program.

In addition, intervention Indicators are displayed in the EMS to facilitate a teacher's identification of students who may need additional instruction or intervention in math, reading, or both. Teachers can also run performance reports through the EMS. This method accomplishes the following:

- Enhances the multitiered instruction model;
- Provides a multi-tiered system of support model;
- Provides access to and analysis of real-time data to determine mastery/proficiency;
- Incorporates data-driven decisions throughout instruction;
- Maximizes use of the instructional support programs, resources, and data;
- Identifies the need for tiered interventions for non-mastered/proficient skills and standards; and
- Identifies students' response to the implemented interventions.

As student performance data becomes available, analysis will be performed using current and prior data to identify trends for each performance indicator. Once performance trends are identified, they will be reviewed to determine if any trends are considered "challenges." Trends and priority performance challenges will be captured. NC Connections staff will analyze root causes and set performance targets, improvement strategies, and interim measures and benchmarks.

Teachers will use a variety of resources and strategies for instruction and behavior to enhance and extend learning through differentiated and personalized instruction. These instructional tools also allow teachers to fill in skill gaps and extend learning while providing additional evaluative data on student achievement. Differentiation involves thoughtful planning for the following: instructional design used to deliver content to students; lesson content used to support and extend concepts and skills; instructional practice used to provide targeted instruction and actively engage students; assessments used to evaluate student learning; insightful best-practice for engaging in an online classroom, and instructional and behavioral activities to meet the needs of individual and small groups of students. When Tier I differentiation strategies fail to produce adequate progress, Tier II intervention is considered.

Tier II instructional and behavioral support can use many of the same instructional strategies and/or research-based programs that were used for differentiation as part of Tier I; however, it is the increase in the frequency and intensity of use that defines the intervention as Tier II. Tier II intervention is explicit, systematic, and targeted to the greatest area of student learning needs. Supplemental programs provide teachers with reports for progress monitoring that can be uploaded to the EMS to ensure all student performance data is in one place. Tier II instructional support will be provided two to three times a week for 20–30 minutes per session. Teachers will use the student's log to document student performance and response to the instructional intervention every two weeks.

Tier III interventions are facilitated and monitored by the general education teacher who increases the occurrence of synchronous direct instruction using LiveLesson sessions as well as implements other instructional strategies and research-based programs that are explicit, systematic, and targeted to specific student learning needs. Students participating in the Tier III level of intervention will receive targeted instruction that is live and teacher driven for four to five days a week in order to focus more intensively on skill deficits and areas of concern. Through Tier III interventions, students may be assigned a personalized course of study that allows for increased learning time in their areas of academic or behavioral need. Teachers will use the student's log to document student performance and response to the intervention every week.

If a student does not respond to Tier III interventions, the Child Study team will consider their obligations under Child Find to ensure all appropriate supports are provided.

Holistic Approach to Data-Based Interventions

Research continuously shows the positive impact data-based intervention has on student achievement and outcomes. Effective data-based intervention practices require educators to:

- Collect standards mastery performance information for each student;
- Analyze and utilize performance data to select and implement effective instructional activities that are tailor-made to meet a student's individual needs; and
- Continuously monitor student progress through assessment, using new data sets to inform and adjust intervention programming over time.

Constraints on educator time, resources, and skills make implementing data-based intervention challenging. Ensuring seamless and planned integration between assessment, intervention, and progress monitoring product features was a key priority when reviewing curriculum product offerings. Additionally, the intervention products selected have the highest alignment rate with state standards. The programs that NC Connections will utilize include the Renaissance Star 360 integrated suite of tools: Renaissance CBM, Freckle ELA, and Freckle Math.

Q146. Describe the extent to which one or more of the founding board members has experience working with special populations (students with disabilities, students with 504 Plans, MLs, students identified as gifted, and students at risk of dropping out). If no founding board members have experience working with special populations, describe the school's pre-opening plan to prepare for special populations.

Founding Board Member Experience Working with Special Populations

Several members of the founding Board have deep expertise in working with special populations. For example, Ms. Marchelle Sutton is the President and Chairperson of the Board. She brings a lifetime of experience in K-12 education, spanning special populations, senior public school administrator roles, CTE and career development, and standardized assessments. She is currently the Assistant Principal of Eastern Wayne High School in Wayne County Public Schools and previously served as the Assistant Principal of Charles B. Aycock High School. She also served as Assistant Principal for numerous other NC schools, including schools in Raleigh, Clayton, Smithfield, and Seven Springs.

Ms. Alexandria Speller brings over 12 years' expertise in special education and regulations, data analysis, leadership training, learning management systems, communication and collaboration, and professional development facilitation. She was a Special Education Teacher and Department Chair at Shepard Middle School, where she led training for teachers, reviewed and modified training materials, and coached first-year teachers with IEP writing, assessment administration, and collaborative lesson planning. She was also a Special Education Teacher at Southeast Raleigh Elementary School and Bunn Middle School. She specialized in the successful inclusion of students into the general education classrooms, professional development, differentiated lesson planning, and using data to guide interventions. Ms. Speller is currently working on her Ph.D. in Educational Leadership from North Central University. She has her Master's Degree in Education, Special Education and Teaching, from Grand Canyon University in Phoenix, Arizona, and a Bachelor of Arts in English Language and Literature from Elizabeth City State University. She volunteers with the Special Olympics and is a member of the North Carolina Association of Educators.

In addition to these board members with experience working with special populations, our partner Pearson brings a team of experts in working with special populations. Their combined expertise spans decades working with special populations in both traditional brick-and-mortar schools as well as virtual schools. Our partner has extensive experience in working with states on ensuring students with disabilities are well-served in an online environment. The agreement between the Board and Pearson will ensure that the school operates in compliance with all North Carolina and federal regulations, as well as ensure data is being collected, stored, and updated in a manner that meets all compliance expectations. More than 95% of students with disabilities stay enrolled at Connections Academy schools for the entire school year.

Pre-Opening Plan

Three months prior to the school's opening, the School Leader and a Manager of Special Populations will be hired and begin recruiting and hiring a highly qualified teaching staff, including Special Education teachers, teachers of Multilingual Learner (ML) students, teachers of students identified as accelerated learners, and teachers of students at risk of dropping out.

The Manager of Special Populations will be responsible for managing special education site-based school operations. This includes reviewing the student's documentation (IEP, Section 504 plan, and Evaluation Reports), recommending course placement, managing special education teachers, liaising with school districts, maintaining required compliance timelines, adhering to policies and procedures outlined by IDEA, Section 504, and NC DPI, ensuring specialized direct instruction is delivered, organizing related service providers, and monitoring accommodation and modification implementation.

Qualifications for the Manager of Special Populations include a minimum of 5 years of special education teaching experience and management experience. Other requirements include valid Special Education credential in North Carolina; advanced degree; technologically proficient with experience in online IEP tools; excellent communication skills, both oral and written, management experience; and occasional travel.

Special Education teachers at NC Connections will have a degree in Special Education or related Education Field, a valid Special Education credential in North Carolina, experience in policy (IDEA) and/or administration with Special Education, strong technology skills, excellent communication skills, both oral and written, a customer-focused approach, a high degree of flexibility, the demonstrated ability to work well in fast-paced environment, and a team player track record. The Special Education Teachers will virtually teach students and manage instructional programs for students with special needs. Through the use of technological resources and various curriculum tools, they will teach students and consult regularly with parents/Learning Coaches and students to ensure that each student successfully completes their instructional program. Special Education Teachers will participate in all steps of the IEP process. They will work closely with other teachers and district/state professionals to ensure that the school's special education program is successful and operating in compliance with federal and state regulations.

Q147.Explain how the instructional plan and curriculum will meet the needs of Multilingual Learners (ML), including the following:
1. Methods for identifying ML students (and avoiding misidentification).
2. Specific instructional programs, practices, and strategies the school will employ to ensure academic success and equitable access to the core academic program for ML students.
3. Plans for monitoring and evaluating the progress and success of ML students, including exiting students from ML services.
4. Means for providing qualified staffing for ML students.

1. **Methods for Identifying ML Students and Avoiding Misidentification**

NC Connections will follow state procedures and will use required criteria and procedures to correctly identify ML students. Incoming families will complete the Home Language Survey (HLS)[1] that includes questions such as those below and will be retained in the student's record.

- What is the primary language used in the home, regardless of the language spoken by the student?
- What is the language most often spoken by the student?
- What is the language that the student first learned to speak?
- Has your student ever attended school in the United States?
- If yes, how many years?
- In what state?
- If your student has attended another North Carolina school, please share which district/charter school?
- The HLS should be administered the first time a student enrolls in an NC school. If a student moves schools or districts within NC and completes an additional home language survey at the time of registration, the answers on the original home language survey used to determine EL Status will prevail.

Another way to screen a student in NC is to conduct a Parent Interview and Records Review:
Some newly enrolled students can be screened without a parent interview or records review as it is clear that these students have very limited English proficiency and no exposure to any academic education in English.

Other students may have a multilingual background and will require further investigation. Considering these additional action steps may help prevent erroneous EL identifications:

- Conduct a parent/family caregiver interview
- Review available documents (e.g., school records)
- Look at MTSS protocols (multiple moves, family backgrounds, academic performance, etc.)
- The student has a first language other than English; has never been identified as an English learner, and has been attending K–12 English-language U.S. schools for more than three consecutive years meeting grade-level expectations.
- The student was identified as an English language learner but has exited the ACCESS for ELLs annual assessment with the North Carolina 4.8 Exit criteria recorded in PowerSchool and documentation in the student cumulative record.

If the HLS indicates a response to any questions that a language other than English is used, the student will be considered as a potential ML student until the English proficiency assessment is completed. The Home Language Survey must be completed at the time of the student's enrollment. In the case of answers of languages other than English to the HLS questions, the school will also review cumulative records to determine any prior English language instruction and services. Additionally, a family interview will be completed by NC Connections.

In order to identify if a student qualifies as an ML, the school will use a screener: WIDA Screener for Kindergarten and WIDA Screener (Online or Paper) for grades 1-12 to assist in the identification of students who may be MLs. NC Connections will notify parents/guardians of the initial screening results and program placement decisions within 30 days of the beginning of the school year or within two weeks if the student enrolls during the school year. If there is a delay in assessing the student, this will be documented in the student's file to include the reason for the delay, evidence that the student is accorded the programming required for ML students pending the delay, and a specific timetable for completing the assessment. This documentation will be mailed to the parents in the language they understand. A copy will be retained in the student's files. NC Connections will consider at least two of the following criteria in addition to the language assessment scores to develop a plan for each ML student, often called the Individualized Language Plan (ILP):

- Extent and nature of prior educational or academic experience, social experience, and/or a student interview;
- Recommendations and observations by current and previous instructional and supportive services staff;
- Level of mastery of basic competencies or skills in English and native language according to local, state or national criterion-referenced standards;
- Grades from the current or previous years; or
- Other assessment results.

Any determinations by the ML Team (recommended participants are the ML Lead Teacher, parent and general education teacher—preferably the Language Arts teacher) will be contained in a written evaluation with a narrative description of the basis for the decision and will be placed in the ILP. The ILP will be implemented to address the student's English language needs and will be maintained in the student's file.

Each student identified as an ML student will be further assessed in academic areas to aid the student's teachers in developing an appropriate instructional program. NC Connections will take previous experience into account in planning and providing appropriate instruction to such students. Students with an ML classification will be placed in the appropriate English Language Arts course and core subject area courses based on their assigned grade level.

Any teacher, administrator, parent, or parent's designee may request a review of the student's progress in attaining necessary subject area competencies or in overcoming persistent deficiencies in overall student performance. The ML Lead will make initial recommendations for appropriate accommodations in the student's programming to address problems identified and will document such accommodations in the student's ILP. NC Connections will also inform parents of the right to opt out of ML services in writing. Although parents may choose for their student not to participate in the language programs, NC Connections will still be required to ensure that the students' language and academic needs are being met.

The school will have the ML Lead explain to the parent, in a language parents understand:

- The range of language programs and services that the child could receive, the methodology NC Connections plans to employ to address the student's educational needs and the qualifications of teachers and any others who would be employed in teaching the student;
- The benefits likely to be gained by being enrolled in an ML program and receiving services;
- NC Connections will not require students to be assigned to programs specifically designated for ML students, or schools containing such programs, in order to receive ML services; and
- All students who qualify for but opt out of ML services must still participate in the annual ML assessment until they meet the state-required exit criteria.

1. **Specific Instructional Programs, Practices, and Strategies for ML Students**

As part of the language instruction educational program (LIEP), a certified ESOL Teacher will implement the Sheltered Instruction Observation Protocol (SIOP®) as the framework for language acquisition lesson designed for direct instruction to ML students. The goal of the LIEP is to ensure that students whose native language is not English are able to develop and attain English proficiency and achieve academically. Teachers will participate in professional development sessions to increase their knowledge of practice and implementation of this instructional model. The SIOP® framework will ensure that teachers design lessons to make grade level content accessible for ML students while developing their academic language skills in content area classes. ML students will be provided with additional supplementary instructional support software and progress monitoring throughout the school year. The school will also have access to a TESOL-certified ML expert who will support NC Connections and its efforts to identify and educate ML students in the virtual environment. There will be a teacher at NC Connections who will be designated the ML Student Lead and will work closely with the ML student expert.

NC Connections will designate one of the certified ESOL teachers as the ML Lead Teacher, who will work with content teachers, Learning Coaches, and students to ensure material is adapted and accessible for all ML students. The ML Lead Teacher will maintain student files, consult with Learning Coaches, provide direct instruction to ML students via LiveLesson sessions and telephone calls, conduct progress monitoring throughout the school year, create and implement targeted interventions based on the data from progress monitoring, monitor exited ML students for academic progress using state-specific criteria, and comply with state and federal law pertaining to ML students. NC Connections staff will have access to Pearson's ML experts who will support the school and its efforts to identify and educate ML students.

Once identified as an ML student, the student will receive support based on English proficiency via LiveLesson sessions by a certified ESOL teacher. Instruction will be aligned to standards grounded on scientific research for English acquisition in reading, writing, listening, and speaking.

NC Connections will designate an ML Lead Teacher, who will work with content teachers, Learning Coaches, and students to ensure material is adapted and accessible for all ML students. The ML Lead Teacher will maintain student files, consult with Learning Coaches, provide direct instruction to ML students via LiveLesson sessions and telephone calls, conduct progress monitoring throughout the school year, create and implement targeted interventions based on the data from progress monitoring, monitor exited ML students for academic progress using state-specific criteria, and comply with state and federal law pertaining to ML students.

All ML students will participate in the state's annual language proficiency assessment, WIDA ACCESS or WIDA Alternative ACCESS[2]. The English proficiency annual assessment takes place January through March. The ML teacher will coordinate in-person testing of ML students at various locations across the state within the established timeframe for North Carolina. These annual test results will help determine continued program placement and allow teachers to adapt content to individual student needs. All mandated state tests will be administered to ML students as required by law.

For special population students (e.g., students with disabilities, students with Section 504 Plan, or ML educational plans), accommodations help these students access the general education curriculum. Accessibility tools and accommodations should be used in instruction and assessment throughout the school year and at least three months before any state assessments. Supports that are provided on state assessments must be familiar to the student and must match those supports and accommodations that are provided for classroom instruction and assessments throughout the school. A student's parents/ guardians should be knowledgeable about the supports and accommodations planned for their child so that they are aware of the conditions under which their child will participate in the assessment.

All students can work toward grade-level academic content standards via differentiation and appropriately selected supports and accommodations. In most cases, the ML supports that are provided to students in the classroom should be the same as those provided for statewide assessments. In some cases, a support that is allowable in the classroom is not appropriate for use on statewide assessments. Test administrators at NC Connections who will work with ML assessment will receive test administration, test security, and test accessibility training prior to administration of any state assessments to ensure accurate, valid, and reliable results of student achievement.

When a student demonstrates proficiency, a school-based team consisting of the ML Lead Teacher, student's content teachers, administrators, counselors, and the parent/guardian will decide whether the student continues to require ML instruction. Multiple factors are considered, including current WIDA ACCESS, or other state-required annual assessment testing results, academic performance, state test results, teacher feedback, and parental input. NC Connections will follow the state procedures for reclassifying ML students.

If the team determines that the student meets criteria for reclassification, is English proficient and can successfully perform in classes without significant language support, they will be reclassified as a Monitored Former English learner (MFEL). The school will actively monitor MFEL students for four years once they are exited from services to ensure students have not been prematurely exited and to ensure MFELs are meaningfully participating in the standard instructional program comparable to their peers. MFEL students are considered successful if they maintain proficiency on local assessments. In the event of the re-identification of an ML student, NC Connections will closely monitor the student's progress and establish procedures, methods, and services to be used to provide assistance to exited/former ML students who experience a lack of success due to academic deficits and/or lack of English proficiency. For example, for re-identified elementary grade students, the school's ML Testing Participation Committee, along with the MTSS team, pays particular attention to students flagged for Tier II and Tier III interventions. For re-designated students in middle school and high school, the Committee pays particular attention to the list of students who are in "escalation" status.

1. **Plans for Monitoring and Evaluating the Progress and Success of ML Students**

The progress and success of ML students will be monitored and evaluated in multiple ways at NC Connections, including student status indicators in the EMS, intervention indicators in the EMS, LiveLesson sessions, the grade book, and daily attendance.

Student Status Indicators

Enrolled students are always in one of three escalation statuses:

1. On-Track
2. Approaching Alarm
3. Alarm

These statuses are displayed by student names on the teacher homepage for fast identification of students who may be struggling or failing to engage. Students and their Learning Coaches will also see these statuses on their homepage. Escalation status is based on several criteria and is a combination of measures that indicate if a student is demonstrating adequate participation in the program. This not only includes actual attendance, but also lesson and assignment completion rates, and the amount of student communication with the teacher. Therefore, if a student's work completion rates are not on track or if they fail to communicate on a regular basis with the teacher, they will be placed into an escalated (Approaching Alarm or Alarm) status. Teachers will then reach out to the family, schedule one-on-one LiveLesson sessions with the student, or provide supplemental support to help the identified student. The school will also work with the family and student to help get the student's attendance back on track if attendance is a factor in the status indicators.

Intervention Indicators

There are other ways that NC Connections staff will be able to identify students who may be academically challenged or challenged with engagement. Intervention Indicators are displayed in the EMS to facilitate a teacher's identification of students who may need additional instruction or intervention in math, reading, or both. Additionally, teachers can run performance reports through the EMS. This method provides access to and analysis of real-time data to determine mastery/proficiency; incorporates data-driven decisions throughout instruction; maximizes use of the instructional support programs, resources, and data; identifies the need for tiered interventions for non-mastered/proficient skills and standards; and identifies students' response to the implemented interventions.

LiveLesson Sessions

NC Connections students will have the opportunity to join online classrooms through a real-time, interactive web conferencing tool called LiveLesson®. LiveLesson sessions allow teachers to engage synchronously and directly with students using video, voice-over IP, electronic whiteboard, breakout rooms, and shared web surfing. These sessions are also recorded so students can watch on their own schedule. This live interaction and support is a direct reflection of formative assessment that indicates to the teacher where additional efforts are needed to help students master the content. Teachers document all synchronous contact with a student within the student's Log in the EMS.

Grade Book

As another means of monitoring engagement, the powerful Grade Book, embedded in the EMS, will enable teachers and parents to track progress daily, and to see up-to-the-minute information on grades, assessments, and overall lesson completion.

Attendance

Student attendance will be verified regularly by both teachers and Learning Coaches and logged within the EMS. NC Connections' administration will monitor and review attendance records on a weekly basis.

All students must complete assigned lessons and submit assessments. Students and/or their Learning Coaches must also participate in/respond to telephone calls, email messages, and/or web conferencing (LiveLesson sessions) contacts, as well as in-person contacts (if required) with a teacher during the school's regularly scheduled school hours.

NC Connections staff will verify that the attendance records are accurate, which includes not only the attendance hours recorded by the Learning Coach, but also the lesson and assignment completion rates and the amount of communication the student has with the teacher. During course design and alignment, lesson and assignment completion times are estimated, thus student lessons and assignment completion can be used to estimate the amount of student time spent engaged in learning.

If a student's work completion rates are not on track and/or if they fail to communicate on a regular basis with the teacher, they will be flagged for review using the student status indicators. The Approaching Alarm or Alarm status is displayed in the EMS and will require follow-up action from the school to ensure that the student completes his or her lessons, assessments, and required weekly hours of attendance. In reviewing attendance documentation, teachers must determine that each student has met or exceeded the required amount of instructional time stipulated by North Carolina regulations.

1. **Means for Providing Qualified Staffing for ML Students**

Teachers of ML students at NC Connections will be appropriately certified to teach ML students (appropriate to grade level responsibilities) in North Carolina; will have ESOL endorsement or certification; will have experience directly teaching ML students; bilingual preferred; will have strong technology skills; will have excellent communication skills, both oral and written; will have a willingness to travel for school-based meetings, trainings, outreach and state testing events; will have the ability to work remotely; and will have the ability to work some occasional evening hours, as needed to support some families.

[1] https://www.gadoe.org/Curriculum-Instruction-and-Assessment/Curriculum-and-Instruction/Pages/Home-Language-Survey.aspx

[2] https://www.gadoe.org/Curriculum-Instruction-and-Assessment/Assessment/Pages/ACCESS-for-ELLs.aspx

Q148.Explain how the school will identify and meet the needs of gifted students, including the following:
1. Specific research-based instructional programs, practices, strategies, and opportunities the school will employ or provide to enhance their abilities.
2. Plans for monitoring and evaluating the progress and success of gifted students; and means for providing qualified staffing for gifted students.

1. **Research-Based Instructional Programs, Practices, Strategies, and Opportunities**

NC Connections will offer a comprehensive education program that recognizes students who require accelerated and enriched learning and their unique needs. NC Connections will challenge the student, provide expanded learning opportunities, and support the student's affective needs.

Utilizing a multiple criteria approach, students will be identified through both quantitative and qualitative measures of performance. NC Connections will follow eligibility rules and regulations outlined by the North Carolina Department of Public Instruction found at https://www.dpi.nc.gov/students-families/enhanced-opportunities/advanced-learning-and-gifted-education/academically-or-intellectually-gifted

The identification process can begin during the enrollment process. The parent has the option to indicate their interest in accelerated learning opportunities and provide supporting documentation. If documentation is provided during enrollment, the student is placed in classes accordingly. Screening for students once they are enrolled will involve a multi-level approach to identifying who exhibits exceptional performance or potential. Indicators such as parent recommendation, exceptional test scores, classroom performance, and teacher recommendations will be used to determine student course placement. At least one of the following will be used for screening:

- Recommendation by parent, Learning Coach, or teacher;
- Anecdotal notes that indicate exceptional performance or potential;
- Recommendation from the student's prior school;
- School and district administered assessments;
- Classroom performance and student portfolios;
- Nationally normed aptitude and achievement data;
- Benchmark tests; and
- Placement test results.

An essential part of the screening process will be nominations. These nominations will be completed at any point of the year, with predesignated testing and evaluation windows determining admittance and processing of nominations. Once submitted, the nomination will then be evaluated by a staff member who will collect evidence before then considering the student for formal evaluation.

At least three of the following are used for referral for formal evaluation:

- Completed nomination by either the parent and/or Learning Coach or teacher of the student;
- School and district administered assessments;
- Classroom performance and student portfolios that exhibit above grade-level performance;
- Nationally normed aptitude and achievement data;
- Placement test results; and/or
- Patterns of growth or upward trajectories over time based on formal and informal data.

Upon referral, students will undergo a formal evaluation process. A NC Connections placement committee will use both quantitative and qualitative evidence to determine whether accelerated coursework and enrichment activities are in the best interest of the student. Parents will be kept informed of all testing results and placements. The following criteria will also be used to justify access to additional programs:

- Nationally normed and validated achievement tests that demonstrate a year or more above grade level achievement for the normed age group;
- Observed or measured demonstration of rapid acquisition of new knowledge;
- Work portfolios that demonstrate achievement, performance, or expertise in one or more academic areas;
- Observed or measured demonstrations of exceptional leadership ability, creative thinking, foreign language aptitude, communication skills or technology expertise;
- Placement test results; and
- Completed nominations by either the parent or Learning Coach or teacher of the student.

Furthermore, in recognition of the importance of equal access to education programming, all formal evaluations will take into account possible confounding variables in the evaluation such as English as a second language, disabilities as defined in 34 CFR 300.8 (relating to child with a disability), gender or race bias, and/or socio/cultural factors that may influence performance.

Using the principles of MTSS, students identified as accelerated learners will be enrolled in curriculum that is attuned to the specific needs of the child. In grades 3-8, students will have the opportunity to enroll in Accelerated courses in math, science, and English Language Arts. These courses will allow students greater opportunities to interact with the teacher and other students, explore grade-level content, participate in extension projects, investigations, and activities that integrate skills and promote higher- level thinking, and to participate in individualized activities. Students will also be able to choose from a wide variety of electives and club activities to supplement learning in core subjects. NC Connections will also offer an exclusive online version of Junior Great Books® where students will enjoy age-appropriate works and participate in online literary inquiry discussions with other high-ability students.

Identified accelerated high school students will also have access to rigorous college preparatory curriculum and will be able to choose from over 20 Honors courses and many Advanced Placement® (AP) courses. Honors courses will offer advanced students opportunities to participate in extension projects, investigations, and activities that require integrated skills application and higher-level thinking. Furthermore, AP courses will allow students to engage in college-level investigation of subjects with the opportunity to earn college credit by achieving high scores on AP exams.

Along with the provision of advanced courses, NC Connections will offer a level of flexibility that will make it possible to provide each and every student a course load that is attuned to their particular strengths and interests. During the enrollment and placement process, students seeking enrichment and accelerated placements may be placed in different curriculum levels for different subjects. For example, a sixth grader with a high aptitude in math could be placed in an eighth-grade math course, while continuing to take sixth grade level courses in other subjects. This level of flexibility will allow NC Connections to provide an impressive level of personalization for the accelerated student.

2a. Plans for Monitoring and Evaluating the Progress and Success of Accelerated Learners

The progress and success of accelerated learners will be monitored and evaluated in multiple ways at NC Connections, including student status indicators in the EMS, intervention indicators in the EMS, LiveLesson sessions, the grade book, and daily attendance.

Student Status Indicators

Enrolled students are always in one of three escalation statuses:

1. On-Track
2. Approaching Alarm
3. Alarm

These statuses are displayed by student names on the teacher homepage for fast identification of students who may be struggling or failing to engage. Students and their Learning Coaches will also see these statuses on their homepage. Escalation status is based on several criteria and is a combination of measures that indicate if a student is demonstrating adequate participation in the program. This not only includes actual attendance, but also lesson and assignment completion rates, and the amount of student communication with the teacher. Therefore, if a student's work completion rates are not on track or if they fail to communicate on a regular basis with the teacher, they will be placed into an escalated (Approaching Alarm or Alarm) status. Teachers will then reach out to the family, schedule one-on-one LiveLesson sessions with the student, or provide supplemental support to help the identified student. The school will also work with the family and student to help get the student's attendance back on track if attendance is a factor in the status indicators.

Intervention Indicators

There are other ways that NC Connections staff will be able to identify students who may be academically challenged or challenged with engagement. Intervention Indicators are displayed in the EMS to facilitate a teacher's identification of students who may need additional instruction or intervention in math, reading, or both. Additionally, teachers can run performance reports through the EMS. This method provides access to and analysis of real-time data to determine mastery/proficiency; incorporates data-driven decisions throughout instruction; maximizes use of the instructional support programs, resources, and data; identifies the need for tiered interventions for non-mastered/proficient skills and standards; and identifies students' response to the implemented interventions.

LiveLesson Sessions

NC Connections students will have the opportunity to join online classrooms through a real-time, interactive web conferencing tool called LiveLesson®. LiveLesson sessions allow teachers to engage synchronously and directly with students using video, voice-over IP, electronic whiteboard, breakout rooms, and shared web surfing. These sessions are also recorded so students can watch on their own schedule. This live interaction and support is a direct reflection of formative assessment that indicates to the teacher where additional efforts are needed to help students master the content. Teachers document all synchronous contact with a student within the student's Log in the EMS.

Grade Book

As another means of monitoring engagement, the powerful Grade Book, embedded in the EMS, will enable teachers and parents to track progress daily, and to see up-to-the-minute information on grades, assessments, and overall lesson completion.

Attendance

Student attendance will be verified regularly by both teachers and Learning Coaches and logged within the EMS. NC Connections' administration will monitor and review attendance records on a weekly basis.

All students must complete assigned lessons and submit assessments. Students and/or their Learning Coaches must also participate in/respond to telephone calls, email messages, and/or web conferencing (LiveLesson sessions) contacts, as well as in-person contacts (if required) with a teacher during the school's regularly scheduled school hours.

NC Connections staff will verify that the attendance records are accurate, which includes not only the attendance hours recorded by the Learning Coach, but also the lesson and assignment completion rates and the amount of communication the student has with the teacher. During course design and alignment, lesson and assignment completion times are estimated, thus student lessons and assignment completion can be used to estimate the amount of student time spent engaged in learning.

If a student's work completion rates are not on track and/or if they fail to communicate on a regular basis with the teacher, they will be flagged for review using the student status indicators. The Approaching Alarm or Alarm status is displayed in the EMS and will require follow-up action from the school to ensure that the student completes his or her lessons, assessments, and required weekly hours of attendance. In reviewing attendance documentation, teachers must determine that each student has met or exceeded the required amount of instructional time stipulated by North Carolina regulations.

2b. Means for Providing Qualified Staffing for Accelerated Learners

In recognition of the fact that high-quality staff is essential to a strong education program, NC Connections will provide professional learning on accelerated programming to all teachers, counselors, and administrators. These courses will cover topics ranging from affective education to student identification and will ensure that staff is well versed in the needs of every student, including accelerated learners.

10.3. Exceptional Children

The public charter school cannot deny admission to any child eligible for special education services as identified under the federal legislation *Individuals with Disabilities Education Improvement Act (IDEA), IDEA regulations, and Article 9 115C of the North Carolina General Statutes, North Carolina Policies Governing Services for Children with Disabilities.* ***All public schools are responsible for hiring licensed and 'highly qualified' special education teachers pursuant to law.*** *Public schools are required to provide a full continuum of services to meet the unique needs of ALL students with disabilities.*

Q149.**Identification and Records** Explain how you will identify students who are enrolled within the charter school that have previously been found to be eligible for special education services or are protected under Section 504 of the Rehabilitation Act.

The school will comply with all state and federal policies regarding enrollment of special education students or students who are protected under Section 504. Educational Records such as report cards or transcripts, special education documentation, state test scores, and Disciplinary Records of action(s) concerning the discipline, suspension, and/or expulsion of the student, will be requested from the student's most recent school within five school days after enrollment. After submitting the initial application to the school, all families are asked if their child has had an IEP within the last three years and if that IEP is currently active. The families can choose if they would like to disclose if the student has an IEP. A decision not to disclose the student's IEP status will not delay the student's enrollment. The IEP is reviewed to determine the level of each student's need and to consider the types of services required.

NC Connections is committed to ensuring all students and families can easily navigate and access the enrollment process and will not discriminate based on disability, prior academic performance, or programs.

NC Connections will be bound by Child Find requirements as well as the requirements of IDEA 2004, Section 504 of the Rehabilitation Act of 1973, and the Family Educational Rights and Privacy Act (FERPA). Child Find is the process of locating, evaluating, and identifying children (birth – 21 years) with disabilities who may need special education and related services. NC Connections will follow federal and state law in identifying children who may need these services. If a parent shares a concern or makes any Child Find requests during the enrollment process, those concerns will be addressed immediately upon enrollment. If, after enrollment, NC Connections is made aware of a child who may require additional supports, the school's special education staff will contact the parents of the child to discuss the next steps in the evaluation and identification process. This process is provided at no cost to the family.

To identify students entering or already enrolled without prior special education identification, the NC Connections School Leader and general and special education staff will conduct Child Find exercises to identify, locate and evaluate students who need special education services by conducting regular reviews of teacher observations, implementing systematic screenings, analyzing assessment results, and data. Parents will also provide input and may initiate a Child Find request at any time while their students are enrolled at NC Connections. Additionally, NC Connections will engage in public awareness activities to ensure parents are informed about available special education services and how to request those services.

Q150.Provide the process for identifying students who may be eligible for special education services as identified in the federal 'Child Find' mandate. Be sure to include how student evaluations and assessments will be completed. Include how the school will avoid misidentification of special education students.

Identifying Students

NC Connections will be bound by Child Find requirements as well as the requirements of IDEA 2004, Section 504 of the Rehabilitation Act of 1973, and the Family Educational Rights and Privacy Act (FERPA). Child Find is the process of locating, evaluating, and identifying children (birth – 21 years) with disabilities who may need special education and related services. NC Connections will follow federal and state law in identifying children who may need these services. If a parent shares a concern or makes any Child Find requests during the enrollment process, those concerns will be addressed immediately upon enrollment. If, after enrollment, NC Connections is made aware of a child who may require additional supports, the school's special education staff will contact the parents of the child to discuss the next steps in the evaluation and identification process. This process is provided at no cost to the family.

To identify students entering or already enrolled without prior special education identification, the NC Connections School Leader and general and special education staff will conduct Child Find exercises to identify, locate and evaluate students who need special education services by conducting regular reviews of teacher observations, implementing systematic screenings, analyzing assessment results, and data. Parents will also provide input and may initiate a Child Find request at any time while their students are enrolled at NC Connections. Additionally, NC Connections will engage in public awareness activities to ensure parents are informed about available special education services and how to request those services.

The Manager of Special Populations or school designee will serve as the Child Find Coordinator and provide Child Find information to school staff, parents, and state and local organizations and agencies. These efforts will include compliance with the special education referral process, providing professional development to staff and support to the School's Student Support Team (SST), maintaining a deep understanding of and participation in the Multi-tiered System of Supports (MTSS) process, including universal screening procedures, creating and maintaining written policies and procedures related to Child Find, and involvement in public awareness activities related to Child Find.

Students may be referred for special education evaluation by their parents, teachers, or the SST. The SST, consisting of general education teachers, intervention specialists, and school administrators, will regularly review data from universal screeners to identify struggling students. Identified students will be referred to the SST. The SST will consult with the parents and address struggling students' needs through the MTSS process. With parental consent, the teacher will implement and document tiered interventions to address the student's greatest area(s) of need as well as and the response to interventions. The student's responses to MTSS efforts are used as one very important data metric in the determination of special education eligibility. Interventions will not be used to delay or deny a parent-requested special education evaluation.

A program audit supported by Pearson will be conducted quarterly to determine if there is any overidentification of historically marginalized subgroups such as "struggling students." Special Education referral data will be reviewed and aggregated by gender, ethnicity, and other subgroups on a quarterly basis to prevent the misidentification or overidentification of any group of students. In addition, if any students have been improperly identified, their individual cases will be reviewed by the Manager of Special Populations. School-based policies and procedures will be revised at least annually or as needed based on the results of each program audit.

Student Evaluations and Assessment

NC Connections will complete student evaluations and assessments in multiple ways, including:

- NC Connections will conduct triennial evaluations, or every two years for students with Intellectual Disabilities, or more frequently as appropriate. The school will also conduct IEP team meetings, including the parents, for all new students to adopt or amend the IEP, or conduct an Annual Review. Prior Written Notice detailing the decisions of the IEP team are provided to parents along with Parental Rights at least once annually and at appropriate instances when IEP revisions are made.
- The school will ensure ongoing progress monitoring including frequent and thorough review of student performance, attendance, and participation data as reported to the student, parent, and teacher through their respective home pages.
- NC Connections will provide regular progress reporting to parents at least as frequently as general education progress reporting.
- The school will ensure ongoing support and guidance from special education staff to the general education teachers to provide appropriate accommodations and modifications, as per a student's IEP, to the general education curriculum.
- NC Connections staff will complete careful logging in EMS of every conversation, contact (by phone, email message, LiveLesson session, or other means) and consultation with the student and/or parent as well as general education teachers.
- The school will provide specific tracking and reporting for providers of direct/related services, with scrutiny by the special education staff of any missed appointments or incomplete services.

Q151.Provide a plan detailing how the records of students with disabilities and 504 Accommodation plans will be properly managed, including the following:
1. Requesting Records from previous schools
2. Record Confidentiality (on-site)
3. Record Compliance (on-site)

1. **Requesting Records**

Educational Records such as report cards or transcripts, special education documentation, state test scores, and Disciplinary Records of action(s) concerning the discipline, suspension, and/or expulsion of the student, will be requested from the student's most recent school promptly after enrollment. NC Connections is committed to ensuring all students and families can easily navigate and access the enrollment process and will not discriminate based on disability, prior academic performance, or programs.

Parents of children who receive or who may be eligible for special education services have rights under IDEA 2004. The Procedural Safeguards Notice provides a detailed explanation of those rights. The school will give parents a copy of the Procedural Safeguards Notice and the explanatory Procedural Safeguards Letter at least once each school year. Parents can also obtain a copy of the Procedural Safeguards Notice from the school at any time. An additional document will be available to help parents to better understand the Notice document. "The Parents' Rights: Understanding the Procedural Safeguards Notice" provides a summary of those rights. Parents will also receive the Parents' Rights documents upon initial referral or upon the parent request for an evaluation and in accordance with discipline procedures when a change in placement occurs.

1. **Record Confidentiality**

NC Connections will comply with applicable state and federal law with respect to the receiving, holding, and transferring of student records. As a general matter, NC Connections will house and maintain its physical records at its proposed administrative facility. The school will fully comply with the requirements of the Family Educational Rights and Privacy Act (FERPA), a federal law that gives parents/legal guardians and students certain rights regarding the student's education records. Included is the right of the parent/legal guardian (or eligible student) to consent to the disclosure of any personally identifiable information (PII) contained in a student's education records. NC Connections is committed to the protection of a student's education records and the PII found within those records. The school will not disclose student education records or PII without a signed and dated written consent, unless the disclosure meets one or more of the conditions that permit schools to disclose PII from an education record as set forth by FERPA.

IDEA provides additional privacy protections for students who receive special education and related services. Part B of IDEA incorporates and cross-references FERPA. The school is aware of the cooperation between FERPA and IDEA and will comply with the requirements of both. The school will also comply with the Protection of Pupil Rights Amendment and the Children's Online Privacy Protection Act of 1998 ("COPPA").

In accordance with state law, NC Connections will limit the disclosure of health-related information of staff and students. Additionally, FERPA prohibits the unauthorized disclosure of information from educational records except in certain limited circumstances, such as a health and safety emergency as described in 34 C.F.R. §§ 99.31(a) (10) and 99.36.

1. **Record Compliance**

NC Connections recognizes the need to protect the confidentiality of personally identifiable information in the education records of children. NC Connections will ensure the privacy rights of eligible children in the collection, maintenance, release, and destruction of records. NC Connections will follow the provisions of the Chapter 115C, Subchapter VI, Article 29--Protective Provisions and Maintenance of Student Records, the Family Educational Rights and Privacy Act of 1974 (FERPA), the Confidentiality Section of IDEA, and the Confidentiality Section of North Carolina Special Education Regulations and Standards and other student data privacy laws.

NC Connections will use the EMS to collect, manage, and maintain student records. The enrollment process will be fully integrated with and supported through the EMS. NC Connections will contract with Pearson to use the enrollment service center for student placement support, as well as enrollment processing, set up, and support under the oversight of the School Leader and in compliance with local, state, and federal law.

Once the enrollment process is completed and students are placed into courses, the students will appear to the teacher online, and the teacher can begin tracking, verifying, and reporting attendance.

NC Connections will house and maintain the currently enrolled student cumulative files. The school will fully comply with the requirements of FERPA including the protection of a student's education records and "personally identifiable information" from unauthorized disclosure.

In the EMS, access to student information and data will be controlled by a central team of administrators, trained in FERPA, using a complex system of roles, permissions, and locations. Only users in a particular location, who have permissions at that location, will be permitted to access student data that is permissioned using roles and locations. Data points and reports will be assigned to roles, including vendors who use student data for accounting and billing purposes. Access to the reports and all student data will be controlled by these roles. Only users in a location with the correct roles will meet the requirements to access the data.

All data accessed via the EMS will be accessed through forced SSL for privacy and security purposes. Private data transmitted between systems for data reporting purposes will always be transmitted with secure FTP or over a private VPN that provides encryption.

In addition to the FERPA requirements, IDEA provides additional privacy protections for students who receive special education and related services. Part B of IDEA incorporates and cross-references FERPA. The school is aware of the cooperation between FERPA and IDEA and will comply with the requirements of both. The school will also comply with the Protection of Pupil Rights Amendment and the Children's Online Privacy Protection Act of 1998 ("COPPA").

While FERPA is vast in its discussion of the review, amendment, and privacy rights related to education records, it does not speak to the retention and disposition of such records and does not include a records retention plan.

NC Connections will develop a records management program that complies with NC DPI policy and will train school level Records Custodians to address the creation, maintenance, storage, and final disposition of records in accordance with North Carolina laws and regulations.

Release of Directory Information

The school may release Directory Information (currently defined by NC Connections as student name, city of residence, and student grade level) to third parties without consent, as permitted by FERPA. If a parent/guardian (sometimes referred to as Caretaker in documents) or eligible student does not wish to have Directory Information disclosed to third parties, they may opt out of all disclosure of this information by indicating in the Annual FERPA Directory Notification, which is presented on the Caretaker "To Do" List upon a student's enrollment, and annually thereafter for all returning students. If families do not make a selection, then the school may, without additional permission, disclose the Directory Information to third parties as permitted by FERPA.

Release of Educational Records without Consent: Legitimate Educational Interest

The school may provide a student's educational records to third parties without consent in certain situations listed under FERPA. Examples include disclosure to NC Connections officials, including teachers and vendors employed by or under contract with the school for special education related services or other services, who the school has determined has a "legitimate educational interest", or the transfer of educational records to school officials of the student's new school upon request from the new school.

Release of Student Records with Consent

With the exception of information which FERPA and/or applicable state law or court order permits the school to release without consent, the school must obtain written consent from the parent/legal guardian or eligible student prior to releasing any education record or personally identifiable information to any third party. Consent to release this information must be made in writing, be signed by the parent/guardian or eligible student, and include the following information:

- A specific description of the information or record(s) to be released.
- The party or agency to which the information will be released and their address.
- The signature of the requestor, and the date of the request.

Q152.**Exceptional Children's Programming** Explain how you will meet the learning needs of students with mild, moderate, and severe disabilities in the least restrictive environment possible.

NC Connections will comply with the Individuals with Disabilities Education Act (IDEA), Section 504, and the Family Education Rights and Privacy (FERPA), the Americans with Disabilities Act (ADA), and NC 1500. The school will provide a free and appropriate public education to children with disabilities, as identified under such Acts and policies. These supports include, but are not limited to, identifying, evaluating children with disabilities, and planning individualized education programs that meet each student's unique needs, in accordance with state and federal requirements. NC Connections special education leaders and intervention specialists will work closely with the general education curriculum teachers to ensure that every student receives accommodations, modifications, and all needed services to access and progress in the general education curriculum in the Least Restrictive Environment according to each student's Individualized Education Plan (IEP). NC Connections will provide a continuum of services to appropriately serve students with mild, moderate and severe disabilities in the least restrictive environment.

NC Connections will have an open enrollment policy: any eligible student in North Carolina can attend. The school does not discriminate in its admissions policies or practices based on geography, intellectual or athletic ability, measures of achievement or aptitude, status as a student with a disability, or test scores.

Services for students with disabilities (according to students' needs) will include, but will not be limited to:

- Direct special education intervention support for a student, as outlined within their IEP, which may be provided via small group or individual LiveLesson virtual classes, and/or one-on-one sessions over the telephone or as otherwise appropriate based upon each student's needs as determined by the IEP team.
- Direct related service support (e.g., speech-language, occupational or physical therapy, etc.) provided virtually, face-to-face, home-based, at community sites, or therapist offices. The location of service is determined based on student needs and appropriateness of the location for the service.
- Ongoing progress monitoring including frequent and thorough review of student performance, attendance, and participation data as reported to the student, parent, and teacher through their respective home pages.
- Regular progress reporting to parents at least as frequently as general education progress reporting.
- Ongoing support and guidance from special education staff to the general education teachers to provide appropriate accommodations and modifications, as per a student's IEP, to the general education curriculum.
- Careful logging in EMS of every conversation, contact (by phone, email message, LiveLesson session, or other means) and consultation with the student and/or parent as well as general education teachers.
- Specific tracking and reporting for providers of direct/related services, with scrutiny by the special education staff of any missed appointments or incomplete services.
- Conducting triennial evaluations, or every two years for students with Intellectual Disabilities, or more frequently as appropriate. Conducting IEP team meetings, including the parents, for all new students to adopt or amend the IEP, or conduct an Annual Review. Prior Written Notice detailing the decisions of the IEP team are provided to parents along with Parental Rights at least once annually and at appropriate instances when IEP revisions are made.

NC Connections will ensure the delivery of special education and related services. Schools supported by Pearson have demonstrated success with special populations and Multilingual Learner populations nationally. Pearson will assist the school in providing these services and has extensive experience providing special education services to existing virtual schools throughout the US. The school's Manager of Special Populations will review the student's documentation (IEP and Evaluation Report), if available during the enrollment process, and recommend course placement in collaboration with the School Counselor.

After enrollment, NC Connections staff and administrators will convene an IEP team meeting, which will include the student's parent(s) or guardian(s) and other appropriate IEP team participants, to adopt or amend the student's IEP as necessary, or create a new IEP. NC Connections will provide special education and related services in conformity with the IEP, either by adopting the existing IEP or by developing a new IEP for the student in accordance with the requirements of IDEA. Qualified special education staff with appropriate licenses and training will work closely with general education teachers, paraprofessionals, and related service providers to ensure that every student receives accommodations, modifications, and all needed services to access and progress in the general education curriculum in the Least Restrictive Environment (LRE) according to their IEPs or to be provided research-based interventional curriculum if the student's IDEA disability(s) require the same.

Q153.Describe the specific educational programs, strategies, and additional supports the school will provide to ensure a full continuum of services for students with disabilities. How will the school ensure students' access to the general education curriculum?

The Manager of Special Populations or school designee will serve as the Child Find Coordinator and provide Child Find information to school staff, parents, and state and local organizations and agencies. These efforts will include compliance with the special education referral process, providing professional development to staff and support to the school's Student Support Team (SST), maintaining a deep understanding of and participation in the Multi-tiered System of Supports (MTSS) process, including universal screening procedures, creating and maintaining written policies and procedures related to Child Find, and involvement in public awareness activities related to Child Find.

Students may be referred for special education evaluation by their parents, teachers, or the SST. The SST, consisting of general education teachers, teachers of exceptional children, and school administrators will regularly review data from universal screeners to identify struggling students. Identified students will be referred to the SST. The SST will consult with the parents and address struggling students' needs through the MTSS process. With parental consent, the teacher will implement and document tiered interventions to address the student's greatest area(s) of need as well as and the response to interventions. The student's responses to MTSS efforts are used as one very important data metric in the determination of special education eligibility. Interventions will not be used to delay or deny a parent-requested special education evaluation.

The school will comply with all state and federal policies regarding enrollment of special education students. After submitting the initial application to the school, all families are asked if their child has had an IEP within the last three years and if that IEP is currently active. The families can choose if they would like to disclose if the student has an IEP. A decision not to disclose the student's IEP status will not delay the student's enrollment. The IEP is reviewed to determine the level of each student's need and to consider the types of services required.

Provision of IEP-specified accommodations and modifications will be documented in each student's account in the EMS. Special education and related services will be delivered virtually with exceptions made to best address each student's individual needs. Decisions about the location of services will be made by the IEP team. To the maximum extent appropriate, students with disabilities will be educated with their peers; alternative placements or removal of children with disabilities from the general educational environment will only occur if the nature or severity of the disability is such that education in general education classes with the use of supplementary aids and services cannot be achieved satisfactorily as determined by the IEP Team. Decisions will be made in conformity with the LRE provisions described in federal regulations and guidance. In selecting the LRE, the IEP team will give consideration to any potential harmful effect on the child or on the quality of services that they need.

Students with disabilities will not be removed from education in age-appropriate regular virtual classrooms solely because of needed modifications in the general education curriculum. Students with disabilities will have the opportunity to participate in non-academic and extra-curricular clubs and activities to the same extent as all other students. Extracurricular clubs and activities will also serve as venues to develop social skills for students with learning differences.

NC Connections will provide students with equal access to the education program and instructional materials. Students with disabilities will receive access through the delivery of resources, accommodations, and modifications tailored to each student's individual abilities and needs, including assistive technologies and individualized support. A continuum of placements will also be available to meet the needs of students with disabilities for special education and related services. Additionally, the continuum is aligned with state and federal guidelines. Consultative support will be provided to general education teachers to provide accommodations and modifications to the general education curriculum. The EMS provides teachers with immediate access to students' accommodations and modifications. On the teacher homepage and in the grade book, a yellow triangle appears next to each student requiring accommodations and modifications. When teachers hover over this yellow triangle, a pop-up window appears listing all accommodations and modifications. This triangle is available for students with IEPs, students with Section 504 plans, and English Learners (EL).

Special education instruction is provided in small group and one-on-one LiveLesson sessions. Services (when/where/how) are determined by the IEP team. The individualized focus of an online school, along with the small group or one-on-one learning environment, often has a positive impact on students' ability to participate in the general education environment. At least annually, and at each IEP team meeting, IEP teams will consider supplementary aids and services, accommodations, modifications, and Extended School Year (ESY) while ensuring the student is educated with nondisabled peers, to the maximum extent possible (LRE), and making expected gains on IEP goals. Extended School Year (ESY) services will be offered in accordance with federal and state special education regulations.

Assistive Technology (AT) will also be provided according to student needs and evaluation data as determined by the IEP team. Support may include collaboration with support staff, provision of speech-to-text, and text-to-speech. The school will facilitate the provision of text-to-speech and speech-to-text software, screen readers, magnification software, etc., for students with disabilities. In addition, supports for hearing impaired students include closed captioning or American Sign Language during LiveLesson sessions.

Q154.Describe the methods and support systems that will be in place to ensure students with disabilities receive a Free and Appropriate Public Education (FAPE).

NC Connections will provide a free appropriate public education (FAPE) to students with disabilities, including, but not limited to, identifying, evaluating, and planning educational programs, and implementing placements in accordance with IDEA.

The school's Manager of Special Populations, based in North Carolina and holding the proper certifications, will review the student's documentation (IEP and Evaluation Report), if available during the enrollment process, and recommend course placement. After enrollment, NC Connections will convene an IEP team meeting, including the student's parent(s) or guardian(s), to adopt or amend the student's IEP to reflect the virtual environment. NC Connections will provide services comparable to those of the previous district until the new IEP is developed.

Special education staff will work closely with general education teachers to ensure that every student receives accommodations, modifications, and all needed services to access and progress in the general education curriculum in the Least Restrictive Environment (LRE) according to the IEP. Provision of IEP-specified accommodations and modifications will be documented in each student's account in the EMS. Special education and related services will be delivered virtually with exceptions made to best address each student's individual needs. Decisions about the location of services will be made by the IEP team.

To the maximum extent appropriate, students with disabilities will be educated with their typical peers; alternative placements or removal of children with disabilities from the general educational environment will only occur if the nature or severity of the disability is such that education in general education classes with the use of supplementary aids and services cannot be achieved satisfactorily. Decisions will be made in conformity with the LRE provisions described in federal regulations and guidance. In selecting the LRE, the IEP team will give consideration to any potential harmful effect on the child or on the quality of services that he or she needs.

Students with an IEP will not be removed from education in age-appropriate regular virtual classrooms solely because of needed accommodations and modifications in the general education curriculum. Students with disabilities will engage with nondisabled children to the maximum extent appropriate to meet the needs of that student. Extracurricular clubs and activities will also serve as incentives and venues to develop social skills for students with learning differences.

NC Connections will provide students equal access to the education program. Students with disabilities will receive access through the delivery of resources, accommodations and/or modifications tailored to each student's individual abilities and needs, including assistive technologies and individualized support. Consultative support will be provided to general education teachers to provide modifications and accommodations to the general education curriculum.

The EMS provides teachers with immediate access to students' accommodations. On the teacher homepage and in the Grade Book, a yellow triangle appears next to each student requiring accommodations and modifications. When teachers hover over this yellow triangle, a pop-up window appears listing all accommodations and modifications. This triangle is available for students, with IEPs students with Section 504 plans, Accelerated Learners, and Multilingual Learners.

Special education instruction is provided in small group, inclusion, and one-on-one LiveLesson sessions. The individualized focus of an online school, along with the small group or one-on-one learning environment, often has a positive impact on students' ability to participate in the general education environment.

At least annually, and at each IEP team meeting, IEP teams will consider supplementary aids and services, accommodations, modifications, and Extended School Year (ESY) while ensuring the student is educated with nondisabled peers, to the maximum extent possible, and making expected gains on IEP goals.

Assistive Technology (AT) may also be provided according to students' needs and evaluation data. Pearson has experience supporting virtual schools by facilitating the provision of text-to-speech and speech-to-text software, screen readers, magnification software, etc., for students with disabilities. In addition, supports for hearing impaired students include closed captioning or American Sign Language during LiveLesson sessions.

Q155. Describe how implementation of the Individualized Education Plan (IEP) will be monitored and reported to the student, parents, and relevant staff.

The school's Manager of Special Populations will review the student's documentation (IEP and Evaluation Report), if available during the enrollment process, and recommend course placement in collaboration with the School Counselor.

After enrollment, school staff and administrators will convene an IEP team meeting, which will include the student's parent(s) or guardian(s) and other appropriate IEP team participants, to adopt or amend the student's IEP as necessary. The school will provide special education and related services in conformity with the IEP, either by adopting the existing IEP or by developing a new IEP for the student in accordance with the requirements of IDEA. Qualified special education staff with appropriate licenses and training will work closely with general education teachers, paraprofessionals, and related service providers to ensure that every student receives accommodations, modifications, and all needed services to access and progress in the general education curriculum in the Least Restrictive Environment (LRE) according to their IEPs or to be provided research-based interventional curriculum if the student's IDEA disability(s) require the same.

Procedural Safeguards Notice

Parents of children who receive or who may be eligible for special education services have rights under IDEA 2004. The Procedural Safeguards Notice provides a detailed explanation of those rights. The school will give parents a copy of the Procedural Safeguards Notice and the explanatory Procedural Safeguards Letter at least once each school year. Parents can also obtain a copy of the Procedural Safeguards Notice from the school at any time. An additional document will be available to help parents to better understand the Notice document. "The Parents' Rights: Understanding the Procedural Safeguards Notice" provides a summary of those rights. Parents will also receive the Parents' Rights documents upon initial referral or upon the parent request for an evaluation and in accordance with discipline procedures when a change in placement occurs.

Surrogate Parent

As part of the IEP process, the school will recognize a qualified adult must participate as the "parent" (34 CFR 300.30) for the student. A surrogate parent is someone who acts on the child's behalf in matters relating to the identification, evaluation, educational placement, and provision of FAPE to the child. The school will provide a surrogate parent as outlined by 34 CFR § 300.519. A surrogate will be appointed and trained on how to participate and make decisions on the child's behalf in the following situations as directed and limited by applicable state and federal laws and regulations: a biological, adoptive, foster, parent, or guardian are not available; a grandparent or step parent with whom the child lives or a person who is legally responsible for the child is not available; the child is an unaccompanied homeless youth without an adult who is able to act as an IDEA Parent.

The school will have a method in place to secure a surrogate when needed. When it is determined that a student is in need of a surrogate parent, the surrogate will be appointed within 30 calendar days.

The school will maintain a pool of trained parent surrogates and may collaborate with surrogate parents when additional surrogates are needed.

The school will not allow the following persons to be appointed as a surrogate parent: employees of an agency already involved in the care or education of the student; school employees; or persons with a potential conflict of interest.

Monitoring and Reporting

NC Connections will conduct triennial evaluations, or every two years for students with Intellectual Disabilities, or more frequently as appropriate. The school will also conduct IEP team meetings, including the parents, for all new students to adopt or amend the IEP, or conduct an Annual Review. Prior Written Notice detailing the decisions of the IEP team will be provided to parents along with Parental Rights at least once annually and at appropriate instances when IEP revisions are made.

The school will ensure ongoing progress monitoring, including frequent and thorough review of student performance, attendance, and participation data as reported to the student, parent, and teacher through their respective home pages.

NC Connections will provide regular progress reporting to parents at least as frequently as general education progress reporting.

Q156. Describe the proposed plan for providing related services and to have qualified staffing adequate for the anticipated special needs population.

The Board has contracted with Pearson for special education instructional support due to its experience and positive track record in assisting schools with developing and implementing systems and protocols that support students with disabilities, accelerated students, and ML students.

To ensure qualified staff adequate for the anticipated special needs population, NC Connections Special Education teachers will benefit from ongoing and effective professional growth and training. The training begins with an initial teacher orientation and several days of pre-service training. Specific to Special Education, NC Connections will have a Special Education Teacher Orientation Course as well as the Student Services Learning Path in the Professional Learning Catalog. NC Connections will also have Special Education Professional Learning for General Education Teachers, but the topics can also benefit Special Education Teachers. In addition, NC Connections will offer an Alternative Education Teacher Orientation, as well as orientations for Section 504 Lead Teachers, Accelerated Learner Lead Teachers, and English Learner Teachers.

10.4. Student Performance Standards

Q157.Describe the student performance standards for the school as a whole.

From its highly personalized instructional program to its innovative integration of K-12, higher education and industry imperatives, NC Connections is designed to ensure every student's true readiness for each next stage of their journey, whether from grade to grade within our school or from NC Connections to the post-secondary future. In addition to completing the usual academic requirements for promotion and for graduation, NC Connections students will develop durable skills such as communication and collaboration from the earliest grades and explore multiple career options beginning in middle school, earning badges along the way to demonstrate their readiness for advancement. Across all grades and stages, NC Connections students will gain the academic mastery and real-world skills they need for success.

Student performance standards will include lesson completion, assignment completion, and standards attainment, proven via data from grades, attendance, and participation. Grades are based on homework assignments, formative assessments, summative assessments, LiveLesson session participation, and other indicators. Students will be expected to attend school daily, Learning Coaches will log attendance each day, and attendance will be closely monitored by school staff.

Student promotion and retention will be a part of NC Connections' School Year Cycle Timeline. Starting each year in March, a Student End of Year Task Dataview (a report in the EMS) will open for all students in grades K-8. All NC Connections teachers will be able to review their homeroom students in grades K-7 to make an informed and comprehensive decision regarding promotion to the next grade level or retention in the current grade level for the following academic year. Based on the school's mission and vision, grade level retention for students is always the last resort and ongoing conversations will have already taken place throughout the school year, if a student is at risk for retention.

As teachers begin to review student data during the End-of-Year Promotion/Retention Process, they will use multiple data points to determine if a student has mastered the essential skills and standards of their grade level to be successful in the subsequent grade level. Some of these data points include, but are not limited to:

- Performance on State Assessments and Benchmarks – Do the Benchmarks demonstrate achievement and growth? To what extent?
- Performance Metric greater than 0.6 - The student's overall passing rates within each course, with an emphasis on their core courses of Math and Language Arts
- Attendance Metric greater than 0.7 and Participation Metric greater than 7 - Is the student actively engaged in the virtual setting? Are they participating in their coursework consistently so that there is enough time to master the skills and standards?
-
    - The attendance metric is set by the attendance hours that the parent logs for their student.
    - The participation metric tracks the number of lessons a student has completed in their courses compared to the number of expected lessons they should have completed at that point in the school year.
- Successful completion of 1st and 2nd semester Math and Language Arts
- Essentials Standards Tracker – Has the student demonstrated mastery of the standards
- Identified special needs – If a student has identified special needs, then they must be considered when making a decision about promotion to a grade level that will be most supportive of their individual learning and development. Conversations about special needs will include special education staff.
- Multi-Tiered Support System (MTSS) and Student Support Team (SST) – Has the student been receiving academic interventions? What does this data look like?
- Finally, in alignment with the school's beliefs, partnering with all adults in a child's life is an important part of supporting their development. Beyond the criteria already listed, information provided by parents, guardians, teachers, and other outside resources may be relevant data points to include when considering the decision about whether or not to promote a student.

While these are a majority of the data points used to determine if a student is ready for promotion into the next grade level, it is not an extensive list. There would need to be a holistic determination of that student's readiness to include—but not be limited to—academic mastery. Sometimes, it is the best decision for a specific student to promote them to the next level, even if they have not quite reached the desired level of mastery. If this promotion happens, all stakeholders, including the child's parents, will work with one another on a transition plan that outlines the supports, interventions, and specific areas of focus the student will need for the upcoming school year.

The following grading scale will be used for students in grades K-8. Students in Kindergarten will use a Satisfactory/Unsatisfactory Grade Scale, while students in Grades 1-8 will use the letter grading scale. Grades are only one piece of measuring student mastery, as teachers will be tracking the mastery of the essential skills and standards as well.

Grade	Grade %	Passing?
A	90-100%	Yes
B	80-89%	Yes
C	70-79%	Yes
D	60-69%	Yes
F	0-59%	No
Satisfactory	NA	Yes
Unsatisfactory	NA	No

High School students are awarded credit only for courses in which they have earned a grade of D (60%) or higher. This applies both to courses taken at NC Connections and at other schools. Courses required for graduation must be re-taken by the student if a grade of D (60%) or higher is not earned and re-taking such courses may delay the student's graduation. The school's grading scale is below. Semester and year-end GPA calculations will follow a four-point scale (below). Grade point averages will only include graded courses; pass/fail courses will not be averaged into a student's GPA. Grades for Honors courses are weighted with .5 additional points, and Advanced Placement (AP) courses are weighted with one (1) extra grade point.

Grade	Grade %	Passing?	Non-Weighted	Weighted (Honors/AP)
A	90-100%	Yes	4.00	4.50/5.00
B	80-89%	Yes	3.00	3.50/4.00
C	70-79%	Yes	2.00	2.50/3.00
D	60-69%	Yes	1.00	1.50/2.00
F	0-59%	No	0.00	0.00

Connections Academy uses a standard whereby one credit equals approximately 180 hours of instruction (sometimes referred to as Carnegie Units). Students are required to be enrolled in a minimum of four instructional courses per semester in order to be considered full-time students. Instructional courses exclude extracurricular clubs and activities.

Q158.Explain the use of any evaluation tool or assessment that the proposed charter school will use in addition to any state or federally mandated tests. Describe how this data will be used to drive instruction and improve the curriculum over time for the benefit of students.

Assessment Tools

NC Connections will adhere to state-established accountability measures, administer state assessments, and follow proficiency measures defined by North Carolina policy and legislation. In addition, NC Connections will use well-established benchmark assessments like Renaissance STAR 360 (STAR) as well as its own internal assessment tools. The school's various assessments will combine with top-quality curriculum and instruction to improve student achievement and maintain a high level of accountability. NC Connections will use assessments that are aligned with the curriculum, performance goals, and state standards.

Such assessment tools may include resources that accompany the text used in a course (i.e., checks for knowledge, unit tests, and topic test banks) and assessments delivered via software. All assessment tools go through a multi-step evaluation prior to approval for course use. Tools are first evaluated by an Assessment Design team to determine their quality and appropriateness in regard to the following criteria: alignment with course content and standards; age appropriateness; reading ability; cognitive rigor (questions are measured against Bloom's Taxonomy and Webb's Depth of Knowledge); best practices for item creation (e.g., clarity, relevance, and plausibility of item and distractors); accessibility; and compatibility with the EMS assessment engine (ease of implementation).

NC Connections' assessment efforts will begin with a thorough placement process and progress review, including information gleaned from the initial administration of the Renaissance STAR assessments, and any other past performance data available. The school will also utilize ongoing online and offline assessments to measure student progress on the curriculum and a technology-based assessment tool to review student progress over the school year.

NC Connections will use the following assessments to evaluate the performance and progress of students:

Benchmark Assessments: NC Connections will utilize a variety of benchmark assessments from Renaissance STAR selected for their appropriateness for each grade level. Performance on these assessments can be correlated to performance on state assessments; these will be given to students in the fall, winter, and spring. STAR Assessments are computer-adaptive tests, meaning each student's testing experience is unique. When a student answers a question correctly, STAR automatically selects a more difficult item to be the next question. When a student answers a question incorrectly, the opposite occurs, and the next item is less difficult than the current one. The system understands how skills relate to one another—and that a student correctly answering advanced items doesn't need to be tested separately on the basic component skills. By adapting to students and eliminating unnecessary questions, STAR can accurately measure student performance and growth with fewer items and less time. Complete results are immediately available for educators via interactive, easy-to-read reports.

NC Connections will use Acadience Reading assessments for grades K-2 to assess core early literacy skills and help teachers identify children at risk for reading difficulties and determine the skills to target for instructional support.

Ongoing Informal Assessments: Students engage in formative assessments that tap into all levels of student learning such as scored daily assignments, daily checks for understanding that require students to apply and integrate new skills in a thoughtful manner, and regular online quizzes and tests to measure understanding of newly presented material.

Unit Assessments and Offline and Online Portfolio Assignments: Throughout each logical unit of study, students will be required to complete a series of offline and online assessments. Offline assessments may include written compositions, science lab reports, short-answer questions, essays, book responses, and a variety of work samples. These assessments require direct teacher evaluation. Online assessments include quick checks, quizzes, online practices, and unit tests. While the quick checks and quizzes may be brief and frequent, the more comprehensive unit tests occur at the end of an entire unit. Many online assessments provide students and families with immediate objective feedback while offline assessments provide valuable reflection, feedback, and expertise from credentialed teachers. Student progress reports and grades include a combination of online and offline assessments.

Curriculum-Based Assessments: NC Connections will use curriculum-based assessments (CBAs) as a quick and effective way to gather additional information on students' understanding of concepts. Teachers conduct CBAs, via telephone conversation or through one-on-one LiveLesson sessions, as a quick and effective way to gather information on students' understanding of concepts. CBAs are used to validate a student's understanding of concepts against the collected formative data within the EMS and identify areas where they may need additional support or practice. CBAs also assist teachers in verifying that students are doing their own work, pinpoint strengths and weaknesses in student mastery of concepts, and verify that student learning is on track.

Baseline Achievement Data: Whenever possible, standardized test results will be integrated into an incoming student's basic information in the EMS. Likewise, results for the state assessments that students take while enrolled at the school, which are proctored face-to-face at a physical location, are included in the EMS along with internal pre-, mid-, and post-test data. This data will be used to track student progress from year to year and within the year and to inform course placement and instructional needs.

How Data Will Be Used to Drive Instruction

Teachers will review assessment data as a regular part of their daily routine. Teachers will review unit tests and align Curriculum-Based Assessments (CBAs) questions accordingly. Teachers conduct CBAs, via telephone conversation or through one-on-one LiveLesson sessions, to gather information on students' understanding of concepts.

Teachers will review student progress on the benchmark assessments and student membership in various subgroups. During this review, teachers will note which students, in which subject areas, need additional assistance to achieve mastery. In addition, teachers will identify what a student must know to move forward in a course in order to be successful in the next course in the sequence. The instructional methodology depends on teachers monitoring data sets that indicate if a student is or is not learning. These data sets guide teachers toward identifying a student's specific skill set that needs remediation. With support from the administrative team, teachers will use that data to determine the difference between a whole group reiteration and a small group remediation. The school will also use this data to help determine additional instructional sessions. Students may be asked to participate in required tutoring sessions and/or supplemental programs to help build their foundation skills. Students who are excelling have the opportunity to participate in small group LiveLesson sessions as well as join the National Honor Society.

Whenever possible, state standardized test results will be integrated into an incoming student's basic information in the EMS. Likewise, results for state standardized tests that students will take while enrolled at NC Connections are included in the EMS, along with internal pre-, mid-, and post-test data. This data is used to track student progress from year to year and within the year, and to inform the course placement and instructional needs of students.

Formative assessments provide educators with critical information about student progress and can be used to adjust the teacher's approach and the pace of instruction throughout the year. Formative assessments are often used as tools for uncovering opportunities for instructional intervention because they give teachers information about where additional practice and support may be needed. Research has shown that timely and specific feedback from formative assessments can enable teachers to make a significant impact on student learning.

In Formative Assessment in Seven Good Moves posted to the Association for Supervision and Curriculum Development (ASCD) website, Brent Duckor stated, "The research is clear: What teachers do in their classrooms matters. But which practices really make a difference?" John Hattie (2012) conducted an extensive meta-analysis, looking at 800 studies that focused on locating a specific student achievement outcome and identifying an influence on that outcome. Formative assessment topped his list of the most influential practices that improve student outcomes."

Additionally, teachers will spend several days of professional development, throughout the school year, learning how to look at and understand the data results. Teachers will use this data to drive instruction and identify at-risk students. Staff will meet regularly to evaluate students' progress and make changes as needed in the instructional program.

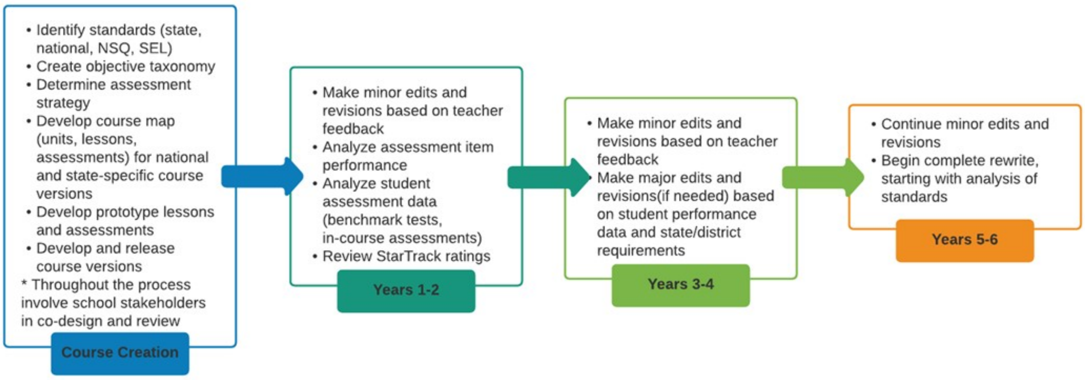
How Data Will Be Used to Improve the Curriculum Over Time

Input will be gathered on an ongoing basis from parents and students regarding the curriculum via StarTrack. A StarTrack box requesting text feedback and ratings on a five-star scale is embedded in virtually every lesson in the curriculum and on the home page for each Learning Coach. Data gathered from this feedback is examined carefully and acted upon by school staff. For the 2020-2021 school year, for example, 1,282,065 lesson ratings were submitted by currently enrolled students and parents attending schools using the Pearson curricular program, with an average rating of 4.3 out of five stars.

Pearson is constantly working on improving the Connections Academy curriculum. The most recent initiative has been enhancing student's learning with new courses developed using the latest research to deliver engaging and interactive instruction. Each new course meets state standards and presents the concepts and skills necessary for the subject. There are upgrades in both course content and the way students will interact with the material, including:

- Peer instruction videos that make lessons appealing (research shows that learning from a peer is more meaningful for students, making this a powerful and effective learning tool);
- Multiple ways to learn in each lesson, so students use various strategies to explore material and gain understanding; and
- Critical-thinking and problem-solving practice built into lessons.

In order to create and maintain quality curriculum, the curriculum follows a rigorous process for the creation of content. The average course has a six-year life cycle, and the following graphic shows the process of course creation, maintenance, and improvements during this time period.



Course Creation

- Identify standards (state, national, NSQ, SEL)
- Create objective taxonomy
- Determine assessment strategy
- Develop course map (units, lessons, assessments) for national and state-specific course versions
- Develop prototype lessons and assessments
- Develop and release course versions

* Throughout the process involve school stakeholders in co-design and review

Years 1-2

- Make minor edits and revisions based on teacher feedback
- Analyze assessment item performance
- Analyze student assessment data (benchmark tests, in-course assessments)
- Review StarTrack ratings

Years 3-4

- Make minor edits and revisions based on teacher feedback
- Make major edits and revisions(if needed) based on student performance data and state/district requirements

Years 5-6

- Continue minor edits and revisions
- Begin complete rewrite, starting with analysis of standards

The curriculum follows a consistent cycle of development, maintenance, and improvements.

Q159.Explain the policies and standards for promoting students, including students with special needs, from one grade level to the next. Discuss how and when promotion criteria will be communicated to parents and students.

Policies and Standards for Promoting Students

As described previously, student promotion will be a part of NC Connections' School Year Cycle Timeline. Starting each year in March, a Student End of Year Task Dataview (a report in the EMS) will open for all students in grades K-8. All NC Connections teachers will be able to review their homeroom students in grades K-7 to make an informed and comprehensive decision regarding promotion to the next grade level or retention in the current grade level for the following academic year. Based on the school's mission and vision, grade level retention for students is always the last resort and ongoing conversations will have already taken place throughout the school year, if a student is at risk for retention.

As teachers begin to review student data during the End-of-Year Promotion/Retention Process, they will use multiple data points to determine if a student has mastered the essential skills and standards of their grade level to be successful in the subsequent grade level. Some of these data point include, but are not limited to:

- Performance on State Assessments and Benchmarks – Do the Benchmarks demonstrate achievement and growth? To what extent?
- Performance Metric greater than 0.6 - The student's overall passing rates within each course, with an emphasis on their core courses of Math and Language Arts
- Attendance Metric greater than 0.7 and Participation Metric greater than 7 - Is the student actively engaged in the virtual setting? Are they participating in their coursework consistently so that there is enough time to master the skills and standards?
-
    - The attendance metric is set by the attendance hours that the parent logs for their student.
    - The participation metric tracks the number of lessons a student has completed in their courses compared to the number of expected lessons they should have completed at that point in the school year.
- Successful completion of 1st and 2nd semester Math and Language Arts
- Essentials Standards Tracker – Has the student demonstrated mastery of the standards
- Identified special needs – If a student has identified special needs, then they must be considered when making a decision about promotion to a grade level that will be most supportive of their individual learning and development. Conversations about special needs will include special education staff.
- Multi-Tiered Support System (MTSS) and Student Support Team (SST) – Has the student been receiving academic interventions? What does this data look like?
- Finally, in alignment with the school's beliefs, partnering with all adults in a child's life is an important part of supporting their development. Beyond the criteria already listed, information provided by parents, guardians, teachers, and other outside resources may be relevant data points to include when considering the decision about whether or not to promote a student.

While these are a majority of the data points used to determine if a student is ready for promotion into the next grade level, it is not an extensive list. There would need to be a holistic determination of that student's readiness to include—but not be limited to—academic mastery. Sometimes, it is the best decision for a specific student to promote them to the next level, even if they have not quite reached the desired level of mastery. If this promotion happens, all stakeholders, including the child's parents, will work with one another on a transition plan that outlines the supports, interventions, and specific areas of focus the student will need for the upcoming school year.

The following grading scale will be used for students in grades K-8. Students in Kindergarten will use a Satisfactory/Unsatisfactory Grade Scale, while students in Grades 1-8 will use the letter grading scale. Grades are only one piece of measuring student mastery, as teachers will be tracking the mastery of the essential skills and standards as well.

Grade	Grade %	Passing?
A	90-100%	Yes
B	80-89%	Yes
C	70-79%	Yes
D	60-69%	Yes
F	0-59%	No
Satisfactory	NA	Yes
Unsatisfactory	NA	No

High School students are awarded credit only for courses in which they have earned a grade of D (60%) or higher. This applies both to courses taken at NC Connections and at other schools. Courses required for graduation must be re-taken by the student if a grade of D (60%) or higher is not earned and re-taking such courses may delay the student's graduation. The school's grading scale is below. Semester and year-end GPA calculations will follow a four-point scale (below). Grade point averages will only include graded courses; pass/fail courses will not be averaged into a student's GPA. Grades for Honors courses are weighted with an additional .5 point, and Advanced Placement (AP) courses are weighted with one (1) extra grade point.

Grade	Grade %	Passing?	Non-Weighted	Weighted (Honors/AP)
A	90-100%	Yes	4.00	4.50/5.00
B	80-89%	Yes	3.00	3.50/4.00
C	70-79%	Yes	2.00	2.50/3.00
D	60-69%	Yes	1.00	1.50/2.00
F	0-59%	No	0.00	0.00

Connections Academy uses a standard whereby one credit equals approximately 180 hours of instruction (sometimes referred to as Carnegie Units). Students are required to be enrolled in a minimum of four instructional courses per semester in order to be considered full-time students. Instructional courses exclude extracurricular clubs and activities.

Policies and Standards for Promoting Students with Special Needs

NC Connections' goal will be for students with IEPs to graduate with a high school diploma. Students with Individualized Education Programs (IEP) will be expected to meet the promotion criteria aligned to each grade band as they will be provided with accommodations to reach the standards. Assistive Technology (AT) will also be provided according to student needs and evaluation data as determined by the IEP team. With support from Pearson, NC Connections will facilitate the provision of text-to-speech and speech-to-text software, screen readers, magnification software, etc., for students with disabilities as outlined in the IEP. In addition, supports for hearing impaired students include closed captioning or American Sign Language during LiveLesson sessions.

Special education direct services are provided in small group and one-on-one LiveLesson sessions. Services (when/where/how) are determined by the IEP team. The individualized focus of an online school, along with the small group or one-on-one learning environment, often has a positive impact on students' ability to participate in the general education environment. At least annually, and at each IEP team meeting, IEP teams will consider supplementary aids and services, accommodations, modifications, and Extended School Year (ESY) while ensuring the student is educated with nondisabled peers, to the maximum extent possible (LRE), and making expected gains on IEP goals. ESY services will be offered in accordance with federal and state special education regulations. Pearson support will be made available at any time school staff needs guidance on specific questions related to delivery of special education services.

The school will implement strategic initiatives with the goal of dropout prevention. These research-based practices, such as those cited by the National Dropout Prevention Center for Students with Disabilities, will include mentoring, attendance monitoring, supporting parents, and providing strong family and student engagement activities to help students with disabilities feel connected to their school. All efforts to support students' graduation plans will be documented as part of their transition plans on their IEPs.

NC Connections school leadership, supported by our partner Pearson, will closely monitor performance of students with an IEP or Section 504 plan using multiple data points. NC Connections students with IEPs or Section 504 plans in tested grade levels will participate in all state assessments as outlined in their IEPs or Section 504 plans. Additionally, all NC Connections students, including those with IEPs, will be administered benchmark assessments three times annually. Regular and systematic progress monitoring will occur, and a review of IEP goals will be conducted by special education teachers/case managers and NC Connections school leadership to determine if students' programming is appropriately ambitious and is designed to demonstrate progress. When necessary, adjustments to individual students' programming will be made to improve students' outcomes.

In addition, the EMS provides a repository for students' required state testing accommodations. A list of students requiring accommodations, with their specific accommodation details, will be provided to trained proctors located at each testing location. All accommodations accessed will be logged in each student's log. NC Connections will ensure the testing site can meet the accommodations and that enough staff is scheduled at each site to provide the accommodations.

Any test administrator who proctors state assessments to students with IEPs or Section 504 plans will be trained on how to administer the test and provide accommodations. Additionally, the school will implement students' IEP or Section 504 accommodations at the testing site.

Also, parents of students with IEPs or Section 504 plans will be provided additional information and consultation prior to any standardized testing, as needed, to ensure students are comfortable with the testing situation and proctor.

How and When Promotion Criteria Will Be Communicated to Parents and Students

The school handbook will contain all policies and standards for promotion criteria. Expectations and procedures for promotion and attendance will be documented in the school handbook, alongside the state requirements for weekly and annual hours of instruction. Parents review the policies in the handbook when completing enrollment. In addition, promotion criteria and attendance procedures will be addressed in trainings for all stakeholders (Learning Coaches, students, teachers, and administrators). The school handbook is available 24/7 in the EMS in the Virtual Library.

Q160. Provide the public charter school's exit standards for graduating **ALL** students. These standards should set forth what students in the **last grade served** will know and be able to do. Be sure to include plans for students at risk of dropping out.

NC Connections will meet Future-Ready Core requirements, including having high school students meet minimum state graduation requirements to earn a diploma and graduate. All students must earn at least 22 credits in the Future-Ready Course of Study to graduate from high school. Below are the specific course requirements that NC Connections will follow, per North Carolina Department of Public Instruction.[1]

Students entering ninth grade for the first time in 2021-2022 or afterwards must pass the following courses and earn at least 22 credits:

Four sequential English credits:

1. English I
2. English II
3. English III
4. English IV

Four Mathematics credits:

1. NC Math 1, 2, and 3 and a fourth mathematics course to be aligned with the student's post high school plans
2. In the rare instance a principal exempts a student from the Future-Ready Core mathematics sequence, except as limited by N.C.G.S. §115C-81(b), the student will be required to pass: NC Math 1 and Math 2 plus two additional courses identified on the NC DPI Math options chart.

Note: Credit shall be awarded for Math I, II, III if taken prior to the 2016-17 school year.

Three Science credits:

1. a physical science course
2. Biology
3. an earth/environmental science course

Four Social Studies credits:

1. Founding Principles of the United States of America and North Carolina: Civic Literacy
2. Economics and Personal Finance
3. American History
4. World History

One Health and Physical Education credit:

1. Students are required to successfully complete CPR instruction to meet Healthful Living Essential Standards as a requirement for high school graduation.
2. Accommodations/alternative assessments for students identified by ADA or IDEA will be provided.

Two Elective credits of any combination from either:

1. Career and Technical Education (CTE) or
2. Arts Education or
3. World Language

Note: For clarification, possible elective combinations may include 2 World Language credits; or 1 CTE credit and 1 Arts Education credit; or 2 CTE credits; or 1 Arts Education credit and 1 World Language credit; or other combinations from a, b and c.

Four Elective credits from the following (four-course concentration recommended):

1. Career and Technical Education (CTE)
2. ROTC
3. Arts Education (e.g., dance, music, theater arts, visual arts)
4. Any other subject area or cross-disciplinary courses (e.g., mathematics, science, social studies, English and dual enrollment courses)

NOTE: Beginning in fall 2022, students entering Grade 6 and subsequently entering Grade 9 for the first time in 2025-26 shall have at least one arts education course in grades 6-12.

Students must complete the standard course of study (no local electives) for a given arts education course in its entirety to satisfy this requirement. After-school activities or partial courses do not fulfill this graduation requirement.

Students who transfer into a public school unit beginning in the ninth grade or later may be exempt, if such a requirement would prevent a student from graduating with the graduation cohort to which the student was assigned when transferring.

Plans for Students At Risk of Dropping Out

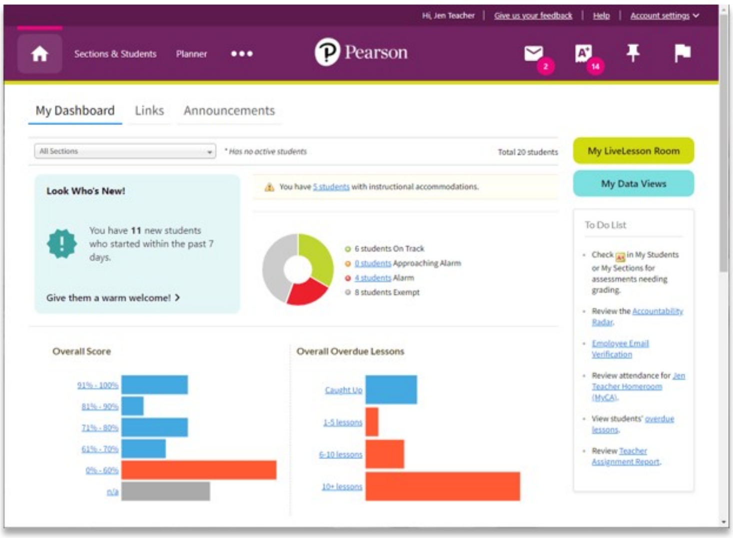
Student data such as lesson completion, attendance and formative assessments will be used to identify students at-risk of dropping out and/or not meeting graduation requirements. Formative assessments are embedded throughout the curriculum and include quizzes, curriculum-based assessments (CBAs), portfolios, quick checks, and unit tests to assess skills and standards. Teachers will engage with students, individualizing instruction and interventions to ensure that each student's learning needs are being met, which is a key component of the school's educational philosophy.

Enrolled students are always in one of three escalation statuses:

1. On-Track
2. Approaching Alarm
3. Alarm

These statuses are displayed by student names on the teacher homepage for fast identification of students who may be struggling. Students and their Learning Coaches will also see these statuses on their homepage. Escalation status is based on several criteria and is a combination of measures that indicate if a student is demonstrating adequate participation and therefore attendance in the program. This not only includes the actual attendance, but also lesson and assignment completion rates, and the amount of student communication with the teacher. Therefore, if a student's work completion rates are not on track or if they fail to communicate on a regular basis with the teacher, they will be placed into an escalated (Approaching Alarm or Alarm) status. Teachers will then reach out to the family, schedule one-on-one LiveLesson sessions with the student, or provide supplemental support to help the identified student. The school will also work with the family and student to help get the student's attendance back on track if attendance is a factor in the status indicators.

The Teacher Homepage enables teachers to easily identify students who may be struggling academically:



* Has no active students

Total 20 students

You have 5 students with instructional accommodations.

Look Who's New!

You have **11** new students who started within the past 7 days.

Give them a warm welcome!

6 students On Track
0 students Approaching Alarm
4 students Alarm
8 students Exempt

To Do List

- Check in My Students or My Sections for assessments needing grading.
- Review the Accountability Radar.
- Employee Email Verification
- Review attendance for Jen Teacher Homeroom (MyCA).
- View students' overdue lessons.
- Review Teacher Assignment Report.

NC Connections will also have a Student Support Team (SST) that utilizes the Multi-tiered System of Supports (MTSS) Framework, which ensures individual students receive the academic and behavioral support they need. Students who need support beyond the core curriculum with differentiation (Tier I) receive targeted intervention via the supplemental instructional programs in Tier II, and Tier III. Students' responses to interventions are monitored, and adjustments to the type and intensity of support are made as needed. This MTSS process is facilitated by data from the EMS to help identify students' instructional needs that may require intervention. The process of identifying student intervention needs, assigning interventions, tracking their success, and communicating with parents, is ongoing. All efforts are made to meet each student's needs within the general education program.

In addition, intervention Indicators are displayed in the EMS to facilitate a teacher's identification of students who may need additional instruction or intervention in math, reading, or both. Teachers can also run performance reports through the EMS. This method accomplishes the following:

- Enhances the multitiered instruction model;
- Provides a multi-tiered system of support model;
- Provides access to and analysis of real-time data to determine mastery/proficiency;
- Incorporates data-driven decisions throughout instruction;
- Maximizes use of the instructional support programs, resources, and data;
- Identifies the need for tiered interventions for non-mastered/proficient skills and standards; and
- Identifies students' response to the implemented interventions.

As student performance data becomes available, analysis will be performed using current and prior data to identify trends for each performance indicator. Once performance trends are identified, they will be reviewed to determine if any trends are considered “challenges.” Trends and priority performance challenges will be captured. NC Connections staff will analyze root causes and set performance targets, improvement strategies, and interim measures and benchmarks.

Teachers will use a variety of resources and strategies for instruction and behavior to enhance and extend learning through differentiated and personalized instruction. These instructional tools also allow teachers to fill in skill gaps and extend learning while providing additional evaluative data on student achievement. Differentiation involves thoughtful planning for the following: instructional design used to deliver content to students; lesson content used to support and extend concepts and skills; instructional practice used to provide targeted instruction and actively engage students; assessments used to evaluate student learning; insightful best-practice for engaging in an online classroom, and instructional and behavioral activities to meet the needs of individual and small groups of students. When Tier I differentiation strategies fail to produce adequate progress, Tier II intervention is considered.

Tier II instructional and behavioral support can use many of the same instructional strategies and/or research-based programs that were used for differentiation as part of Tier I; however, it is the increase in the frequency and intensity of use that defines the intervention as Tier II. Tier II intervention is explicit, systematic, and targeted to the greatest area of student learning needs. Supplemental programs provide teachers with reports for progress monitoring that can be uploaded to the EMS to ensure all student performance data is in one place. Tier II instructional support will be provided two to three times a week for 20–30 minutes per session. Teachers will use the student's log to document student performance and response to the instructional intervention every two weeks.

Tier III interventions are facilitated and monitored by the general education teacher who increases the occurrence of synchronous direct instruction using LiveLesson sessions as well as implements other instructional strategies and research-based programs that are explicit, systematic, and targeted to specific student learning needs. Students participating in the Tier III level of intervention will receive targeted instruction that is live and teacher driven for four to five days a week in order to focus more intensively on skill deficits and areas of concern. Through Tier III interventions, students may be assigned a personalized course of study that allows for increased learning time in their areas of academic or behavioral need. Teachers will use the student's log to document student performance and response to the intervention every week.

[1] https://www.dpi.nc.gov/districts-schools/high-school-graduation-requirements#Future-ReadyCourseofStudy22creditsStudentsenteringGrade9in2021-2022andbeyond-1951

10.5. School Culture and Discipline

Q161.Describe the culture or ethos of the proposed school. Explain how it will promote a positive academic environment and reinforce student intellectual and social development.

School Culture

NC Connections' culture is based on its mission: to help students meet performance standards and maximize their potential through an individualized learning program. The school's tailored approach prepares students of all abilities to succeed in school and life. NC Connections is dedicated to providing a high quality, full-time virtual option to children of all backgrounds. Students whose instructional needs will be effectively met by NC Connections include students whose families seek direct involvement in their education; students who are medically homebound due to illness or disability; exceptional students who are far ahead of or far behind their peers in school; students pursuing artistic or athletic careers; students who require a flexible school schedule; students in group homes or institutions; students who have been bullied; and students at risk of academic failure, who may particularly benefit from intensive, personalized instruction.

NC Connections will serve students throughout North Carolina eligible to enroll under North Carolina law, including general education students, students with special needs, students academically behind at least one grade, at-risk students, accelerated learners, and Multi-lingual learners. It is anticipated that the school will serve highly mobile students, students who are interested in college and career readiness, and will help students be successful during the time period that a full-time virtual school is needed.

NC Connections' program offers students the chance to build their individual strengths and interests in a familiar and safe setting while still connected to a larger learning community. Students learn best when lessons match their interests and abilities. Access to a wide variety of courses, some of which are not offered in many traditional schools, provides students with an opportunity to explore their interests and enhance their abilities. Here are a few of the driving forces behind our unique culture and what makes our virtual online school stand out:

- Individualized Learning – Each student has unique abilities and performs better when receiving individualized attention in a nurturing learning environment. Teachers identify individual students' interests, learning preferences, and skills and encourage personal development, giving each student the best opportunity to succeed. An individualized learning approach means that students can accelerate their pace on material they grasp easily and receive extra attention in areas of weakness.
- Parent-Supported Learning – A parent, guardian, or other responsible adult serves as their student's virtual school Learning Coach, choosing to be closely involved in their child's daily education and take on an active role in supporting and encouraging their child. The Learning Coach is supported with resources and training to encourage caregivers in the learning process.
- Easy-to-Use Technology – Through an intuitive EMS, parents/guardians and students can easily access curriculum, review grades, and complete lessons. The EMS is user-friendly and provides students with access to a collaborative learning experience anywhere they can connect to the Internet.
- Socialization and Community – LiveLesson®, a real-time, interactive web-conferencing tool, allows students to meet regularly in a virtual setting and gives classmates the opportunity to share ideas, compare experiences, and have fun learning together. Students can also meet others with similar interests through online clubs and activities. NC Connections will also offer in-person gatherings, activities, and field trips so that students have a chance to interact outside of the virtual classroom.
- A College and Career & Technical Education Focus – The school will offer a program designed to increase employment opportunities and/or college readiness for its students. NC Connections will leverage partnerships with Coursera, the global online learning platform; Acadeum, the largest course sharing network in higher education; e-Dynamic Learning, a provider of career technical education; and Credly, a global leader in digital credentialing.
- High-Quality Curriculum – Our curriculum and instruction meet standards at the state and national level while also integrating the best materials, texts, and resources available.
- Exceptional Teachers – Our dedicated teachers are at the foundation of the school experience. Teachers are certified in North Carolina and are trained to excel in online teaching. Students have opportunities to work 1:1 with teachers for personalized instruction.

Through this unique new school, students who need a high-quality, proven public school model from home or on the road will be able to access a whole-school experience with North Carolina-certified teachers and specialized supports for all learners.

Promoting a Positive Academic Environment

NC Connections will promote a positive academic environment as well as reinforce student intellectual and social development through tailored academic courses and programs that promote socialization such as physical education, field trips, and clubs and activities.

NC Connections will provide a safe, positive, productive, and nurturing educational environment for all of its students, and convey this commitment through its written policies and its collaboratively developed school culture. The Board believes that:

- Every student deserves and is capable of both academic and emotional success.
- Students perform best when they have some control over the time, place, path and/or pace of their learning.
- Technology facilitates personalized learning and constructive engagement with others.

The school culture embodies these values by providing students with everything they need to thrive: top-quality curriculum; specially trained, highly qualified teachers; and real connections linking school, family, and community. The Board and school administration respect and have high expectations for a diverse student body and staff.

Clubs and Activities

To further develop a positive academic environment, NC Connections will offer students access to student-to-student interactions through a Global Clubs and Activities program. As an integral part of NC Connections' proposed academic program, students will be offered access to a wide range of nationally facilitated virtual clubs and special events throughout the school year. Clubs are co-curricular and teacher facilitated. Clubs and activities are facilitated by local school staff, national school staff, or other certified staff f depending upon the club. Participation in these online clubs and activities enhances students' feeling of connectedness, provides socialization opportunities, and improves academic achievement and school retention rates. All clubs and activities are non-credit and have no impact on student grades. Clubs require caretaker sign-ups and last throughout most of the school year. Single-occurrence Pop Up Events that range in subject matter with no sign-up required are offered about ten times a month from October to May.

The following provides a sampling* of some of the clubs the school plans to offer during the 2026-27 school year, though specific clubs do change from school year to school year based on analyzing student interest and feedback:

- Art Club is designed to spark a student's creativity by exploring two-dimensional and three-dimensional art, photography, and graphic design through techniques and styles associated with each medium. Students have the opportunity to create original designs and artwork, share their artwork with peers, learn about appropriate critique guidelines, and provide feedback to other club members. (Grades: 6-12)
- Arts and Crafts encourages students to create crafts using materials found at home and in nature. Through the topics of culture, science, and math, students work on projects from the course as well as monthly special craft challenges. (Grades: K-5)
- Chess Clubs: Introduction and Advanced members learn, socialize, and play in an atmosphere of friendly competition using an exclusive gaming site. After completing a tutorial, students are matched with competitors of the same skill level, and the online games begin. There are also monthly presentations by a Grandmaster in the advanced club, and an end-of-year tournament for all skill levels. (Grades: K-12)
- Conversation Corner is a supportive community for students with diverse learning styles and speaking proficiencies. Students form an inclusive, safe, structured environment for all learners and beautiful brains to communicate on microphone during live sessions and discussion areas. Connections are made through shared experiences, facilitated by speech language pathologists. (Grades: 6-12)
- Debate Club members learn best practices and put them into practice during LiveLesson sessions. Members learn the art of public speaking and critical thinking while working in collaborative teams. Research, reasoning, and understanding opposing perspectives form the foundation for real time debates. (Grades: 6-12)
- Drama Club members participate in several aspects of theater, including history, performance, stage management, and different themes. Students can share their activities from the club course and participate in acting exercises during biweekly LiveLesson sessions. Students can also collaborate on the Message Boards to create projects and perform together.
- E-sports Team members participate in monthly LiveLesson sessions to enjoy interactive lessons in the surprising history, impressive present, and exciting future of E-sports. Students will also have the opportunity to get involved in E-sports League tournaments throughout the year where featured games are Rocket League (6-12), and Valorant (9-12 with caretaker approval), in addition to learning about marketing, shoutcasting, and other roles related to E-sports. Members are not required to play the game. (Grades: 6-8 & 9-12)
- Gaming and Technology Clubs allow students who have an affinity for technology and gaming to explore and discuss gaming styles and genres, careers in the gaming and technology industry, and share their original work in LiveLesson sessions. Individual and collaborative projects may include creating elements of video games and investigating Internet safety and online threats. (Grades: K-5 & 6-12)
- Global Trek members are immersed in tips for traveling to all the continents of the world, including the culture and geography of different countries. Students can share their activities from the club course during biweekly LiveLesson sessions, and they can also collaborate on the Message Boards to discuss traveling and opening their world to new experiences and cultures. (Grades: 6-12)
- Kindness Club members inspire each other to build up online students from around the country and world, and complete regular challenges to scatter kindness throughout their communities. (Grades: K-5)
- Leadership Club members learn valuable leadership skills through monthly LiveLesson sessions. They also put their new skills to good use through special opportunities as student leaders. Students who complete enough activities can earn a Leadership Certificate. (Grades 6-12)
- Movement Club is for students who want to get a workout in between classes and after completing their schoolwork. Students explore and share different techniques to promote movement through an active Message Board and LiveLesson sessions. (Grades: K-12)
- Science Sleuths members put on their raincoats and investigate weather's wild side, with a focus on the weirder side of science by following along with fun, hands-on activities from the club course that will leave them scratching their heads! Club members can also collaborate through discussions and sharing experiment results on the message boards. (Grades: K-5)

- Writers' Oasis provides a virtual environment where students can work collaboratively and individually to write original stories and poetry in all genres of fiction and non-fiction, and publish work on *The Monitor* Students will be provided the opportunity to share their writing and favorite books during LiveLesson sessions. Students can use the Message Boards to offer insight on student writing samples, create collaborative stories, and discuss various literary works or authors. (Grades: 6-12)

The following provides a sampling* of some of the Pop Up Events that NC Connections plans to offer during the 2026-27 school year, though specific events vary from school year to school year based on analyzing student interest and feedback:

- Amazing Animal Migrations, K-12
- Amazing Machines, K-12
- Back to School Kickoff, K-12
- Bring Your Pet to School, K-12
- Clubs & Activities Pep Rallies, K-12
- Celebrating Language and Culture Series, K-12
- Celebrating Percussion Instruments All Around the World, K-12
- Debt-free Degree, 6-12
- Elementary Storytelling Series, K-5
- Fashion: What Does it Mean to You? K-12
- Glow in the Dark Science: All About Bioluminescence, K-12
- Gross Science, K-12
- Hour of Code, K-12
- May the Fourth Be With You: Star Wars Pop Up, K-12
- Money Smarts, 6-12
- Mysteries of Math, K-12
- Photography Showcase, K-12
- Pride Snack & Chat
- Rescued Animals Virtual Field Trip
- Snack & Chats
- STEAM Pop Ups
- Talent Show
- Virtual Art Field Trip
- What's Cooking?
- Yarn Enthusiasts
- Young Leaders

*Specific club and pop-up offerings are subject to change.

Field Trips

Students and families at NC Connections will benefit from educational, face-to-face field trips to provide opportunities for students to interact face to face. School staff members, in coordination with parent volunteers, will facilitate enriching in-person community activities and field trips to round out the comprehensive learning experience. Pending local health conditions and state/local regulations, students will have the opportunity to participate in regular field trips and outings to various regional areas. The school will offer a wide range of field trips. Field trips provide students with additional opportunities to socialize with their peers and are designed to help both students and Learning Coaches connect to their school and to each other. Students may go on trips to museums, farms, science centers, cultural centers, and unique experiential learning opportunities throughout the region. Families may attend and participate in Learning Events with their student and may also suggest potential field trip locations to the school.

Students will have the opportunity to participate in regular field trips and outings facilitated by school staff and Community Coordinators – parent volunteers whom NC Connections supports in organizing such activities for families who live nearby. Field trips may include visits to the following (note, this is a sample list only and final field trip locations will be chosen based on geographic locations of students and alignment to academic objectives):

- North Carolina Zoo
- Wright Brothers National Memorial
- Museum of Life and Science
- North Carolina Museum of Natural History
- North Carolina Museum of Art
- Catawba Science Center
- Battleship North Carolina
- International Civil Rights Center & Museum
- Chimney Rock State Park
- Grandfather Mountain
- Greensboro Science Center
- Discovery Place Science Museum
- Marbles Kids Museum

The flexibility of NC Connections' program allows for extracurricular activities; current students in online schools are participating in Olympic-level sports, professional acting, pageants, and other community-based activities. Students with an IEP or Section 504 Plan will be provided necessary accommodations services to participate in field trips. The school will ensure that opportunities are provided throughout the state to ensure that all students have the ability to attend field trips in their regional area.

Q162. **Explain how you will create and implement this culture for students, teachers, administrators, and parents starting from the first day of school. Describe the plan for acculturating students who enter the school mid-year.**

The school will create and implement its culture for students, teachers, administrators, and parents starting from the first day of school through the following means:

- Individualized learning opportunities and pacing, accommodating a range of learning preferences, balanced with optimum interaction;
- High-quality teacher-student interaction and individualized teacher attention;
- Online courses that comply with state standards, include active learning elements, and provide instructional differentiation, including textual, visual, auditory and hands-on;
- An environment that is free of distractions, with access to content 24/7;
- Flexibility for scheduling, allowing students to learn when they learn best;
- An environment that is safe for students who have been bullied in brick-and-mortar settings, have health conditions, or have immunocompromised family members; and
- A continuity of learning every day, without interruption, at home.

Student connections and a healthy school culture begin with outreach to students and families prior to the start of the school year by dedicated Engagement Specialists on the enrollment team. This welcome team contacts families to speak with them about the school, answer questions they may have, and help guide them through the next steps. Students will also have an opportunity to complete a brief “About Me” form at enrollment that will allow them to share interests and learning preferences with school staff prior to the start of the year. The school will offer an annual student orientation course for all students enrolled in the school and their Caretakers to complete together. Teachers can also direct students to Global Clubs and Activities as a way to link student interests with similar-minded students.

Teachers and school staff will connect with students and families via early welcome calls to acclimate the whole family to their new school’s culture and to provide an opportunity to get to know one another. During this welcome call, teachers will talk to the student and parent or guardian and prepare them for the first day of school and also reference the information the student provided in the About Me form to ensure the student feels known.

To ensure that contacts and onboarding have been successful, students can complete a brief check-in at the 3-week mark to alert teachers, counselors, and other school staff about students needing additional support with connecting to teachers and peers and navigating the learning environment. NC Connections leaders will track welcome calls as well as student responses to the check-in. Teachers receive an interactive digital resource outlining evidence-based practices and providing resources to set students up for success.

While full-time virtual schools are not the answer for every student, they are an important solution for a growing number of students and families in the state of North Carolina. With the establishment of this school, we will be able to help nontraditional students in North Carolina maximize their potential and meet the highest performance standards.

Acculturing Students Entering Mid-Year

These methods also apply for acculturating students who enter the school mid-year. These students will also have the opportunity to complete a brief “About Me” form at enrollment that will allow them to share interests and learning preferences with school staff prior to starting. New students and their Caretakers will also be able to take the annual student orientation course. Teachers can also direct these new students to Global Clubs and Activities as a way to link student interests with similar-minded students.

Teachers and school staff will connect with these new students and families via welcome calls to acclimate the whole family to their new school’s culture and to provide an opportunity to get to know one another. To ensure that contacts and onboarding have been successful, these new students can also complete a brief check-in at the 3-week mark to alert teachers, counselors, and other school staff about students needing additional support with connecting to teachers and peers and navigating the learning environment. For students who enter mid-year, teachers can meet with the student and assess where they are in the curriculum so that they may skip ahead to catch up with their cohort or the teachers may determine that the student has areas of weakness that need to be mastered before moving ahead.

Q163.Provide a brief narrative that delineates how student conduct will be governed at the proposed charter school and how this plan aligns with the overall mission and proposed Education Plan of the charter school. Be sure to include:
1. Practices the school will use to promote effective discipline.
2. A preliminary list and definitions of the offenses which may result in suspension or expulsion of students.
3. An explanation of how the school will take into account the rights of students with disabilities in regard to these actions that may or must lead to suspension and expulsion.
4. Policies and procedures disseminating due process rights, including grievance procedures, for when a student is suspended or expelled.

1. **Practices to Promote Effective Discipline**

NC Connections is committed to providing a safe, positive, productive, and nurturing educational environment for all its students, and will convey this commitment through its written policies in the form of the School Handbook, which all students will review as part of the enrollment process, and its collaboratively developed school culture. The School Handbook will include a clear and fair set of roles and responsibilities for students, Learning Coaches, and school staff that complies with the students' due process rights and aligns with the school's mission.

Appropriate conduct will be expected of all students. As a personalized, high-expectation online school, NC Connections anticipates being able to effectively manage student discipline issues. The expectations for student conduct will be explained in the handbook and will include steps to be followed in the event of a policy violation. The school will follow formal due process procedures to manage the discipline of students. In addition, the online curriculum will allow the school to minimize academic interruptions caused by suspensions; students may be expected to work regardless of their disciplinary status.

NC Connections will regard academic honesty as key to its mission, and will expect all stakeholders to understand that cheating, plagiarizing, or other acts of academic dishonesty are directly counter to the principles of academic excellence and harm most those students who engage in such activities. By engaging in academic misconduct, students cheat themselves of the opportunity to fully develop their intellectual abilities. As part of the school start-up tasks, all students will be required to sign the Honor Code indicating their understanding of the expectations of academic honesty. It will be expected that students will adhere to the Honor Code throughout the school year, and that all schoolwork submitted to meet course or class requirements represents the original work of the student. The Honor Code will serve to reinforce students' commitment to academic excellence and integrity. Students and parents suspected of inappropriate academic behavior will be confronted immediately and subjected to standard disciplinary action as described in the handbook.

1. **Offenses That May Result in Suspension or Expulsion of Students**

All students enrolled in NC Connections will be expected to conduct themselves in accordance with the rules for the school. Caretakers and Learning Coaches are expected to cooperate with the school staff in helping students to maintain this conduct. The school will make efforts to keep students aligned to the code of conduct through conferences, counseling, peer mediation, behavior modification contracts, community service and any other tool available to avoid an interruption in learning. If pre-interventions fail, the student will be subject to the disciplinary procedures as outlined below.

Student codes of conduct will be set forth in the School Handbook. Students are guaranteed due process of law as required by the 14th Amendment to the Constitution. The school will abide by all federal, state, and local policies and guidelines for Discipline and Due Process for Students and shall not impose requirements or consequences that are inconsistent with these policies and guidelines.

There are three levels of disciplinary measures utilized by the school: 1) Warning, 2) Suspension, and 3) Expulsion. Each level has associated conduct breach definitions and corresponding disciplinary actions that may occur.

A. Warning

Students who receive warnings from the school will have a formal conference (via phone, video conference, or in person) with their Caretaker(s) and the school administrator(s), and the incident will be formally documented in writing and will become part of the student's permanent record. The student will not have a disruption in schooling and will not be removed from the class (the EMS). Warnings are issued when a student demonstrates a breach of expected conduct, but not as serious as those listed under the suspension and/or expulsion categories below.

B. Suspension

When a student is suspended, he or she is temporarily removed from class (the EMS) and all school-sponsored programs or activities. The length of a suspension is determined by the school administrator (up to 10 days at a time). A suspension will be documented in writing and will become part of a student's permanent record. Students will have the opportunity to make up missed lessons during suspension and have the opportunity to take any examinations missed during their suspension period. Additionally, the school days missed as a result of an out-of-school suspension will not be counted as unexcused for the purpose of determining truancy.

During a period of suspension as defined by the School Leader, a student's permission to log on to and/or use parts of the EMS will be restricted. Student access to WebMail, the message boards, online clubs/ activities, and/or all of EMS may be revoked. In such cases where the student's access is completely revoked, the Learning Coach will be responsible for logging on to the EMS and obtaining the student's assignments, responding to WebMail, and recording assessment responses for the student. The student should continue with his or her schoolwork during a suspension.

A student may not be suspended if they are absent while undergoing a health assessment. Depending on severity, violations that may lead to suspension include, but are not limited to, the following breaches of conduct:

- *Cheating on tests or daily work:* Students are prohibited from copying, using another's work, and representing it as their own (for example, students transmitting their work electronically for another student's use), or providing other students with test answers, answer keys, or otherwise using unauthorized materials in an assignment or assessment situation.
- *Unauthorized sharing of School Resources:* Students are prohibited from sharing/posting answers, sample work, test questions, on any electronic platforms without the specific authorization of a teacher/ school personnel.
- *Plagiarism*: Students are prohibited from using another person's words, products, or ideas without proper acknowledgement of the original work with the intention of passing it off as his or her Plagiarism may occur deliberately (with the intention to deceive) or accidentally (due to poor referencing). It includes copying material from a book, copying and pasting information from the Internet, and getting family or friends to help with coursework.
- *Abusive conduct:* Students are prohibited from using abusive language or engaging in abusive conduct in the presence of others either in person or electronically/virtually.
- *Bullying*: Students are prohibited from engaging in negative actions against another student or school personnel in an attempt to exercise control over him or her.
- *Harassment and Intimidation:* Harassment and intimidation are strictly prohibited. Harassment and intimidation includes any gesture or written, verbal, or physical act, motivated by any actual or perceived characteristic including race, color, ethnicity, religion, gender, sexual orientation, ancestry, national origin, physical attributes, socioeconomic status, physical or mental ability or disability, or by any other distinguishing characteristic, that takes place on school property, within the learning management system or at any school-related functions or activities and that: 1) A reasonable person should know, under the circumstances, will harm a student or school staff member or will damage their property, 2) Substantially interferes with a student's educational performance, or school staff member's work performance, or a student's or staff opportunities or benefits, 3) Has a negative impact on a student's or school staff member's emotional or psychological well-being; insults or demeans any student or school staff as to cause substantial disruption in, or interference with, the orderly operation of the school.
- *Damage, Destruction, or Misuse of School Property or Equipment:* Students are prohibited from intentionally damaging or destroying school This prohibited behavior includes the alteration/misuse of technology or any other equipment hardware or software or school website/page, or the engagement in computer and/or learning management system trespass. In these instances, the school reserves the right to contact the proper law enforcement agency(ies).
- *Theft and robbery*: A student who takes money or other property (physical or electronic) with the intent to deprive another person or the school of that property, through threats or the use of force or violence is considered a serious breach of conduct. In these instances, the school reserves the right to contact the proper law enforcement agency.
- *Sexual harassment*: A student is strictly prohibited from subjecting another student to any unwelcome sexual advances including verbal harassment, unwelcome or inappropriate touching, or suggestions, requests, or demands for sexual favors.
- *Violation of acceptable use policy*: Students who violate the acceptable use policy may receive disciplinary action up to and including Violations include students logging on as a Learning Coach or parent/legal guardian/caretaker.
- *Repeated violation* of any disciplinary

NC Connections is committed to providing a safe, positive, productive, and nurturing educational environment for all students and encourages the promotion of positive interpersonal relations among members of the school community.

Harassment, intimidation, bullying, cyber-bullying, name-calling, taunting, making threats, sexting, and/or hazing toward any member of the school community, whether by or toward any student, staff, Learning Coach, Caretaker, or other third parties, is strictly prohibited and will not be tolerated. Any Caretakers, Learning Coaches, or people with access to the learning management system are expected to follow the policies outlined in the code of conduct.

The school has the right to limit a Caretaker's and/or Learning Coach's access if they violate the harassment policy.

C. Expulsion

When a student is expelled, he or she is separated from the school for an extended period of time, or permanently, for disciplinary reasons. An expulsion will be documented in writing and will become part of a student's permanent record.

Violations that may lead to expulsion include, but are not limited to, any behavior that indicates that a student is a serious threat to the safety of others or a threat that substantially disrupts the educational environment. The most serious violations include possession of firearms, dangerous weapons, bombs, or explosives, criminal behavior, arson, under the influence of or possession of, or sale of controlled substances or paraphernalia. Suspensions or expulsions for children designated as exceptional follow all appropriate state and federal policies, regulations, and laws.

The school will not utilize corporal punishment as a response to any code of conduct violation(s).

1. **Rights of Students with Disabilities**

For those students with disabilities under the Individuals with Disabilities Education Act (IDEA) and the Rehabilitation Act of 1973, the disciplinary procedures required by the IDEA will be followed. In the event a student has disabilities under both Section 504 and the IDEA, both policies shall be followed in determining appropriate disciplinary actions.

If a student with a disability violates a code of conduct, they will be disciplined according to the discipline measures described above for up to 10 days. Upon subsequent violations that result in suspensions that exceed 10 days, the school will determine if the behavior manifested from the student's disability.

If the school determines that the violation is not a manifestation of the student's disability, the school will apply the discipline procedures to the student in the same manner and for the same duration as the procedures would be applied to students without disabilities. However, if it is determined that the violation manifested from the student's disability, the school will conduct a functional behavior assessment and develop a behavior plan to address the behavior violation so that it does not recur.

The parent of a child with a disability may file a due process complaint to request a due process hearing if they disagree with any decision regarding placement made under these discipline provisions or the manifestation determination.

The school may file a due process complaint to request a due process hearing if it believes that maintaining the current placement of the child is substantially likely to result in injury to the child or to others.

The hearing officer may:

- Return the child with a disability to the placement from which the child was removed if the hearing officer determines that the removal was a violation of the requirements described under the heading Authority of School Personnel, or that the child's behavior was a manifestation of the child's disability; or
- Order a change of placement of the child with a disability to an appropriate interim alternative educational setting for not more than 45 school days if the hearing officer determines that maintaining the current placement of the child is substantially likely to result in injury to the child or to others.

These hearing procedures may be repeated, if NC Connections believes that returning the child to the original placement is substantially likely to result in injury to the child or to others.

When the parent or NC Connections has filed a due process complaint related to disciplinary matters, the child must (unless the parent and the Department of Education or the School agree otherwise) remain in the interim alternative educational setting pending the decision of the hearing officer, or until the expiration of the time period of removal as provided for and described under the heading Authority of School Personnel, whichever occurs first.

1. **Policies and Procedures Disseminating Due Process Rights**

The student will be provided with all due process as required by law.

The following actions will be conducted by the school, per each of the disciplinary measures as outlined below:

Suspension (up to 10 days)

An informal hearing will be convened with the student, Caretaker, School Leader, and other staff members as appropriate. The School Leader will provide notice to the student and Caretaker of the allegations and an explanation of the evidence that supports the allegations orally or in writing to best achieve actual notice (via phone, email, or certified mail). Notice must provide the reason for suspension and a description of the conduct violation and will be provided by the end of the workday in which the suspension starts. The conference will be scheduled as soon as notice is provided. The student will be given an opportunity to present his or her version of the incident. If the School Leader determines that the incident(s) justifies suspension, written notice will be provided to the student and their Caretaker.

In extreme conduct violations, the School Leader may suspend a student without notice if the student is disrupting/interfering other students from accessing the academic program or if the health and safety of other students is at risk. In this instance, an informal hearing will occur as soon as practicable.

The decision of the School Leader is final and may not be appealed.

Long-Term Suspension or an Expulsion

If the School Leader determines that a student's conduct may warrant expulsion, the School Leader will provide written notice to the Caretaker of the student of their determination and the student's right to a formal disciplinary hearing. Such notice will be provided by the end of the workday of the start of the expulsion and shall include:

- A description of the violation
- A reference to the Code of Conduct that identifies alleged violation
- The process and timing which the Caretaker may request a hearing
- The process which a hearing will be held
- Notice that the Caretaker may retain an attorney or an advocate to represent their student
- Notice that the Caretaker has the right to review/obtain copies of the student's educational records prior to the hearing
- A reference to the policy on expungement of discipline records

If a timely request for a hearing is made, it shall be held prior to the disposition of the suspension.

A student or Caretaker may decline a hearing.

Disciplinary Hearing

NC Connections will provide a hearing officer to lead the disciplinary hearing process. The hearing officer and any members of the disciplinary hearing panel will: 1) be in good standing with the State Bar of North Carolina; 2) have experience as a teacher, counselor, or administrator in a public school system; or 3) be actively serving as a hearing officer under an existing contract/agreement with a North Carolina school system.

At this disciplinary hearing, the allegations and supporting evidence will be reviewed. The student shall have the right to present his or her version of the incident(s) in -person, call and question witnesses, cross-examine witnesses, be represented by counsel or hearing non-attorney advocate, review recordings (if any) or evidence of the incident to be presented, present evidence on their own behalf, the right to have a record made of the hearing, the right to make their own audio recording of the hearing, and the right to a written decision upholding, modifying, or rejecting the recommendation of suspension by the panel. The School Leader will then make a recommendation to the Board based on the panel's findings regarding long-term suspension, expulsion or an alternative, and the Board and/or the School Leader will provide notification to the student and Caretaker of the Board's decision and discipline determination.

The decision of the Board will be final.

Grievance Procedures

Students and/or their Caretakers may file written reports regarding any suspected prohibited behavior by completing a Report of Bullying, Aggressive, or Other Prohibited Behavior Form, which will be accessible in the My School section of the Virtual Library in the EMS and sending this to the school. Such reports should be reasonably specific including person(s) involved, number of times and places of the alleged conduct, the target of the suspected prohibited behavior(s), and the names of any potential student or staff witnesses. Such reports may be filed with any school staff member or administrator, and they shall be promptly forwarded to the School Leader for review, investigation, and action.

Students and/or their Caretakers may make informal complaints of conduct that they consider to be prohibited behavior(s) by verbal report to a teacher, school administrator, or other school personnel. Such informal complaints shall be reasonably specific including person(s) involved, number of times and places of the alleged conduct, the target of suspected prohibited behavior, and the names of any potential student or staff witnesses. A school staff member or administrator who received an informal complaint shall promptly document the complaint in writing by completing the Report of Bullying, Aggressive, or Other Prohibited Behavior Form, found in the My School section of the Virtual Library. This written report shall be promptly forwarded by the school staff member and/or administrator to the School Leader for review, investigation, and appropriate action.

Privacy/Confidentiality

The school will respect the privacy of the complainant, the individual(s) against whom the complaint is filed, and the witnesses as much as possible, consistent with the school's legal obligations to investigate, to take appropriate action, and to conform with any discovery or disclosure obligations. All records generated under this policy and its related administrative guidelines shall be maintained as confidential to the extent permitted by law.

NC Connections is committed to ensuring parent/legal guardian/caretaker satisfaction and takes its responsibilities for the provision of educational services to the student very seriously. School responsibilities will be outlined and provided in a Parent/Legal Guardian Agreement (PLCA) and the School Handbooks and include such topics as: contacting the family regularly, delivering educational materials and equipment, and providing accessible support.

Policy for Parents

If a parent/legal guardian/caretaker has concerns with the school's action or performance on any of the above-defined school responsibilities or disciplinary actions, they will have the remedies available as described below.

For routine issues or for a first attempt at redress, they can contact a General Information Services by phone or e-mail via a phone and email address that will be provided in the school handbook. (mailto:support@connectioneducation.com)

For more serious issues and/or to address lack of resolution of the issue at lower level, a detailed grievance procedure has been set forth below. All grievance proceedings will be conducted in a manner that protects the confidentiality of the parties and the facts. If a hearing is required for grievance proceedings, the parties will be provided with all due process procedures as required by law.

Where a parent/legal guardian/caretaker feels that there has been discrimination on the basis of sex or on the basis of Section 504 of the *Rehabilitation Act* of 1973 that prohibits discrimination on the basis of disability, allegations of sexual abuse or any other misconduct on the part of the school or its employees, then the parent/legal guardian/caretaker must activate the grievance procedures set out below and can directly report the complaint to the School Administration.

If charges are brought against a student for a breach of the PLCA, which could result in a suspension of an additional ten (10) days or an expulsion, the due process procedures in the *Discipline* section will be followed.

Grievance Process

The following grievance process shall be followed for any complaints against the school including but not limited to complaints related to a perceived violation of a federal statute or regulation by the school.

1. A Caretaker with the grievance must, in writing, report the dissatisfaction, and submit it to the student's teacher (or other appropriate NC Connections staff member, as necessary). All parties involved must be appropriately defined, and the problem must be clearly outlined.
2. The recipient of the grievance must review the issue with his or her supervisor and respond to the Caretaker within three (3) school days.
3. If the original recipient did not resolve the grievance, the Caretaker should request a meeting with the recipient's The supervisor should investigate the matter, and schedule a meeting with the Caretaker, the student, if necessary, and any other staff member (if necessary), within five (5) school days.
4. If either party does not resolve this grievance, the Caretaker should then request a meeting with the School The School Leader will investigate the matter and schedule a meeting within five (5) school days.

If the school has not been able to address the Caretaker's concern through the grievance process set out above or if there has not been a prompt and equitable resolution of a complaint, the Caretaker may make a request to address the school's Board. Current contact information for Board members along with steps for making a request to address the Board will be listed on the school website.

The complainant may file a complaint with the Board following the process below. The Board will accept and investigate complaints from organizations or individuals. The complaint must:

1. be written;
2. be signed by the complaining party or their designated representative;
3. contain a statement of the facts on which the complaint is based, and the specific requirement alleged to have been violated; and
4. in the case of Title IX, must contain a statement that the school or any of its employees has discriminated against the complainant on the basis of sex in regard to an education program or activity operated or managed by the school, given that the school is a recipient of federal financial

In the case of a complaint filed pursuant to the McKinney-Vento Education for Homeless Children and Youth Act relating to a dispute not resolved at the school level, the school shall forward the NC DPI dispute resolution process along with the school's written explanation of the school's decision to the NC DPI homeless liaison within 5 (five) calendar days of the school's final decision. The notice to the NC DPI will contain the following:

1. school name, address, phone and fax number;
2. student's name, identification number, grade, and address;
3. parent/legal guardian/caretaker or complaining party's name, relationship to student, address, and phone number;
4. whether student lives in a shelter;
5. name of school child or youth chooses to be enrolled in pending resolution of dispute;
6. whether school enrolled in is school of origin;
7. reason for complaint;
8. signature of parent/legal guardian/caretaker or complaining party; and
9. the School Leader's actions on the

The school will have 10 (ten) calendar days to review its initial determination and make a final decision as to the position taken. The school's final decision must be in writing and must state all factual information upon which it is based and the legal basis in support thereof. If the final decision of the school is averse to the parent/legal guardian/caretaker or student, the decision, along with the commission's dispute resolution process form, must be forwarded by the LEA homeless liaison to the NC DPI's homeless liaison within 5 (five) calendar days of issuing its final decision.

The Caretaker or student may also initiate the appeal by providing copies of these documents to the NC DPI's homeless liaison.

Upon receipt of a complaint which meets the requirements stated above, the NC DPI will:

1. acknowledge receipt of the complaint in writing;
2. provide written notice to the school against which the violation has been alleged;
3. conduct an impartial investigation which shall include a review of all relevant documentation presented and may include an independent on-site investigation, if determined necessary by the commission;
4. give the complainant the opportunity to submit additional information, either orally or in writing, about the allegations in the complaint; and
5. review all relevant information and make an independent determination as to whether the school is violating a requirement of an applicable federal statute or regulation.

A written decision, which includes findings of fact, conclusions, and the reasons for the decision and which addresses each allegation in the complaint, shall be issued by the Secretary of Education or designee and mailed to the parties within sixty (60) calendar days of receipt of the written complaint. In the case of a complaint filed pursuant to the McKinney-Vento Education for Homeless Children and Youth Act, the decision must be issued within thirty (30) calendar days. Such a decision will include:

1. procedures for effective implementation of the final decision, if needed, including technical assistance, negotiations, and, if corrective action is required, such action shall be designated, and the decision shall include the timeline for correction and the possible consequences for continued noncompliance.
2. a statement of the right to request the secretary of the United States Department of Education to review the final decision at the Secretary's discretion.

If the school fails or refuses to comply with the applicable law or regulations, and if the noncompliance or refusal to comply cannot be corrected or avoided by informal means, compliance may be affected by the NC DPI by any means authorized by state or federal statute or regulation. The NC DPI will retain jurisdiction over the issue of noncompliance with the law or regulations and will retain jurisdiction over the implementation of any corrective action required.

Resolution of the Complaint at the United States Department of Education Level

If after having exhausted the above procedures, the grievance is not resolved satisfactorily, the parent/legal guardian/caretaker may file a complaint with the U.S. Department of Education Office for Civil Rights.

10.6. Certify

Q164.This subsection is entirely original and has not been copied, pasted, or otherwise reproduced from any other application.

● Yes

○ No

Applicant Comments :

This application is original and has not been copied, pasted, or otherwise reproduced. Some descriptions of Pearson product offerings may be similar to some previous applications outside the state of North Carolina as Pearson products and services are offered in other statewide virtual schools, but this governing Board's mission and vision is unique to this school and application.

Q165.Explanation (optional):

This application is original and has not been copied, pasted, or otherwise reproduced. Some descriptions of Pearson product offerings may be similar to some previous applications outside the state of North Carolina as Pearson products and services are offered in other statewide virtual schools, but this governing Board's mission and vision is unique to this school and application.

11. Governance and Capacity

11.1. School Governing Body

Q166.Organization Street Address (if you have one)

- On the Organization Information page, you already provided the mailing address.

116 Kingston Circle, Goldsboro NC 27530

11.2. Governance

The private nonprofit corporation or municipality is the legal entity that has responsibility for all aspects of the proposed charter school. Its members should reflect the ability to operate a charter school from both business and education perspectives.

Q167.Using the attached resource as a template, please complete the table depicting the initial members of the nonprofit organization.

☑ Upload Required **File Type:** excel **Max File Size:** 30 **Total Files Count:** 3

Resources

Initial Members of the Nonprofit Organization T...

Applicant Evidence :

Initial Members of the Nonprofit Organization T...

Uploaded on **4/25/2024** by **Andrew LaVoie**

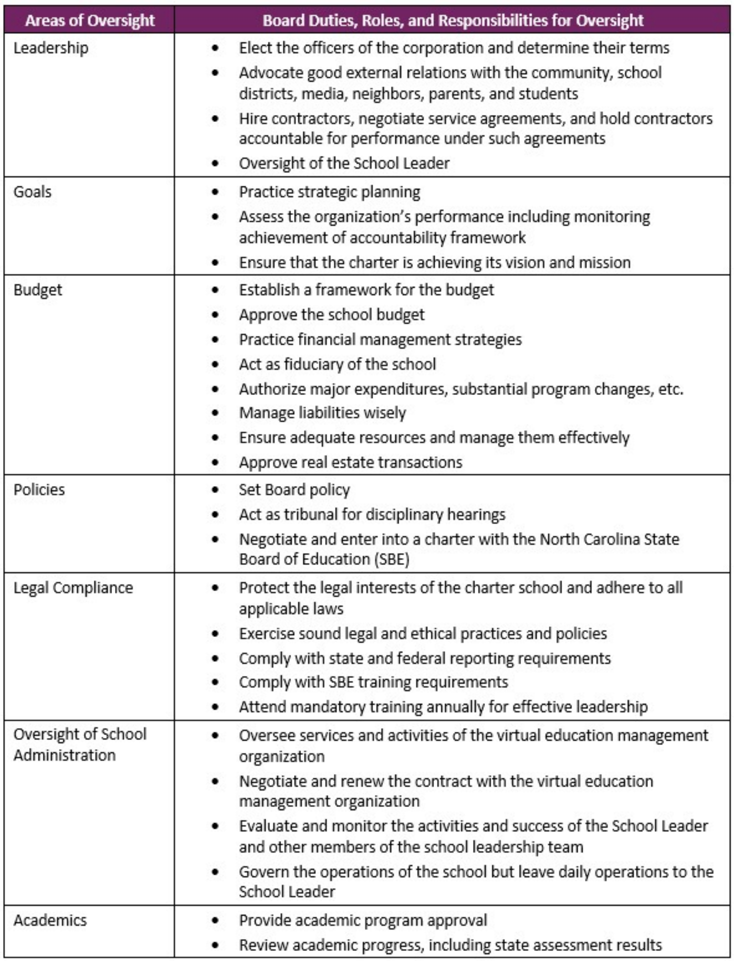
Q168.Describe the governance structure of the proposed charter school, including the governing board’s functions, primary duties, roles, and responsibilities as it relates to overseeing the charter school. Include how the board will recruit, hire, and supervise the lead administrator.

Governance Structure & the Governing Board's Functions, Duties, Roles, and Responsibilities

The Board is incorporated as an independent, public, non-profit corporation and is not a subsidiary of another entity, or in any way connected with, or under the control of another entity. The Board will be a good and effective steward of public money and provide independent governance of the school's administrators.

The Board members are parents, educators, and business and community leaders who are committed to bringing an innovative virtual charter school for students in grades K-12 to North Carolina. Board members have unique skills and expertise in virtual education, technology, internal controls, and financial analysis. These qualifications will help ensure the success of the school and the effective representation of key stakeholders. The Board will oversee the policy decisions, academic success, and financial health of the school. The School Leader will manage the day-to-day operation of the school with the support of the administrative team. While implementing the policies and procedures of the Board, the School Leader and leadership staff will in turn supervise and support the teaching staff. The Board will set policy and select contractors, including those providing the school's day-to-day operations, curriculum, technology, and instructional services. The Board is also responsible for fiscal oversight and ensures the school meets the terms of its charter contract. The Board will also execute and oversee NC Connections' contract with Pearson and will hold Pearson accountable for ensuring that the school meets its obligations.

Upon approval of the application, the Board will use a carefully structured and highly detailed agreement with our partner that outlines expectations and the specific services that Pearson will provide to ensure strong mutual understanding of the mutual roles and responsibilities. The Board will evaluate Pearson annually on the services included in its contract, including but not limited to accurate enrollment reporting, independent financial and operational audit reports, staff feedback on training, development, technology and curriculum, and overall organizational health. While Pearson will assist with curriculum, technology, and other support services in compliance with North Carolina law, the Board will maintain responsibility for ensuring that the school meets all educational, fiscal, and programmatic goals outlined in the charter.



Areas of Oversight	Board Duties, Roles, and Responsibilities for Oversight
Leadership	• Elect the officers of the corporation and determine their terms • Advocate good external relations with the community, school districts, media, neighbors, parents, and students • Hire contractors, negotiate service agreements, and hold contractors accountable for performance under such agreements • Oversight of the School Leader
Goals	• Practice strategic planning • Assess the organization's performance including monitoring achievement of accountability framework • Ensure that the charter is achieving its vision and mission
Budget	• Establish a framework for the budget • Approve the school budget • Practice financial management strategies • Act as fiduciary of the school • Authorize major expenditures, substantial program changes, etc. • Manage liabilities wisely • Ensure adequate resources and manage them effectively • Approve real estate transactions
Policies	• Set Board policy • Act as tribunal for disciplinary hearings • Negotiate and enter into a charter with the North Carolina State Board of Education (SBE)
Legal Compliance	• Protect the legal interests of the charter school and adhere to all applicable laws • Exercise sound legal and ethical practices and policies • Comply with state and federal reporting requirements • Comply with SBE training requirements • Attend mandatory training annually for effective leadership
Oversight of School Administration	• Oversee services and activities of the virtual education management organization • Negotiate and renew the contract with the virtual education management organization • Evaluate and monitor the activities and success of the School Leader and other members of the school leadership team • Govern the operations of the school but leave daily operations to the School Leader
Academics	• Provide academic program approval • Review academic progress, including state assessment results

How the Board Will Recruit, Hire, and Supervise the Lead Administrator

The School Leader for NC Connections will be recruited and hired following approval of the application. It is anticipated that the recruiting of the School Leader will begin immediately upon approval of the application, as the School Leader needs to be hired prior to teacher and staff recruitment.

The search process will begin with developing a comprehensive job description, including minimum qualifications and requirements, and posting the position and advertising through multiple avenues. Strategies to attract highly qualified staff will be implemented to include posting on several targeted recruitment sites as well as posting on the professional and institutional websites that may include Aurora Institute, National Charter School Association, Teachers-Teachers.com, and National Association of Secondary School Principals.

The interview process will consist of the following stages: 1) sourcing and screening resumes/applications; 2) prescreening digital interview; 3) live digital interview; 4) virtual panel interview; 5) professional reference check and background check; and 6) final interview.

The School Leader will meet all North Carolina requirements and will ideally hold an advanced degree with a minimum of five years' teaching experience and administrative experience. A former School Leader or School Leader who has experience in a virtual school setting and is technologically proficient with good communication skills is preferred. The School Leader will build consensus and inspire teachers to teach, students to learn, and parents to engage in their child's learning while following the mission of the school. The School Leader will be responsible for the overall school operation, including carrying out the vision and mission of the school, managing the budget, working with the Board, managing staff, legal compliance, and interfacing with the Charter Schools Review Board (CSRB) and other governmental agencies. The School Leader will hold appropriate administrative certification.

The School Leader will be offered a competitive compensation with annual salary reviews. In addition, the School Leader will have access to a competitive benefits package. The School Leader will also receive annual paid time off to include holidays, vacation and sick leave, as well as additional forms of paid leave such as bonding leave, serious illness in the family leave, bereavement leave, and jury duty leave, as needed.

The Board will develop an evaluation system aligned to North Carolina Standards for School Executives, to supervise and evaluate the School Leader. The Board may utilize additional nationally recognized tools in developing an evaluation system as permitted by state law and Board of Education Rules. The School Leader will complete a self-assessment and receive a mid-year review commencing in December, to discuss progress of goal attainment and a summative evaluation conference, commencing in May.

Competencies will be evaluated in the context of the school's goals, which evaluate student growth and achievement metrics. Observations of a staff member's proficiency within each competency are also evaluated using various methods including parent, school, and community feedback; observations of lessons and interactions; and review of relevant documentation and data, including student growth data. The School Leader competencies may include school development and leadership, team development and leadership, student achievement/data management, and personal development and professional skills.

Q169. Describe the size, current and desired composition, powers, and duties of the governing board.

The Board currently has seven members. The Board will be comprised of no fewer than five (5) and no more than nine (9) and shall serve for the term provided in Section 3 of the Bylaws.

The Board President (Marchelle Sutton) is the principal executive officer and is responsible for all business affairs and presides over board meetings. She is specifically responsible for the following duties: charter renewal and amendments negotiations; renewals, amendments and other tasks related to the Statement of Agreement on behalf of the Board; reviews, finalizes and approves Executive Session/Closed Meeting Minutes, if required by law, or delegates another officer of the Board in writing to do so on behalf of the Board; Board policy development; executes contracts over specific spending threshold to be established in Board Fiscal Control Policies; is a signer on Bank Account; liaison with Principal/Chief Executive Officer and Board Counsel; provides approvals on behalf of the Board for summer staffing decisions; completes, finalizes, and executes D&O Insurance Applications on behalf of the Board; leases related matters, including but not limited to, Lease negotiation, renewals, amendments, or any changes therewith on behalf of the Board; upon approval of the engagement by the Board, signs the Board Counsel engagement letter on behalf of the Board.

If the Board chooses to appoint a Vice President, the Vice-President will step in to provide leadership and run Board meetings when the President is not available. The Board and/or President may delegate additional tasks as outlined in the President's description.

The Treasurer (Alexis Boykin) has the oversight responsibility for all funds and securities of the Corporation, and for moneys due and payable to the Corporation from any source whatsoever, including the deposit of such moneys in the name of the Corporation in such banks, trust companies or other depositories. The Treasurer also works with the financial team to develop an annual draft budget; reviews vendor invoices and reviews detailed documents supporting the school's financial condition; works with the financial team on the application for, renewal of, and amendments to all grant matters on behalf of the Board; upon acceptance of the Board, signs the Form 990 on behalf of the Board; upon approval of the engagement by the Board, signs the audit engagement letter on behalf of the Board; and is signer on Bank Account.

The Secretary (Ms. Alexandria Speller) keeps the minutes of the Board's meetings in one or more books provided for that purpose; sees that all notices are duly given in accordance with the provisions of these Bylaws or as required by law; and maintains employee related documents included, but not limited to, the School Employee Handbook.

Duties of Other Board Members: The authority of individual Board members is limited to participating in actions taken by the Board as a whole when legally in session. Board members shall not assume responsibilities of administrators or other staff members. The Board or staff shall not be bound by an action taken or statement made by an individual Board member except when such statement or action is pursuant to specific instructions and official action taken by the Board. The Board members are committed to the sponsorship of the proposed charter school and have knowledge, capabilities, and support to sponsor and adhere to the legal obligations for the school.

Each Board member will review the agenda and any study materials distributed prior to the meeting and be prepared to participate in the discussion and decision-making for each agenda item. Board members will visit the school's administrative offices periodically to examine its management, conditions and needs; Board members will also receive regular updates from school leadership and the Pearson dedicated facility team on the school office facility.

Each member is obligated to attend Board meetings regularly. Whenever possible, each Board member will give notice to the Chair of the member's inability to attend a Board meeting. A majority of the Board may excuse a member's absence from a meeting if requested to do so. The Board intends to adopt a board member attendance policy prior to or upon the start of school operations.

The Board will oversee the policy decisions, academic success, and financial health of the school. The Board will set policy and select contractors, including those providing the school's day-to-day operations, curriculum, technology, and instructional services. The Board is also responsible for fiscal oversight and ensures the school meets the terms of its charter contract. The Board will also execute and oversee NC Connections' contract with Pearson and will hold Pearson accountable for ensuring that the school meets its obligations.

Upon approval of the application, the Board will use a carefully structured and highly detailed agreement with our partner that outlines expectations and the specific services that Pearson will provide to ensure strong mutual understanding of the mutual roles and responsibilities. The Board intends to evaluate Pearson annually on the services included in its contract, including but not limited to accurate enrollment reporting, independent financial and operational audit reports, staff feedback on training, development, technology and curriculum, and overall organizational health. While Pearson will assist with curriculum, technology, and other support services in compliance with North Carolina law, the Board will maintain responsibility for ensuring that the school meets all educational, fiscal, and programmatic goals outlined in the charter.

Q170. Describe the founding board's individual and collective qualifications for implementing the school design successfully, including capacity in such areas as school leadership, administration, and governance; curriculum, instruction, and assessment; performance management; and parent/community engagement.

Ms. Marchelle Sutton, Board Chair and President

Ms. Marchelle Sutton is the President and Chairperson of the Board. She brings a lifetime of experience in K-12 education, spanning senior public school administrator roles, special populations, CTE and career development, and standardized assessments. She is currently the Assistant Principal of Eastern Wayne High School in Wayne County Public Schools and previously served as the Assistant Principal of Charles B. Aycock High School. She also served as Assistant Principal for numerous other NC schools, including schools in Raleigh, Clayton, Smithfield, and Seven Springs. In these roles, she implemented an ACT prep program; analyzed ACT and EVAAS data; served as the lead administrator for CTE, Science, and Social Studies Professional Learning Communities; developed and coordinated teacher and staff handbooks; and assisted with the School Improvement Plan.

Ms. Sutton also served at the North Carolina Department of Public Instruction, supporting career development and CTE programs, including training and certifying CTE teachers. She also worked for ACT for seven years, serving as the chief liaison with state education offices.

Ms. Sutton earned her master's degree in School Administration from East Carolina University in Greenville, North Carolina, and her Bachelor of Science in Business Management from Mount Olive College in Mount Olive, North Carolina.

Ms. Sutton's certifications include Career Readiness Certification-Gold (May 2013); Career Development Facilitator Trainer (Dec. 2014); Career Development Job Coach (July 2013); and Career Development Facilitator (Dec. 2011 & 1995).

Ms. Sutton has served on a number of professional organizations, including the following: National Career Development Association (2011-present); NC ACTE Professional Development Chair (July 2013); National Career Development Association (Aug. 2011); NC ACTE Guidance Division; Professional Development committee representative; NC College Tech Prep Grant Reader (2010); NC Drop Out Prevention Grant Reader (2009); Past member of Wake County Principal and Assistant Principal Association; Past Executive Board Secretary North Carolina Association for Career and Technical Education (2001-2007); Past President Goldsboro Charter Chapter American Business Women's Association (2004); and Teaching Fellows Regional Interviewer.

Ms. Alexis Boykin

Ms. Boykin is currently a Director of Program Management at CareFirst, the largest health insurer in the mid-Atlantic. At CareFirst, she leads a team of program managers focused on successfully delivering large, strategic initiatives; this includes professional development and performance management. She also oversaw software development of VBA, SQL Server, Oracle, PL/SQL, and UNIX technologies Before joining CareFirst, Ms. Boykin spent 19 years with Blue Cross Blue Shield of North Carolina in a variety of positions spanning software development, operations, and project management. She also received her commission in the US Navy, where she served as an Operations Support Manager and Operations Team Lead on multiple missions. After leaving the Navy, she taught high school math and physics classes at Jacksonville High School before gaining in-depth software development and leadership skills through GE's Information Management Leadership Program (IMLP). Ms. Boykin also worked in the IT department at BTI, a regional telecom company, developing applications that supporting financial and investment business functions.

Ms. Boykin earned her master's degree in Business Administration from North Carolina State University, and a bachelor's degree in Physics at the University of North Carolina – Chapel Hill.

Ms. Tonya Faison

Ms. Faison brings to NC Connections over 20 years of experience in public school leadership and instruction, including virtual schools. She has served as the Principal for numerous schools, including Charlotte Virtual School, James Martin Middle School, Hawthorne Academy of Health Science, and Goldsboro High School in Wayne County Public Schools. She was also Assistant Principal at Spring Creek Elementary School and Norwayne Middle School, both in Wayne County Public Schools. She was previously a teacher at Goldsboro High School, teaching CTE – Business Education and Math. She holds licensure/certifications as a Superintendent, Principal K-12, Curriculum Specialist K-12, Business Education 6-12, CTE Direct, and CTE Instructional Management Coordinator. Her areas of expertise include teacher professional development and best practices in a virtual environment, school improvement, EOG Proficiency Data analysis, staff retention, student behavior, curriculum and alignment to standards, attendance and graduation initiatives, EOC test score improvement, assessments, and teacher evaluation.

Ms. Faison has an advanced degree in Educational Leadership and a master of science in Educational Leadership, as well as Teacher Education Licensure, all from East Carolina University. She has a bachelor's degree in Accounting from North Carolina A&T State University.

Ms. Alexandria Speller

Ms. Speller brings over 12 years' expertise in special education and regulations, data analysis, leadership training, learning management systems, communication and collaboration, and professional development facilitation. She is currently a Community Engagement Coordinator for a non-profit organization, Parents for Educational Freedom, where she works in community engagement, providing leadership and training to parent liaison teams and assists parents with applying for scholarship opportunities. Prior to her current role, she was a Special Education Teacher and Department Chair at Shepard Middle School, where she led training for teachers, reviewed and modified training materials, and coached first-year teachers with IEP writing, assessment administration, and collaborative lesson planning. She was also a Special Education Teacher at Southeast Raleigh Elementary School and Bunn Middle School. She specialized in the successful inclusion of students into the general education classrooms, professional development, differentiated lesson planning, and using data to guide interventions.

Ms. Speller is currently working on her Ph.D. in Educational Leadership from North Central University. She has her master's degree in Education, Special Education and Teaching, from Grand Canyon University in Phoenix, Arizona, and a bachelor of arts in English Language and Literature from Elizabeth City State University. She volunteers with the Special Olympics and is a member of the North Carolina Association of Educators.

Mr. Nicholas D'Antonio

Mr. D'Antonio is an experienced program and project manager with 10 years of program management expertise, specializing in building and implementing workforce development, apprenticeship, and training solutions, with a focus on communications and budget management. Mr. D'Antonio currently serves as the Workforce Development Program Manager at Lockheed Martin, where he manages a team focused on professional development of 4,600 employees. He leads workforce planning, resource management planning, and skills development planning for critical skills areas. Previously, he worked as a Workforce Strategist at IC5 managing a $40 million STEM and Vocational Scholarship program that benefited 850 students. He also led an initiative to expand partnerships with community colleges and create new pathways for talent from community and technical colleges. He also supported the assessment of skill needs and the development, implementation, and management of apprenticeship programs. He also worked for Amazon where he initiated and led the AWS Digital Skills Program in the US and Canada, developing public-private partnerships and government relationships to expand cloud training opportunities. He was the Director of Strategic Partnerships at Koch Industries where he managed a portfolio of $10 million in annual giving to community-based organizations focused on workforce development and career development. Lastly, Mr. D'Antonio led the largest youth recruitment program revenue growth at the National Association of Manufacturers by establishing 46 state partners, and engaging over 600,000 students, 150,000 parents, and educators. He created and delivered training to state partners and employers on establishing youth-serving workforce development programming.

Mr. D'Antonio is currently working on his Ph.D. in Workforce Development at North Carolina State University. He earned his master's degree in Business Administration from Washington State University, and his bachelor's degree in Business Administration from American University. He holds certificates from the Project Management Institute as a Project Management Professional (PMP), from Amazon Web Services as a Certified Cloud Practitioner, and from the US Department of Labor as a Career Development Registered Apprenticeship Completer. He also lectures for North Carolina State University on Workforce Development and Career and Technical Education.

Mr. Daniel Krchnavek

Mr. Krchnavek brings legal expertise as an attorney licensed to practice law in North Carolina. He is currently supporting North Carolina entities with their foundational documents, including corporations, limited liability companies, and partnerships at Chalmers, Adams, Backer & Kaufman, PLLC. He also served as an attorney at Plekan Law and Breeden Law Office. He served for two years at the North Carolina Department of Public Instruction as the Regulatory & Compliance Counsel where advised department leadership on compliance with education and privacy laws related to Department programs, and drafted, negotiated, and reviewed contracts to provide goods and services to NC schools.

Mr. Krchnavek earned his Doctor of Jurisprudence at Baylor Law School, as well as a bachelor's degree in Government and International Politics from George Mason University. He does Pro Bono work through the North Carolina Lawyers for Entrepreneurs Assistance Program and Legal Aid of North Carolina.

Dr. Ward Ulmer

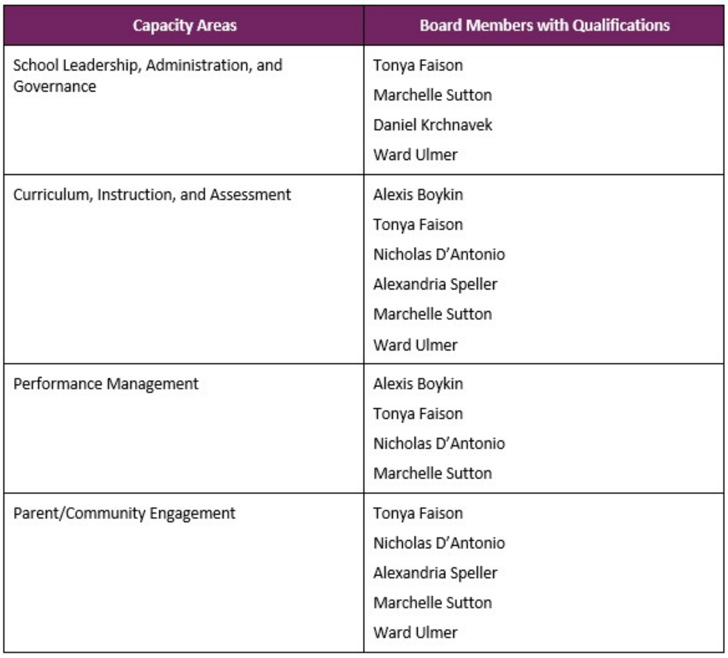
Dr. Ulmer brings over 20 years' experience in virtual education and higher education as a University President, Online Education Expert, Diversity & Inclusion Champion, and Ed Tech Innovator. He is the President of West Coast University, which focuses on healthcare and serves 12,000 students across 6 campuses and online. There he leads business operations, growth, and academic outcomes. He was previously the

President of Walden University for 9 years, directly responsible for the strategic direction of the university and the development and implementation of its academic programs. He was previously the Chief Academic Officer and Chief Information Officer at Latimer Education, which expanded the reach of Historically Black Colleges and Universities (HBCUs). He also served in leadership positions at Strayer University, Kaplan University, and Orangeburg-Calhoun Technical Community College. He specialized in fiscal leadership, student experience, strategic planning, and curriculum development and maintenance.

Dr. Ulmer holds a Ph.D. in Leadership from Clemson University in South Carolina, and a Ph.D. in Applied Management Decision Sciences from Walden University. He also earned a master's degree in Computer Resources and Information Management from Webster University, and a bachelor's degree in Business Administration and Management from Charleston Southern University.

Board Member Capacity in for Successful School Design

The table below summarizes the qualifications for implementing the school design successfully that each board member brings to NC Connections.



Capacity Areas	Board Members with Qualifications
School Leadership, Administration, and Governance	Tonya Faison Marchelle Sutton Daniel Krchnavek Ward Ulmer
Curriculum, Instruction, and Assessment	Alexis Boykin Tonya Faison Nicholas D'Antonio Alexandria Speller Marchelle Sutton Ward Ulmer
Performance Management	Alexis Boykin Tonya Faison Nicholas D'Antonio Marchelle Sutton
Parent/Community Engagement	Tonya Faison Nicholas D'Antonio Alexandria Speller Marchelle Sutton Ward Ulmer

Q171.Explain how this governance structure and composition will help ensure that
1. The school will be an educational and operational success;
2. The board will evaluate the success of the school and school leader; and
3. There will be active and effective representation of key stakeholders, including parents.

1. The Board is composed of a diverse group of local community members who are highly skilled and experienced in school leadership, administration, and governance; curriculum, instruction, and assessment; performance management; and parent/community engagement, as well as finance, special education, virtual education, professional development, and law. Each of the board members is aligned to the mission of the school and is excited about the opportunity to offer a college and career focused virtual charter in the state of North Carolina. The Board's qualifications will help ensure the educational and operational success of the school and the effective representation of key stakeholders. They have the capacity and experience to ask critical questions, evaluate performance, and plan strategically in fulfillment of governing board member responsibilities. The board is structured for educational operational success, led by Board Chair and President Marchelle Sutton, and supported by the Vice President, Secretary, and other members.

As outlined in the response to the previous question, the Board will be responsible for its contract with Pearson; will set policies and procedures for NC Connections; will be responsible for fiscal oversight; and will evaluate the School Leader and ensure the school meets the terms of its charter contract. Board members have leadership experience in public schools, student academic achievement, and oversight of school staff. The backgrounds of the founding Board members will guide the school to meet its charter contractual terms and its focus on CTE where students will participate in teacher-guided career learning, virtual and in-person field trips, career exploration, and a personalized learning approach. All founding Board members are well qualified for their Board oversight roles and responsibilities.

2. The Board will evaluate the success of the school and school leader. The Board will oversee the policy decisions, academic success, and financial health of the school. The School Leader will manage the day-to-day operation of the school with the support of the administrative team. While implementing the policies and procedures of the Board, the School Leader and leadership staff will in turn supervise and support the teaching staff. The Board will set policy and select contractors, including those providing the school's day-to-day operations, curriculum, technology, and instructional services. The Board is also responsible for fiscal oversight and ensures the school meets the terms of its charter contract.

The School Leader will be supervised and evaluated based on competencies along with state-required metrics on student performance and growth as required by state and/or federal law. The professional competencies will align with the administrative position; for the School Leader, these are focused on: Achievement Focus, Instructional Efficacy, Problem Solving/ Strategic Change Management, Culture/ Relationship Building, and Managing/Developing People. The School Leader will receive a formal mid-year review commencing in December, and a formal end-of-year review commencing in May.

Competencies will be evaluated in the context of the school's goals, which evaluate student growth and achievement metrics. Observations of a staff member's proficiency within each competency are also evaluated using various methods including parent, school, and community feedback; observations of lessons and interactions; and review of relevant documentation and data, including student growth data. The School Leader competencies may include school development and leadership, team development and leadership, student achievement/data management, and personal development and professional skills. The School Leader will be evaluated based on the following rating scale: highly effective, effective, needs improvement, and ineffective. School administrators and the School Leader will receive an Overall Individual Rating on the end-of-year review based on evaluation of the competencies.

Upon approval of the application, the Board will use a carefully structured and highly detailed agreement with the proposed education management organization that outlines expectations and the specific services that Pearson will provide to ensure strong mutual understanding of the mutual roles and responsibilities. The Board will evaluate Pearson annually on the services included in its contract, including but not limited to accurate enrollment reporting, independent financial and operational audit reports, staff feedback on training, development, technology and curriculum, and overall organizational health. In addition, the Board will evaluate annual parent satisfaction survey results which include a five-point scale on the EMS, technology, operations, and teacher effectiveness to determine the quality of the provider. While Pearson will assist with curriculum, technology, and other support services in compliance with North Carolina law, the Board will maintain responsibility for ensuring NC Connections meets all educational, fiscal, and programmatic goals outlined in the charter.

3. The Board will ensure active and effective representation of key stakeholders, including parents, by seeking at least one parent representative to join the Board once the school is operational to provide the unique perspective of the parent of an enrolled student. All potential members of the Board will be reviewed by Board-appointed designee(s), to determine not only their qualified experience but also their motivation and capacity for serving. Parents will be able to actively participate in the school and with the Board. The Board may create ad hoc parent/Learning Coach advisory groups to provide guidance on particular subjects such as community partnerships and neighborhood outreach. Parents will also be encouraged to be involved with the Board's activities. The schedule and agenda for all Board meetings will be posted to the school website.

Q172.Explain the procedure by which the founding board members have been recruited and selected. If a position is vacant, how and on what timeline will new members be

recruited and added to the board?

The founding members of the board were recruited and selected based on their experience and expertise in business, finance, legal and compliance matters, education, general operations, human resources, technology, and professional trade experience. Board members were recruited who had leadership experience in public schools, student academic achievement, and oversight of school staff.

In establishing the initial set of Board members with the ability to fulfill its responsibilities, the following criteria was used:

- Evaluated what skill sets were needed for NC Connections with relevant background, education, and experience, including those with business, community, leadership and educational backgrounds
- Searched through LinkedIn and education sites and spoke with influential stakeholders to identify North Carolina residents with necessary skill set and desire to engage on a nonprofit board to serve students in K-12 in a virtual career-focused school
- Selected candidates who not only provide the necessary areas of expertise to successfully govern the school, but also are a reflective representation of the entire student body: candidates with diverse backgrounds, as well as those with expertise in business, finance, legal and compliance matters, education, general operations, human resources, technology, and virtual education experience
- Interviewed potential Board members
- Reviewed draft bylaws to determine the initial Board officer seats and officer positions
- Held Board meetings to adopt bylaws, articles of incorporation, organizational resolutions that will govern the creation of a new entity, and allow the Board to begin the development of their cooperative leadership approach.

The Board is comprised of individuals with a desire to bring quality virtual education to North Carolina families. The Board has developed an ongoing recruitment strategy for identifying innovative, experienced, and invested individuals who will support the school’s mission and vision while also reflecting the diversity of statewide virtual school demographics. Board members intend to utilize contacts within the education field, NC Connections parents, and professional and civic organizations to continuously expand the potential pool of eligible Board candidates. Any member of the greater North Carolina community may seek appointment to the Board except for employees of the Board or Pearson, any person who has been convicted of a felony, or any individual who has a conflict of interest. Qualified members will be elected at a duly organized meeting of the Board by a majority of the members then in office. Members will take office immediately in the roles to which they are elected after being sworn in. Vacancies on the Board will be filled by a majority vote of the remaining members of the Board, or by a sole remaining member, and each person so elected will serve for the balance of the unexpired term.

The Board currently has seven members. The Board will be comprised of no fewer than five (5) and no more than nine (9) and shall serve for the term provided in Section 3 of the Bylaws.

The Board will aim to have a parent of an enrolled student on the Board once the school is open, and continuously seek to have diverse community leaders vetted and prepared for Board service, ensuring continuity of the school’s strategic initiatives, academic success, and financial health.

Through its partnerships, community outreach efforts, and parental involvement, NC Connections will strive to achieve a Board that mirrors the community diversity of the state. Through extensive community outreach and full disclosure about the school’s mission and vision, NC Connections will attract community leaders with a similar vision to join the Board.

Q173.Describe the group’s ties to and/or knowledge of the target community.

As a reflection of the statewide target community for NC Connections, this diverse Board of Directors have ties all over the state of North Carolina from Raleigh and Durham to Greenville, Mt. Olive, Charlotte, Goldsboro, Spring Creek, Norwayne, and Greensboro. Board members have served as North Carolina school principals, lead administrators, assistant principals, teachers, trainers, education advocates, Ed Tech innovators, lawyers, and virtual education specialists. Board members have intimate knowledge of North Carolina education policies and practices, from state assessments to professional development and special education regulations. They have served in several North Carolina school systems, including the Wayne County Public School system and Wake County Public Schools system. At least two members have worked directly for the North Carolina Department of Public Instruction, and another as a special education teacher and department head for multiple public schools. This Board also shows both passion and experience in workforce development, with university leadership and teaching experience in the specialty, as well as another member who just recently defended his PhD dissertation in the area of study.

In addition to the Board’s ties to the statewide community, our partner Pearson collaborators with workforce agencies across North Carolina, through the North Carolina Association of Workforce Development Boards. With county and regional workforce agency relationships, and support from dynamic workforce investment initiatives like the City of Charlotte Mayor’s Youth Employment Program, students at Connections Academy schools are set up for success when it comes to work-based learning both during the summer and throughout the school year. Our partner has historically referred eligible youth to work-based learning (WBL) with city and agency partners, and its CTE curriculum is aligned with high growth/high demand industries with pathways in tech, business and health. Connections Academy students also have the opportunity to explore upskilling through Job Corps programs, like the electrical pre-apprenticeship at Oconaluftee Job Corps and Civilian Conservation Center. The Board is proud to connect students to a variety of workforce training options that will lead to economic mobility for students and their families and drive regional economic growth at the same time.

Q174.Outline the strategic board calendar detailing how often the board will meet according to the bylaws established.

The Board will hold regular meetings as necessary to fulfill its duties and responsibilities, as determined by the Board. The exact number of meetings to be held annually will be determined by the Board based on the needs of the organization. The Board anticipates meeting at least eight times per year, with meetings planned strategically to ensure adequate time to hear updates and review materials prior to important decisions like staffing and budget. Additional meetings may be called by the Board Chair, or by a majority of the Board members. The Board may provide by resolution for regular or stated meetings of the Board, to be held at a fixed time and place, and upon the passage of any such resolution such meetings will be held at the stated time and place without other notice than such resolution. Notice of the scheduled meeting will be provided annually to the public as required by North Carolina Open Meetings law.

The annual meeting of the Board of Directors will be held in the month of June in each year, at such time and place as the Board may determine, for the purpose of transacting such business as may come before the meeting.

Special meetings of the Board may be held at any time and place for any purpose or purposes, unless otherwise prescribed by North Carolina Open Meetings Law, on call of the President or Secretary, and will be called by the Secretary on the written request of any two (2) directors.

Q175.What kinds of orientation or training will new board members receive, and what kinds of ongoing professional development will existing board members receive? The plan for training and development should include a timetable, specific topics to be addressed, and requirements for participation.

Training for New Board Members

The founding Board of Directors, whether mandated or offered, intends to take advantage of DPI’s Office of Charter Schools Planning Year training opportunities, including those on governance, finance, operations, and accountability. The Board will also ensure that at least one member and the School Leader attend any mandatory trainings, such as the New Charter School Leaders Institute, as have been held in previous years for newly approved schools. Furthermore, the Board of Directors, following approval, plans to review additional state and national conference attendance that offer charter school board development content, including the National Charter Schools Conference and the North Carolina Association for Public Charter Schools Annual Conference.

Ongoing Professional Development for Board Members

To ensure that Board members maintain compliance and uphold the law, Board members will participate in any state or authorizer-required governance trainings. Board members also intend to ensure that they seek ongoing professional development and best practice training in governance, oversight requirements, department rules, policies and procedures and responsible fiscal controls.

Additional training may also be conducted by a reputable third-party vendor to ensure smooth operations and effective Board practices. Other trainings may include Effective Board Governance of Public Charter Schools online training module series as well as specific training provided in person, via the Internet, and in print. Training topics may include North Carolina Open Meetings Law, charter school operations basics, charter school leadership responsibilities, conflict of interest, effective meeting management, quality Board leadership and policy development.

In addition, Board members will have the opportunity to participate in various regional and national conferences to network with other charter board members and further their development as effective board members. The Board may also allocate funds to participate in training opportunities providing ongoing Board development in non-profit board governance, virtual education program oversight, and strategic planning, among other topics beneficial to sound charter school board governance. The Board will attend training on developing and adjusting business plans and accounting for costs and income, on state and federal grant and student performance accountability reporting requirements, on identifying and applying for the types and amounts of state and federal financial assistance NC Connections may be eligible to receive, and on good business practices. At a minimum, the School Leader and the Board Treasurer will participate in the training, if applicable or appropriate.

Q176.Describe the board's ethical standards and procedures for identifying and addressing conflicts of interest. Identify any existing relationships that could pose actual or perceived conflicts if the application is approved; discuss specific steps that the board will take to avoid any actual conflicts and to mitigate perceived conflicts.

The Board has high ethical standards and a Conflict of Interest Policy that requires disclosure of conflict, recusal from related action, and relinquishment of Board service in the case of irreconcilable conflict. All Board members have a duty of loyalty and a duty of care toward NC Connections. There are no existing relationships that could pose actual or perceived conflicts if the application is approved. Each Board member has completed a state and national background check, the Board Member Information Form, and the Initial Members of the Nonprofit Organization Template. It is the responsibility of all Board members to conduct themselves in accordance with the highest standards of integrity, honesty, and fair dealing to preclude conflict between the interest of the school and the personal interests of the Board member. It is the responsibility of the school to conduct all its business and operations impartially in accordance with all laws and in conformity with the highest ethical and professional standards. All hiring and other transactions imposing financial and/or legal obligations on the school will be made with the best interests of the school as the foremost consideration.

The Conflict of Interest Policy is directed not only to Board members and officers, but to all employees who can influence the actions of the school (this information will be included in the Employee Handbook). For example, this would include all persons who make purchasing decisions, all persons who might be described as management personnel, or other employees who have proprietary information concerning the school.

In order to avoid conflicts of interest and the appearance of impropriety, Board members will not participate in open meeting or closed-session deliberations or votes relating to the discipline of himself or herself, any relative of the Board member, or any action/transaction between the school and any family member or related entity of the Board member. "Closed Session" shall mean any portion of a Board meeting that is properly closed to the public in accordance with the provisions of North Carolina regulations governing public meetings.

Upon discovery of a violation of this Conflict of Interest Policy, the discovering party will immediately notify the Board President, the School Leader, and all Board members. A special Board meeting will be scheduled to consider the matter. In the event the Board decides that there has been a violation of the conflict of interest rules or other abuse of his or her position at the school, the Board will review and recommend appropriate action. A violation of the Conflict of Interest policy renders any contract entered into in violation of the policy voidable.

Q177.Explain the decision-making processes the board will use to develop school policies.

The Board will base its decision-making processes for developing school policies on multiple sources of data to drive data-driven decision-making. Research on data-driven decision-making states: "…educators should consult and factor in multiple sources and types of student data to get a more complete view of student progress or achievement."[1] These additional sources of data may be formal or informal. Looking at a broader array of data can help Board members avoid putting too much weight on a single measure and, therefore, reduce the risk of making inaccurate and invalid decisions.

A majority of Board members currently in office will constitute a quorum for the transaction of business at any meeting of the Board. The act of a majority of the Board members who are present for a meeting at which a quorum has been established, will be the act of the Board, unless the act of a greater number is required by the North Carolina Open Meetings Law, or the Articles of Incorporation or Bylaws of the Corporation.

A Board member who is present at a meeting of the Board, or a committee thereof, at which action on any corporate matter is taken will be presumed to have assented to the action taken unless such Board member's dissent will be entered in the minutes of the meeting or unless such Board member will file a written dissent to such action with the person acting as the Secretary of the meeting before the adjournment thereof or will forward such dissent by registered mail to the Secretary of the corporation immediately after the adjournment of the meeting. Such right to dissent will not apply to a Board member who voted in favor of such action.

The Board by resolution may create one or more committees having such powers as are then permitted by North Carolina for Online Instruction, Inc. and as are specified in the resolution. To the extent specified by the Board or in the articles of incorporation or bylaws, each committee may exercise certain powers delegated by the Board, except that a committee may not do any of the following:

(a) No committee of directors will be empowered to act in lieu of the entire Board in respect to election of officers or the filling of vacancies on the Board or on committees of directors created pursuant to Section 17 of the Bylaws.

(b) No committee of directors may adopt, amend, or repeal any bylaw of the corporation.

[1] Mertler, Craig A. Introduction to Data-Driven Educational Decision Making (2014), http://www.ascd.org/publications/ books/sf114082/chapters/Introduction_to_Data-Driven_Educational_Deision_Making.aspx

Q178.Describe any advisory bodies, councils, or associations listed in the organization chart or to be formed, including the roles and duties of that body, and the reporting structure as it relates to the school's governing body and leadership.

The Board will have an Audit Committee as recommended by the IRS for non-profit organizations, whose responsibilities will include the engagement of a third-party audit firm, and the thorough review of any recommendations made in the annual financial audit. The Board may also choose to create additional Committees and/or appoint advisory (non-voting) members on a term of project basis, as need arises.

Q179.Discuss the school's grievance process for parents and staff members.

Grievance Process for Parents

The following grievance process shall be followed for any complaints against the school including but not limited to complaints related to a perceived violation of a federal statute or regulation by the school.

1. A Parent/Caretaker with the grievance must, in writing, report the dissatisfaction, and submit it to the student's teacher (or other appropriate NC Connections staff member, as necessary). All parties involved must be appropriately defined, and the problem must be clearly outlined.
2. The recipient of the grievance must review the issue with his or her supervisor and respond to the Caretaker within three (3) school days.
3. If the original recipient did not resolve the grievance, the Parent/Caretaker should request a meeting with the recipient's The supervisor should investigate the matter, and schedule a meeting with the Parent/Caretaker, the student, if necessary, and any other staff member (if necessary), within five (5) school days.
4. If either party does not resolve this grievance, the Parent/Caretaker should then request a meeting with the School The School Leader will investigate the matter and schedule a meeting within five (5) school days.

If the school has not been able to address the concern through the grievance process set out above or if there has not been a prompt and equitable resolution of a complaint, the Parent/Caretaker may make a request to address the school's Board. Current contact information for Board members along with steps for making a request to address the Board will be listed on the school website.

The complainant may file a complaint with the Board following the process below. The Board will accept and investigate complaints from organizations or individuals. The complaint must:

1. be written;
2. be signed by the complaining party or their designated representative;
3. contain a statement of the facts on which the complaint is based, and the specific requirement alleged to have been violated; and
4. in the case of Title IX, must contain a statement that the school or any of its employees has discriminated against the complainant on the basis of sex in regard to an education program or activity operated or managed by the school, given that the school is a recipient of federal financial

In the case of a complaint filed pursuant to the McKinney-Vento Education for Homeless Children and Youth Act relating to a dispute not resolved at the school level, the school shall forward the NC DPI dispute resolution process along with the school's written explanation of the school's decision to the NC DPI homeless liaison within 5 (five) calendar days of the school's final decision. The notice to the NC DPI will contain the following:

- School name, address, phone and fax number;
- Student's name, identification number, grade, and address;
- Parent/legal guardian/caretaker or complaining party's name, relationship to student, address, and phone number;
- Whether student lives in a shelter;
- Name of school child or youth chooses to be enrolled in pending resolution of dispute;
- Whether school enrolled in is school of origin;
- Reason for complaint;
- Signature of parent/legal guardian/caretaker or complaining party; and
- The School Leader's actions on the

The school will have 10 (ten) calendar days to review its initial determination and make a final decision as to the position taken. The school's final decision must be in writing and must state all factual information upon which it is based and the legal basis in support thereof. If the final decision of the school is averse to the parent/legal guardian/caretaker or student, the decision, along with the commission's dispute resolution process form, must be forwarded by the LEA homeless liaison to the NC DPI's homeless liaison within 5 (five) calendar days of issuing its final decision.

The Parent/Caretaker or student may also initiate the appeal by providing copies of these documents to the NC DPI's homeless liaison.

Upon receipt of a complaint which meets the requirements stated above, the NC DPI will:

1. acknowledge receipt of the complaint in writing;
2. provide written notice to the school against which the violation has been alleged;
3. conduct an impartial investigation which shall include a review of all relevant documentation presented and may include an independent on-site investigation, if determined necessary by the commission;
4. give the complainant the opportunity to submit additional information, either orally or in writing, about the allegations in the complaint; and
5. review all relevant information and make an independent determination as to whether the school is violating a requirement of an applicable federal statute or regulation.

A written decision, which includes findings of fact, conclusions, and the reasons for the decision and which addresses each allegation in the complaint, shall be issued by the Secretary of Education or designee and mailed to the parties within sixty (60) calendar days of receipt of the written complaint. In the case of a complaint filed pursuant to the McKinney-Vento Education for Homeless Children and Youth Act, the decision must be issued within thirty (30) calendar days. Such a decision will include:

1. procedures for effective implementation of the final decision, if needed, including technical assistance, negotiations, and, if corrective action is required, such action shall be designated, and the decision shall include the timeline for correction and the possible consequences for continued noncompliance.
2. a statement of the right to request the secretary of the United States Department of Education to review the final decision at the Secretary's discretion.

If the school fails or refuses to comply with the applicable law or regulations, and if the noncompliance or refusal to comply cannot be corrected or avoided by informal means, compliance may be affected by the NC DPI by any means authorized by state or federal statute or regulation. The NC DPI will retain jurisdiction over the issue of noncompliance with the law or regulations and will retain jurisdiction over the implementation of any corrective action required.

If after having exhausted the above procedures, the grievance is not resolved satisfactorily, the parent/legal guardian/caretaker may file a complaint with the U.S. Department of Education Office for Civil Rights.

Staff Grievance Process

The school encourages open and direct lines of communication between staff at all levels of the organization. It benefits everyone when staff feel free to bring questions, suggestions and concerns directly to their managers.

The grievance and resolution process is detailed below. Staff members should always contact Human Resources immediately to deal with issues of discrimination or harassment as described in the Preventing Workplace Harassment Policy of this handbook.

Steps in the Process

1. If the issue does not involve a violation of school policy or an ethical or regulatory requirement, meet with at least two (2) levels of management. A staff member must, in good faith, make every attempt to resolve the issue with their immediate manager and, if that is not successful, a staff member will attempt to resolve the matter with their next level manager. Fear of retaliation is not a legitimate reason to skip this step. If the issue does involve a violation of school policy or an ethical or regulatory requirement, the staff member should proceed directly to step 2.
2. If the immediate manager or the next level manager cannot resolve the issue, or if the issue involves a violation of school policy or an ethical or regulatory requirement, it is important to describe the issue, the desired result, and your proposed solution to the issue to Human Resources. This step should occur as soon as possible after the occurrence of the problem.
3. If the issue relates to a personnel matter or work condition, contact Human Resources. After a full description of the issue, Human Resources will help the staff member and their manager consider how policies, procedures, and practices relate to the issue. Often, the policies in this handbook will dictate a resolution to the issue. If the issue involves a school policy or an ethical or regulatory requirement, contact a member of the school management team. Human Resources can provide you with the name of the appropriate contact or you can ask Human Resources to contact the appropriate individual on your behalf.

Reporting Unethical Behavior Ethics Hotline

Our ongoing success depends on maintaining high ethical standards of conduct. To reinforce the commitment to the highest standards of ethics, The Ethics Hotline is available. The Ethics Hotline is a phone and web-based communication tool that offers staff a confidential way to raise a concern or report suspected unethical, unprofessional, illegal, or fraudulent activity by others associated with the organization or school. The hotline number is (833)710-0718 and the confidential web address is https://www.lighthouse-services.com/connectionsacademy (https://www.lighthouse-services.com/connectionsacademy).

Who should use the Ethics Hotline?
Any staff member who has information about possible criminal activities, ethical violations, or other work-related incidents should use the Ethics Hotline. A staff member's first option is to report suspicions to a member of school management or Human Resources but if they are uncomfortable with the direct approach, the Ethics Hotline may be utilized.

What types of incidents should be reported?
Staff members are encouraged to report situations or events that could potentially harm students, the school(s), colleagues, or the organization. Examples include violations related to:

- Compliance with Regulations
- Conflicts of Interest
- Accounting and Auditing Practices
- Gifts and Bribes
- Disclosure of Confidential Information
- Privacy of Student Records
- Theft
- Copyright Laws and Software Piracy
- Misuse of Resources or Funds
- Intellectual Property Infringement
- Falsification of Information
- Threats and Physical Violence
- Discrimination
- Harassment
- Retaliation

How It Works

Concerns reported to the Ethics Hotline are received by an independent third-party communication specialist who will then report the information anonymously to our Human Resources. At no point will the identity of the individual reporting the concern be revealed without their consent. Raising a concern or reporting misconduct in good faith is the right thing and such action will not be subject to discipline or retaliation. If the investigation of a concern reported through the Ethics Hotline reveals the initial report was done with malice or ill intent, the reporter will waive their right to anonymity and be subject to disciplinary action.

Investigation Procedure

During the investigation, Human Resources will instruct and provide guidance to participants of the investigation regarding confidentiality, and staff members are expected to fully comply with these instructions in order to maintain the integrity of the investigation.

Any staff members who are questioned as part of an investigation must be forthcoming and candid in answering all questions and must not withhold information pertinent to the investigation.

Withholding information or providing false information during an investigation is a serious violation of this policy and will subject an individual to disciplinary action, up to and including termination.

Non-Retaliation

Any form of retaliation against an individual who makes a bona fide complaint of harassment, for assisting in a complaint investigation, for providing information in a complaint investigation, or for making any determination necessary under this policy is prohibited.

Any staff member who violates this policy or makes a false or malicious complaint of harassment, regardless of position at the school, will be subject to discipline, up to and including termination.

Any individual who retaliates or attempts to retaliate will be subject to appropriate disciplinary action, up to and including termination of employment. All reports of retaliation should be submitted to Human Resources.

Q180.Attach as Appendix G Organizational Chart

- A well-defined organizational chart showing the relationship of the Board of Directors to the parents and staff of the proposed charter school. This chart should also include lines of authority to and from any outside entity that will play a role in managing or supporting the charter school (such as educational service providers, advisory bodies, or parent/teacher councils).

☑ Upload Required **File Type:** pdf, image, excel, word, text **Max File Size:** 30 **Total Files Count:** 5

Applicant Evidence :

Appendix G - Organizational Charts.pdf

Uploaded on **4/23/2024** by **Marchelle Sutton**

Q181.Attach as Appendix H Charter School Board Member Information Form and Resume

- A **one-page** resume from each founding board member and responses to the questions found on the Charter School Board Member Form

☑ Upload Required **File Type:** pdf, excel, word **Max File Size:** 30 **Total Files Count:** 50

Resources

2024 Charter School Board Member Information ...

Applicant Evidence :

Appendix H - Info Form Resume - Faison.pdf
Uploaded on **4/24/2024** by **Marchelle Sutton**

Appendix H - Info Form Resume - Speller.pdf
Uploaded on **4/24/2024** by **Marchelle Sutton**

Appendix H - Info Form Resume - Sutton.pdf
Uploaded on **4/24/2024** by **Marchelle Sutton**

Appendix H - Info Form Resume - Boykin.pdf
Uploaded on **4/24/2024** by **Marchelle Sutton**

Appendix H - Info Form Resume - Dantonio.pdf
Uploaded on **4/24/2024** by **Marchelle Sutton**

Appendix H - Info Form Resume - Ulmer.pdf
Uploaded on **4/24/2024** by **Marchelle Sutton**

Appendix H - Info Form Resume - Krchnavek.pdf
Uploaded on **4/24/2024** by **Marchelle Sutton**

Q182.Attach Appendix I For Each Board Member

1. Charter School Board Member Background Certification Statement and
2. Completed Background Check

PLEASE NOTE: A background check that does not meet the following requirements will be deemed incomplete and could jeopardize the submission status of your application.

- **Background check must include a Social Security Trace** (which scans his/her SSN and lists every county/state of residence where that SSN has been used).

- **Background check must include any additional aliases that have been used by the individual.**
- **Background check must include a completed county level check for any county returned in the Social Security Trace.**
- **Background check must include a completed nationwide check.**

☑ Upload Required **File Type:** pdf, image, excel, word, text **Max File Size:** 30 **Total Files Count:** 50

Applicant Comments :

All board members have submitted their state and federal background check applications; some are still waiting for the results from the State. Every board member has received the results of the federal background check. The checks include a Social Security Trace and any additional aliases.

Resources

2024 Charter School Board Member Background ...

Applicant Evidence :

Appendix I - Background Certs - Speller.pdf
Uploaded on **4/24/2024** by **Marchelle Sutton**

Appendix I - Background Certs - Sutton.pdf
Uploaded on **4/24/2024** by **Marchelle Sutton**

Appendix I - Background Certs - Ulmer.pdf
Uploaded on **4/24/2024** by **Marchelle Sutton**

Appendix I - Background Certs - Boykin.pdf
Uploaded on **4/24/2024** by **Marchelle Sutton**

Appendix I - Background Certs - Dantonio.pdf
Uploaded on **4/24/2024** by **Marchelle Sutton**

Appendix I - Background Certs - Krchnavek.pdf
Uploaded on **4/24/2024** by **Marchelle Sutton**

Appendix I - Background Certs - Faison.pdf
Uploaded on **4/25/2024** by **Andrew LaVoie**

Q183.**Attach as Appendix J Proposed By-Laws of the Nonprofit Organization or Municipality** The proposed by-laws, which must include a Conflict of Interest Policy for board members and a stated commitment to the NC Open Meetings Law.

☑ Upload Required **File Type:** pdf, image, excel, word, text **Max File Size:** 30 **Total Files Count:** 3

Applicant Evidence :

Appendix J - Proposed By-Laws.pdf
Uploaded on **4/23/2024** by **Marchelle Sutton**

Q184.**Attach Appendix K Articles of Incorporation or Municipal Charter**

- If the applicant is a non-profit board of directors, attach a copy of the articles of incorporation from the NC Department of the Secretary of State.
- If the applicant is a municipality, attach a copy of the municipal charter.

☑ Upload Required **File Type:** pdf, image, excel, word, text **Max File Size:** 30 **Total Files Count:** 5

Applicant Evidence :

Appendix K - Articles of Incorporation.pdf
Uploaded on **4/23/2024** by **Marchelle Sutton**

11.3. Staffing Plans, Hiring, and Management

Q185.**Projected Staff** Complete the staffing chart below outlining your staffing projections. Adjust or add functions and titles as needed to reflect variations in school models. Be mindful that your predicted administration and staff match the projected enrollment noted in Section I, course offerings, and align with the proposed budget.

☑ Upload Required **File Type:** excel **Max File Size:** 30 **Total Files Count:** 10

Resources

Staffing Chart Template.xlsx

Applicant Evidence :

Staffing Chart Template.xlsx
Uploaded on **4/24/2024** by **Marchelle Sutton**

Enrollment Summary Table_ 0124.xlsx
Uploaded on **4/22/2024** by **Andrew LaVoie**

Q186.**Staffing Plans, Hiring, and Management** Explain the board's strategy for recruiting and retaining high-performing teachers.

Recruiting High-Performing Teachers

The school will recruit high-performing teachers through a variety of channels, including traditional methods for posting job opportunities, plus networking with educational organizations, and special outreach to teachers and administrators who are seeking an innovative educational environment. Ideally, teachers will be hired at least 30 days prior to the start of the school year. In addition, all candidates will undergo thorough screening procedures including background checks and comprehensive reference checks, as well as any additional checks as required by state law.

The school will review all documentation to ensure that all employees have the necessary documentation and experience. If an employee has not submitted the necessary documentation, the Human Resources team will contact the employee to ensure that the documentation is produced. The School Leader will lead the recruitment and hiring of the remaining 10-month school staff to ensure NC Connections is staffed by well-trained and effective online learning professionals.

The principles of equal employment opportunity are vital to NC Connections' success and extend to all aspects of employment, including recruitment, hiring, assignment, training, compensation, benefits, terminations, educational assistance, social and recreational programs, promotions, and transfers. NC Connections is committed to creating and fostering a work environment free from unlawful discrimination and harassment and one in which decisions and terms of employment are not based in any way on race, creed, color, religion or religious affiliation, national origin, citizenship, age, sex, sexual orientation, gender identity and/or expression, marital status, disability, genetic information, or veteran status, or any other category protected by state or federal law.

Continued success in equal employment opportunity depends not only on the commitment and involvement of those directly responsible for staffing the school but also on the dedication of all staff members. All staff are charged with making a personal commitment to practice and enforce the principles of this policy.

Additionally, a manager who has a personal or professional relationship with an applicant for employment must disclose this relationship in writing at the outset of the hiring process. In order to maintain objectivity in hiring decisions, it may be necessary for the manager to be excused from the interview process.

NC Connections will be staffed by North Carolina-certified teachers for all core subjects who will be specially trained in online delivery and personalized instruction to ensure fidelity in implementation of the school model. Core content teachers will be qualified based on content area, grade level and other aspects that may cause variations in the eligibility process. The majority of the teachers will work remotely delivering instruction to an online classroom of students and working one-on-one with students through highly interactive, technology-facilitated communication tools. Teachers will maintain a one-on-one relationship with each student.

Virtual learning requires an additional skill set and professional development. A focus on individualizing education for students and a high level of comfort with technology will be included in screening candidates for teaching positions. High-quality, North Carolina-certified teachers knowledgeable in their content areas will be attracted to join the team. With their content knowledge and passion for individualizing instruction, the Board will engage Pearson's professional development services to provide staff with the necessary skills and pedagogy to teach online and maximize their skill set.

Retaining High-Performing Teachers

Given teacher shortages nationally and in North Carolina[1], a school model with enhanced teacher supports fills a need in the state and leads to higher retention rates. School culture and teacher satisfaction are important factors and regular surveys are conducted to understand and support school staff needs. Across all Connections Academy schools, recent survey trends highlight the following:

- Overall Engagement factor has an average rating of 84% favorable.
- The highest rated sentiment is My Manager (92% average favorable rating), specifically the statements:
  - "My manager is a great role model for my school." (93% average favorable rating)
  - "I feel comfortable speaking with my manager about my needs." (93% average favorable rating)
  - "I am satisfied working with my immediate manager." (93% average favorable rating)
- Very high favorability around student support and the impact that staff feel they have on their students in the Service & Quality Focus factor (92% average favorable rating), specifically the statement "My school provides a safe environment for students to learn." (96% average favorable rating).
- Teacher retention rates are strong across these schools: 90.4% of teachers returned for the 2021-2022 School Year; the prior school year welcomed back 92.7% of teachers.

Teacher turnover rates are about half of the national average of 16% according to the National Center for Education Statistics (NCES).

- 95% of newly hired teachers say they feel motivated to exceed expectations at their school and they are proud to work at their school.
- 93% of newly hired teachers say they feel welcome, build good relationships with peers, had quality training and a supportive mentor.

Teachers at NC Connections will have a great deal of support in building relationships and engaging students, which will allow them more time to teach. The teachers will build relationships and teach content to students while attendance, truancy, field trips, and other engagement activities will be handled by the administrative team. This should increase teacher satisfaction and retention.

[1] https://www.wfae.org/education/2023-02-02/nc-teacher-reports-attrition-is-down-vacancies-are-up-and-a-new-challenge-is-coming

Q187.If already identified, describe the principal/head of school candidate and explain why this individual is well-qualified to lead the proposed school in achieving its mission. Provide specific evidence that demonstrates the capacity to design, launch, and manage a high-performing charter school. If the proposed leader has never run a school, describe any leadership training programs that (s)he has completed or is currently participating in. If no candidate has been identified, provide the job description or qualifications, and discuss the timeline, criteria, and recruiting/selection process for hiring the school leader.

The school leadership team for NC Connections will be recruited and hired following approval of the application. It is anticipated that the recruiting of the School Leader will begin immediately upon approval of the application, as the School Leader needs to be hired prior to teacher and staff recruitment.

The search process will begin with developing a comprehensive job description, including minimum qualifications and requirements, and posting the position and advertising through multiple avenues. Strategies to attract highly qualified staff will be implemented to include posting on several targeted recruitment sites as well as posting on the professional and institutional websites that may include Aurora Institute, National Charter School Association, Teachers-Teachers.com, and National Association of Secondary School Principals.

The interview process will consist of the following stages: 1) sourcing and screening resumes/applications; 2) prescreening digital interview; 3) live digital interview; 4) virtual panel interview; 5) professional reference check and background check; and 6) final interview.

The School Leader will meet all North Carolina requirements and will ideally hold an advanced degree with a minimum of five years' teaching experience and administrative experience. A former School Leader or School Leader who has experience in a virtual school setting and is technologically proficient with good communication skills is preferred. The School Leader will build consensus and inspire teachers to teach, students to learn, and parents to engage in their child's learning while following the mission of the school. The School Leader will be responsible for the overall school operation, including carrying out the vision and mission of the school, managing the budget, working with the Board, managing staff, legal compliance, and interfacing with the Charter Schools Review Board (CSRB) and other governmental agencies. The School Leader will hold appropriate administrative certification.

The School Leader will be offered a competitive compensation with annual salary reviews. In addition, the School Leader will have access to a competitive benefits package. The School Leader will also receive annual paid time off to include holidays, vacation and sick leave, as well as additional forms of paid leave such as bonding leave, serious illness in the family leave, bereavement leave, and jury duty leave, as needed.

Q188.If the school leader has been identified, attach the school leader's one-page resume as Appendix O.

☑ Upload Required **File Type:** pdf, excel, word, text **Max File Size:** 30 **Total Files Count:** 5

Applicant Comments :

The school leadership team for NC Connections will be recruited and hired following approval of the application. It is anticipated that the recruiting of the School Leader will begin immediately upon approval of the application during the planning year, as the School Leader needs to be hired prior to teacher and staff recruitment.

Q189.Provide a description of the relationship that will exist between the charter school employees and the school's board of directors.

The operating structure will be similar to a traditional educational environment, with the School Leader implementing the policies and procedures of the Board while supervising the teaching staff. The School Leader will be responsible for the instructional leadership, curriculum implementation, personnel decisions, facilities management, and any special staffing needs. Additionally, the School Leader will manage the charter school employees, ensuring that each student successfully completes his/her instructional program. While the Board will monitor activities, the School Leader will be responsible for the overall school operation working with parents, students, support staff, and highly qualified teachers who virtually facilitate the student instructional program.

School staff will be employees of Pearson. While the Board has delegated to Pearson the hiring of the staff, the Board will hold Pearson responsible through its SOA and will work closely with Pearson on any employment matters as they arise.

Q190.Outline the board's procedures for hiring and dismissing school personnel, including conducting criminal background checks.

Hiring School Personnel

The principles of equal employment opportunity are vital to NC Connections' success and extend to all aspects of employment, including recruitment, hiring, assignment, training, compensation, benefits, terminations, educational assistance, social and recreational programs, promotions, and transfers. NC Connections is committed to creating and fostering a work environment free from unlawful discrimination and harassment and one in which decisions and terms of employment are not based in any way on race, creed, color, religion or religious affiliation, national origin, citizenship, age, sex, sexual orientation, gender identity and/or expression, marital status, disability, genetic information, or veteran status, or any other category protected by state or federal law.

Continued success in equal employment opportunity depends not only on the commitment and involvement of those directly responsible for staffing the school but also on the dedication of all staff members. All staff are charged with making a personal commitment to practice and enforce the principles of this policy.

Additionally, a manager who has a personal or professional relationship with an applicant for employment must disclose this relationship in writing at the outset of the hiring process. In order to maintain objectivity in hiring decisions, it may be necessary for the manager to be excused from the interview process.

The School Leader, and all other staff of NC Connections, will be employees of Pearson. While the Board has delegated to Pearson the hiring of the staff, the Board will hold Pearson responsible through its SOA and will work closely with Pearson on any employment matters as they arise.

Dismissing School Personnel

Staff are expected to meet certain standards of work performance and conduct. Staff who do not meet the standards and expectations may be given the opportunity to improve performance and/or conduct through the disciplinary process.

The nature of the discipline, up to and including immediate termination of employment, will depend upon the staff member's conduct and the relevant circumstances. . Certain cases involving serious policy violations warrant a written warning with probationary status. This type of disciplinary action carries a contingency stating any further violations of policy or unacceptable performance or behavior will be grounds for termination. Performance improvement plans are used to support employee growth and development when specific behaviors and actions are expected to change immediately and ongoing. It is not a guarantee of continued employment to be placed on an improvement plan as part of the disciplinary process.

NC Connections will request staff planning to resign to notify their supervisor in writing at least two (2) working weeks prior to their last day. For those in a supervisory capacity, three (3) weeks of notice will be requested. The purpose for advance notice will be to provide for an orderly transition of the staff member's duties in a professional manner. Staff who are considered at risk for accessing confidential information during the notice period may have their duties adjusted during this time period or may be requested to work at home or may be excused from their work responsibilities. The right to work through the end of a notice period is at the school's discretion.

The Consolidated Omnibus Budget Reconciliation Act (COBRA) allows eligible staff members to extend health insurance for up to eighteen months (at their own expense) following termination of employment. Information about COBRA will be provided in the Benefits Guides and offered in accordance with applicable law.

In instances where a staff member voluntarily leaves the school's employment, NC Connections would like to discuss the reasons for leaving and any other impressions that staff member may have about the school. If the staff member decides to leave, they will be asked to grant the school the privilege of an exit interview. During the exit interview the staff member can express themself freely. NC Connections hopes to use feedback and insight from the exit interview to make any appropriate improvements. All information will be kept confidential to the extent possible.

Conducting Background Checks

All staff candidates will undergo thorough screening procedures including background checks, comprehensive reference checks, as well as any additional checks as required by state law, including clearance certificates as required by state law.

The school will review all documentation to ensure that all employees have the necessary documentation and experience. If an employee has not submitted the necessary documentation, the Human Resources team will contact the employee to ensure that the documentation is produced. The School Leader will lead the recruitment and hiring of the staff to ensure NC Connections is staffed by certificated, cleared, well-trained and effective online learning professionals.

Q191.Outline the school's proposed salary range and employment benefits for all levels of employment.

NC Connections will offer a work environment that provides opportunities for each employee to maximize their potential and meet the highest performance standards. The school will utilize a salary schedule for teaching staff and conduct routine market research and alignment studies. The proposed range for 10-month staff is $52,400 – 55,000, depending on position. Twelve-month staff will receive an initial salary offer followed by an annual salary review and routine market and alignment studies. Salary offers will be based on the salary schedule and will be based upon key qualifications of the candidate including degree, experience, and content area.

In addition, employees will have access to a competitive and comprehensive benefits package, including medical, dental, and vision coverage. In addition, employees will have the opportunity to take advantage of a variety of employer-paid benefits including tuition assistance, short & long-term disability, 401(k) match, life insurance and accident insurance, adoption assistance, a confidential employee assistance program, as well as other voluntary benefits.

Employees will receive annual paid time off which increases with their tenure to include vacation and sick leave, as well as paid holidays for 12-month staff and additional forms of leave such as bonding, serious illness in the family, bereavement leave, and jury duty leave, as needed.

Q192.Provide the procedures for handling employee grievances and/or termination.

Employee Grievance Procedures

The school encourages open and direct lines of communication between staff at all levels of the organization. It benefits everyone when staff feel free to bring questions, suggestions and concerns directly to their managers.

The grievance and resolution process is detailed below. Staff members should always contact Human Resources immediately to deal with issues of discrimination or harassment as described in the Preventing Workplace Harassment Policy of the employee handbook.

Steps in the Process

1. If the issue does not involve a violation of school policy or an ethical or regulatory requirement, meet with at least two (2) levels of management. A staff member must, in good faith, make every attempt to resolve the issue with their immediate manager and, if that is not successful, a staff member will attempt to resolve the matter with their next level manager. Fear of retaliation is not a legitimate reason to skip this step. If the issue does involve a violation of school policy or an ethical or regulatory requirement, the staff member should proceed directly to step 2.
2. If the immediate manager or the next level manager cannot resolve the issue, or if the issue involves a violation of school policy or an ethical or regulatory requirement, it is important to describe the issue, the desired result, and your proposed solution to the issue to Human Resources. This step should occur as soon as possible after the occurrence of the problem.
3. If the issue relates to a personnel matter or work condition, contact Human Resources. After a full description of the issue, Human Resources will help the staff member and their manager consider how policies, procedures, and practices relate to the issue. Often, the policies in this handbook will dictate a resolution to the issue. If the issue involves a school policy or an ethical or regulatory requirement, contact a member of the school management team. Human Resources can provide you with the name of the appropriate contact or you can ask Human Resources to contact the appropriate individual on your behalf.

Reporting Unethical Behavior Ethics Hotline

Our ongoing success depends on maintaining high ethical standards of conduct. To reinforce the commitment to the highest standards of ethics, The Ethics Hotline is available. The Ethics Hotline is a phone and web-based communication tool that offers staff a confidential way to raise a concern or report suspected unethical, unprofessional, illegal, or fraudulent activity by others associated with the organization or school. The hotline number is (833)710-0718 and the confidential web address is https://www.lighthouse-services.com/connectionsacademy (https://www.lighthouse-services.com/connectionsacademy).

Who should use the Ethics Hotline?
Any staff member who has information about possible criminal activities, ethical violations, or other work-related incidents should use the Ethics Hotline. A staff member's first option is to report suspicions to a member of school management or Human Resources but if they are uncomfortable with the direct approach, the Ethics Hotline may be utilized.

What types of incidents should be reported?
Staff members are encouraged to report situations or events that could potentially harm students, the school(s), colleagues, or the organization. Examples include violations related to:

- Compliance with Regulations
- Conflicts of Interest
- Accounting and Auditing Practices
- Gifts and Bribes
- Disclosure of Confidential Information
- Privacy of Student Records
- Theft
- Copyright Laws and Software Piracy
- Misuse of Resources or Funds
- Intellectual Property Infringement
- Falsification of Information
- Threats and Physical Violence
- Discrimination
- Harassment
- Retaliation

How It Works

Concerns reported to the Ethics Hotline are received by an independent third-party communication specialist who will then report the information anonymously to our Human Resources. At no point will the identity of the individual reporting the concern be revealed without their consent. Raising a concern or reporting misconduct in good faith is the right thing and such action will not be subject to discipline or retaliation. If the investigation of a concern reported through the Ethics Hotline reveals the initial report was done with malice or ill intent, the reporter will waive their right to anonymity and be subject to disciplinary action.

Investigation Procedure

During the investigation, Human Resources will instruct and provide guidance to participants of the investigation regarding confidentiality, and staff members are expected to fully comply with these instructions in order to maintain the integrity of the investigation.

Any staff members who are questioned as part of an investigation must be forthcoming and candid in answering all questions and must not withhold information pertinent to the investigation.

Withholding information or providing false information during an investigation is a serious violation of this policy and will subject an individual to disciplinary action, up to and including termination.

Non-Retaliation

Any form of retaliation against an individual who makes a bona fide complaint of harassment, for assisting in a complaint investigation, for providing information in a complaint investigation, or for making any determination necessary under this policy is prohibited.

Any staff member who violates this policy or makes a false or malicious complaint of harassment, regardless of position at the school, will be subject to discipline, up to and including termination.

Any individual who retaliates or attempts to retaliate will be subject to appropriate disciplinary action, up to and including termination of employment. All reports of retaliation should be submitted to Human Resources.

Termination

Staff are expected to meet certain standards of work performance and conduct. Staff who do not meet the standards and expectations may be given the opportunity to improve performance and/or conduct through the disciplinary process. The nature of the discipline, up to and including immediate termination of employment, will depend upon the staff member's conduct and the relevant circumstances. It is not a guarantee of continued employment to be placed on an improvement plan as part of the disciplinary process. Staff members are expected to meet their performance obligations daily. Certain cases involving serious policy violations warrant a written warning with probationary status. This type of disciplinary action carries a contingency stating any further violations of policy or unacceptable performance or behavior will be grounds for termination.

Q193.Identify any positions that will have dual responsibilities and the funding source for each position.

The Instructional Technology Facilitator will have dual responsibilities as a teacher in Year 1; the teacher will be given a reduced teaching load and a stipend for fulfilling the dual role in Year 1.

The Data Manager will have dual responsibilities as the Assistant Principal in Year 1.

The School Library and Media Coordinator role will have dual responsibilities as an English teacher in Year 1, while some of the EMS Virtual Library responsibilities will be supported by Pearson.

The Testing Coordinator will be a dual role with a teacher. The Teacher/Testing Coordinator will be responsible for understanding and following all North Carolina specific rules and requirements for state testing.

The funding source for these positions will be similar to the other school staff. Staffing costs are managed closely, and school staff are only hired as students enroll. While the school will release more staffing as more students enroll, there is a minimum number of staff that must be hired before school starts for the school to function. This will ensure that the majority of expenses will flex up and down with enrollment, thus cushioning the impact of lower-than-expected revenue due to an enrollment shortfall. Because the school's program is scalable, fluctuating demographics in the enrolled population, changes in enrollment trends, and enrollment changes in surrounding schools will not strain the school's sustainability. The Board is prepared to make difficult financial decisions to operate the charter school; however, the variable nature of the virtual charter expenses provides a level of flexibility and financial stability since it is based upon enrollment and not fixed expenses.

Q194. Describe the plans to have qualified staffing adequate for the anticipated special needs population and means for providing qualified staffing for EL and gifted students.

Based on statewide student demographics as well as the demographics of virtual schools, staffing for special needs population is based on an anticipated 13% of the overall student population, while English Learners (EL) are anticipated to make up 3% of the student population.

Three months prior to the school's opening, the School Leader and a Manager of Special Populations will be hired and begin recruiting and hiring a highly qualified teaching staff, including Special Education teachers, teachers of EL students, teachers of students identified as accelerated learners, and teachers of students at risk of dropping out.

The Manager of Special Populations will be responsible for managing special education site-based school operations. This includes reviewing the student's documentation (IEP, Section 504 plan, and Evaluation Reports), recommending course placement, managing special education teachers, liaising with school districts, maintaining required compliance timelines, adhering to policies and procedures outlined by IDEA, Section 504, and NC DPI, ensuring specialized direct instruction is delivered, organizing related service providers, and monitoring accommodation and modification implementation.

Qualifications for the Manager of Special Populations include a minimum of 5 years of special education teaching experience and management experience. Other requirements include valid Special Education credential in North Carolina; advanced degree; technologically proficient with experience in online IEP tools; excellent communication skills, both oral and written, management experience; and occasional travel.

Special Education teachers at NC Connections will have a degree in Special Education or related Education Field, a valid Special Education credential in North Carolina, experience in policy (IDEA) and/or administration with Special Education, strong technology skills, excellent communication skills, both oral and written, a customer-focused approach, a high degree of flexibility, the demonstrated ability to work well in fast-paced environment, and a team player track record. The Special Education Teachers will virtually teach students and manage instructional programs for students with special needs. Through the use of technological resources and various curriculum tools, they will teach students and consult regularly with parents/Learning Coaches and students to ensure that each student successfully completes their instructional program. Special Education Teachers will participate in all steps of the IEP process. They will work closely with other teachers and district/state professionals to ensure that the school's special education program is successful and operates in compliance with federal and state regulations.

Teachers of EL students at NC Connections will be appropriately certified to teach EL students (appropriate to grade level responsibilities) in North Carolina; will have ESOL endorsement or certification; will have experience directly teaching EL students; bilingual preferred; will have strong technology skills; will have excellent communication skills, both oral and written; will have a willingness to travel for school-based meetings, trainings, outreach and state testing events; will have the ability to work remotely; and will have the ability to work some occasional evening hours, as needed to support some families.

In recognition of the fact that high-quality staff is essential to a strong education program, NC Connections will provide professional learning on accelerated and enrichment programming to all teachers, counselors, and administrators. These courses will cover topics ranging from affective education to student identification and will ensure that staff is well versed in the needs of every student, including accelerated learners.

Q195. Provide a narrative detailing the roles and responsibilities, qualifications, and appropriate licenses that each position must have to be hired by the school's board of directors and effectively perform the job function(s).

Virtual learning requires an additional skill set and professional development. A focus on individualizing education for students and a high level of comfort with technology will be included in screening candidates for teaching positions. High-quality, North Carolina-certified teachers knowledgeable in their content areas will be attracted to join the team. With their content knowledge and passion for individualizing instruction, the Board will engage Pearson's professional development services to provide them with the necessary skills and pedagogy to teach online and maximize their skill set.

Following are outlines of the qualifications and experience required for school staff.

Teachers

North Carolina-certified teachers will teach students in grades K-12 and support the instructional programs. They will consult regularly with Learning Coaches to ensure that each student successfully completes his/her instructional program. The school will use North Carolina-certificated teachers for all core courses and meet North Carolina requirements for teachers of elective courses as well.

Minimum Professional Qualifications and/or Experience: All teachers will hold the state-mandated certification/endorsements to teach within their content area and shall possess working knowledge of the Multi-tiered System of Supports process; strong technology skills; excellent communication skills, both oral and written; be highly organized and punctual; have a willingness to travel on occasion for outreach and state testing events; ability to work remotely; and ability to work some occasional evening hours, as needed to support students and families.

Multilingual/English Learner Teacher

Qualifications/Experiences include being appropriately certified to teach Multilingual/English Learners (appropriate to grade level responsibilities) in North Carolina; ESOL endorsement or certification required; experience directly teaching English Learners; bilingual preferred; strong technology skills; excellent communication skills, both oral and written; willingness to travel for school-based meetings, trainings, outreach and state testing events; ability to work remotely; and ability to work some occasional evening hours, as needed to support some families.

The Instructional Technology Facilitator will be a dual role with a teacher for Year 1. The Teacher/Instructional Technology Facilitator will have a reduced teaching load in order to fulfill the Instructional Technology Facilitator role for the first year of operation. The Instructional Technology Facilitator will be required to have an advanced degree (master's level), strong technology skills, and proficiency with synchronous meeting tools, PowerBI, and Microsoft tools. Technical support for students and staff will be provided by Pearson Technical Support.

The School Library and Media Coordinator will be a dual role with an English teacher in Year 1. Tasks associated with the EMS Virtual Library and media in the curriculum will be supported by Pearson staff. The School Library and Media Coordinator will be required to have an advanced degree (master's level), strong technology skills, excellent communication skills, and experience with educational media and libraries.

The Testing Coordinator will be a dual role with a teacher. The Teacher/Testing Coordinator will be responsible for understanding and following all North Carolina specific rules and requirements for state testing. This individual serves as the main point of contact managing and supporting all key operational areas of testing to guide and train stakeholders in understanding and meeting testing requirements. Teacher/ Testing will be required to have experience with state testing; strong technology skills; excellent communication skills, both oral and written; high attention to detail; ability to manage competing priorities; and being highly organized.

Special Education Teachers

The Special Education Teachers virtually teach students and manage instructional programs for students with special needs. Through the use of technological resources and various curriculum tools, they teach students and consult regularly with parents/Learning Coaches and students to ensure that each student successfully completes his/her instructional program. The Special Education Teachers participate in all steps of the IEP process. They work closely with other teachers and district/state professionals to ensure that the school's special education program is successful and operates in compliance with federal and state regulations. The Special Education Teachers utilize technology to deliver virtual instruction and teach students.

Minimum Professional Qualifications and/or Experience: Special Education teachers will have a degree in Special Education or related Education Field, a valid Special Education credential in North Carolina, experience in policy (IDEA) and/or administration with Special Education, strong technology skills, excellent communication skills, both oral and written, a customer-focused approach, a high degree of flexibility, the demonstrated ability to work well in fast-paced environment, and a team player track record.

Counselors

The Counselor will assist students and Learning Coaches with course selection and scheduling and will be the initial point of contact for student concerns that span multiple subject areas as well as non-academic issues. Professional school counselors are certified/licensed educators uniquely qualified to address the developmental needs of all students through a comprehensive school counseling program addressing the academic, career and personal/social development of all students. The Counselor is an expert on course and credit requirements, establishes processes to develop and implement data/needs-driven, standards-based and research-supported programs, while also developing confidential relationships with students to help them resolve and/or cope with problems or developmental concerns and engage in continuous program evaluation activities. The Counselor may also carry a teaching load in addition to advisory duties.

Minimum Professional Qualifications and/or Experience: Counselors will be required to have a counseling certification. Qualifications include North Carolina professional school counselor certification; minimum of a master's degree in school counseling; strong technology skills; excellent communication skills, both oral and written; excellent attention to detail and organizational skills; and willingness to travel on occasion for outreach and state testing events (may require occasional overnight travel).

Advisory Teachers

Secondary students in grades 6-12 will be assigned advisory teachers upon enrollment. These teachers will work closely with the students and the Learning Coaches to acclimate them to the online learning experience. They will observe all aspects of a student's success: their grades, their attendance, and their engagement in course work. If a student is struggling in a course, the advisory teacher will work with the subject-specific teacher to make sure the student gets the support they need. The Advisory Teacher will virtually assist students and guardians/Learning Coaches with course selection, scheduling and will be the initial point of contact for student concerns that span multiple subject areas as well as non-academic issues. The Advisory Teacher will become an expert on course and credit requirements and will work with the School Counselor to establish counseling processes for middle school and high school students.

Minimum Professional Qualifications and/or Experience: Qualifications include North Carolina Teacher Certification, strong technology skills (especially with Microsoft Office products and Google Suite), and excellent communication skills, both oral and written.

School Leader

The School Leader will meet all North Carolina requirements and will ideally hold an advanced degree with a minimum of five years teaching experience and administrative experience. A former School Leader or school leader who has experience in a virtual school setting or is technologically proficient with good communication skills is preferred. The School Leader will build consensus and inspire teachers to teach, students to learn, and parents to engage in their child's learning while following the mission of the school. The School Leader will be responsible for the overall school operation, including carrying out the vision and mission of the school, managing the budget, working with the Board, managing staff, legal compliance, and interfacing with CSRB and other governmental agencies. Additionally, the School Leader will work closely with the enrollment, technical support, materials management, fulfillment, finance, human resources, payroll, and facilities management functions.

Minimum Professional Qualifications and/or Experience: The School Leader will hold appropriate administrative certification; preferably hold an advanced degree; have a minimum of five years' teaching experience and administrative experience.

Other Administrators

Assistant Principal/Data Manager

The Assistant Principal/Data Manager will work collaboratively with the School Leader and will manage all the site-based school operations, exclusive of Special Education. The Assistant Principal/Data Manager will help the School Leader with implementation of the instructional program, including managing staff members. They will manage a range of special projects as well as analyze school data, such as student academic performance, state testing results, and staff performance. After Year 1, the two roles will be filled by two separate individuals.

Minimum Professional Qualifications and/or Experience: Qualifications will include North Carolina Administrative certification; a minimum of 5 years of relevant work experience (teaching and/or administrative); some operational or logistics experience and/or administrative or management experience; relevant advanced degree is required, education experience required; excellent communication skills, both oral and written; demonstrated ability to work well in a fast-paced environment; be technologically proficient; experience in managing people a plus; and ability to travel as needed.

Manager of Special Populations

The Manager of Special Populations will be responsible for managing special education site-based school operations. This includes reviewing the student's documentation (IEP, Section 504 plan, and Evaluation Reports), recommending course placement, managing special education teachers, liaising with school districts, maintaining required compliance timelines, adhering to policies and procedures outlined by IDEA, Section 504, and NC DPI, ensuring specialized direct instruction is delivered, organizing related service providers, and monitoring accommodation and modification implementation. The Manager of Special Populations will also manage EL teachers for the initial charter term.

Minimum Professional Qualifications and/or Experience: Qualifications for the Manager of Special Populations include a minimum of 5 years of special education teaching experience and management experience. Other requirements include valid Special Education credential in North Carolina; advanced degree; technologically proficient with experience in online IEP tools; excellent communication skills, both oral and written, management experience; and occasional travel.

Manager of Counseling

The Manager of Counseling will work with the school leadership team to ensure that each student successfully completes his/her instructional program. The Manager will provide direction to staff and will assist students and parents in understanding and meeting graduation requirements, course selection and scheduling, post-secondary school planning, social/emotional needs, and crisis intervention.

Minimum Professional Qualifications and/or Experience: Qualifications include a minimum of 5 years counseling or teaching experience and counseling; management experience preferred; a master's degree in school counseling; advanced degree required; technologically proficient; excellent communication skills, both oral and written; and occasional travel.

Administrative Assistants

Administrative Assistants will be responsible for daily administrative tasks of NC Connections such as answering phones and email, receiving visitors, assisting the School Leader, Assistant Principal, other Administrators, and teachers with administrative tasks, filing and other duties as assigned.

Minimum Professional Qualifications and/or Experience: Qualifications will include administrative experience; strong technology skills; excellent communication skills, both oral and written; and being highly organized and punctual.

Assistant Principal

Minimum Professional Qualifications and/or Experience: Qualifications will include North Carolina Administrative certification; a minimum of 5 years of relevant work experience (teaching and/or administrative); some operational or logistics experience and/or administrative or management experience; relevant advanced degree is required, education experience required; excellent communication skills, both oral and written; demonstrated ability to work well in a fast-paced environment; be technologically proficient; experience in managing people a plus; and ability to travel as needed. The Assistant Principal will be mentored and supported as a plan for succession to the school Leader.

11.4. Staff Evaluations and Professional Development

Q196.Identify the positions responsible for maintaining teacher license requirements and professional development.

The school leadership team (School Leader and Assistant Principal/Data Manager, Manager of Special Populations, Manager of Counseling), Teachers, Advisory Teachers, Counselors, Instructional Technology Facilitator, and the School Library and Media Coordinator will be the positions responsible for maintaining teacher license requirements and professional development.

Q197.Provide a detailed plan noting how the school will mentor, retain and evaluate staff in a format that matches the school's mission and educational program. The plan should also describe how the school will meet the teacher certification and licensure requirements for teachers as prescribed by state and federal law. Be sure this overview matches with the projected staff and funding of the proposed budget section.

How the School Will Mentor Staff

In the first year of operation, NC Connections will designate mentors (teachers who have experience teaching in a virtual environment and those with experience in the EMS) to mentor teachers who have not taught in a virtual environment before. The school will identify key trainers/mentors and ensure that they will be able to mentor and train others for effective best practices. Additionally, twice each month, NC Connections teachers will be provided a "Boots on the Ground" onboarding training; this two-day, live (and recorded) onboarding session will walk new teachers through how to use the learning tools and platforms as well as key School Year Cycle tasks and creating engaging LiveLesson sessions. The school will also utilize the Teacher Orientation trainings as resources for onboarding. NC Connections will also have a dedicated training and learning facilitator from our partner Pearson who will support with developing school- and state-specific onboarding plans in direct collaboration with the school.

How the School Will Retain Staff

Staff job satisfaction and retention are important to the Board. Because school culture and teacher satisfaction are critical factors in the school's success, NC Connections will conduct regular staff surveys to understand and support school staff needs. Teachers at NC Connections will have a great deal of support in building relationships and engaging students, which will allow them more time to teach. The teachers will build relationships and teach content to students while attendance, truancy, field trips, and other engagement activities will be handled by the administrative team. This should also serve to increase teacher satisfaction and retention.

Across all Connections Academy schools, recent staff survey trends highlight the following:

- Overall Engagement factor has an average rating of 84% favorable.
- The highest rated sentiment is My Manager (92% average favorable rating), specifically the statements:
  - "My manager is a great role model for my school." (93% average favorable rating)
  - "I feel comfortable speaking with my manager about my needs." (93% average favorable rating)
  - "I am satisfied working with my immediate manager." (93% average favorable rating)
- Very high favorability around student support and the impact that staff feel they have on their students in the Service & Quality Focus factor (92% average favorable rating), specifically the statement "My school provides a safe environment for students to learn." (96% average favorable rating).
- Teacher retention rates are strong across these schools: 90.4% of teachers returned for the 2021-2022 School Year; the prior school year welcomed back 92.7% of teachers.

Teacher turnover rates are about half of the national average of 16% according to the National Center for Education Statistics (NCES).

- 95% of newly hired teachers say they feel motivated to exceed expectations at their school and they are proud to work at their school.
- 93% of newly hired teachers say they feel welcome, build good relationships with peers, had quality training and a supportive mentor.

How the School Will Evaluate Staff

The school will adopt a standards-based evaluation system designed to encourage professional learning through a continuum of career development to ensure student success and meet school goals. This evaluation system will be reviewed and approved by the Board. The evaluation system will align to the North Carolina Professional Teaching Standards and may include additional nationally recognized tools, modified to fit the online learning environment, as permitted by state law and Board of Education Rules.

Evaluation Process for Teachers

The teacher performance evaluation process will:

- Serve as a measurement of performance for individual teachers;
- Serve as a guide for teachers as they reflect upon and improve their effectiveness;
- Serve as the basis for instructional improvement;
- Focus the goals and objectives of schools and districts as they support, monitor, and evaluate their teachers;
- Guide professional development programs for teachers;

Serve as a tool in developing, coaching, and mentoring programs for teachers;

- Enhance the implementation of the approved curriculum; and

Inform higher education institutions as they develop the content and requirements for teacher training programs.

The principal or a designee will conduct the evaluation process in which the teacher will actively participate using self-assessment, reflection, presentation of artifacts, and classroom demonstration(s).

The North Carolina Teacher Evaluation Process shall be conducted annually, according to one of the following cycle types: Comprehensive Evaluation Cycle, Standard Evaluation Cycle or Abbreviated Evaluation Cycle.

Process and Timeline for the Evaluations

1. Annual Evaluation Orientation & Training

- Within two weeks of the first day of school, the School Leader meets with staff to review the evaluation Process, timeline, and tools at the start of the school year.
- Before participating in the evaluation process, all teachers, principals, and peer evaluators must complete training on the evaluation process.

1. Self-Assessment, Goal Setting, and Pre-Observation Conference

- Using the Rubric for Evaluating North Carolina Teachers, the teacher will rate his or her performance and reflect on their performance throughout the year. Goals are structured to help the school achieve its goals, to help the employee expand his/her relevant skills/abilities, and to foster the academic success of students.
- The School Leader meets with the teacher to discuss goals self-assessment, professional growth plan and a written description of the lessons to be observed. Goals are structured to help the school achieve its goals, to help the employee expand his/her relevant skills/abilities, and to foster the academic success of students.

1. Observations Cycle and Post Observation Conference

- Observations

- Teachers employed less than 3 consecutive years will be observed at least 3 times by the School Leader or designee (formal) and at least once by another teacher (peer).
- Teachers employed 3+ years will be evaluated using a Standard (3 Observations, 1 must be formal) or Abbreviated (2 Observations on Standards 1 and 4).
- Abbreviated Observations may be formal or informal.
- The Standard Evaluation Cycle will be used for teachers during the year of their licensure renewal.

- Post-Observation Conference

- The School Leader shall conduct a post-observation conference no later than ten school days after each formal observation.
- Discuss and document strengths and weaknesses.

1. Summary Evaluation Conference and Goal Setting

- Summary Evaluation Conference
- Prior to end of school, the School Leader conducts a summary evaluation conference with the teacher to discuss components of the evaluation cycle type used (Comprehensive or Standard).
- The School Leader provides a rating for each element in the Rubric (*Developing, Proficient, Accomplished, Distinguished, Not Demonstrated*) and makes a comment on any element marked "Not Demonstrated".
- Overall rating is provided for each standard observed with the opportunity for teacher to add comments to Summary Rating Form.
- Teacher signs Evaluation Rating Form.

How the School Will Meet the Teacher Certification and Licensure Requirements for Teachers

The school will review all documentation to ensure that all employees have the necessary documentation and experience, including teacher certification and licensure requirements. If an employee has not submitted the necessary documentation, the Human Resources team will contact the employee to ensure that the documentation is produced. The School Leader will lead the recruitment and hiring of the remaining 10-month school staff to ensure NC Connections is staffed by well-trained and effective online learning professionals.

Ideally, teachers will be hired at least 30 days prior to the start of the school year. All candidates will undergo thorough screening procedures including background checks and comprehensive reference checks, as well as any additional checks as required by state law.

Q198.Describe the core components of the professional development plan and how these components will support the effective implementation of the educational program. Describe the extent to which professional development will be conducted internally or externally and will be individualized or uniform.

The mission of NC Connections is to help students meet performance standards and maximize their potential through an individualized learning program. Training aligned to this mission will be integrated into the program and also aligned with the student curriculum, student pedagogy, student information system, data, evaluation systems, and other services. NC Connections has engaged our partner Pearson, through the Statement of Agreement, to provide training and professional development for teachers. Professional development will be both individualized (during synchronous/real-time sessions) and uniform (in recorded session available anytime). The professional development team will focus on coordinating, planning, delivering, and continuously supporting professional learning initiatives through a systematic and comprehensive professional development model in consultation with the Board and school leadership team. Educators will be provided with professional growth opportunities designed to increase student achievement, personalize learning for students preparing for college and careers, and increase teaching effectiveness. In addition, the School Leader will identify specific professional development needs in alignment with school goals that will be addressed.

The NC Connections professional development model is grounded in a teacher competency model that links development and training of teachers to evaluation of learning and performance. The teacher competency model is broken into four areas: Strategic Skills, Efficacy, Operating Skills, and Individual Excellence. Observation of teacher performance uses an aligned observation tool. Teachers also self-assess their growth on these competencies and share with their supervisors as part of the evaluation cycle of determining growth goals, performance indicators, and evidence of competency.

Professional development and training activities for teachers include measures of understanding and application for the content provided. After each activity, teachers respond to a series of questions they document their understanding and plans for integration of new learning. They maintain these learning reflections in their professional ePortfolio, which is available for reference and discussion with their Professional Learning Communities and in coaching or supervisory situations.

Professional goals are set by teachers, with performance indicators, and documented on a quarterly basis. This process includes a demonstration of learning/application that goes into the ePortfolio. Learning from participation in Professional Learning Communities is part of this process.

Training Content
Teachers will benefit from ongoing and effective professional growth. The training begins with an initial teacher orientation and several days of face-to-face pre-service training. Teachers will build a strong foundation for teaching in the online environment with student success as a focus. Professional Learning Communities (PLC), nationally facilitated professional learning sessions, and weekly updates will keep teachers up to date and on the road to being experts in online learning. Research on effective professional development indicates that professional development must be intensive, ongoing, and connected to practice. Teachers need to try out new ideas and strategies with their students and to reflect on the results of these strategies. Intensive monthly professional development, especially when it includes application of knowledge to planning and instruction, has a greater chance of influencing teaching practices, and in turn, leading to gains in student learning. Teachers will take part in ongoing professional development activities throughout the school year.

Teachers will participate in synchronous and asynchronous professional learning on topics such as:

- The Dynamic Classroom, The Dynamic Classroom Instructional Model, and the role of the Dynamic Classroom Teacher;
- Implementing specific research-based instructional strategies;
- Using effective teaching practices and communication skills for an online environment;
- Utilizing the state and national standards to inform instruction;
- Using technology to engage students in collaborative learning activities; and
- Using data to guide instruction.

The School Leader will develop a systematic approach to professional development for all staff. Topics for trainings will be selected based on school goals, student performance data, student needs, national initiatives in education, and research-based best practices. Professional learning sessions will include an evaluation survey to elicit teacher and administrator feedback. Professional learning will be:

- Intensive – Participants will identify the purpose of educational practices and examine how they can be implemented in the online environment. Participants will collaboratively discuss strategies that can be implemented with students.
- Ongoing – New instructional strategies and the latest learning science research will be connected to topics presented and discussed in prior sessions to demonstrate how specific educational practices form the “big picture” of effective instruction. Further discussion and exploration at the school level will strengthen these connections.
- Connected to Practice – Following each session, participants will apply what they have learned to their professional practice. They will integrate precise, targeted strategies into their planning and instruction, and reflect on the outcomes through the Teacher ePortfolio data view, a virtual portfolio which allows them to document their attendance and upload resources related to their professional learning.

Teaching in an online environment offers flexibility and allows for a greater level of professional learning throughout the school year. Although designated professional development days will have a specific focus, additional professional learning support will be available daily. Teachers will have multiple opportunities for seeking assistance and support with instructional strategies for engaging students and families, making decisions based on data, and completing school year cycle tasks in a timely and efficient manner. The school will receive multiple levels of support from our partner Pearson to implement professional development that meets the needs of the teachers and the school.

Intensive training to teachers and other school staff prior to and throughout the school year will be provided. Teachers will be instructed on how to modify a course through new teacher orientation. At the beginning of the year, training sessions focus on the “how to” — the basic tools and skills that teachers need to know and understand to teach in an online environment, navigate the EMS (e.g., how to access the Grade Book, how to modify a lesson), and complete the tasks associated with the school Year Cycle of activities. Before the start of each school year, all teachers will complete the Teacher Orientation Course: Foundations of Instruction. This course will be delivered through the EMS, and contains lessons, assessments, and links to online tutorials. This introductory course supports teachers in transitioning from a brick-and-mortar school to an online school and covers curriculum, assessment, personalizing instruction, school year events, grading, communication, and essential tools in the EMS to monitor and support student learning. Upon successful completion of these courses and assessments, teachers will be ready to begin instruction. Teachers are expected to earn a grade of 80% or higher in this course.

Systemic Professional Development Model
Teachers at NC Connections will receive operational training and professional learning throughout the school year. In addition, several days prior to the start of the school year will focus on pre-planning, school improvement planning, recognizing and identifying specific needs prior to the start of school, and goal setting for teachers and students. During these meetings, school leadership and teachers discuss expectations, processes, policies, and procedures, and conduct trainings. Throughout the school year, the School Leader will schedule additional time for staff members to meet face-to-face and virtually to collaborate in Professional Learning Communities/Communities of Practice (PLCs). PLCs are data-driven teams focused on student learning outcomes through continuous collaboration and capacity building. In addition, each month, there will be a variety of trainings, touch base sessions, and ad hoc meetings conducted virtually or face-to-face to discuss items based on the school year cycle. For example, there will be trainings prior to state testing, trainings regarding transitions at the semester change, and meetings to discuss student data and student needs.

A variety of synchronous and asynchronous professional learning opportunities will be available to teachers throughout the school year to build effective virtual teaching strategies, stay current in industry trends, and collaborate with colleagues. The systematic approach to professional learning supports the school’s core standards for facilitating student learning and provides teachers with research-based best practices for effective teaching within a virtual environment, including personalizing learning for students, implementing instructional practices aligned to learning science research, and identifying effective online teaching practices designed to increase student achievement.

Professional Learning Communities (PLCs)
As a continuation of synchronous online professional development sessions, the school will implement school-based Professional Learning Communities. This allows for true application of new strategies and resources as teachers personalize instruction and make data-driven decisions. Professional development sessions use evaluation surveys and collaborative tools to elicit teacher and administrator feedback. Audits, evaluations, observations, and site-visits will be used to gauge the effectiveness of the training and to ensure initiatives are implemented with high fidelity.

Additional Professional Learning Resources
During the school year, ongoing professional development sessions will also be offered based on teacher feedback from surveys completed after professional learning sessions, student needs, and other priorities as identified by the School Leader and leadership team at the school. In addition, these resources will be available to all school staff to support their professional learning.

- Teacher Orientation: Teacher Orientation is a resource for teachers and school personnel to use all year. It contains policies, procedures, and “how to” components that aid the teachers on a day-to-day basis. These “how to” components have accompanying on-line tutorial segments that visually demonstrate each process.
- The Virtual Library: The Virtual Library is a tool within the EMS that is easy to navigate and serves as a one-stop shop for teachers and staff to find guidance on instructional practices, professional learning, and training resources. Each section contains links to resources to support teacher effectiveness, best practices, and tools designed to personalize the learning experience for students.
- Monthly Newsletters: All teachers will receive a monthly, electronic newsletter that highlights improvements to the curriculum and the EMS, teacher tasks associated with the School Year Cycle, new procedures, shared tips, upcoming Professional Learning opportunities and community-building activities. Additional training in health and safety areas may be included as needed to comply with the school’s health and safety policies and/or with state law.
- The Dynamic Classroom Course and Resource for Educators: This online resource will allow teachers to understand the connection between the curriculum and best practices that the Dynamic Classroom

Teacher uses to bring the asynchronous curriculum to life. It will provide teacher examples to illustrate the instructional practices linked to the curriculum.

In addition, training is provided throughout the year for special education teachers. Extensive training will be provided for the entire school leadership team regarding the identification of students suspected of having a disability and types of services available for all students with disabilities including how to implement the Child Find practices in the online environment. General education and special education teachers will be trained on how to meet the students of individual special education services in the online environment.

Q199.**Provide a schedule and explanation of professional development that will take place prior to the school opening. Explain what will be covered during this induction period and how teachers will be prepared to deliver any unique or particularly challenging aspects of the curriculum and instructional methods.**

Professional Development That Will Take Place Prior to the School Opening

Before the start of each school year, all teachers will complete the Teacher Orientation Course: Foundations of Instruction. This course will be delivered through the EMS, and contains lessons, assessments, and links to online tutorials. This introductory course supports teachers in transitioning from a brick-and-mortar school to an online school and covers curriculum, assessment, personalizing instruction, school year events, grading, communication, and essential tools in the EMS to monitor and support student learning. Upon successful completion of these courses and assessments, teachers will be ready to begin instruction. Teachers are expected to earn a grade of 80% or higher in this course.

Teachers will be instructed on how to modify a course through the new teacher orientation. Intensive training to teachers and other school staff prior to and throughout the school year will be provided. Prior to the school's opening, training sessions will focus on the "how to" — the basic tools and skills that teachers need to know and understand to teach in an online environment, navigate the EMS (e.g., how to access the Grade Book, how to modify a lesson), and complete the tasks associated with the school Year Cycle of activities.

Teachers will have access to the teacher orientation course as soon as they have been officially hired and have access to the EMS, typically at least two weeks prior to the school's opening for students. The first day of school for teachers will be August 12, 2026, providing them with eight (8) days of intensive preparation and training before the first day of school for students on August 24, 2026.

Schedule

Teachers are encouraged to participate monthly in professional learning by selecting a learning opportunity from the list of sessions. Additional professional learning is also offered throughout the school year. All teachers will have access to a Professional Learning Hub that includes a variety of synchronous and asynchronous professional learning opportunities to access and participate in throughout the school year. Teachers can self-select asynchronous assets to read/view and synchronous sessions to attend.

The Professional Learning Hub provides content on various topics to support teachers in areas such as: student engagement, exceptional learners, instruction, multi-tiered system of support, to name a few.

Below is a list of some of the professional learning opportunities anticipated to be available in NC Connections' Professional Learning Program for the 2026-2027 school year.

2026-2027 Sessions for New Staff*

August 2026

Power BI® for Beginners: How do staff login and access Power BI? How do staff locate reports within Power BI? How do users navigate Power BI? How do users export the data?

Session Length: 60 Minutes

Targeted Audience: All School Roles

Power BI: Enrolled Student Snapshot: Learn how to more efficiently determine which students need your attention using the new Enrolled Student Snapshot report.

Session Length: 60 Minutes

Targeted Audience: All Educator Roles

LiveLesson® with Zoom – Session 1: Wondering how to provide quality instruction virtually? Come and get excited about Zoom settings and room management! All staff using Zoom as their LiveLesson platform are invited to this session devoted to the following objectives: Set Zoom meeting settings for the Personal Meeting Room and Operate my Zoom room to facilitate a LiveLesson session.

Session Length: 60 Minutes

Targeted Audience: Teachers

LiveLesson with Zoom – Session 2: Can groupwork be done virtually? Of course!!! Come see how to set up and use Breakout Rooms in Zoom. All staff using Zoom as their LiveLesson platform are invited to this session devoted to the following objectives: Recognize what Breakout Rooms are and how they function, set up Breakout Rooms with different activities, start and end breakout sessions, and communicate with participants in Breakout Rooms.

Session Length: 60 Minutes

Targeted Audience: Teachers

Boots on the Ground: Each 2-day session, offered Wednesday & Thursday from 12-2pm EST, will support teachers with a successful onboarding experience. (Offered bi-weekly through November; then, offered monthly)

Session Length: Two Day, 120 Minutes; offered Bi-Weekly

Targeted Audience: All School Roles

School Year Cycle – Welcome Calls: Attend this session to learn about the purpose of a Welcome Call, how to prepare for and conduct a successful one, and how to complete the necessary tasks after the call.

Session Length: 60 Minutes

Targeted Audience: All Teacher Roles, School Counselors, and Homeroom Teachers

School Year Cycle – Curriculum Based Assessments (CBA): Attendees will learn what a CBA is and more about its purpose. They will also how to conduct and document CBAs to ensure students are learning.

Session Length: 60 Minutes

Targeted Audience: Teachers and Teacher Managers

Connections Week – Session 1 – What does it mean?: In this session, teachers will be provided an overview about the school's unique C-Week. Teachers will learn how to incorporate the school's annual Career Competency theme into their lessons. Teachers will learn more about the Engagement Badges and will receive information to be shared with families during Welcome Calls about the importance of the school's career competencies and badging focus.

Session Length: 60 Minutes

Targeted Audience: Teachers

September 2026

Online Classroom – Teacher Customization: The Lesson Introduction Page is a feature that allows the course section teacher(s) to add a customized slide to the start of a lesson in their students' courses. Come learn how and when to best use this feature compared to the Lesson Note! Leave this session with templates & resources to use in your own course.

Session Length: 60 Minutes

Targeted Audience: Teachers

School Year Cycle – Escalation: In this session, you'll learn how to determine when a student's metrics indicate they are approaching alarm. You will learn which metrics to analyze, how to monitor and how to intervene when necessary, and follow up with Approaching Alarm and Alarm issues.

Session Length: 60 Minutes

Targeted Audience: All Educator Roles, including Teacher Managers and Leadership Teams

October 2026

Best Practices for Creating Custom Assessments: In the first part of this two-part series, participants will learn more about what Depth of Knowledge is and how it can be beneficial in the creation of custom assessments! The second and final part of this two-part series will focus on best practices for writing and inserting a custom assessment.

Session Length: 60 Minutes

Targeted Audience: Teachers

Counseling – Supporting Seniors and Post-Graduation Tasks: Get prepared to support those December graduates during this session.

Session Length: 60 Minutes

Targeted Audience: School Counselors

November 2026

School Year Cycle – Ensuring Students Finish the Semester Successfully: This session will focus on how to monitor your students' academic progress, how to use the School Year Cycle Calendar in Power BI to locate key end dates and discuss with families throughout the semester.

Session Length: 60 Minutes

Targeted Audience: Teachers, Teacher Managers and Administrative roles.

Counseling: End of Semester 1 Tasks: Learn more about how to complete all required semester 1 tasks during this session.

Session Length: 60 Minutes

Targeted Audience: School Counselors

December 2026

School Year Cycle – Setting Section Stages to Complete at Midyear: You will learn what causes the Section Stage alert icon to turn red, identify the effects of setting a section stage to Complete, review a student's Grade Book and grade assessments prior to setting the stage to Complete.

Session Length: 60 Minutes

Targeted Audience: Teachers

*January 2027***

Counseling – Returning Student Course Selection: Join us if you are new (or returning) and need a refresher on how the Returning Student Course Selection process works!

Session Length: 60 Minutes

Targeted Audience: School Counselors

School Year Cycle – Welcome Calls: Attend this session to learn about the purpose of a Welcome Call, how to prepare for and conduct a successful one, and how to complete the necessary tasks after the call.

Session Length: 60 Minutes

Targeted Audience: All Educator Roles, School Counselors and Homeroom Teachers

School Year Cycle – Curriculum Based Assessments: Attendees will learn what a CBA is and more about its purpose. They will also learn how to conduct and document CBAs to ensure students are learning.

Session Length: 60 Minutes

Targeted Audience: Teachers

The EMS – Teacher Customization: The Lesson Introduction Page is a feature that allows the course section teacher(s) to add a customized slide to the start of a lesson in their students' courses. Come learn how and when to best use this feature compared to the Lesson Note! Leave this session with templates & resources to use in your own course.

Session Length: 60 Minutes

Targeted Audience: Teachers

School Year Cycle – Escalation: In this session, you'll learn how to determine which metrics indicate that a student is approaching alarm. You will learn how to monitor those metrics, and how to intervene when necessary.

Session Length: 60 Minutes

Targeted Audience: All Educator Roles, including Teacher Managers and Leadership Teams

Connections Week – Session 2: Specialized program assistant coordinators will work with grade level teachers to be trained on content to be delivered during the Connections Week. These coordinators will work with staff to identify students in need of remediation and build targeted supports for each students' unique needs.

Session Length: 120 Minutes

Targeted Audience: Teachers

*February 2027***

Best Practices for Creating Custom Assessments: In the first part of this two-part series, participants will learn more about what Depth of Knowledge is and how it can be beneficial in the creation of custom assessments! The second and final part of this two-part series will focus on best practices for writing and inserting a custom assessment.

Session Length: 60 Minutes

Targeted Audience: Teachers

Counseling – Fall Semester Review: This session will encourage reflection on the fall semester and how programs and processes should be improved for the spring.

Session Length: 60 Minutes

Targeted Audience: Counselors

Counseling – Spring Semester Success: Building on the Fall Semester Review session, let's brainstorm ways to make sure the spring goes smoothly!

Session Length: 60 Minutes

Targeted Audience: Counselors

*March 2027***

School Year Cycle – Monitoring Plans for Next Year: In this session, we will identify key dates, roles, and responsibilities in the Monitor Plans for Next Year (ITR) process, familiarize ourselves with a family's options and tasks to Prepare for Next Year, support families in completing their decisions and submitting required documentation and complete all required teacher tasks.

Session Length: 60 Minutes

Targeted Audience: Teachers

Counseling – K-8 Collaboration: Join this session to have virtual coffee with your counseling consultants! Come with questions and ideas to help your fellow counselors.

Session Length: 60 Minutes

Targeted Audience: Counselors

*April 2027***

School Year Cycle – K-7 Student End of Year Tasks: Join this session to understand and use common End-of-Year (EOY) acronyms, identify due dates for tasks associated with the end of the school year, identify and complete key tasks in each student's End-of-Year Tasks (Grades K-7) Data View, discuss some less common placement scenarios.

Session Length: 60 Minutes

Targeted Audience: Teachers, School Administration Teams, Registrars and Counselors

Withdrawal Tasks Communities of Practice: This will be a time for collaboration among school withdrawal representatives, school leaders, and your support team. Some of the topics that can be discussed are helpful reports, changes that affect withdrawal processes, document updates, and withdrawal feedback that will assist the school in better serving families.

Session Length: 60 Minutes

Targeted Audience: School Administration Teams, Registrars and Counselors

Counseling – Transitioning to Next Year: Come to this session to learn best practices about how counselors can successfully transition into the next school year.

Session Length: 60 Minutes

Targeted Audience: Counselors

*May 2027***

School Year Cycle – Setting Section Stages to Complete at End of Year:

Counseling – End of Year Processes: This session will help you understand all tasks that need to be done at the end of the school year for your students.

Session Length: 60 Minutes

Targeted Audience: School Administration Teams, Registrars and Counselors

**All staff are welcome to these sessions, but the targeted audience are new staff members.*

*** The spring 2027 Professional Learning and Training schedule has not been finalized. The above listings are tentatively scheduled for the months listed and are subject to change.*

2026-2027 Sessions for All Staff

August 2026

LiveLesson with Adobe Connect and Zoom – Dynamic Classroom Activities: Need help filling your virtual instruction toolbox? You are in the right place! All staff are encouraged to join this working PL session focused on the following objectives: collaborate with peers about virtual instruction, discover how to set up a LiveLesson session for a particular activity, and fill your virtual instruction toolbox with easy-to-implement activities.

Session Length: 60 Minutes

Targeted Audience: Teachers

September 2026

Kindergarten Literacy – Keys to Success: This session is designed to provide kindergarten teachers a quick overview of how the brain learns to read, followed by ideas for instruction aligned to the new kindergarten language arts course. Participants in this session will leave with ideas for their live lessons and information they can share with Learning Coaches via the Lesson Introduction Page.

Session Length: 60 Minutes

Targeted Audience: Kindergarten Teachers

Science of Reading and Dyslexia: This session is open to anyone K-12 that is interested in learning about the science of reading, how the brain learns to read, signs and symptoms of dyslexia, and how best to support students in the reading process.

Session Length: 60 Minutes

Targeted Audience: Teachers

Supporting English Learners in General Education, Special Education, and Counseling: How can I best support the EL students in my course? This session will provide insight and resources for non-EL teachers.

Session Length: 60 Minutes

Targeted Audience: School Administration Teams, Registrars and Counselors

The Science of Reading for Elementary Teachers (3 Part Series): In these sessions, participants will experience what it is like to have dyslexia, learn the many characteristics, and begin to understand how the brain learns to read. Then, participants will review how the brain learns to read, how to identify students who are struggling with phonological awareness, and participate in practice activities/lessons that can be utilized in LiveLesson sessions. Lastly, participants will learn how to identify students struggling with decoding and syllabication, and participate in practice activities/lessons that can be utilized in LiveLesson sessions.

Session Length: 60 Minutes

Targeted Audience: Teachers

October 2026

Supporting Anxious Teachers: Do you get anxious or worried when it comes to facing difficult conversations? Do you or someone you know struggle with stress and anxiety? Join us for this session where we will explore strategies for managing anxiety and for being more confident when it comes to dealing with conflict.

Session Length: 60 Minutes

Targeted Audience: Teachers, Teacher Managers

Video Options for Student Engagement: This session will help you identify topics you could create videos for in your courses, explore the pros and cons of a variety of video creation tools and websites you can use in your online classroom, determine how to share your videos with students, and employ best practices for creating and sharing videos.

Session Length: 60 Minutes

Targeted Audience: Teachers

Teacher Hacks: There are little tricks out there that simplify the work we do every day. Some of them were designed to be support tools, yet others are a series of steps someone discovered to make life a little less challenging. Don’t let virtual teaching get you down. Find a way to accomplish the task better and faster.

Session Length: 60 Minutes

Targeted Audience: Teachers

Make Your Mark – Virtual Educator Conference: This conference is for teachers by teachers.

Session Length: Annual, 3-day Virtual conference

Targeted Audience: Teachers

November 2026

The Science of Reading for Secondary Teachers (3 Part Series): In the first session, participants will review how the brain processes language, signs and symptoms of dyslexia in older students, the importance of phonemic awareness, phonics and fluency in older students and how to support these areas. In the second session, participants will review the use of syllables and morphemes and how to support the reading and writing needs of older students with instruction in these areas.

In the last session, participants will review how to support vocabulary and comprehension needs via use of structured language, text structure and visualization techniques in older students.

Session Length: 60 Minutes

Targeted Audience: Teachers

LiveLesson Planning – Beyond the Content: Discover the best ways to plan LiveLesson sessions that are beneficial to all students, no matter what lesson they are on in your course. Let’s go beyond the content and captivate our learners! LiveLesson is your time to shine as an educator.

Session Length: 60 Minutes

Targeted Audience: Teachers

December 2026

Mindfulness Open Sessions: Please feel free stop by to relax, color in some virtual coloring books, or even bounce ideas off other teachers and counselors for a nice 5-minute break in your day.

Session Length: 60 Minutes

Targeted Audience: Teachers, Counselors

*January 2027**

Positive Behavior Intervention Support in a Virtual School: Join this professional development opportunity to learn how you could start a structured PBIS program. Attendees will see examples of grade band behavior expectations as well as a way to use the learning management system to help track PBIS points.

Session Length: 60 Minutes

Targeted Audience: Teachers, Counselors

Cultivating Student Self Leadership: In this interactive session, we will explore how to develop student self-leaders in the virtual classroom. You will come away with tools and resources for empowering your students to have a developed sense of who they are, what they can do and where they are going along with an awareness of their ability to influence others while controlling their own emotions and behavior.

Session Length: 60 Minutes

Targeted Audience: Teachers, Counselors

*February 2027**

Mindfulness: In our fast-paced world, we are hard-pressed to find time to stop and notice the things that are going on right in this moment. Please join us as we discuss mindfulness, how it impacts students and learning, and receive tools on how you too can practice mindfulness in your virtual classroom, and your everyday life.

Session Length: 60 Minutes

Targeted Audience: Teachers, Counselors

LiveLesson with Adobe Connect and Zoom - Dynamic Classroom Activities: Need help filling your virtual instruction toolbox? You are in the right place! All staff are encouraged to join this working PL session focused on the following objectives: collaborate with peers about virtual instruction, discover how to set up a LiveLesson session for a particular activity, and fill your virtual instruction toolbox with easy-to-implement activities.

Session Length: 60 Minutes

Targeted Audience: Teachers

*March 2027**

Supporting Anxious and Depressed Students: Recent studies show that over 30% of the population is experiencing symptoms of anxiety, which can directly impact student success. In this interactive session, discover how to identify anxious students and explore simple strategies for empowering those students both inside and outside of the virtual classroom.

Session Length: 60 Minutes

Targeted Audience: Teachers, Counselors

Trauma Informed Practices in the Virtual Environment: Trauma-informed education and practices start with an understanding of how trauma can impact learning and behavior. With this approach, educators think about what student behavior may be telling them. And they reflect on their teaching practices to find ways to better support students who may be experiencing trauma. These practices can also help all students build coping skills and self-efficacy—which are helpful whether they've experienced trauma or not.

Session Length: 60 Minutes

Targeted Audience: Teachers, Counselors

Creating a Virtual Classroom Among Schools: In this session, you'll learn how to identify how classroom relationships promote student success, how to recognize practices that create a strong classroom community, discuss some tools that may help foster virtual communities.

Session Length: 60 Minutes

Targeted Audience: Teachers

*April 2027**

Future Focus (Grades 9-12) – Success as a First Generation College/Trade School Student: This session will help you understand how you can support students who may be the first generation in their family to go to college or trade school.

Session Length: 60 Minutes

Targeted Audience: High School Teachers, Counselors

Diversity, Equity, and Inclusion – Ensuring Inclusivity with All Populations: Creating an inclusive school means ensuring students from all backgrounds—regardless of socioeconomic status, ethnicity, race, gender, disability, household income, or ZIP code—have equal access to education and services. In this interactive session, we will explore how inclusive strategies contribute to an inclusive learning environment in which all students feel equally valued.

Session Length: 60 Minutes

Targeted Audience: Teachers, Counselors, Leadership Teams

**The spring 2027 Professional Learning and Training schedule has not been finalized. The above listings are tentatively scheduled for the months listed and are subject to change.*

Digital Resource Libraries

Digital Resources are available through an easy to navigate site and serve as a one-stop shop for teachers and staff to find guidance on training resources. Each section contains links to resources designed to support teacher effectiveness, best practices, and tools designed to personalize the learning experience for students. The website supports school-based staff with a variety of recorded tutorials, presentations, guides, and links to resources in a variety of key categories:

- EMS Tools
- Curriculum and Course Support
- Data & Reports
- Enrollment, Placement, and Withdrawal
- Family Engagement
- Multitiered Instructional Support
- School Year Cycle
- Teacher Protocols, Policies, and Best Practice
- LiveLesson Sessions

Q200.**Describe the expected number of days/hours for professional development throughout the school year, and explain how the school's calendar, daily schedule, and staffing structure accommodate this plan.**

The teacher calendar for NC Connections' teachers includes 10 days (80 hours) dedicated to professional development throughout the school year. Please see the attached 2026-2027 calendar, which includes the teacher calendar for more details. These professional development days are strategically placed so that teachers are supported with extra time and training during critical time periods such as prior to the start of the school year, end and beginning of the semesters, and the end of the school year. Due to the nature of the remote academy—such as the absence of lunch duties, recess supervision, homeroom—teachers have greater flexibility when building their daily schedules and are able to build in time for grading and professional learning, especially when professional development resources are available 24/7 in the EMS. The staffing structure also accommodate professional development due to the mentors assigned to first-year teachers. The School Leader will lead the development of the professional development schedule, while our partner Pearson ensures access to high quality professional learning resources and learning opportunities throughout the year. Teachers and school staff can access them through the Virtual Library in the EMS and Professional Learning Hub.

For more details on the staff calendar, please see the Teacher Calendar in Appendix D.

Applicant Evidence :

Appendix D - Yearly Academic Calendar.docx.pdf

Uploaded on **4/24/2024** by **Marchelle Sutton**

11.5. Marketing, Recruitment, and Enrollment

Reaching the full capacity for enrollment will be critical to obtaining the necessary financial resources to keep your school viable and operating efficiently. In addition, it is required by law that charter schools provide equal access to all students. Read the charter school state statute regarding admissions 115C-218.45 carefully.

Q201.**Marketing Plan** Marketing to potential students and parents is vital to the survival of a charter school. Provide a plan indicating how the school will market to potential students and parents in order to reasonably reflect the racial/ethnic and demographic composition of the district in which the charter school will be located or of the special population the school seeks to serve: (G.S.115C-218.45(e)).

Upon approval of the school, NC Connections will begin actively recruiting families that reflect the racial/ethnic and demographic composition present throughout the state of North Carolina, since NC Connections will be a statewide school. NC Connections will implement marketing initiatives to drive awareness of and interest in the school across the state and attract a sufficient pool of eligible students. A variety of marketing and outreach tactics will be used to reach prospective families, provide them with information about NC Connections, and aid in their enrollment process. The outreach strategy and mix of tactics may shift throughout the year to maximize impact. Examples of marketing and outreach efforts include:

- Information Sessions: NC Connections will conduct virtual information sessions to share information about the school and respond to questions from families. The school will educate families about its model, including information on its curriculum, teaching methods, technology resources, and testing requirements.
- Website: A website specific to NC Connections will be created and maintained. Once the school is approved, the website will contain information about the school, its approach, curriculum, leadership, teachers, testing requirements, performance on standardized tests (when available), and Frequently Asked Questions (FAQs). The website will also include enrollment information and procedures, information sessions schedules, and other useful tools for prospective students and their families.
- Family Enrollment Counselors: There will be a dedicated team of family enrollment counselors who can speak to families about the school, answer questions, and help guide them through the enrollment process.
- Media Outreach: NC Connections will make use of media to inform families and students about the school and share family/school news.
- Referrals/Word of Mouth: As NC Connections grows, it anticipates that an increasing number of families who come to the school will enroll due to positive feedback received from their friends, community members, and other school families.
- Online Outreach: Families will be able to find and gain more information about NC Connections by searching on Google or other search engines, through social media, and digital display advertising.

NC Connections' marketing and recruiting efforts will be directed to those families who have unique needs, including those seeking a school that helps prepare their students for a career. The following represents the types of families for whom we believe NC Connections will be an ideal school:

- Families desiring a safe learning environment. They want their kids to develop character and values in a safe learning environment, aligned with their values, which traditional schools can't offer.
- Families desiring an option to help students succeed in life and in their career. They need to find a flexible schooling option so they can be as successful as possible in their career. School is one component of life but not their everything.
- Families desiring an option for their child who may have neuro, physical or social diversities. They see diversities as superhero talents and strengths. As a parent it is their responsibility to find an environment for these talents and strengths to grow.
- Families desiring a focus on academics and the brightest futures possible. To them, that is achieved through educational achievement – academic rigor and discipline are the primary drivers of any education decision.
- Families desiring a school to meet their highly mobile needs and where traditional systems have failed to provide. These families may be struggling academically, frequently change schools due to various family and crisis situations, desire a safe space, and may come to NC Connections after other options have failed.

Q202.Describe how parents and other members of the community will be informed about the school.

Parents and other members of the community will be information about the school in a variety of methods, including the following:

- Information Sessions: NC Connections will conduct virtual information sessions to share information about the school and respond to questions from families. The school will educate families about its model, including information on its curriculum, teaching methods, technology resources, and testing requirements.
- Website: A website specific to NC Connections will be created and maintained. Once the school is approved, the website will contain information about the school, its approach, curriculum, leadership, teachers, testing requirements, performance on standardized tests (when available), and Frequently Asked Questions (FAQs). The website will also include enrollment information and procedures, information sessions schedules, and other useful tools for prospective students and their families.
- Family Enrollment Counselors: There will be a dedicated team of family enrollment counselors who can speak to families about the school, answer questions, and help guide them through the enrollment process.
- Media Outreach: NC Connections will make use of media to inform families and students about the school and share family/school news.
- Referrals/Word of Mouth: As NC Connections grows, it anticipates that an increasing number of families who come to the school will enroll due to positive feedback received from their friends, community members, and other school families.
- Online Outreach: Families will be able to find and gain more information about NC Connections by searching on Google or other search engines, through social media, and digital display advertising.

Q203.Describe your plan to recruit students during the planning year, including the strategies, activities, events, and responsible parties. Include a timeline and plan for student recruitment/engagement and enrollment, with benchmarks that will indicate and demonstrate suitable recruitment and enrollment practices over time.

The Board plans for recruitment activities to occur during the planning year (see table below), while active recruitment will begin in February of the school launch year (2026). The Pearson Outreach Team will collaborate with the Board to develop and implement comprehensive marketing efforts to attract students who desire an option like NC Connections.

Always-on marketing channels will be used to drive year-round awareness and interest for the school. This includes a creative brand campaign, an expanding school website, and ongoing social media and public relations strategy and management. There will be live national events and also school-specific virtual events (starting in April). Inbound/outbound lead nurturing will be done via email, direct mail, SMS campaigns, and calls with family enrollment counselors. Ongoing consumer insights and data analytics will be used for campaign performance analysis and ongoing market and consumer research.

Strategies	**Activities & Events**	**Responsible Party**	**Timeline**	**Benchmark**
In-Person Information Sharing	In-Person Information Sessions	NC Connections Board Members, supported by Pearson's Programs & Policy Team	Begun in March 2024, continues through planning year to school launch	Information Session attendance
Online/Digital Information Sharing	NC Connections website; Google search optimization	Pearson's Outreach Team	NC Connections' initial website has been created and will be updated upon approval	Website traffic; Google searches
Toll-free telephone line	Family Enrollment Counselors are available to answer questions	Pearson's Outreach Team	A toll-free number will be listed on the website upon approval of the school	Call volume
Social Media Presence	NC Connections' social media page is created	Pearson's Outreach Team	Upon approval of the school	Social Media activity (followers, likes, comments)

Q204.Describe how students will be given an equal opportunity to attend the school. Specifically, describe any plans for outreach to: families in poverty, academically low-achieving students, students with disabilities, English learners, and other students at-risk of academic failure. If your school has a specific area of focus, describe the plan to market that focus.

The marketing plan is based on over 20 years of experience in recruiting and enrolling students in statewide charter schools with online instructional programs. The navigation of a school's digital presence in today's online environment requires the expertise of seasoned professionals who can leverage consumer insights and data analytics to deliver targeted, personalized, and impactful school messaging and content across multiple devices and channels, ensuring that equal opportunity is given to all families in North Carolina, including families in poverty, academically low-achieving students, students with disabilities, English learners, and other students at-risk of academic failure.

NC Connections will not discriminate against any person on the basis of ethnic group identification, race, color, national origin, ancestry, sex, sexual orientation, gender identity, religion, physical or mental disability, athletic performance, language proficiency in English or another language, prior academic achievement, or age in the admission to, participation in, or receipt of any educational services or activities. Of the students who attend a Connections Academy–affiliated school, over 40% met the federal free and reduced lunch guidelines. The Board anticipates that NC Connections families who will qualify for Free and Reduced-Priced Meals will align with the state average. The school will also serve a significant number of families with single parent/dual working parent households who find effective and creative ways to participate in NC Connections. Furthermore, the Board also anticipates that 20% of students will come from homeschooling based upon experience in other Connections Academy–affiliated schools. Based on the student demographics of North Carolina, the Board anticipates a similar student population with student demographics of 44% White, 25% Black or African American, 21% Hispanic, 5% two or more races, 4% Asian, and 1% American Indian or Alaskan Native students, and 52% economically disadvantaged students, 13% students with disabilities, 3% English Language Learners, and 2% students experiencing homelessness.

Pearson was chosen by the Board due to its work in the target populations. All Connections Academy students regardless of ethnicity report similarly high levels of connectedness and teacher support. For example, 95% of Black and Hispanic students agreed that there is an adult at their school who always wants them to do their best, and 93% of Hispanic students would recommend their school to people who want to learn online (based on a sample of 5813 students). These findings may contribute to the absence of achievement gaps on ELA and Math state tests among Hispanic students attending Connections Academy schools.

Q205.What established community organizations would you target for marketing and recruitment?

Upon approval of the school, the Pearson Outreach team may work with the Board and local staff to help identify and support their outreach efforts to local community organizations to spread awareness of the school and reach potential students and families. This may include faith-based organizations, charitable or non-profit organizations, youth organizations, and other worthwhile community partners.

11.6. Parent and Community Involvement

Q206.Describe how you will communicate with and engage parents and community members from the time that the school is approved through opening.

As stated earlier, there were 13 information sessions held throughout the state where parents and community members joined to learn more about the school and to provide their inputs. In addition, 469 statements of support representing 83 counties were also gathered as evidence, a list of which has been included in Appendix A. Information sessions will continue through August 2024 to assist interested families pending charter school approval. Once the school is approved and through until opening, parents and community members will be able to actively participate in planning activities and with the Board. The Board may create ad hoc parent/Learning Coach advisory groups to provide guidance on particular subjects such as community partnerships and neighborhood outreach. Parents will also be encouraged to be involved with the Board's activities. The schedule and agenda for all Board meetings will be posted to the school website, as well as other pertinent information. NC Connections will make all Board minutes available to families on request and will report on Board activities in a school newsletter. The Board will aim to have at least one member of the Board be the parent of an enrolled student. The Board will also have a public comment policy to support parent and community member interactions. NC Connections may also use social media to communicate with parents and community members.

In addition, Our partner Pearson collaborators with workforce agencies across North Carolina, through the North Carolina Association of Workforce Development Boards. With county and regional workforce agency relationships, and support from dynamic workforce investment initiatives like the City of Charlotte Mayor's Youth Employment Program, students at Connections Academy schools are set up for success when it comes to work-based learning both during the summer and throughout the school year. Our partner has historically referred eligible youth to work-based learning (WBL) with city and agency partners, and its CTE curriculum is aligned with high growth/high demand industries with pathways in tech, business and health. Connections Academy students also have the opportunity to explore upskilling through Job Corps programs, like the electrical pre-apprenticeship at Oconaluftee Job Corps and Civilian Conservation Center. The Board is proud to connect students to a variety of workforce training options that will lead to economic mobility for students and their families and drive regional economic growth at the same time.

Q207.Describe how you will engage parents in the life of the public charter school. Explain the plan for building engaging partnerships between the family and school that strengthen support for student learning.

Parents are not only crucial to the planning process of the school but are also crucial to its operation as well. The Board strongly believes in having a parent voice and perspective consistently considered and intends to ensure that parent voices are represented, including potentially serving as a board member. The parent position could be a parent or guardian of a student currently enrolled, formerly enrolled, or intending to enroll. Parent board members benefit from intensive Board training geared toward making them optimally effective representatives of parent interests. Parent board members will be encouraged to seek officer positions and may be appointed to provide close review/feedback on key documents such as the School Handbook, Parent/Learning Coach Agreements, and other materials for parents before full Board action.

In addition, there are multiple ways for parents to be involved in the life of the public charter school. In the remote learning model, parents often act as the Learning Coach and are therefore directly involved in their child's education. Thus, at NC Connections, parents will be closely involved in their child's education in partnership with their child's teacher.

Communication with parents and Learning Coaches will be frequent and purposeful throughout the school year. Teachers will communicate students' formative and summative progress to Learning Coaches. Communication will serve three main objectives: 1) to help the teacher monitor the student's progress, 2) to engage parents in the life of the school with current school happenings and their child's performance, and 3) to help the school grow and improve from parent feedback.

The school will regularly distribute information through school newsletters, the EMS home page, and "Must Read" email messages to ensure parents are informed. Communication will continually make students and best practices stronger and more effective. All communication between teachers and parents or students will be documented in the log section of the EMS, which allows for detailed tracking of interactions as well as seamless support for students and their families from multiple individuals. A communication provided through Learning Coach Support portal is also sent monthly to Learning Coaches and Caretakers via email message. The school will also use its website to communicate relevant, up-to-date information to parents, students, and the community.

Families are key in supporting the mission of NC Connections. Through formal and informal channels from field trips, course ratings, surveys and more, families will have an avenue to provide feedback and input. This ensures that the school is on a cycle of continuous school improvement and that all stakeholders are valued.

The skills and interests of parents will also be leveraged as part of the career skill development program. The school will invite parents to share their talents during field trips and other sessions that will help to support the school's mission of maximizing all students' potential. Interested parents and community members have already played an important role in encouraging the formation of the school and will remain involved leading to the school's opening. Parental feedback is also an important hallmark of the school's outreach and information sessions in the community. NC Connections will take full advantage of this valuable communication with families to ensure that the school reflects their unique needs and creative ideas.

Parents or other parent-designated caring adults will serve as Learning Coaches and play an active role in the learning process, providing input, and communicating regularly with teachers.

Parents may participate in NC Connections in many ways, including:

- Parents Involved in Planning the School: Parents of prospective students were offered multiple ways to provide input on the planning of the school prior to this application being submitted. At Information Sessions held around the state, parents provided valuable feedback and expressed a need for a full-time online program in North Carolina. Parents were most notably impressed with the vision to serve students who were not otherwise served by in-person options.
- Public Comment: Parents may make public comments at public board meetings.
- Community Coordinators: The parent Community Coordinators play a critical role in the school by contributing to a vibrant and active school community to serve the needs of families distributed across a wide geographic region. The Community Coordinators provide an important communication link between families and the school. Community Coordinators and staff will reach out to community-based organizations and businesses to coordinate face-to-face community service and field trip opportunities for students.
- Parent Club: Parents can also join an exciting club that brings together parents of prospective students who reach out to their local communities to spread the word about NC Connections and provide support and encouragement to parents.
- StarTrack and Course Ratings: Parent input will be gathered on an on-going basis via StarTrack ratings for lessons. On every lesson in the curriculum, and on the home page for each Learning Coach, there is a StarTrack rating box inviting ratings on a five-star scale and an opportunity to provide text feedback.
- Annual Parent Satisfaction Survey: Parents will participate in a formal annual satisfaction survey, conducted by an independent third-party, to help identify what the school is doing well and how the school can improve in areas such as curriculum, teachers, and other aspects of the program.

The school will also draw upon the deep and diverse community connections represented on the Board, whose members represent business and education entities across the state and beyond, to ensure that students have multiple opportunities to benefit from Board, parent, and community connections.

Q208.If already identified, describe any programs you will offer to parents and/or the community and how they may benefit students and support the school mission and vision.

In keeping with NC Connections' mission to help students meet performance standards and maximize their potential through an individualized learning program, parents may participate in NC Connections in many ways, including:

- Public Comment: Parents may make public comments at public board meetings.
- Community Coordinators: The parent Community Coordinators play a critical role in the school by contributing to a vibrant and active school community to serve the needs of families distributed across a wide geographic region. The Community Coordinators provide an important communication link between families and the school. Community Coordinators and staff will reach out to community-based organizations and businesses to coordinate face-to-face community service and field trip opportunities for students.
- Parent Club: Parents can also join an exciting club that brings together parents of prospective students who reach out to their local communities to spread the word about NC Connections and provide support and encouragement to parents.
- StarTrack and Course Ratings: Parent input will be gathered on an on-going basis via StarTrack ratings for lessons. On every lesson in the curriculum, and on the home page for each Learning Coach, there is a StarTrack rating box inviting ratings on a five-star scale and an opportunity to provide text feedback.
- Annual Parent Satisfaction Survey: Parents will participate in a formal annual satisfaction survey, conducted by an independent third-party, to help identify what the school is doing well and how the school can improve in areas such as curriculum, teachers, and other aspects of the program.

The school will offer a program designed to increase employment opportunities and/or college readiness for its students. NC Connections will contract with Pearson for its expanding college- and career-readiness program of offerings. Pearson partners with Coursera, the global online learning platform; Acadeum, the largest course sharing network in higher education; e-Dynamic Learning, a provider of career technical education; and Credly, a global leader in digital credentialing.

In addition, the Board and Pearson have formed numerous partnerships in support of expanded career-focused offerings for students. NC Connections has a signed partnership with North Carolina-based District C to implement their Teamship offering; District C aims to give students the real-life skills needed to succeed in the work world.[1] The organizations collaborate with students to explore options such as community colleges, four-year colleges, trade schools, and the military. Students are also provided the chance to solve real-world problems affecting local business with the help of a knowledgeable coach.

An additional partnership is with Future Business Leaders of America[2] (FBLA). FBLA is the largest business Career and Technical Student Organization (CTO) in the world with 5,200+ chapters across the country. FBLA partnerships offer hands-on experience, insight into growing fields and opportunities, as well as connections to collegiate and industry partners and local, national, and international Business & IT-related competitive events. NC Connections students as early as middle school will gain the experience, mindset, and skills they need in order to thrive as community-minded business leaders in a global society.

Lastly, Our partner Pearson collaborators with workforce agencies across North Carolina, through the North Carolina Association of Workforce Development Boards. With county and regional workforce agency relationships, and support from dynamic workforce investment initiatives like the City of Charlotte Mayor's Youth Employment Program, students at Connections Academy schools are set up for success when it comes to work-based learning both during the summer and throughout the school year. Our partner has historically referred eligible youth to work-based learning (WBL) with city and agency partners, and its CTE curriculum is aligned with high growth/high demand industries with pathways in tech, business and health. Connections Academy students also have the opportunity to explore upskilling through Job Corps programs, like the electrical pre-apprenticeship at Oconaluftee Job Corps and Civilian Conservation Center. The Board is proud to connect students to a variety of workforce training options that will lead to economic mobility for students and their families and drive regional economic growth at the same time.

[1] See https://ncchamber.com/2022/08/02/success-story-in-action-district-c-arms-nc-students-with-soft-skills-to-succeed-in-the-work-world/ (https://ncchamber.com/2022/08/02/success-story-in-action-district-c-arms-nc-students-with-soft-skills-to-succeed-in-the-work-world/).

[2] https://www.fbla.org/

11.7. Admissions Policy

Q209.**Weighted Lottery** Does your school plan to use a weighted lottery? The State Board of Education may approve an applicant's request to utilize a special weighted, or otherwise limited, lottery in certain circumstances. If the charter applicant wishes to deviate in any way from the open lottery normally utilized by charter schools, the following requirements must be met:
1. In no event may a lottery process illegally discriminate against a student on the basis of race, religion, ethnicity, gender, or disability.
2. A lottery process may not be based upon geographic boundaries, such as zip code or current public school attendance zones, unless the charter school is operated by a municipality OR the charter school was converted from a traditional public school. Municipal charter schools may give enrollment priority to domiciliaries of the municipality in which the school is located (G.S. 115C-218.45(f)(7)), and charter schools that were converted from traditional public schools shall give admission preference to students who reside within the former attendance area of the school (G.S. 115C- 218.45(c)).
3. A lottery process that deviates from the standard lottery must be based upon the school's unique mission and must be based upon educationally, psychometrically, and legally sound practices, protocol, and research.

○ Yes

● No

Q213.Provide the school's proposed policies and the procedures for admitting students to the proposed charter school, including:
1. Tentative dates for the open enrollment application period, enrollment deadlines and procedures. *Please be advised schools cannot accept applications until after final approval from the SBE.
2. Clear policies and procedures detailing the open enrollment lottery plan, including policies regarding statutory permitted student enrollment preferences.
3. Clear policies and procedures for student waiting lists, withdrawals, re-enrollment, and transfers.
4. Explanation of the purpose of any pre-admission activities (if any) for students or parents.
5. Clear policies and procedures for student withdrawals and transfers.

1. **Open Application Period, Enrollment Deadlines, and Procedures**

NC Connections is committed to maximizing open enrollment within its annually set enrollment limits, while carefully considering student/teacher ratio to ensure students are provided with quality instruction and support. The school will be open to all students in grades served qualified for admission to a public school under NCGS 115C-218.4. Each year the school will open enrollment in an open application period.

After account for returning students (beginning in Year 2), if the number of enrollment applications during the annual open application period exceeds the available slots, NC Connections will ensure applicants have an equal chance of admission through means of a publicly held random lottery selection process in accordance with North Carolina law.

Nondiscrimination Assurances:

NC Connections student recruitment and enrollment decisions will be made in a nondiscriminatory manner and without regard to race, color, creed, national origin, sex, religion, ancestry, disability or need for special education services.

Open Application Period and Lottery Date:

Each year, NC Connections will hold an open application period of no less than 30 consecutive days, to be specified during the second semester of each school year for the following school year. This period typically begins in the first week of February and ends during the first week of March. Lottery dates are set to occur between 5 to 7 days after the close of the open application period. The dates of the open application period and the potential lottery date will be announced on the school's website prior to the start of the open application period and advertised as otherwise required by law and the school's charter.

During the Open Application period, caretakers interested in enrolling must begin by completing the online Open Application form available on the school's website. Caretakers without access to a computer or internet may call the school to seek help completing the open application form.

NC Connections restricts information gathered during the open application step to information required to conduct the lottery. The school will not request nor allow Caretakers to submit additional documentation or provide additional enrollment information during the open application period.

No new students will be admitted for the school year during the open application period.

Enrollment Priority:

NC Connections will account for returning students first. The school will than give enrollment priority in accordance with its charter to the following categories of applicants and in the following priority:

1. A student whose parent or guardian is a member of the governing board of the school or a full-time employee at the school. (Not to exceed 15% of total enrollment)
2. Siblings of currently enrolled students who were admitted to the charter school in a previous year. (Begins Year 2)
3. Siblings who apply to the charter school for admission beginning in the same school year, such as when a sibling was not initially admitted due to grade level capacity.

For the purpose of this policy the term "Sibling" is defined as "Children who share at least one common biological or legal parent whether through natural or adoptive means." This definition includes:

- "Half" siblings that share a single parent,
- "Step" siblings that share a parent or parents through marriage, and
- Children who share a parent or parents through adoption or guardianship.

Multiple Birth Siblings:

If multiple birth siblings apply for admission and are entered into the lottery, the siblings will be entered into the lottery as a single surname. If that surname is selected, all of the multiple birth siblings shall be admitted to the school.

1. **Policies and Procedures Detailing the Open Enrollment Lottery Plan**

Upon accounting for returning students, if the number of lottery eligible students exceeds the school's enrollment capacity a randomized lottery will be conducted in accordance with this policy on the specified date in a public forum. All applications completed within the posted open application period will be eligible for inclusion in the lottery. Caretakers will receive an email notification indicating the lottery is needed, reminding them of the date and time with instructions on how to participate. This information will also be posted on the school's website.

If there are more applicants with enrollment priority than available seats in the appropriate grade or grade cluster, an enrollment preference lottery will be held prior to the general lottery. This process will mirror the lottery. If there are enough seats available in the appropriate grade level or grade clusters for applicants with enrollment preference those applicants will be selected prior to the general lottery. The lottery will be conducted by grade level or in three (3) grade clusters:

- Grades K-5
- Grades 6-8
- Grades 9-12

The order in which those grade levels or clusters are drawn, and the total number of students selected for each cluster may vary each year in consideration of the school's overall enrollment limit, the expected number of returning students and/or other operational factors.

NC Connections will utilize a computer-generated randomization to ensure a random lottery without the possibility of human bias and error. The program will randomly select a student name from the pool of remaining enrollment applications for each grade level or cluster until the number of available spots are filled, or the pool of enrollment applications is exhausted.

The primary caretakers of selected students will receive an email confirmation within two (2) business days after the lottery and must confirm student attendance by completing all enrollment requirements by a set deadline. Students without confirmed attendance by the set deadline will forfeit their spot to the next eligible students on the waiting list.

1. **Policies and Procedures for Student Waiting Lists, Withdrawals, Re-enrollment, and Transfers**

Waitlists

Students that were eligible for participation in the lottery but were not offered a seat: When all available spaces in a grade level or cluster have been filled, students not selected in the lottery will be placed on a Lottery waitlist in the order of their lottery number. The parents/legal guardians of students who are not selected will receive an email notification within five (5) business days after the lottery that their students are on the lottery waitlist. These students will be given an opportunity to enroll as space becomes available in their respective grade. The Caretaker will be subsequently notified when an opening in the student's grade level or cluster becomes available by email and by phone. The parent/legal guardian must confirm student attendance by completing all enrollment requirements within a specified deadline or will forfeit their student's space to the next eligible student on the waitlist.

NC Connections will continue to accept applications after the open application period. If the school is not over-subscribed by the end of the open application period, no lottery will be held and NC Connections will continue to accept applications and admit eligible students in the order in which enrollment applications are received and based on availability in their respective grade or grade cluster. If the school is over-subscribed, these students will be placed on the waitlist in order of the time/date stamp automatically recorded when they complete the enrollment application. These students will be offered the opportunity to enroll after all students on the waitlist as a result of the lottery, based on the availability of space in their grade or grade cluster and their place on the waitlist. Students who complete the process first will be offered the space first but with consideration to sibling priority.

The waitlists are for one school year only and will not carry over from school year to school year. A new application must be submitted each year.

Withdrawals:

A student who has no evidence of student activity for ten (10) consecutive calendar days (excluding holidays) will be withdrawn from NC Connections. If it is determined by the school that a student should be withdrawn due to no evidence of student activity for ten consecutive calendar days, a Notice of Intent to Withdraw shall be provided to the student and the Caretaker. Such Notice will provide the student and Caretaker an opportunity, prior to commencing withdrawal, to demonstrate the failure to participate in courses is due to any of the following lawful absences under North Carolina law:

1. Illness or injury.
2. Quarantine as ordered by a local health officer or by the State Board of Health.

3. Death in the Immediate Family. “Immediate family”, includes parents, grandparents, brothers and sisters.
4. Medical and/or dental appointments.
5. Court or Administrative Proceedings. When a student is a party to the action or is under subpoena to serve as a witness in a case.
6. Religious Observance. Two excused absences each academic year for religious observances required by faith of a student or a student’s parents. Students shall be given the opportunity to make up any tests or other school work missed due to this excused absence.
7. Educational Opportunity. A valid education opportunity, such as travel, Legislative Page or Governor’s Page.
8. Absent Related to Parent Deployment. Caretaker is an active duty member of the uniformed services and has been called to duty for, is on leave from, or immediately returned from deployment to a combat zone or combat support posting for the purpose of visiting said Caretaker.
9. Child Care. Absences due to the illness or medical appointment during school hours of a child of whom the student is the custodial parent

If a Caretaker is unable to demonstrate that failure to participate in courses is due to a lawful absence, the principal may withdraw the student from NC Connections. Caretakers disputing the decision to withdraw a student for lack of regular participation may avail themselves of the grievance process as prescribed in in the student handbook. NC Connections will promptly notify the student’s school district of residence that the student has been withdrawn for non-attendance.

NC Connections students who enroll in the school will remain enrolled through twelfth grade, unless there is a voluntary withdrawal, mandatory withdrawal pursuant to state law, expulsion, graduation, court-ordered placement, IEP team placement, or other reasons pursuant to applicable laws.

Students may withdraw from the school at any time in accordance with North Carolina law. NC Connections staff will work diligently to ensure a smooth transition. Once a student withdraws from NC Connections, the school will notify the student’s district of residence and will respond to a request for records from the student’s next school in accordance with the Family Educational Rights and Privacy Acts (FERPA) and relevant North Carolina law regarding student privacy and protection policy.

Prior to withdrawing, the Learning Coach and/or student will be encouraged to discuss with the school staff the student’s reason(s) for withdrawing as it may be possible to address issues so that the student does not need to withdraw. This data will be recorded and will be reviewed by the School Leader to continually reflect on the school’s ability to serve families and students.

Re-Enrollment Policy:

A student that is enrolled is not required to submit a new enrollment application for subsequent enrollment periods. However, NC Connections will conduct an annual process, asking caretakers of enrolled students to complete an Intent to Return questionnaire and submit updated household and student information to indicate their student’s plan for next year will occur. Providing this information is used to help determine the number of available seats each enrollment period. Failure to respond to Intent to Return and submitting all required information could result in the student losing their space in NC Connections. A family that withdraws from NC Connections and wants to return in a subsequent enrollment period will need to submit a new enrollment application and participate in the admissions and lottery process if necessary.

Transfer Policy:

If the Caretaker decides to transfer the student to another school voluntarily, the Caretaker should notify NC Connections by contacting the school to Initiate a Student Withdrawal. This can be done by phone or by using the online process called Initiate Student Withdrawal. Notifying the school and providing important information about the date of the transfer, the next schooling information and the reason for the withdrawal helps the school to better support the student’s successful transition. Written requests for student records from the transferring school is required. NC Connections will forward the permanent school records of a student transferring to the requesting school within 5 working days.

1. **Pre-Admission Activities for Students or Parents**

Pre-admission activities for students and parents will only include voluntary activities to assist families in understanding the nature of the school such as online or in-person information sessions. These activities are not required to become enrolled in the school.

1. **Student Withdrawals and Transfers**

As previously described, a student who has no evidence of student activity for ten (10) consecutive calendar days (excluding holidays) will be withdrawn from NC Connections. If it is determined by the school that a student should be withdrawn due to no evidence of student activity for ten consecutive calendar days, a Notice of Intent to Withdraw shall be provided to the student and the Caretaker. Such Notice will provide the student and Caretaker an opportunity, prior to commencing withdrawal, to demonstrate the failure to participate in courses is due to any of the following lawful absences under North Carolina law:

1. Illness or injury.
2. Quarantine as ordered by a local health officer or by the State Board of Health.
3. Death in the Immediate Family. “Immediate family”, includes parents, grandparents, brothers and sisters.
4. Medical and/or dental appointments.
5. Court or Administrative Proceedings. When a student is a party to the action or is under subpoena to serve as a witness in a case.
6. Religious Observance. Two excused absences each academic year for religious observances required by faith of a student or a student’s parents. Students shall be given the opportunity to make up any tests or other school work missed due to this excused absence.
7. Educational Opportunity. A valid education opportunity, such as travel, Legislative Page or Governor’s Page.
8. Absent Related to Parent Deployment. Caretaker is an active duty member of the uniformed services and has been called to duty for, is on leave from, or immediately returned from deployment to a combat zone or combat support posting for the purpose of visiting said Caretaker.
9. Child Care. Absences due to the illness or medical appointment during school hours of a child of whom the student is the custodial parent

If a Caretaker is unable to demonstrate that failure to participate in courses is due to a lawful absence, the principal may withdraw the student from NC Connections. Caretakers disputing the decision to withdraw a student for lack of regular participation may avail themselves of the grievance process as prescribed in in the student handbook. NC Connections will promptly notify the student’s school district of residence that the student has been withdrawn for non-attendance.

NC Connections students who enroll in the school will remain enrolled through twelfth grade, unless there is a voluntary withdrawal, mandatory withdrawal pursuant to state law, expulsion, graduation, court-ordered placement, IEP team placement, or other reasons pursuant to applicable laws.

Students may withdraw from the school at any time in accordance with North Carolina law. NC Connections staff will work diligently to ensure a smooth transition. Once a student withdraws from NC Connections, the school will notify the student’s district of residence and will respond to a request for records from the student’s next school in accordance with the Family Educational Rights and Privacy Acts (FERPA) and relevant North Carolina law regarding student privacy and protection policy.

Prior to withdrawing, the Learning Coach and/or student will be encouraged to discuss with the school staff the student’s reason(s) for withdrawing as it may be possible to address issues so that the student does not need to withdraw. This data will be recorded and will be reviewed by the School Leader to continually reflect on the school’s ability to serve families and students.

11.8. Certify

Q214. This subsection is entirely original and has not been copied, pasted, or otherwise reproduced from any other application.

● Yes

○ No

Q215. Explanation (optional):

This application is original and has not been copied, pasted, or otherwise reproduced. While some descriptions of Pearson product offerings may be similar to some previous applications outside the state of North Carolina as Pearson products and services are offered in other statewide virtual schools, this governing Board's mission and vision is unique to this school and application.

12. Operations

12.1. Transportation Plan

Q216.Describe in detail the transportation plan that will ensure that no child is denied access to the school due to lack of transportation. Include budgetary assumptions and the impact of transportation on the overall budget. The details of this plan should align with the mission, identified need for the charter school, targeted student population, and the budget proposal. If you plan to provide transportation, include the following:
1. Describe the plan for oversight of transportation options (e.g., whether the school will provide its own transportation, contract out for transportation, attempt to contract with a district, or a combination thereof) and who on the staff will provide this daily oversight.
2. Describe how the school will transport students with special transportation needs and how that will impact your budget.
3. Describe how the school will ensure compliance with state and federal laws and regulations related to transportation services

As an online school that students attend from home or other locations, NC Connections does not plan to provide general school transportation, food service, or other ancillary services traditionally provided by brick-and-mortar schools. However, the school does plan to provide computer technology and Internet subsidy to students. Internet and computer access provides virtual “transportation” to and from the school.

Services for students with disabilities will be equally accessible to all students in North Carolina. As determined by the IEP team, students may receive these services in a virtual setting and/or face-to-face. Services may be provided face-to-face at the providers’ locations, via computer, in homes, community sites, and medical offices. Decisions as to the location of service delivery will be made during the IEP team meeting with input from the parents of the student.

When the IEP team determines that the services will be provided face-to-face, the services will be provided at a mutually convenient location for both the family and the provider. Potential options for locations include the student’s home, the therapist’s business location, libraries, community centers, and so forth. For services provided outside of the home, special transportation will be provided, or the parent may choose to receive mileage reimbursement for transporting their child (which could be in the form of a gas card or similar). NC Connections will provide related services by engaging private businesses, agencies, hospitals, adult service providers, and any other acceptable providers. For each provider serving enrolled students, NC Connections will maintain copies of licensure and certification, background checks, etc. consistent with North Carolina law.

For any required in-person state testing, the school will set up in-person, proctored locations throughout the state, based on the geographic locations of the student population. Geographic population maps will be created to identify areas where testing sites are needed based on student population. Sites will be reviewed annually to adjust for an increase in student population. Students will be assigned to a testing center. If a family has transportation issues and is not able to make it to a testing site, the school will work with the family to make accommodations and may help with travel.

12.2. School Lunch Plan

Q217.Describe in detail the school lunch plan that will ensure that no child is lacking a daily meal. The details of this plan should align with the targeted student population and school budget proposal. If the school intends to participate in the National School Lunch Program, include the following components in the response:
1. How the school will comply with applicable local, state, and federal guidelines and regulations;
2. Any plans to meet the needs of low-income students; and
3. Include how the school intends to collect free- and reduced-price lunch information from qualified families. If a school intends to participate in the Community Eligibility Provision, describe the methodology the school will use to determine eligibility.

NC Connections will not offer food services as students learn outside of a traditional brick-and-mortar school setting. The school’s social workers and counselors will work with families to connect them with local resources if a family is experiencing food insecurity.

12.3. Civil Liability and Insurance

The Nonprofit shall name the SBE as an Additional Named Insured to their liability coverage for operation of a charter school while obtaining and maintaining insurance at a minimum in the following amounts:

1. Errors and Omissions: one million dollars ($1,000,000) per occurrence;
2. General Liability: one million dollars ($1,000,000) per occurrence;
3. Property Insurance: For owned building and contents, including boiler and machinery coverage, if owned;
4. Crime Coverage: no less than two hundred fifty thousand dollars ($250,000) to cover employee theft and dishonesty;
5. Automobile Liability: one million dollars ($1,000,000) per occurrence; and
6. Workers' Compensation: as specified by Chapter 97 of NC General Statute, Workers' Compensation Law

Q218.Complete the attached table, indicating the amount of coverage of each type of coverage as outlined in a quote obtained from an insurance provider.

☑ Upload Required **File Type:** excel **Max File Size:** 30 **Total Files Count:** 10

Applicant Comments :

NC Connections will maintain a comprehensive insurance program as required by applicable laws and the approved charter. The insurance program will include, but is not limited to Commercial General Liability, Educator's Legal Liability, Sexual Abuse and Molestation, Crime (Employee Dishonesty), Building, and Automobile coverage. The policies will cover the school's operations, extracurricular activities, and volunteer activities. NC Connections will be added as an additional insured under the existing comprehensive Pearson insurance program in order to take advantage of cost savings due to competitive national package pricing (see the Insurance Certificate attached to question 219).

The cost for such insurance coverage is included in the schedule of fees the Board will pay Pearson. Pearson will maintain and keep in force the insurance policies and limits no less than such amounts as outlined to cover insurable risks associated with operations under the Statement of Agreement. Health insurance and workers compensation insurance costs are included in the benefits fee paid to Pearson under the Statement of Agreement.

Resources

Insurance Coverage Template.xlsx

Applicant Evidence :

Insurance Coverage Template.xlsx

Uploaded on **4/24/2024** by **Marchelle Sutton**

Q219.**Attach Appendix L: Insurance Quotes**

- The applicant must provide a quote from an insurance provider as part of this application (as Appendix L) to demonstrate the levels of insurance coverage and projected cost.

☑ Upload Required **File Type:** pdf, image, excel, word, text **Max File Size:** 30 **Total Files Count:** 5

Applicant Comments :

NC Connections will maintain a comprehensive insurance program as required by applicable laws and the approved charter. The insurance program will include, but is not limited to Commercial General Liability, Educator's Legal Liability, Sexual Abuse and Molestation, Crime (Employee Dishonesty), Building, and Automobile coverage. The policies will cover the school's operations, extracurricular activities, and volunteer activities. NC Connections will be added as an insured under the existing comprehensive Pearson insurance program in order to take advantage of cost savings due to competitive national package pricing.

The cost for such insurance coverage is included in the schedule of fees the Board will pay Pearson. Pearson will maintain and keep in force the insurance policies and limits no less than such amounts as outlined to cover insurable risks associated with operations under the Statement of Agreement. Health insurance and workers compensation insurance costs are included in the benefits fee paid to Pearson under the Statement of Agreement.

Applicant Evidence :

Insurance Certificate.pdf

Uploaded on **4/24/2024** by **Marchelle Sutton**

12.4. Health and Safety Requirements

All public charter schools are required to follow the regulations regarding health and safety as stated in G.S. 115C 218.75.

Q220.**We, the Board members will develop a written safety plan and policies to be shared with staff, parents, and students and be available upon inspection from the Department of Public Instruction and local Health Departments. The Board Chair must sign this question.**

Signature

Applicant Comments :

NC Connections is committed to ensuring the health and safety of students and staff. In accordance with G.S. 115C 218.75, the school shall meet the same health and safety requirements required of a local school administrative unit, including the following:

- Provide parents and guardians with information about meningococcal meningitis and influenza and their vaccines at the beginning of every school year. This information shall include the causes, symptoms, and how meningococcal meningitis and influenza are spread and the places where parents and guardians may obtain additional information and vaccinations for their children.
- Provide parents and guardians with information about cervical cancer, cervical dysplasia, human papillomavirus, and the vaccines available to prevent these diseases. This information shall be provided at the beginning of the school year to parents of children entering grades five through 12. This information shall include the causes and symptoms of these diseases, how they are transmitted, how they may be prevented by vaccination, including the benefits and possible side effects of vaccination, and the places where parents and guardians may obtain additional information and vaccinations for their children.
- Provide students in grades seven through 12 with information annually on the preventable risks for preterm birth in subsequent pregnancies, including induced abortion, smoking, alcohol consumption, the use of illicit drugs, and inadequate prenatal care.
- Provide students in grades nine through 12 with information annually on the manner in which a parent may lawfully abandon a newborn baby with a responsible person, in accordance with Article 5A of Chapter 7B of the General Statutes.
- Implement the guidelines for individual diabetes care plans adopted by the State Board of Education under G.S. 115C-12(31) as applicable.
- Provide a supply of emergency epinephrine auto-injectors necessary to meet the requirements of G.S. 115C-2A, as applicable.
- Adopt a policy against bullying or harassing behavior, including cyber bullying, that is consistent with the provisions of Article 29C. At the beginning of each school year, provide the policy to staff, students, and parents as defined in G.S. 115C-1(b)(8).
- Adopt a written safety plan and policies.
- Develop and operate an anonymous tip line in accordance with G.S. 115C-105.51
- Implement the rule addressing student awareness of child abuse and neglect, including sexual abuse, adopted by the State Board of Education under G.S. 115C-12(47).
- Facilitate access for students to participate in activities provided by any youth group listed in Title 36 of the United States Code as a patriotic society, such as the Boy Scouts of America, and its affiliated North Carolina groups and councils, and the Girl Scouts of the United States of America, and its affiliated North Carolina groups and councils. Student participation in any activities offered by these organizations shall not interfere with instructional time during the school day for the purposes of encouraging civic education.
- Adopt and implement a child sexual abuse and sex trafficking training program in accordance with G.S. 115C-20.
- Adopt a school-based mental health plan, including a mental health training program and suicide risk referral protocol, in accordance with G.S. 115C-5.
- Annually report the information required by G.S. 115C-12(48) to the State Board of Education, the Senate Appropriations Committee on Education/Higher Education, and the House Appropriations Committee on Education no later than September 15.
- Annually update information to the digital learning dashboard, as required by G.S. 115C-9.
- Comply with G.S. 115C-40 at all graduation ceremonies regarding Cultural Expression at Graduation Ceremonies.
- Adopt a policy to require all middle and high school students to complete a career development plan in accordance with G.S. 115C-158.10.

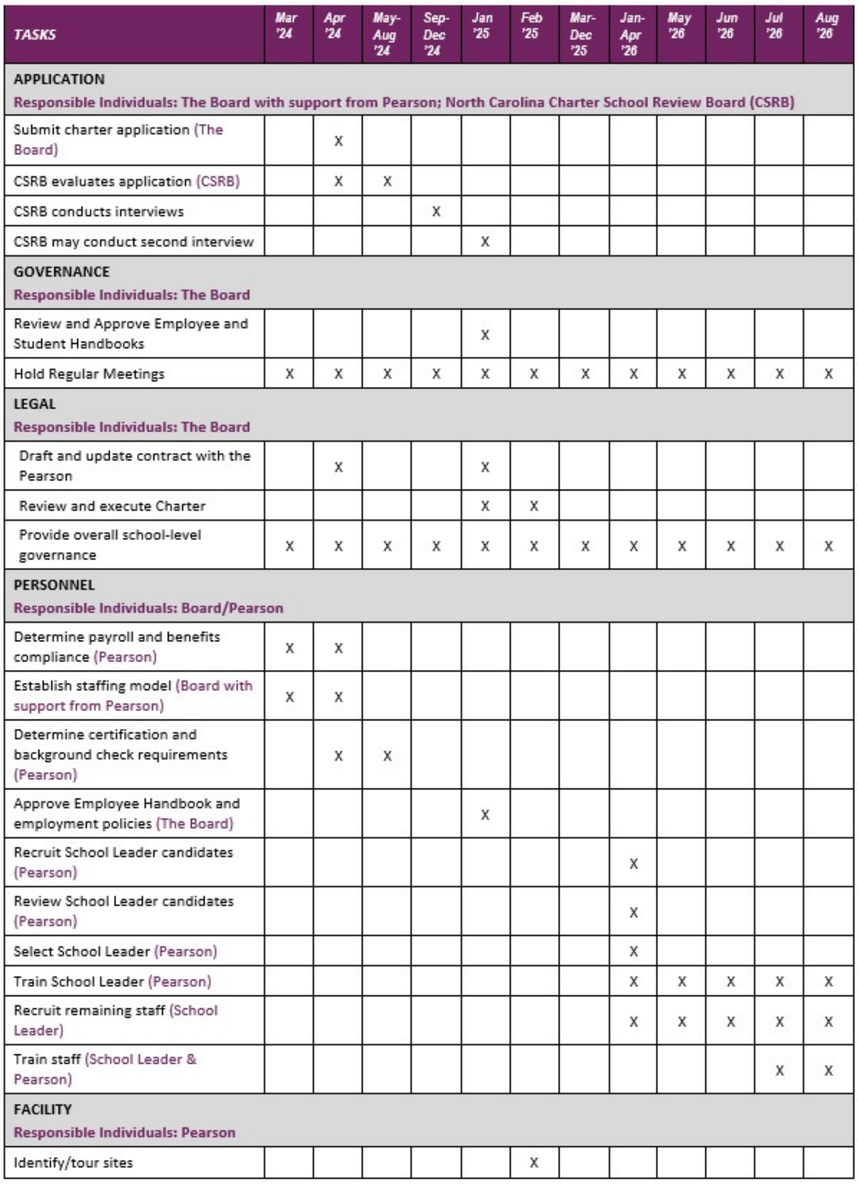
School health and safety will be the primary responsibility of the School Leader and their designee. They will oversee the security systems of NC Connections as well as the behavior of the students and notification of incidents consistent with G.S. 115C-218.75. In addition, all staff members will be expected to report to administration any inappropriate behavior in the school environment. It is the primary responsibility of staff to create a healthy climate of respect and educational focus.

12.5. Start-Up Plan

Q221.**Provide a detailed start-up plan for the proposed school, specifying tasks, timelines, and responsible individuals (including compensation for those individuals, if applicable).**

The table below provides a detailed start-up plan for the proposed public charter school. The responsible individuals are shown in the gray-shaded rows with exceptions included in parentheses by individual tasks, as applicable.

Regarding compensation, Pearson provides a turn-key solution to offer NC Connections a full academic program, with the exception of legal counsel and independent auditors. Professional services are budgeted in anticipation of the school's opening and are comparable to services provided to the other Connections Academy statewide virtual charter school. Other operating costs such as assessments, staff expenses, facilities, governance, student related expenses, etc. are calculated based on Pearson's experience with similar costs but scaled to the size of the school.



TASKS	*Mar '24*	*Apr '24*	*May-Aug '24*	*Sep-Dec '24*	*Jan '25*	*Feb '25*	*Mar-Dec '25*	*Jan-Apr '26*	*May '26*	*Jun '26*	*Jul '26*	*Aug '26*
APPLICATION **Responsible Individuals: The Board with support from Pearson; North Carolina Charter School Review Board (CSRB)**												
Submit charter application (The Board)		X										
CSRB evaluates application (CSRB)		X	X									
CSRB conducts interviews				X								
CSRB may conduct second interview					X							
GOVERNANCE **Responsible Individuals: The Board**												
Review and Approve Employee and Student Handbooks					X							
Hold Regular Meetings	X	X	X	X	X	X	X	X	X	X	X	X
LEGAL **Responsible Individuals: The Board**												
Draft and update contract with the Pearson		X			X							
Review and execute Charter					X	X						
Provide overall school-level governance	X	X	X	X	X	X	X	X	X	X	X	X
PERSONNEL **Responsible Individuals: Board/Pearson**												
Determine payroll and benefits compliance (Pearson)	X	X										
Establish staffing model (Board with support from Pearson)	X	X										
Determine certification and background check requirements (Pearson)		X	X									
Approve Employee Handbook and employment policies (The Board)					X							
Recruit School Leader candidates (Pearson)								X				
Review School Leader candidates (Pearson)								X				
Select School Leader (Pearson)								X				
Train School Leader (Pearson)								X	X	X	X	X
Recruit remaining staff (School Leader)								X	X	X	X	X
Train staff (School Leader & Pearson)											X	X
FACILITY **Responsible Individuals: Pearson**												
Identify/tour sites						X						

TASKS	Mar '24	Apr '24	May-Aug '24	Sep-Dec '24	Jan '25	Feb '25	Mar-Dec '25	Jan-Apr '26	May '26	Jun '26	Jul '26	Aug '26
Select preliminary sites/RFPs						X	X					
Procure letter of intent to lease with potential landlords (The Board)						X	X					
Renovate & build-out								X	X	X		
Secure inspections/Certificate of Occupancy								X	X	X	X	X
Move-In for school start											X	X
CURRICULUM **Responsible Individuals: Pearson**												
Verify state course codes											X	X
Fine-tune alignments to state standards										X		
Determine course limits and/or restrictions					X							
Complete any necessary curriculum enhancements						X	X	X	X			
STUDENT RECRUITMENT **Responsible Individuals: Pearson**												
Create and launch website	X	X										
Develop and implement outreach plan (PR, advertising, online marketing, collateral, etc.)	X	X	X	X	X	X	X	X	X	X	X	X
Develop and implement virtual info session materials	X	X	X	X	X	X	X	X	X	X	X	X
Host parent/student information sessions or provide on demand recordings	X	X	X	X	X	X	X	X	X	X	X	X
STUDENT ENROLLMENT **Responsible Individuals: Pearson**												
Student application period (begins February 2026)								X	X	X	X	X
Enrollment period (begins March 2026)								X	X	X	X	X
Hold student/parent orientation											X	X
FINANCE **Responsible Individuals: The Board, with support from Pearson**												
Finalize and approve school budget (The Board)									X			
Determine eligibility and application process for Title and/or IDEA funding (Pearson)												X
Establish external data reporting protocols/processes (Pearson)											X	X

TASKS	Mar '24	Apr '24	May-Aug '24	Sep-Dec '24	Jan '25	Feb '25	Mar-Dec '25	Jan-Apr '26	May '26	Jun '26	Jul '26	Aug '26
STUDENT SERVICES **Responsible Individuals: Pearson**												
Determine requirements for Special Education and English Learners	X	X										
Research IEP enrollment age specifications	X	X										
Confirm minimum graduation requirements (credits and course requirements)	X	X										
Work with School Leader to create progression plan(s)	X	X						X	X			
TECHNOLOGY **Responsible Individuals: Pearson**												
Determine technology offering rules	X	X										
Develop a Technology Plan, determine the approval process	X	X										
Install technology at site; test technology prior to school opening								X	X	X	X	X
STATE TESTING **Responsible Individuals: NC Connections Leadership Team with support from Pearson**												
Determine state test requirements and dates	X	X										
Determine the proficiency levels for the state assessment	X	X										
Create a state testing plan								X	X	X	X	
Secure testing venues											X	

Q222. Describe what the board anticipates will be the challenges of starting a new school and how it expects to address these challenges. Submit a Start-up (Year 0) Budget as Appendix O, if applicable.

The school expects to incur start-up expenditures around key administrative compensation and facilities costs. Approximately three months prior to the fiscal year, a School Leader, Manager of Special Populations, and a Manager of Counseling will be hired. Additionally, the school will begin occupying the facility previously mentioned and will incur costs associated with lease expense and small equipment expense.

Further costs associated in both areas, such as marketing expenses and technology infrastructure, respectively, are costs included in the school’s agreement with Pearson, and not incurred during the start-up period.

Applicant Evidence :

Appendix O - Start-Up Budget.pdf

Uploaded on **4/24/2024** by **Marchelle Sutton**

12.6. Facility

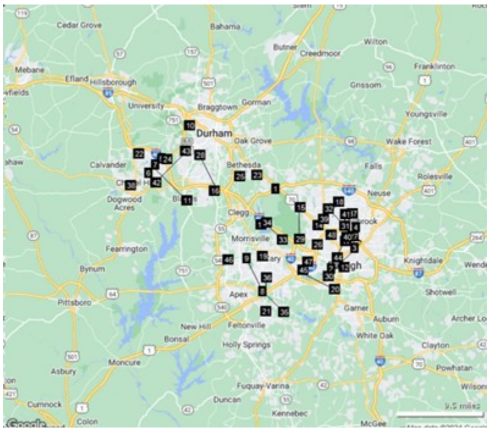
Note that the SBE may approve a charter school prior to the school's obtaining a facility; however, students may not attend school and no funds will be allocated until the school has obtained a valid Certificate of Occupancy for Educational use to the Office of Charter Schools.

Q223.**What is your plan to obtain a building? Identify specific steps the board will take to acquire a facility and obtain the Educational Certificate of Occupancy. Present a timeline with reasonable assumptions for facility selection, requisition, state fire marshal and health inspections, and occupation.**

As a fully remote academy, NC Connections will not serve students in a brick-and-mortar physical school facility. Instead, the school will have administrative office space only and thus obtain an Administrative Offices Certificate of Occupancy. The school's administrative office space will serve as an administrative workspace while students will be learning from their homes across the state. The space will include administrative offices and infrastructure for school operations.

The Board plans to contract with Pearson for procurement and management of the administrative facility, which will function as the school administrative offices. Pearson has already completed a preliminary market survey of locations under 3,500sf in the Raleigh-Durham Triangle Area, but investigation will continue until the most suitable location is identified upon approval of the school.

A preliminary market survey has been completed to identify a suitable facility for the school's administrative offices:



The initial physical facility will need to be flexible for growth and future needs. The site will include at least three offices and one conference room with doors for use in IEP conferences and other special education–related activities. The school facility will be compliant with all local, state, and federal regulations. The facility will be in compliance with the necessary building and zoning codes as well as accessible to individuals — including staff, parents, and students — with disabilities. In addition, the facility will ensure data privacy requirements are met for the safe-keeping of onsite/data/student records in a secure location with appropriate physical security measures.

Pearson will provide NC Connections with comprehensive facilities support encompassing site sourcing and selection, lease negotiations, all necessary support and tasks to either directly manage or supervise any necessary construction of office space, and facilities management support once the school opens. Pearson retains a directly employed staff of dedicated corporate real estate professionals supported by best-in-class third-party consultants and vendors across all sub-specialties of commercial real estate to assist with matters including brokerage, design, construction, and property management.

Two potential locations have been identified to date, shown below. Both locations are in the Triangle Area.

1. 2812 Erwin Road within Erwin Terrace Building II in Durham, NC 27705 (Durham County)
2. 100 Europa Drive within Europa Center in Chapel Hill, NC 27517 (Orange County) (contingency location)

Once the charter is finalized, NC Connections will follow a specific, fast-paced process for securing a lease, or locating comparable space and also conducting start-up procedures. This process includes:

- Initial requirements reviews
- Site inventory (space) surveys
- Down-selection of spaces for physical review
- Physical on-site space reviews
- Review of available Internet service providers
- Down-selection of spaces for competitive proposal process
- Proposal and Best-and-Final submissions
- Selection of spaces
- Lease negotiations and execution
- Build-out project plan
- Installment of Tenant improvements
- Occupancy

The facility selected by the school will be approximately 3,500 rentable square feet depending upon community, site availability, and needs of the school. The facility will be located in standard office space. The school will enter into a five-year lease or such other economic lease term as will support the school with extension options at the school's election. Key factors considered in the selection process include:

- ADA compliance
- Suite layout
- Stability of landlord
- Ability of landlord to support a turn-key solution
- Cost on an annual and a full-term basis
- Security for both the facility and the surrounding area
- Safety for teachers and staff
- Ease of access (location) for teachers and staff
- Special termination provisions in the event of charter suspension or revocation
- Technology availability, including bandwidth for school operations
- Lighting (natural and otherwise)

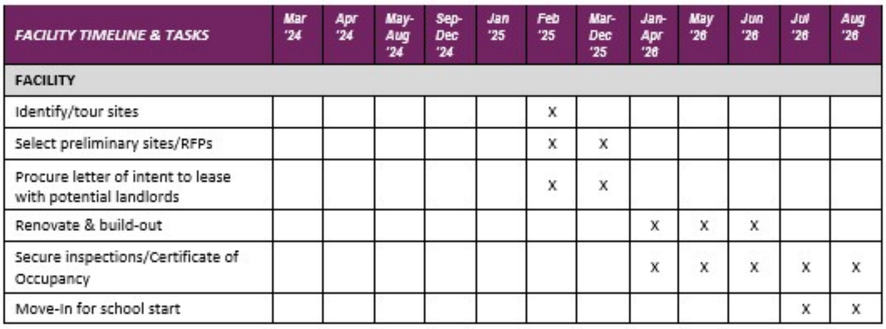
The school will tailor the build-out of the facility to meet the specific needs of the school. During the search for a facility, the Board will identify locations which already have an existing build-out close to what the school's facility needs will be to minimize build out costs. If a serviced facility is chosen, no build-out will be required, which affords a low-cost market-entry solution with security, office services, and general staff support in good locations with parking and flexibility in growing the space.

NC Connections has analyzed several locations, based upon criteria needed to run an effective public virtual school. Virtual education requires minimal build-out and can be accomplished in the timeframe needed. Criteria used to analyze facilities include:

- Central location — easy access from major roadways, allowing students and staff from various areas to reach the facilities easily. The facility will have adequate space for a School Leader's office, a conference room, office space for confidential IEP or other student-related meetings, and a break room/kitchenette.
- A certificate of occupancy, air-conditioning, heating and illuminated fluorescent lights, male and female bathrooms, parking, handicapped accessible, and fully equipped in accordance with fire and life safety standards.
- Necessary infrastructure to support the computer network and telephone system.
- In compliance with or capable of modification to bring them into compliance with all local building, zoning and health and safety requirements.
- Meet all local minimum Americans with Disabilities Act (ADA) standards.
- Ample parking accommodation.
- Secure location for storing testing materials and protected student data.

Pearson's facilities support team also includes experienced lease negotiators, including the services of a senior real estate broker affiliated with a leading national real estate brokerage firm as well as support from a specialist real estate attorney. In addition, inputs into lease negotiations are obtained from Pearson's facility management and construction projects management resources for those provisions governing property operations and construction of the office space.

Pearson provides lease administration support services as well, including a dedicated team to process and analyze all rent payment requests, processing of landlord notices, and oversight of the various critical dates and language associated rights and obligations inherent in a typical office lease between landlord and tenant. Pearson has processes in place to ensure NC Connections' date-driven rights under its lease will be addressed in a timely manner.



FACILITY TIMELINE & TASKS	*Mar '24*	*Apr '24*	*May-Aug '24*	*Sep-Dec '24*	*Jan '25*	*Feb '25*	*Mar-Dec '25*	*Jan-Apr '26*	*May '26*	*Jun '26*	*Jul '26*	*Aug '26*
FACILITY												
Identify/tour sites						X						
Select preliminary sites/RFPs						X	X					
Procure letter of intent to lease with potential landlords						X	X					
Renovate & build-out								X	X	X		
Secure inspections/Certificate of Occupancy								X	X	X	X	X
Move-In for school start											X	X

Q224.Describe the school's facility needs based on the educational program and projected enrollment, including: number of classrooms, square footage per classroom, classroom types, common areas, overall square footage, and amenities. Discuss both short-term and long-term facility plans. Demonstrate that the estimate included in your budget is reasonable.

As a fully remote academy, NC Connections will not serve students in a brick-and-mortar physical school facility. Instead, the school will have administrative office space only. The school's administrative office space will serve as an administrative workspace while students will be learning from their homes across the state. The space will include administrative offices and infrastructure for school operations.

The site will be approximately 3,500 square feet and include at least three offices and one conference room with doors for use in IEP conferences and other special education–related activities. The school facility will be compliant with all local, state, and federal regulations. The facility will be in compliance with the necessary building and zoning codes as well as accessible to individuals — including staff, parents, and students — with disabilities. In addition, the facility will ensure data privacy requirements are met for the safe-keeping of onsite/data/student records in a secure location with appropriate physical security measures.

The facility will be located in standard office space. The school will enter into a five-year lease or such other economic lease term as will support the school with extension options at the school's election. Key factors considered in the selection process include:

- ADA compliance
- Suite layout
- Stability of landlord
- Ability of landlord to support a turn-key solution
- Cost on an annual and a full-term basis
- Security for both the facility and the surrounding area
- Safety for teachers and staff
- Ease of access (location) for teachers and staff
- Special termination provisions in the event of charter suspension or revocation
- Technology availability, including bandwidth for school operations
- Lighting (natural and otherwise)

The school will tailor the build-out of the facility to meet the specific needs of the school. During the search for a facility, the Board will identify locations which already have an existing build-out close to what the school's facility needs will be to minimize build-out costs. If a serviced facility is chosen, no build-out will be required, which affords a low-cost market-entry solution with security, office services, and general staff support in good locations with parking and flexibility in growing the space.

NC Connections has analyzed several locations, based upon criteria needed to run an effective public virtual school. Virtual education requires minimal build-out and can be accomplished in the timeframe needed. Criteria used to analyze facilities include:

- Central location — easy access from major roadways, allowing students and staff from various areas to reach the facilities easily. The facility will have adequate space for a School Leader's office, a conference room, office space for confidential IEP or other student-related meetings, and a break room/kitchenette.
- A certificate of occupancy, air-conditioning, heating and illuminated fluorescent lights, male and female bathrooms, parking, handicapped accessible, and fully equipped in accordance with fire and life safety standards.
- Necessary infrastructure to support the computer network and telephone system.
- In compliance with or capable of modification to bring them into compliance with all local building, zoning and health and safety requirements.
- Meet all local minimum Americans with Disabilities Act (ADA) standards.
- Ample parking accommodation.
- Secure location for storing testing materials and protected student data.

Budget Estimate

Facility costs have been analyzed by Pearson's Facility Workplace Team. The per square footage cost of the facility is aligned to market expectations within the state, as compared to other similar locations. Three months' rent has been budgeted at $7,292/month. Operating utilities and internet connectivity have been budgeted in the same manner. The budget estimate for the facility includes the monthly rental cost as well as utilities, document destruction, Office Depot, and printing costs as well as copiers, internet, maintenance, repairs, supplies, postage, telephone, small office equipment, and capital outlay for 3 months prior to beginning of fiscal operating year.

Q225.Describe school facility needs, including: science labs, art room, computer labs, library/media center, performance/dance room, gymnasium and athletic facilities, auditorium, main office and satellite offices, workroom/copy room, supplies/storage, teacher workrooms, and other spaces.

As previously described, the school will have administrative office space only. The school's administrative office space will serve as an administrative workspace while students will be learning from their homes across the state. The space will include administrative offices and infrastructure for school operations.

The site will be approximately 3,500 square feet and include at least three offices and one conference room with doors for use in IEP conferences and other special education–related activities. It will also have a secure location for storing testing materials and protected student data.

Q226.What is the breakdown of cost per square foot for the proposed facility? Outline how this cost is comparable to the commercial and educational spaces for the proposed school location.

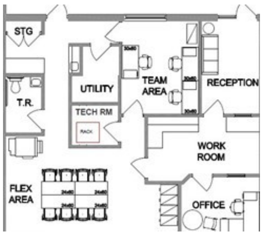
The breakdown of the cost per square foot for the proposed administrative offices is $25/sf. Facility costs have been analyzed by Pearson's Facility Workplace Team. The per square footage cost of the facility is aligned to market expectations within the state, as compared to other similar locations. Operating utilities and internet connectivity have been budgeted in the same manner. The budget estimate for the facility includes the monthly rental cost as well as utilities, document destruction, Office Depot, and printing costs as well as copiers, internet, maintenance, repairs, supplies, postage, telephone, small office equipment, and capital outlay for 3 months prior to beginning of fiscal operating year.

Q227.Facility Contingency Plan: Describe the method of finding a facility if the one the board has identified will not be ready by the time the public charter school will be opening. Include information regarding the immediate spatial needs of the school and identify any programs that will not be immediately offered because a permanent facility has yet to open.

As part of the market survey that has already been completed, a back-up facility location has been identified (100 Europa Drive within Europa Center in Chapel Hill, NC 27517). If these initial locations are not ready or suitable in 2026, once the application is approved, NC Connections will follow a specific, fast-paced process for securing a lease, or locating comparable space and also conducting start-up procedures. This process includes:

- Initial requirements reviews
- Site inventory (space) surveys
- Down-selection of spaces for physical review
- Physical on-site space reviews
- Review of available Internet service providers
- Down-selection of spaces for competitive proposal process
- Proposal and Best-and-Final submissions
- Selection of spaces
- Lease negotiations and execution
- Build-out project plan
- Installment of Tenant improvements
- Occupancy

The spatial needs of the school include approximately 3,500 square feet for at least three offices and one conference room with doors for use in IEP conferences and other special education–related activities. It will also have a secure location for storing testing materials and protected student data. The figure below shows a sample floor plan. There are no programs that will be affected because a permanent facility has yet to open.



Sample Facility Floor Plan

Q228.Describe the board's capacity and experience in facilities acquisition and management, including managing build-out and/or renovations, as applicable.

Because NC Connections will be a remote academy, the only physical facility will be the school's administrative offices. The Board plans to contract with Pearson to provide comprehensive facilities support encompassing site sourcing and selection, lease negotiations, all necessary support and tasks to either directly manage or supervise any necessary construction of office space, and facilities management support once the school opens. Pearson has a directly employed staff of dedicated corporate real estate professionals supported by best-in-class third-party consultants and vendors across all sub-specialties of commercial real estate to assist with matters including brokerage, design, construction, and property management.

In addition, members of the Board have experience in facilities acquisition and/or management. Dr. Ward Ulmer brings over 20 years' experience in overseeing operations in a university environment. He is the President of West Coast University, which serves 12,000 students across 6 campuses, requiring extensive facility oversight and regular operational management.

Mr. Daniel Krchnavek brings legal expertise as an attorney licensed to practice law in North Carolina. He served for two years at the North Carolina Department of Public Instruction as the the Regulatory & Compliance Counsel where advised department leadership on compliance with education and privacy laws related to Department programs, and drafted, negotiated, and reviewed contracts to provide goods and services to NC schools.

12.7. Certify

Q229.I certify that this subsection is entirely original and has not been copied, pasted, or otherwise reproduced from any other application.

● Yes

○ No

Q230.Explanation (optional):

This application is original and has not been copied, pasted, or otherwise reproduced. While descriptions of Pearson product offerings may be similar to some previous applications outside the state of North Carolina as Pearson products and services are offered in other statewide virtual schools, this governing Board's mission and vision is unique to this school and application.

13. Financial Plan

13.1. Charter School Budget

All budgets should balance indicating strong budgetary skills. Any negative fund balances will, more than likely, generate additional questions by those evaluating the application. If the applicant is depending on other funding sources or working capital to balance the operating budget, please provide documentation such as signed statements from donors, foundations, bank documents, etc., on the commitment of these funds. If these figures are loans, the repayment needs to be explained in the narrative and found within the budget projections.

Q231.**If applicable, attach as Appendix M: Revenue Assurances.** Assurances are needed to confirm the commitment of any additional sources of revenue.

Applicant Evidence :

Appendix M - Revenue Assurances.pdf

Uploaded on **4/24/2024** by **Marchelle Sutton**

Q232.**Attach as Appendix N: Proposed Budget for Year 1 through Year 5** Click here to access and download the Budget Template. (https://www.dpi.nc.gov/2024-budget-template/download?attachment)

☑ Upload Required **File Type:** pdf, image, excel, word, text **Max File Size:** 30 **Total Files Count:** 5

Applicant Evidence :

2024 NC Charter Application Budget Template_R...

Uploaded on **4/24/2024** by **Marchelle Sutton**

13.2. Budget Narrative

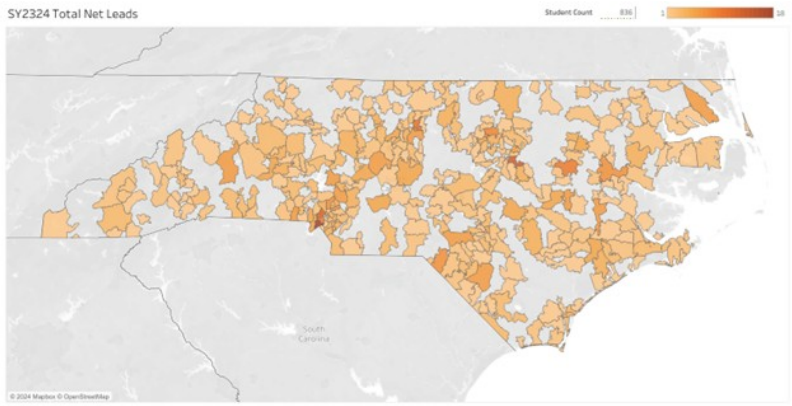
Please include additional information that explains the assumptions used in the 5-year budget.

Q233.How was the student enrollment number projected?

The number of students (enrollment projections) and the grade levels to be served in year one were developed based on several factors. First, data from the National Center for Education Statistics (NCES) on student population projections was analyzed, which showed that the state's student population is projected to grow over the next five years and that the population of virtual education students is in the tens of thousands. Secondly, data on the historical student enrollments at virtual schools in North Carolina was reviewed; both of the pilot virtual charter schools (NCCA and NCVA), currently have waitlists of families wanting to enroll but unable due to current enrollment caps. Lastly, historical data from Pearson's 20+ years of national and state enrollments was evaluated to assess growth trends. Based on these data points and trends, we developed enrollment estimates across K-12 grade levels. In addition to these data sources, the year-by-year enrollment estimates assume an annual increase in student enrollment while considering factors for students leaving the school such as relocation, family life changes, and other changes.

Q234.Provide an explanation as to why you believe there is a demand for the school that will meet this enrollment projection.

In talking with families at information sessions and in the organic requests for information about a college- and career-focused Connections Academy school in North Carolina, there is a compelling need from a statewide community for the proposed public charter school. This is evidenced by 4,225 requests for information that have come in over the last 5 years from across the state without any outreach. The figure below illustrates the location of the families who contacted Pearson's enrollment team interested in a virtual school in North Carolina this past year.



Additional evidence of demand has come from talking with families at information sessions about a college- and career-focused Connections Academy school in North Carolina. We have held information sessions across the state to assess demand, including the following:

Date	**Time**	**Location**
February 20, 2024	11:00 a.m.	305 McGill Avenue Northwest, Concord, NC 28025
February 20, 2024	7:00 p.m.	878 West 4th Street, Winston-Salem, NC 27101
February 21, 2024	9:00 a.m.	411 W. 4th Street, Winston-Salem, NC 27101
February 21, 2024	7:00 p.m.	197 N. 2nd Street, Albemarle, NC 28001
February 22, 2024	8:00 a.m.	220 E. Trade Street, Charlotte, NC 28202
March 20, 2024	12:00 p.m.	238 S. Cherokee Street, Kings Mountain, NC 28086
March 20, 2024	3:00 p.m.	135 Locust Street, Columbus NC 28722
March 20, 2024	7:00 p.m.	10 Broadway Street, Asheville, NC 28801
March 21, 2024	10:00 a.m.	39 Catawba Avenue, Old Fort, NC 28762
March 21, 2024	8:00 p.m.	4509 Creedmoor Road, Raleigh, NC 27612
April 11, 2024	12:00 p.m.	213 N Greene St, Snow Hill, NC 28580
April 11, 2024	2:00 p.m.	214 N Heritage St, Kinston, NC 28501
April 11, 2024	7:00 p.m.	1 N Lake Park Blvd, Carolina Beach, NC 28428

In addition, 469 residents have signed statements of support (both hand-signed and online), representing 83 of the 100 counties, for opening NC Connections.

NC Connections will be an online public charter school/remote academy and a high-quality, proven educational option for nontraditional students. Through this unique model, NC Connections is dedicated to providing a much needed high-quality, full-time virtual option to children that will develop their readiness skills for their future.

NC Connections will be tailor-made for a diverse array of students who may benefit from a quality option to the traditional brick-and-mortar classroom. NC Connections will meet the following needs of North Carolina families:

- Students with an interest in focusing on their college and career readiness;
- Students whose families seek more involvement in their child's education;
- Students who are medically homebound due to illness or disability;
- Students who are immunocompromised and are concerned about health conditions outside of the home environment;
- Exceptional students who are far ahead of or far behind their peers in school;
- Students pursuing artistic or athletic interests or career development opportunities requiring a flexible schedule;
- Students who require a flexible school schedule;
- Students with special learning needs;
- Students who have been bullied;
- Students who are at risk of academic failure, who may particularly benefit from intensive, personalized instruction;
- Students who desire a comprehensive, robust full-time online school experience; and
- Students who, due to fear and anxiety caused by COVID-19, require a safe, healthy environment in which to learn.

Data provided by Pearson shows that Connections Academy online schools serve highly mobile students with complex needs known to impact academic performance. As demonstrated in the list above, these characteristics create a unique student population that differs from traditional brick-and-mortar schools.

Moving to an online school can be the answer to a variety of different student needs, including highly mobile students. Highly mobile students include:

- 11% Returning students with various challenges

- 8% Advanced students
- 11% Students with health problems
- 13% New students, previously bullied
- 11% New students, struggling academically
- 31% New students who want flexibility, online school choice
- 16% Returning students who want flexibility, online school choice[1]

The Board has been tracking the interest in virtual schooling expressed by families throughout North Carolina. Despite current virtual options, there is still need across the state for additional virtual schooling options, and specifically this proven educational model, as evidenced by the thousands of families expressing interest.

[1] Source: Pearson Virtual Schools data compiled from Student Information Forms (SIF) completed by enrolling families.

[2] Source: https://nces.ed.gov/programs/digest/d18/tables/dt18_204.10.asp

Q235.Provide the break-even point of student enrollment.

Beginning with the first year of operations, the school will be able to remain financially sustainable at a much smaller physical footprint even as enrollments fluctuate. Rather than the size of a traditional bricks-and-mortar school, NC Connections' facility will accommodate the administration and some school staff only. Most of the school's expenses are variable instead of fixed in nature, ensuring financial sustainability. For example, Pearson fees are variable and paid based on actual enrollment levels attained by the school. Staffing costs are managed closely, and school staff are only hired as students enroll. While the school will release more staffing as more students enroll, there is a minimum number of staff that must be hired before school starts for the school to function. This will ensure that the majority of expenses will flex up and down with enrollment, thus cushioning the impact of lower-than-expected revenue due to an enrollment shortfall. Because the school's program is scalable, fluctuating demographics in the enrolled population, changes in enrollment trends, and enrollment changes in surrounding schools will not strain the school's sustainability. The Board is prepared to make difficult financial decisions to operate the charter school; however, the variable nature of the virtual charter expenses provides a level of flexibility and financial stability since it is based upon enrollment and not fixed expenses.

This flexibility is also enhanced by the school's agreement with Pearson, which further protects the school's cash flow. Per the agreement, the school will only pay Pearson once funds become available to the school. The services provided by Pearson allow the school to focus their resources on serving students. Payments and reimbursements to Pearson occur once they are Board approved and cash is available. The school is also protected by Pearson's deficit protection credit, which ensures the school can operate regardless of the level of enrollment.

The Board is also excited about partnering with Pearson as its service provider with a 21-year record of success. This partnership will allow the school to be flexible and nimble while providing a high-quality online school experience for students regardless of changing demographics, economics, and enrollment changes. Over the past two decades, Pearson has experienced all of these changes, and its partnerships with school districts, state entities, and chartering authorities have flourished.

Q236.Discuss the school's contingency plan to meet financial needs if anticipated revenues are not received or are lower than estimated.

As described in our response to the previous question, the majority of expenses will flex up and down with enrollment, thus cushioning the impact of lower-than-expected revenue due to an enrollment shortfall. The school will be able to remain financially sustainable at a much smaller physical footprint even as enrollments fluctuate. Rather than the size of a traditional bricks-and-mortar school, NC Connections' facility will accommodate the administration and some school staff only. Most of the school's expenses are variable instead of fixed in nature, ensuring financial sustainability. Because the school's program is scalable, fluctuating demographics in the enrolled population, changes in enrollment trends, and enrollment changes in surrounding schools will not strain the school's sustainability. The Board is prepared to make difficult financial decisions to operate the charter school; however, the variable nature of the virtual charter expenses provides a level of flexibility and financial stability since it is based upon enrollment and not fixed expenses.

As an added measure, the Board has negotiated with Pearson a provision for protection from falling into a deficit balance. Should it be necessary, Pearson will issue a service credit to reduce its fees, thereby ensuring the financial solvency of NC Connections. NC Connections' budget includes a deficit protection credit in the amount of $305,000 for Year 1 and $275,000 for Year 2, to protect the school against an anticipated deficit. As the school grows, the need for service credits is anticipated to diminish.

Pearson will work with the school to limit cash flow volatility by awaiting payment of Pearson's invoices until the school has the funds available to make payment and by allowing the school to pay in installments. This will ensure that NC Connections' positive cash flow is never compromised. The services provided by Pearson allow the school to focus their resources on serving students. Payments and reimbursements to Pearson occur once they are Board approved and cash is available.

Q237.Does the budget rely on sources of funds other than state, county, and federal (e.g., loans, donations, etc.)? If so, please provide the source and amount. Also, describe any committed contributions and in-kind donations of goods or services to be received by the charter school that will assist in evaluating the financial viability of the school. Clearly indicate between those grants or in-kind donations which have already been firmly committed and those the board is planning to pursue. Be sure that the appropriate assurances documentation is provided in the appendices.

The budget does not rely on sources of funds other than state local, and state and local exceptional children funding, apart from the startup grant from Pearson. For the startup period, Pearson has agreed to pay startup costs via a startup grant, anticipated to be approximately $315,000. These costs are not expected to be reimbursed to Pearson. Please see Appendix M: Revenue Assurances for documentation evidence.

Federal Funding

While the school intends to apply for and receive federal Title funding, Title revenues were not included in this budget as there is no guarantee of receipt of such funding and to use a conservative per pupil rate assumption to demonstrate the ability for the school to sustain operations absent Title support.

For any Title I funds the school receives, the school intends to use federal revenue to enhance the student program in the following potential areas:

- Additional Parent Engagement Opportunities
- Summer School
- Additional Professional Development
- Additional Counseling Support, as needed
- Additional Math Support, as needed
- Family Support for Navigation of Online Offering, as needed
- Support of Expanded Meal Offering
- Homeless Set-Aside

NC Connections will also be eligible to receive immaterial funding through Title IIa, Title III, and Title IV awards. These funds will be allocated based on demonstrated student need at the direction of the Board and in accordance with federal regulations at the time of award.

Q238.Provide the student to teacher ratio that the budget is built on.

The budget assumed 3% Multilingual Learner students, 13% students with Special Education needs, and a student-to-teacher ratio ranging from 25:1 to 40:1, depending on the course level of difficulty. Budgeted ratios tend to be higher than traditional student-teacher ratios because they are included in multiple subsets of staffing and student populations, whereas traditional student/teacher ratios are arrived at by simply dividing total students by the number of certificated adults for given grade levels. Class size and ratios have been traditionally designed specifically for a brick-and-mortar classroom that had goals related to both academics and classroom management. In a virtual school, teachers are freed up from duties such as lunchroom duty, bathroom breaks, bell schedules, and playground duty. This allows for an innovative approach to class sizes and ratios. Besides the flexibility of not determining class size and ratios based upon classroom management, online schools can be strategic about making assignments due to complexity and overall effort. Each course is assigned an overall level of effort score, permitting assignment of lower class loads to teachers of more intensive-effort courses, such as higher mathematics and AP®. Courses with less intensive teaching demands, such as physical education or sign language, may have higher class loads without sacrificing quality of instruction. This analysis helps the student population be successful in core areas and improves pupil achievement. This also helps teachers focus their attention on building strong relationships with their students and families, which supports the individualization and differentiation of the curriculum. This supports high academic achievement and thus higher graduation rates for the target population, especially for students in North Carolina who have experienced teacher shortages in grades K-12.[1]

[1][1] https://www.wfae.org/education/2023-02-02/nc-teacher-reports-attrition-is-down-vacancies-are-up-and-a-new-challenge-is-coming

Q239.Describe the board's individual and collective qualifications and capacity for implementing the financial plan successfully.

The Board has several members with deep experience in financial management and the capacity to successfully implement the financial plan for NC Connections. Alexis Boykin, the Board's treasurer, has led multiple teams at CareFirst consisting of up to 14 leaders and 110 business analysts, project managers, and business process consultants focused on successfully delivering complex, integrated portfolios with a total budget of $100 million. She also expanded her division to include robust portfolio and financial reporting to ensure better visibility into requested/current projects, associated funding needs, and budget forecasts.

Nicholas D'Antonio successfully executed and led a multi-million SmartSourcing strategy to reduce acquisition and talent management costs at Lockheed Martin. He also oversaw a multi-million dollar workforce incentive portfolio to achieve cost avoidance and cost recovery through access to federal and state funding initiatives. He also managed the $40 million STEM and Vocational Scholarship Program for IC5, providing financial support to students attending two- and four-year institutions, with over 850 students benefiting to date. While at Koch Industries, he led a team to create a strategy for sourcing, engaging, and funding workforce development non-profits, and managed a portfolio of $10 million in annual giving to community-based organizations focused on workforce development and career development, including developing investment recommendations, grant proposals, and partnership strategies for the deployment of financial and human capital.

Tonya Faison has an accounting background and earned a bachelor degree in Accounting prior to her master's degree in Educational Leadership. She also served as a Principal for numerous North Carolina schools for nearly 10 years and has a deep understanding of the financial requirements for successful schools.

Ward Ulmer brings deep expertise in financial management of education institutions; he serves as the CEO and Co-President of West Coast University where he led business operations, growth and academic outcomes of a healthcare university serving 12,000 students across six campuses in three states and online. He has successfully established and executed strategic direction and achievement of long-range goals for financial performance and academic achievement. He previously served as President of Walden University, and Chief Academic Officer at Latimer Education where he launched the education management startup focused on expanding the reach and competitive edge of Historically Black Colleges and Universities (HBCUs). He raised capital in multiple rounds and worked hand-in-hand with accreditors, institutions, and vendors to increase access to HBCUs quality programs. During his time at Kaplan University, he was responsible for strategic planning and management of a $30 million budget, as well as all aspects of the student experience.

Q240.Describe how one or more high needs students with disabilities might affect the budget and your plan to meet student needs that might be more than anticipated.

Based on research of North Carolina student demographics, NC Connections anticipates having a 13% population of students with higher needs, and the budget was developed based on this information.

Additionally, most of the school's expenses, including charges from Pearson, are variable rather than fixed. Pearson charges a set rate per student with an IEP regardless of the level of service a student with disabilities needs. That rate does not fluctuate depending on the students' needs and allows the school to properly budget in accordance to a fixed rate.

Q241.If there is a plan to outsource any or all financial management areas such as payroll, benefits, audits, fundraising, accounting, etc., provide a statement on how the vendors will be selected and how the board will oversee their activities to ensure fidelity and compliance.

The Board will be responsible for the school's overall financial management and ensuring the school meets the terms of its charter contract. The Board is responsible for the oversight and approval of school financial policies and procedures and possesses the necessary experience and financial expertise to fulfill its fiscal oversight duties.

The Board plans to contract with Pearson for business, financial, and accounting services, including payroll and benefits. The Board chose Pearson for its 20+ years of experience supporting statewide virtual schools, their strong academic results, and their commitment to the financial health of the school. Pearson will make recommendations to the Board for financial planning, review of financial statements, monitoring of school revenues and expenses, annual budget preparation, grant expenditures, and procurement. The expertise of Pearson in assisting similar schools throughout the United States will be very helpful and provide guidance to the Board.

Upon approval of the application, the Board will use a carefully structured and highly detailed agreement with our partner that outlines expectations and the specific services that Pearson will provide to ensure strong mutual understanding of the mutual roles and responsibilities. The Board will evaluate Pearson annually on the services included in its contract, including but not limited to accurate enrollment reporting, independent financial and operational audit reports, staff feedback on training, development, technology and curriculum, and overall organizational health.

The Board will also execute and oversee NC Connections' contract with Pearson and will hold Pearson accountable for ensuring that the school meets its obligations. During the Board's regularly scheduled meetings, a financial report will be presented that will include the current results of the school's financial activities along with a comparison of projected annual costs and the annual approved budget. The Board will review budget variances and matters of financial significance and necessary actions and provide approvals. NC Connections will comply with the Generally Accepted Accounting Principles (GAAP) necessary for sound financial management.

The Board's oversight to ensure fidelity and compliance includes establishing a framework for the budget; approving the school budget; practicing financial management strategies; acting as fiduciary of the school; authorizing major expenditures, substantial program changes, etc.; managing liabilities wisely; ensuring adequate resources and managing them effectively; and approving any real estate transactions.

Additionally, the Board will annually contract for the services of an independent public accountant to perform an annual fiscal audit in compliance with North Carolina law. The audit will cover the business of the school during the full fiscal year; be a financial audit conducted in accordance with generally accepted auditing standards; and, include, but not be limited to:

1. An analysis of the school's compliance with applicable laws and regulations;
2. Any recommendations for improvement by the school;
3. Any other comments deemed pertinent by the auditor, including the auditor's opinion regarding the financial statements;
4. An audit of the accuracy of the school's financial statements,
5. An audit of the school's attendance accounting records, and
6. An audit of the school's internal controls practices.

If the school receives over seven hundred fifty thousand ($750,000) dollars from federal sources, the audit will be prepared in accordance with single audit policies. The audit will be completed and submitted to the Board for review at a public meeting as soon as reasonably possible following the close of the fiscal year for which the audit is conducted and as mandated by state, charter or other law. Copies of the audit will also be forwarded to any entities or public agencies, as required by North Carolina charter school law, the charter, and state regulations.

The audit engagement and review process may be conducted by the Board's Audit/Finance Committee on behalf of the Board.

The audit firm will be selected based on qualifications including being properly licensed certified accountants; meeting the independence requirements of Government Auditing Standards; being peer reviewed at least every three years with peer review provided; meeting the continuing education requirements of Government Auditing Standards; and not being subject to current or pending disciplinary or regulatory action. The Board is currently reviewing Jay Sharpe of Sharpe Patel CPA, 5510 Six Forks Road, Suite 140; Raleigh, NC 27609.

Q242.Does the school intend to contract for services such as student accounting and financial services, exceptional children instructional support, custodial, etc? Describe the criteria and procedures for the selection of contractors and large purchases.

Pearson provides a turn-key solution to offer NC Connections a full academic program. Except professional services provided by legal counsel or independent auditors, the budget does not assume any other providers. Professional services are budgeted in anticipation of the school's opening and are comparable to services provided to the other Connections Academy statewide virtual charter school. Other operating costs such as assessments, staff expenses, facilities, governance, student related expenses, etc. are calculated based on Pearson's experience with similar costs but scaled to the size of the school.

Custodial services for the school's administrative offices are budgeted in the first year at $3,000 with a planned slight escalation year over year.

The Board will select a North Carolina-licensed legal counsel taking into consideration practice area and level of experience in education, employment, contract law, and public policy matters. In reviewing counsel, the Board will review counsel's prior charter school representation, cost, current clients, and expertise with the necessary legal issue should it be students with disabilities, employment, other legal categories and review minimum professional qualifications and experience needed to provide counsel.

Minimum professional qualifications will include North Carolina state licensure, experience in charter school law in North Carolina, including the formation of corporations, corporate and governing board governance, fiscal and other statutory compliance, students with disabilities, employment law and personnel matters, open meeting, conflict of interest, public law record, real estate, and document development and policy review.

For large purchases, the Board will follow defined Procurement and Fiscal Controls policies . Procurement of all supplies, materials, equipment, and services paid for from Federal funds shall be made in accordance with all application Federal and State statutes, Board policies, and administrative procedures. All procurement transactions shall be conducted in a manner that encourages full and open competition and in accordance with good administrative practice and sound business judgement. Purchases that are in excess of the dollar amount permitted by the State shall require competitive bids, and, whenever possible, have at least three (3) such bids for substantiation of purchase and shall require approval by appropriate parties prior to purchase.

Q243.Explain how the budget aligns with the school's mission, curricular offerings, transportation plans, and facility needs.

The budget is carefully aligned to the mission of NC Connections and demonstrates a school with sound financial planning where resources are invested in activities that support maximizing student potential and provide resources to educators, while also allowing flexibility for the Board to react to future needs. All projected revenue and expenses for the budget demonstrate a focus on students, a conservative approach, and a financially viable school. The budget demonstrates the current vision of the Board for the future of the students. However, it also allows the Board to react to future needs as most of the school's expenses are variable instead of fixed. The school will manage its annual costs to ensure the school's fund balance is secure for long-term financial viability.

NC Connections does not anticipate having any large debt relating to capital expenditures, which will support long-term financial stability as the majority of the school's expenditures are variable to enrollments. The Board will scale the school over the initial five-year term with fiscally viable and responsibly maintained school programs and instructional initiatives.

The budget represents estimates for revenues for NC Connections based upon funding projections that are calculated in the State's budget template. This budget and associated assumptions will be revised and adjusted based upon actual needs of students and staff, school enrollment fluctuations, funding rates, school priorities, and Board revisions. The year-by-year enrollment estimates assume an annual increase in student enrollment while considering factors for students leaving the school such as relocation, family life changes, and other changes.

Planning Year Assumptions

- Revenue:
  - Startup Grant: Provided by Pearson to cover costs incurred prior to July 1, 2026.
  - Personnel: Salary - Compensation for 3 months prior to 7/1/26 for three key personnel: School Leader, Manager of Special Populations, and Manager of Counseling. Base salaries are competitive for a statewide charter school within the Connections Academy portfolio; Fringe - Administrator compensation includes 26% benefits, 7.5% employer taxes.
  - Service & Supplies: Legal Fees - Includes costs associated with the inception of the school.
  - Facilities: Rent, Renovations, and Safety - Includes initial expenses to renovate the facility to be aligned with the school's needs.

5 Year Operating Budget Assumptions

- Revenue:
  - State and Local Revenue - Based on a statewide average funding of $8,717 over 5 years as calculated by the State's budget template.
  - State and Federal Exceptional Children Revenue - Based on a statewide average supplemental funding of $6,824 per exception child, capped at 12.75% of targeted enrollments.
- Compensation:
  - The overall teacher/student ratio is approximately 1:28 over the five-year span and assumes 13% Special Education Population
  - Salary - Merit for both administrators and instructional FTE has not been budgeted at a rate of 3% yte. There are no bonuses budgeted. The school will offer merit increases to staff as funding permits during the term of operation.
  - Fringe - Both Administrator and Instructional compensation include 2% benefits and % employer taxes.
- Pearson Virtual School Fees: Represents Pearson fees for its comprehensive services offering. These fees are calculated primarily on student and teacher volume metrics and are comprised of both upfront and monthly fees as presented in the statement of agreement. These fees also include a charge for student technology, which will be provided to all students and includes the use of loaned computers, repairs, warranty, internet subsidy, and warehousing/logistics services.
- Operating Expenses: The following categories of school's operating expenses have been calculated with consistency based upon state-wide online charter experience, and recategorized into the State's expense classifications.
  - Testing and Assessments - Projected based on experience with online schools with similar testing protocols.
  - Employee Related - Includes reasonable estimates for expenses such as Recruitment, Background Checks, Professional Development, Team Building, Travel and Conferences.
  - Office, Utilities and Facilities - Includes Lease expense associated with facility estimates using a market rental rate for the onsite premise as well as copiers, internet, maintenance, repairs, supplies, postage, telephone, small office equipment and capital outlay.
  - Governance - Includes board-related expenses, banking costs, accreditation, dues, and insurance. Insurance in this category is limited to Directors & Officers insurance as well as any supplemental policies the Board wishes to invest in for equipment, etc.
  - Capital Expenditures - Includes initial expenses to renovate the facility to align with the school's needs. Most of the expenditures will be in the start-up period.
  - Other School Costs – Includes travel, dues, board expenses, etc.
  - Internet Subsidy Program - Assumes internet subsidy payments will be provided to all households with a waiver rate of 12%.
  - Professional - Includes Legal and Auditing services.
  - Student Expenses - Includes graduation expenses, student activities costs, and other costs to support the program.

Q244.What percentage of expenditures will be the school's goal for a general fund balance? Describe how the school will develop the fund balance.

The Board will adopt a fund balance policy in accordance with GASB 54. Once the school is established, it is expected to maintain a level of expenditures that does not exceed revenues and will continue to increase the fund balance year over year. Because the school's expenditures are mostly variable, this goal is achievable by year 3. In the years where expenditures may exceed revenues, the school is protected by Pearson's deficit protection credit. By year 5, the school anticipates it will have developed a fund balance of approximately 2% of year 5's expenditures totaling approximately $690k, dependent on enrollment levels. The Board will take appropriate measures to monitor the fund balance and designate funds for special initiatives as the balance grows and in accordance with the GASB 54 adopted policy.

Q245.Provide a description of proposed financing structure. Include financing of facilities, other asset financing, and leases.

Due to the startup grant from Pearson, the school will not need to finance its startup costs. It is also important to note that Pearson's fee schedule is grouped into categories. These categories are either charged as an upfront expense based upon total student enrollment or a monthly expense based upon students currently enrolled. This fee structure benefits NC Connections as the fees are dependent upon enrollment. In addition, the Statement of Agreement outlines a Deficit Protection Clause that protects the school with unforeseen events such as a drop in enrollment or a decline in state funding. Pearson will ensure that the school meets all its financial obligations. Finally, the majority of expenses are variable, which provides a level of stability and flexibility that schools with more fixed expenses do not have.

School technology is planned to be leased from Pearson, and the school's relatively small administrative offices will be leased.

Q246.Will the school have assets from other sources (e.g. building, furniture, chairs, computers, etc.)? If yes, please provide a list. Note which are secured and which are anticipated, and include evidence of commitment for any assets on which the school's core operation depends.

Computers are planned to be leased from Pearson, which will provide leased computers with preloaded software, necessary to fully access and support the curriculum. Any computer equipment provided to students is on loan during enrollment and must be returned upon withdrawal, graduation, or at the request of the school. Pearson will also provide shipping, repairs/replacements, and technical support. Pearson will also provide the necessary technical infrastructure within the school's office at no cost to the school.

The school will incur capital expenditures during their start-up year. These expenses include furniture, fixtures, miscellaneous equipment, signage, security system and other leasehold improvements. The school has budgeted $165,000 for these items and they will remain the property of the school.

13.3. Financial Compliance

Q247.How will the school ensure adequate internal controls, including segregation of duties, safeguarding of assets, accurate and adequate record keeping?

The Board will ensure that NC Connections will establish systems and controls that will result in the timely completion of financial reporting as required by law, regulation, or the charter, including a report of budgeted and actual expenses. The Board will provide any information required by the North Carolina Department of Public Instruction.

Once the charter is approved and the Board finalizes the Statement of Agreement, the Board will also be responsible for managing the contractual relationship with Pearson.

NC Connections will institute rigorous internal financial controls. Such controls will include the following:

- NC Connections will develop and maintain simple check request and purchase order forms to document the authorization of non-payroll expenditures. All proposed expenditures will be approved by a designee of the Board. The designee will review the proposed expenditure for approval and determine whether it is consistent with the Board's adopted budget. Supporting documentation will be required for all expenditures.
- All proposed school expenditures must be approved by the School Leader or School Leader designee, who will review the proposed expenditure to determine whether it is consistent with the Board-adopted budget and sign the check request form. All approved check requests and related purchase orders will be provided to the Board designee and will be signed by a Board member or a designee of the Board who has been approved as a signatory on the school's checking account to initiate payment. All transactions will be posted on an electronic general ledger.
- Authorization and Processing of Disbursements: To ensure fiscal responsibility and compliance, the Board will meet regularly to review the invoices of the educational management organization. Only once the Board has approved said invoices will a signatory on the school's checking account initiate payment.
- Supporting documentation for all expenditures will be provided. The school will not authorize any payment until it has reviewed such support. The Board will establish fiscal policies covering school expenditures. It will also designate specific check signing authority.
- The Treasurer of the School and Board will deposit funds belonging to the school in a depository account approved by the Board. Reconciliation of this account will be performed monthly, and transactions will be reviewed to ensure funds have been deposited in a manner consistent with the policies of the school. NC Connections will maintain its accounts at a federally insured banking institution within the state in compliance with applicable state laws. Accounts will be collateralized if eligible and/or mandated by the State. All cash and checks will be kept locked in the school office prior to deposit. Deposits should be made as soon as possible on receipt of checks and/or cash and with a target of within twenty-four (24) hours of receipt.
- Record Keeping: The Secretary of the Board, currently filled by Alexandria Ratcliff, attends all meetings of the Board, unless excused by the Chair, and keeps an accurate journal of its proceedings. The Board Secretary has custody of the records, books, and documents of the Board. In the absence or inability of the Secretary to attend a Board meeting, the Board will designate a person to serve in that capacity for the meeting, have one (1) of their members or a District employee act as Secretary for the meeting, and said person will supply the Board Secretary with a certified copy of the proceedings. The Board Secretary keeps accurate and detailed accounts of all receipts and disbursements made. The Secretary draws and countersigns all warrants for expenditures that have been approved by the Board.

Q248.Provide any known or possible related party transactions (relationship, description of transaction, and estimated dollars involved).

There are no known or possible related party transactions. The Board has a Conflict of Interest and Anti-Nepotism Policy that requires disclosure of conflict, recusal from related action, and relinquishment of Board service in the case of irreconcilable conflict. All Board members have a duty of loyalty and a duty of care towards NC Connections. It is the responsibility of all Board members to conduct themselves in accordance with the highest standards of integrity, honesty, and fair dealing to preclude conflict between the interest of NC Connections and the personal interests of the Board member. It is the responsibility of the school to conduct all its business and operations impartially in accordance with all laws and in conformity with the highest ethical and professional standards. All hiring and other transactions imposing financial and/or legal obligations on the school will be made with the best interests of the school as the foremost consideration.

The Conflict of Interest and Anti-Nepotism Policy is directed to Board members and officers, but there is also a similar policy for all employees who can influence the actions of the school (this information will be included in the Employee Handbook). For example, this would include all persons who make purchasing decisions, all persons who might be described as management personnel, or other employees who have proprietary information concerning the school.

To avoid conflicts of interest and the appearance of impropriety, Board members will not participate in open meeting or closed-session deliberations or votes relating to the discipline of himself or herself, any relative of the Board member, or any action/transaction between the school and any family member or related entity of the Board member. "Closed Session" shall mean any portion of a Board meeting that is properly closed to the public in accordance with the provisions of North Carolina regulations governing public meetings.

Upon discovery of a violation of this Conflict of Interest and Anti-Nepotism Policy, the discovering party shall immediately notify the Board President, the School Leader, and all Board members. A special Board meeting will be scheduled to consider the matter. In the event the Board decides that there has been a violation of the conflict of interest rules or other abuse of his or her position at the school, the Board will review and recommend appropriate action. A violation of the Conflict of Interest and Anti-Nepotism Policy renders any contract entered into in violation of the policy voidable.

In addition, NC Connections will be audited annually by an independent certified public accounting firm. The annual audit, based on a fiscal year of July 1st to June 30th, will be completed and filed in a timely manner with the authorizer or state agencies. The date of the annual independent audit will be determined by the Board's by-laws and articles of incorporation and meet NC regulations. The school will be insured as required by law. The audit will be conducted in accordance with Generally Accepted Accounting Principles (GAAP) and will meet the specific compliance requirements set forth by the state of state.

Q249.Provide the name of the firm approved by the NC Local Government Commission (LGC) that will conduct the audit. Include the complete mailing address, telephone number, and fax number. If a firm has yet to be identified, please list the firms the board has investigated.

The Board is investigating the following firm:

Jay Sharpe of Sharpe Patel CPA

5510 Six Forks Road

Suite 140

Raleigh, NC 27609

919-424-1976

13.4. Certify

Q250.I certify that this subsection is entirely original and has not been copied, pasted, or otherwise reproduced from any other application.

● Yes

○ No

Q251.Explanation (optional):

This application is original and has not been copied, pasted, or otherwise reproduced. While descriptions of Pearson product offerings may be similar to some previous applications outside the state of North Carolina as Pearson products and services are offered in other statewide virtual schools, this governing Board's mission and vision is unique to this school and application.

14. Other Forms

Q252. Sign the attached Charter School Required Signature Certification document and upload it as a PDF or image file.

☑ Upload Required **File Type:** pdf, image **Max File Size:** 30 **Total Files Count:** 1

Resources

Charter School Required Signature Certification_...

Applicant Evidence :

Charter School Required Signature Certification....

Uploaded on **4/24/2024** by **Marchelle Sutton**

15. Third-party Application Preparation

Q253. Was this application prepared with the assistance of a third-party person or group?

● Yes

○ No

Applicant Comments :

Members of the Board sought assistance and feedback from Pearson with drafting this charter application. While the EMO was an active participant in gathering requested information, the Board thoroughly vetted all Pearson contributions and ultimately finalized each response in this application.

Q254. Give the name of the third-party person or group:

Pearson

Q255. Fees provided to the third-party person or group:

No fees were provided to the third-party group.

16. Application Fee

Pursuant to G.S. 115C-218.1(c) the charter school applicant must submit a $1000 application fee to the Office of Charter Schools. The applicant must submit their application fee by **April 26, 2024, at 5:00 pm EDT** for Fast Track and Accelerated applications, and **April 26, 2024, at 5:00 pm EDT** for traditional timeline applications. Payments will be accepted in the form of a certified check. Cash nor credit cards are accepted.

Q256.*Application Note: **The applicant must mail the certified check or money order along with the Application Fee Payment Form (see the resources to download Payment Form) before or on the due date of April 26, 2024, at 5:00 pm EDT.**

Payments should be made payable to the North Carolina Department of Public Instruction: North Carolina Department of Public Instruction Office of Charter Schools 6307 Mail Service Center Raleigh, NC 27699-6307

☑ I understand

Resources

2024 Payment Form.pdf

17. Signature page

Q257.Fill out the attached resource and get it signed and notarized. Then upload as a PDF or image file.

☑ Upload Required **File Type:** pdf, image **Max File Size:** 30 **Total Files Count:** 1

Resources

Signature Page.docx

Applicant Evidence :

Notarized Signature Page.pdf

Uploaded on **4/24/2024** by **Marchelle Sutton**

Q258.Board chair, please digitally sign your application here.

Signature

Marchelle Sutton

Final Status

○ Reject ○ Approve

Approver Comments

Academic School Year	Grade Levels	Total Projected Student Enrollment
Year 1	N/A	N/A
Year 2	N/A	N/A
Year 3	N/A	N/A
Year 4	N/A	N/A
Year 5	N/A	N/A

Academic School Year	Grade Levels	Total Projected Student Enrollment
Year 1	K-12	750
Year 2	K-12	1250
Year 3	K-12	2000
Year 4	K-12	2750
Year 5	K-12	3500

Academic School Year	Grade Levels	Total Projected Student Enrollment
Year 1	N/A	N/A
Year 2	N/A	N/A
Year 3	N/A	N/A
Year 4	N/A	N/A
Year 5	N/A	N/A

Academic School Year	Grade Levels	Total Projected Student Enrollment
Year 1	K-12	750
Year 2	K-12	1250
Year 3	K-12	2000
Year 4	K-12	2750
Year 5	K-12	3500

APPENDIX K

Articles of Incorporation

This appendix contains:

1. Articles of Incorporation
2. Resignation of Original Board Chair
3. Board Meeting Minutes Reflecting New Board Chair

NORTH CAROLINA
Department of the Secretary of State

To all whom these presents shall come, Greetings:

I, ELAINE F. MARSHALL, Secretary of State of the State of North Carolina, do hereby certify the following and hereto attached to be a true copy of

ARTICLES OF INCORPORATION

OF

NORTH CAROLINA FOR ONLINE INSTRUCTION, INC.

the original of which was filed in this office on the 23rd day of February, 2024.

Scan to verify online.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal at the City of Raleigh, this 23rd day of February, 2024.

Elaine F. Marshall

Secretary of State

SOSID: 2795664
Date Filed: 2/23/2024 8:23:00 AM
Elaine F. Marshall
North Carolina Secretary of State
C2024 052 01613

State of North Carolina
Department of the Secretary of State

ARTICLES OF INCORPORATION
NONPROFIT CORPORATION

Pursuant to §55A-2-02 of the General Statutes of North Carolina, the undersigned corporation does hereby submit these Articles of Incorporation for the purpose of forming a nonprofit corporation.

1. The name of the nonprofit corporation is: North Carolina for Online Instruction, Inc..

2. ☑ (Check only if applicable.) The corporation is a charitable or religious corporation as defined in NCGS §55A-1-40(4).

3. The name of the initial registered agent is: Corporation Service Company.

4. The street address and county of the initial registered agent's office of the corporation is:

Number and Street: 2626 Glenwood Ave Ste 550

City: Raleigh State: NC Zip Code: 27608 County: Wake

The mailing address ***if different from the street address*** of the initial registered agent's office is:

Number and Street or PO Box: 2626 Glenwood Ave Ste 550

City: Raleigh State: NC Zip Code: 27608 County: Wake

5. The name and address of each incorporator is as follows:

Name	Address
James E Bartlett II	309 Ashdown Forest Lane Cary NC, 27519-1531 United States

6. (Check either "a" or "b" below.)

a. ☐ The corporation will have members.

b. ☑ The corporation will not have members.

7. ☑ Attached are provisions regarding the distribution of the corporation's assets upon its dissolution.

8. ☑ Attached are provisions regarding the limitation of activities of the corporation.

9. Any other provisions which the corporation elects to include are attached.

10. The street address and county of the principal office of the corporation is:

Principal Office Telephone Number: ____________________

Number and Street: 309 Ashdown Forest Lane

City: Cary State: NC Zip Code: 27519-1531 County: Chatham

The mailing address ***if different from the street address*** of the principal office is:

Number and Street or PO Box: 509 S Exeter St., Suite 202

City: Baltimore State: MD Zip Code: 21202-4252 County: Baltimore City

11. Principal Office Email Address: Privacy Redaction

12. **(Optional):** Listing of Officers (See instructions for why this is important)

Name	Address	Title

13. **(Optional):** Please provide a business e-mail address: Privacy Redaction. The Secretary of State's Office will e-mail the business automatically at the address provided at no charge when a document is filed. The e-mail provided will not be viewable on the website. For more information on why this service is being offered, please see the instructions for this document.

14. These articles will be effective upon filing, unless a future time and/or date is specified: ____________

This is the 21st day of February ,2024.

____
Incorporator Business Entity Name

James E Bartlett II
Signature of Incorporator

James E Bartlett II Incorporator
Type or print Incorporator's name and title, if any

NOTES:
1. Filing fee is $60. This document must be filed with the Secretary of State.

Purpose of Corporation
The corporation is organized for the following purpose(s): (check all that apply):

- ☐ Religious
- ☐ Charitable
- ☑ Educational
- ☐ Testing for public safety
- ☐ Scientific
- ☐ Literary
- ☐ Fostering national or international amateur sports competitions, and/or
- ☐ Prevention of cruelty to children or animals.

The Dissolution Clause

Upon the dissolution of the corporation, assets shall be distributed for one or more exempt purposes within the meaning of section 501(c)(3) of the Internal Revenue Code, or the corresponding section of any future federal tax code, or shall be distributed to the federal government, or to a state or local government, for a public purpose. Any such assets not so disposed of shall be disposed of by a Court of Competent Jurisdiction of the county in which the principal office of the corporation is then located, exclusively for such purposes or to such organization or organizations, as said Court shall determine, which are organized and operated exclusively for such purposes.

The Limitation of Activities Clause

No part of the net earnings of the corporation shall inure to the benefit of, or be distributable to its members, trustees, officers, or other private persons, except that the corporation shall be authorized and empowered to pay reasonable compensation for services rendered and to make payments and distributions in furtherance of the purposes set forth in these Articles. No substantial part of the activities of the corporation shall be the carrying on of propaganda, or otherwise attempting to influence legislation, and the corporation shall not participate in, or intervene in (including the publishing or distribution of statements) any political campaign on behalf of or in opposition to any candidate for public office.

Notwithstanding any other provision of these articles, the corporation shall not carry on any other activities not permitted to be carried on (a) by a corporation exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code, or the corresponding section of any future federal tax code, or (b) by a corporation, contributions to which are deductible under section 170(c)(2) of the Internal Revenue Code, or the corresponding section of any future federal tax code.

ADDENDUM TO
ARTICLES OF INCORPORATION
NORTH CAROLINA FOR ONLINE INSTRUCTION, INC.

ARTICLE I
Purpose

The Corporation is organized, and shall be operated exclusively for charitable religious, educational, and/or scientific purposes, including, for such purposes, the making of distributions to organizations that qualify as exempt organizations under section 501(c)(3) of the Internal Revenue Code, or the corresponding section of any future federal tax code. These purposes include, but are not limited to, promoting, supporting, and representing the interests of, and operating a charter school in the State of North Carolina.

ARTICLE II
Anti-Discrimination

The Corporation will not practice, or permit discrimination based on sex, age, race, national origin, religion, or physical handicap or disability.

ARTICLE III
Board of Directors

The management of the affairs of the Corporation shall be vested in its Board of Directors, as defined by the Corporation's bylaws. The terms of office, qualifications, and method of election of the directors shall be as specified in the Bylaws.

ARTICLE IV
Term of Existence

The duration of the corporation shall be perpetual subject to dissolution of the Company in accordance with the Act and this Agreement.

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ARTICLE V
Amendment

The Articles of Incorporation may be amended by the directors of the corporation by a vote of two-thirds (2/3) of the number of directors in office at the time that the amendment is adopted.

ARTICLE VI
Director Liability

To the fullest extent permitted by State law, no director of the Corporation shall be liable to the Corporation for monetary damages for any acts or omissions as a director. No repeal, amendment, or modification of this article, whether direct or indirect, shall eliminate or reduce its effect with respect to any act or failure to act of a director of the Corporation occurring prior to such repeal, amendment, or modification.

ARTICLE VII
Indemnification

To the fullest extent permitted by State law, the Corporation shall indemnify and advance expenses to any person who incurs expenses or liabilities by reason of the fact he or she is or was an officer, director, employee or agent of the Corporation or is or was serving at the request of the Corporation as a director, officer, employee or agent of another foreign or domestic corporation, partnership, joint venture, trust, employee benefit plan or other entity. The foregoing indemnification and advancement of expenses shall be mandatory in all circumstances in which the same are permitted by law. No repeal, amendment, or modification of this article, whether direct or indirect, shall eliminate or reduce its effect with respect to any matter giving rise to indemnification and advancement of expenses occurring prior to such repeal, amendment.

From: James Bartlett
Sent: Wednesday, March 13, 2024 9:47 AM
To: Karen Duquette
Subject:

Karen:

I am emailing to let you know that I do not feel I will be able to serve on the board. Since my wife and I took positions at Old Dominion University, we have purchased a house in Norfolk, VA and have recently decided to sell our NC house purchase one at the beach in VA. I would be willing to help support this effort in other ways if needed. My doctoral student (who just successfully defended his dissertation, Nick D'Antonio) is planning on keeping his residence status in NC and will be great. Sorry for the change but, I feel it is better to let you know now than in a month.

James

James E. Barlett, II, Ph.D.
Old Dominion University
Associate Professor of Workforce Development and Community College Leadership

Executive Director
Association for Career and
Technical Education Research
https://www.acteronline.org/

CONNECTIONS ACADEMY®
by Pearson

APPROVED 4/17/24

NORTH CAROLINA CONNECTIONS ACADEMY
ORGANIZATIONAL BOARD MEETING

Thursday, March 21, 2024 at 6:00 p.m.

Held at the following location:
Perry's Steakhouse & Grille
4509 Creedmoor Road
Raleigh, NC 27612

I. Call to Order and Roll Call

Ms. Arthur called the meeting to order at 7:05 p.m. when all participants were present in person.

Board Members Present: Marchelle Sutton, Alexandria Ratcliff, Philip Thomas and Alexis Boykin;

Guests Present: Karen Duquette and Megann Arthur, Pearson Virtual Schools (PVS) staff.

II. Welcome and Introduction of All Participants

Ms. Arthur welcomed all participants, thanked them for their time and willingness to participate in this new remote career charter academy opportunity, and encouraged all present to introduce themselves, provide some biographical information to the group, and share their passion for educational opportunity. All founding Board member candidates introduced themselves as did both members of the Pearson Virtual Schools team. Ms. Arthur and Ms. Duquette also highlighted support services Pearson can offer the school and Board, at a high level.

III. Routine Business

a. Review of Goals for the Meeting

Ms. Arthur presented this item to the Board. She reviewed the agenda, overall goals for the evening's meeting, including the appointments of directors and officers, review and consideration of organizational and foundational documentation, and the anticipated process prior to submission. Ms. Arthur also related that this was an opportunity for the primary stakeholders and contacts associated with this new school opportunity to connect, strategize and discuss future plans for the school and priorities of the Board.

b. Approval of Agenda

Ms. Arthur asked the Board to review the agenda distributed prior to the meeting. There being no changes noted, a motion was made by and seconded as follows:

RESOLVED, that the Agenda for the March 21, 2024 Organizational Meeting of the North Carolina Connections Academy Board of Directors, as presented, is hereby approved.

The motion passed unanimously.

IV. Overview of Charter Application Timeline, Process and Communications with Potential Authorizer

Ms. Arthur re-iterated the many goals of the day, including the discussions slated later in the meeting to provide highlights on the instructional model, components of the career and technical education programs, and operational plans.

Ms. Arthur and Ms. Duquette further reviewed the anticipated timeline for submission of all associated charter documentation, the potential authorizer's review of the application, preparations over the coming months for the Board's presentation to the Charter School Review Board in the fall, and the expected timing of the authorizer's decision on the charter application. She further noted that the application cycle is for a school to begin operations in the fall of 2026. Board members had brief discussion regarding the state's required board member background checks and documents.

V. Action Items

a. Approval of Appointment of Founding Board Members

Ms. Arthur briefly highlighted the biographical information both provided in the Board meeting materials and provided by each founding candidate present at the start of the meeting. She further reviewed some of the primary roles and responsibilities of non-profit school board directors, and recommended the founding board be established. There being no further discussion, a motion was made and seconded as follows:

RESOLVED, that the appointments of James Bartlett, Alexis Boykin, Marchelle Sutton, Tonya Faison, Alexandria Ratcliff, Nicholas D'Antonio and Philip Thomas as Founding Board Members for North Carolina for Online Instruction, Inc. for terms until the next Annual Meeting, as presented, are hereby approved.

The motion passed unanimously.

b. Approval of Election of Board Officers

Ms. Arthur reviewed with the Board each Officer position as set out in the Bylaws and in the Board materials provided to the Board for their review and consideration. She advised the Board that all positions would be for the term until the next Annual Meeting. Nominations were opened for each position, and discussion held regarding the best members of the Board to serve in each role. There being no further discussion, a motion was made and seconded as follows:

RESOLVED, that the appointments of:

Marchelle Thomas, Board President;
Alexis Boykin, Board Treasurer; and
Alexandria Ratcliff, Board Secretary, as discussed, are hereby approved.

The motion passed unanimously.

c. Review and Approval of Bylaws

Ms. Arthur reviewed the proposed Bylaws in detail with the Board, including the Board's responsibilities, terms of office, Officer roles and ethical duties. Board members had clarifying discussion with Ms. Arthur regarding specific sections of the Bylaws and noted a couple of non-substantive edits to be made. There being no further discussion, a motion was made and seconded as follows:

RESOLVED, that the Bylaws, as amended at meeting, are hereby approved.

The motion passed unanimously.

d. Ratification of Articles of Incorporation (AOI)

Ms. Arthur noted that the AOI were provided to the Board in the meeting materials, and advised that they had been filed and accepted by the state prior to the Board meeting, to establish the new entity. Board members had brief discussion about the incorporator, Mr. James Bartlett's initial interest and involvement in the founding board, prior to accepting a new university position in another state. There being no further discussion, a motion was made and seconded as follows:

RESOLVED, that the Articles of Incorporation, as presented, are hereby ratified.

The motion passed unanimously.

e. Review and Approval of Organizational Resolutions

Ms. Arthur presented this item to the Board. She reviewed with the Board the Organizational Resolutions in detail, as included in the Board materials. Board members discussed specific items within the Resolutions, including bank accounts and insurance matters, and also discussed the timing for the completion of certain tasks following charter approval. There being no further discussion, a motion was made and seconded as follows:

RESOLVED, that the Organizational Resolutions, as presented, are hereby approved.

The motion passed unanimously.

f. Review and Approval of Board Governance Policies: Background Clearance for Board Members, Board Delegation, Code of Ethics, Conflict of Interest and Anti-Nepotism, and Expense Reimbursement and Compensation

Ms. Arthur presented this item to the Board, providing an overview of the recommended policies, and the advantages of approving this set at this early stage of the charter application/ contract process. Ms. Arthur advised that additional policy recommendations will be brought before the Board for consideration in future meetings, noting that all school and board policies are evolving, and both review and amendments will happen regularly. There being no further discussion, a motion was made and seconded as follows:

RESOLVED, that Board Governance Policies: Background Clearance for Board Members, Board Delegation, Code of Ethics, Conflict of Interest and Anti-Nepotism, and Expense Reimbursement and Compensation, as discussed, are hereby approved.

The motion passed unanimously.

g. Review and Approval of School Mission and Vision Statements

Ms. Arthur reviewed the proposed Mission and Vision statements with the Board, as included in the Board materials. Board members expressed their support of the statements. There being no further discussion, a motion was made and seconded as follows:

RESOLVED, that the School Mission and Vision Statements, as presented, are hereby approved.

The motion passed unanimously.

VI. Board Training and Charter Application Review

a. Instructional, Operational and Governance Plan Highlights

Ms. Duquette and Ms. Arthur provided the Board with some high level school program details, as well as planning activities for both the Board's interview with the Charter School Review Board, and planning year prior to the state of school operations (following charter approval). Board members also reviewed programmatic items discussed throughout the evening's meeting.

VII. Review and Consideration of Authorization for Board President to Negotiate, Finalize and Execute/Submit School Foundational Documentation on Behalf of the Board

a. Charter Application
b. Board Counsel Engagement
c. School Facility Lease
d. Statement of Agreement (SOA) with Pearson Virtual Schools (PVS)
e. School Name Change

Ms. Arthur re-iterated the anticipated timeline for charter submission, and the advantages of appointing the Board President as Board Designee to negotiate, finalize and either execute or submit (or both) foundational and charter-related documentation on behalf of the Board. Board members had discussion regarding the items proposed to designate the Board President to finalize, and each expressed their support of designating the actions to the Board President, especially given the timing of the charter submission.

Ms. Duquette reviewed the process completed to date to identify and vet potential Board Counsel candidates. She further discussed the Board Counsel candidate's engagement letter included in the Board materials, noting the anticipated scope of work and associated fees. Board members discussed the Board Counsel engagement, and expressed their intent to approve the engagement based on the Counsel's proposal. There being no further discussion, a motion was made and seconded as follows:

RESOLVED, that the Authorization for Board President to Negotiate, Finalize and Execute/Submit School Foundational Documentation on Behalf of the Board, including the (a) Charter Application, (c) School Facility Lease, (d) Statement of Agreement (SOA) with Pearson Virtual Schools (PVS), and (e) School Name Change, as discussed, is hereby approved; and

FURTHER RESOLVED, that the Board Counsel Engagement, as presented, is hereby approved.

The motions passed unanimously.

VIII. Information/ Discussion Items

a. Board Statements and Letters of Support

Ms. Duquette discussed the ways residents of North Carolina can show support for the school's application. She reviewed the requirements within the application to include support in the appendices, and the efforts made to date, as well as those planned prior to submission, for inclusion in the application. Ms. Duquette asked Board members for their assistance in collecting both statements and letters of support for the application.

b. Board Training and Upcoming Meeting(s) Planning

Ms. Arthur had a brief discussion with the Board regarding timing of both the Board's next meeting, as well as training in the coming months in preparation for the Board's charter application interview.

IX. Review and Consideration of Any Necessary Action(s) Based on Board Meeting Discussions

Ms. Arthur reminded the Board of Mr. James Bartlett's appointment earlier in the meeting as he was previously interested and engaged in founding board activities; she also reviewed his letter of resignation, received just prior to the evening's meeting, and his regret not to continue with the Board due to his recent acceptance of a new out-of-state employment. She further reminded Board members that Dr. Warm Ulmer was also a candidate for the founding board, and referred Board members to his resume and biographical information included in the Board meeting materials. There being no further discussion, a motion was made and seconded as follows:

RESOLVED, that the Acceptance of Resignation of James E. Bartlett, II, as discussed and effective immediately, is hereby approved; and

FURTHER RESOLVED, that the Appointment of Dr. Ward Ulmer as a Founding Board Member for North Carolina for Online Instruction, Inc. for a term until the next Annual Meeting, as presented, is hereby approved.

The motions passed unanimously.

X. Board Member Completion of all Charter Application Required Forms

Members of the Board had discussion with Ms. Duquette and Ms. Arthur regarding the required documentation for the charter application submission.

XI. Adjournment and Confirmation of Next Meeting Date

Ms. Arthur noted that the Board was at the end of its agenda. The Board confirmed the next Board meeting will telephonic and scheduled for Thursday, April 11, 2024 at 12:00 p.m. EST. There being no further business, the meeting was adjourned at 10:15 p.m.

APPENDIX J

Proposed By-Laws of the Nonprofit Organization

BYLAWS
OF
NORTH CAROLINA FOR ONLINE INSTRUCTION, INC

ARTICLE I
Purpose and Powers of Corporation

Section 1. North Carolina for Online Instruction, Inc. (the "Corporation") is organized to operate a public charter school in the State of North Carolina. The school, advised by the Corporation, will maintain a commitment to excellence in curriculum, instruction, accountability, and communication for virtual schools and will work in partnership with its sponsoring authority, and in accordance with the terms of its Charter School Contract.

Section 2. The Corporation is organized and shall be operated exclusively for charitable religious, educational, and scientific purposes, including, for such purposes, the making of distributions or other payment to organizations that qualify as exempt organizations under section 501(c)(3) of the Internal Revenue Code of 1986 as amended, or the corresponding section of any future federal tax code. These purposes shall include, but are not limited to, promoting, supporting, and representing the interests of, and operating a remote charter academy in the State of North Carolina in accordance with state law.

Section 3. No part of the net earnings shall inure to the benefit of or be distributed to its directors, trustees, officers, members, or other private persons, except that the Corporation shall be authorized and empowered to pay reasonable compensation for services rendered and to make payments and distributions in furtherance of the purpose set forth in Article I Section 2. No substantial part of the activities of the Corporation shall be for the carrying on of propaganda, or otherwise attempting to influence legislation, and the Corporation shall not participate in, or intervene in, a political campaign on behalf of any candidate for public office. Notwithstanding any other provisions of these Articles, the Corporation shall not carry on any other activities not permitted to be carried on by a Corporation exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended from time to time.

Section 4. The powers and purposes of this Corporation shall, at all times, be so construed and limited as to enable this Corporation to qualify as a not-for-profit organization, and it shall have all power and authority as set forth in applicable sections

Section 5. Upon dissolution of the Corporation, the Board of Directors shall, after paying or making provision for the payment of all liabilities of the Corporation, including its liabilities under the Corporation's charter as a charter school, shall return any funds received not more than thirty (30) days after dissolution. All remaining assets of the Corporation shall be distributed consistent with the purposes of the Corporation to such organization or organizations as shall at the time qualify as exempt organizations under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended from time to time, in such manner as the Board of Directors shall determine.

ARTICLE II

Offices

Section 1 Principal Office. The corporation may have such offices, within the State of North Carolina, as may be designated from time to time by resolution of the Board of Directors, one of which may be designated as the principal office.

Section 2. Registered Office and Registered Agent. The Corporation shall maintain a registered office and registered agent in the State of North Carolina. The registered office may, but need not be, the same as any of its places of business. The identity and address of the registered agent may be changed from time to time by notifying the North Carolina Secretary of State's Office in accordance with state law.

ARTICLE III

Board of Directors

Section 1. General Powers: The affairs of the corporation shall be managed by its Board of Directors. The Board of Directors may exercise all such powers of the Corporation and do all such lawful acts and things as are permitted, directed, or required to be exercised and done by state law, the Articles of Incorporation, or these Bylaws.

Section 2. Number and Qualification of Directors:

(a) Number: Unless otherwise determined by the board of directors, the number of directors shall be as determined by the Board of Directors from time to time, but in no event be there shall be no fewer than five (5) and no more than nine (9) and shall serve for the term provided in Section 3 of this Article.

(b) Qualifications: Any member of the greater North Carolina community may seek appointment to the Board of Directors except for, employees of the Corporation, any person who has been convicted of a felony, or any individual who has a conflict of interest.

Section 3. Appointment and Term

(a) Method of Appointment: Directors shall be appointed at any duly organized meeting of the Board of Directors by a majority of the directors then in office. Directors shall take office immediately at the annual or other meeting of this Corporation at which they are elected.

(b) Term of Office: A Director will serve until a successor is appointed and qualified so long as there is a vacancy on the Board and such Director has not served his/her maximum allowable time on the Board as set forth herein. The initial Directors' terms shall be staggered beginning with the Board's first Annual Meeting. Thereafter, Directors will serve no more than three (3) consecutive three (3) year terms. Directors may be renominated and serve additional terms on the Board following a three (3) year absence from serving as a Director.

Section 4. Resignation: A director may resign at any time by filing a written resignation with the President or the Secretary of the Corporation. Such resignation shall be effective upon receipt of the written notice of resignation. In the event the resignation of a director is tendered to take effect at a future time, a successor may be appointed to take office when the resignation become effective.

Section 5. Removal:

(a) A director may be removed from office with or without cause by the vote of two-thirds (2/3) of the other directors of this Corporation either at a regular meeting or at any special meeting called for that purpose.

(b) The office of a director shall become vacant if he dies or resigns. In such a situation the Board of Directors may declare vacant the office of such director.

(c) The Board of Directors may declare the director position vacant if the director is interdicted or adjudicated an incompetent; if he is adjudicated a bankrupt; if he becomes incapacitated by illness or other infirmity to perform his duties for a period of six months or longer; if he ceases at any time to have the qualifications required by the Articles of Incorporation or bylaws.

(d) The Board of Directors may also create policies to promote engagement and ensure commitment including, such as but not limited to, a Board Attendance Policy, and violation of such policies may also constitute removal of a member of the Board of Directors.

Section 6. Vacancies. In the event a vacancy occurs in the Board of Directors from any cause, including an increase in the number of directors, the Governing Board may hold a special meeting to fill the vacancy, following the same rules and procedures as described in Article III.

Section 7. Annual Meeting. The annual meeting of the Board of Directors shall be held in the month of June in each year, at such time and place as the Board of Directors may determine, for the purpose of transacting such business as may come before the meeting.

Section 8. Regular Meetings. The board of directors shall hold regular meetings as necessary to fulfill its duties and responsibilities, as determined by the board. The exact number of meetings to be held annually shall be determined by the board based on the needs of the organization. Additional meetings may be called by the board chair, or by a majority of the board members. The Board of Directors may provide by resolution for regular or stated meetings of the Board, to be held at a fixed time and place, and upon the passage of any such resolution such meetings shall be held at the stated time and place without other notice than such resolution. Notice of the scheduled meeting will be provided annually to the public as required by North Carolina Open Meetings law.

Section 9. Special Meetings. Special meetings of the Board of Directors may be held at any time and place for any purpose or purposes, unless otherwise prescribed by North Carolina Open Meetings Law, on call of the President or Secretary, and shall be called by the Secretary on the written request of any two (2) directors.

Section 10. Meetings By Telephone or Other Electronic Means.

(a) Any or all directors may participate in a regular or special meeting or in a committee meeting of the Board of Directors by, or conduct the meeting electronically, by telephone or any other means of communication by which either:

   i. All participating directors may simultaneously hear each other during the meeting, or
   ii. All communication during the meeting is immediately transmitted to each participating director, and each participating director is able to immediately send messages to all other participating directors.

(b) If a meeting will be conducted using any means described in subsection (a), all participating directors shall be informed that a meeting is taking place at which official business may be transacted. A director participating in a meeting by any means described in subsection (a) is deemed to be present in person at the meeting.

Section 11. Notice and Waiver of Notice

(a) Notice: Annual notice of scheduled meetings will be provided to the public as required by North Carolina Open Meetings law. Notice of the date, time and place of any regular meeting held outside of the annual meeting schedule shall be provided by oral or written notice delivered personally or by written notice given by other than personal delivery no less than seven (7) days prior thereto and for special meetings, no less than forty-eight (48) hours. Notice shall be given in one of the methods described in Article III hereof. The purpose of and the business to be transacted at any special meeting of the Board of Directors need not be specified in the notice or waiver of notice of such meeting.

(b) Waiver of Notice: Whenever any notice is required to be given under the provisions of, state law, or under the provisions of the Articles of Incorporation or Bylaws of the corporation, a waiver thereof in writing, signed at any time by the person or persons entitled to such notice, shall be deemed equivalent to the giving of such notice. The attendance of a director at a meeting shall constitute a waiver of notice of such meeting, except where a director attends the meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened.

Section 12. Quorum: A majority of directors currently in office shall constitute a quorum for the transaction of business at any meeting of the Board of Directors. If less than such majority is present at a meeting, a majority of directors present may adjourn the meeting from time to time without further notice.

Section 13. Manner of Acting: The act of a majority of the directors who are present for a meeting at which a quorum has been established, shall be the act of the Board of Directors, unless the act of a greater number is required by the North Carolina Open Meetings Law, or the Articles of Incorporation or Bylaws of the Corporation.

Section 14. Presumption of Assent: A director of the corporation who is present at a meeting of the Board of Directors, or a committee thereof, at which action on any corporate matter is taken shall be presumed to have assented to the action taken unless such director's dissent shall be entered in the minutes of the meeting or unless such director shall file a written dissent to such action with the person acting as the Secretary of the meeting before the adjournment thereof or shall forward such dissent by registered mail to the Secretary of the corporation immediately after the adjournment of the meeting. Such right to dissent shall not apply to a director who voted in favor of such action.

Section 15. Compensation: Directors of the corporation shall not receive compensation for serving as directors but may receive reasonable compensation for other personal services rendered which are necessary to carrying out the exempt purposes of the corporation. In addition, directors may receive reimbursement for reasonable expenses incurred in connection with corporate matters, provided that such reimbursement is authorized by the Board of Directors.

Section 16. Committees: The Board of Directors by resolution may create one or more committees having such powers as are then permitted by North Carolina for Online Instruction, Inc. and as are specified in the resolution. To the extent specified by the board of directors or in the articles of incorporation or bylaws, each committee may exercise certain powers delegated by the board of directors, except that a committee may not do any of the following

(a) No committee of directors shall be empowered to act in lieu of the entire Board of Directors in respect to election of officers or the filling of vacancies on the Board or on committees of directors created pursuant to this Section 17.

(b) No committee of directors may adopt, amend, or repeal any bylaw of the corporation.

Section 17. Open Meetings: Any provision herein to the contrary notwithstanding the Board of Directors shall comply with the North Carolina Open Meetings Law. The Board of Directors may hold an executive session in accordance with the Law upon majority vote authorizing such action.

Section 18. Conflict of Interest: All officers, directors and employees of the Corporation shall comply with the Corporation’s Conflict of Interest Policy as adopted by resolution of the Board of Directors.

ARTICLE IV

Officers

Section I. Number: The principal Officers of the Corporation shall be a President, a Secretary, and a Treasurer, each of whom shall be elected by the Board of Directors. The Board may choose to appoint a Vice President, with duties to be assigned upon appointment. The same individual may simultaneously hold more than one (1) office. Officers shall be members of the Board of Directors.

Section 2. Election and Term of Office. The officers of the Corporation shall be elected annually by the Board of Directors at its annual meeting. If the election of officers is not held at such meeting, such election shall be held as soon thereafter as may be convenient. Each officer shall hold office from the close of the annual meeting, or the regular or special meeting, at which officers were elected if elections were not held at the annual meeting, until the next annual meeting or until a qualified successor is elected upon expiration of the term of that officer, or until that officer's death, resignation, or removal.

Section 3. Removal: Any Officer or agent appointed by the Board of Directors may be removed by the Board of Directors, whenever in its judgment the best interests of the Corporation will be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the person so removed. Appointment shall not of itself create contract rights.

Section 4. Vacancies: A vacancy in any office because of death, resignation, removal, disqualification or otherwise, may be filled by a special meeting to fill the vacancy, following the same rules and procedures as described in Article III.

Section 5. The President:

(a) The President shall be the principal executive officer of the Corporation and subject to the control of the Board of Directors, shall, in general, supervise and control all business and affairs of the Corporation.

(b) The President shall, when present, preside at all meetings of the Board of Directors.

(c) The President shall have authority, subject to such rules as may be prescribed by the Board of Directors, to appoint such agents and employees of the Corporation as he or she shall deem necessary, to prescribe their powers, duties, and compensation, and to delegate authority to them. Such agents and employees shall hold office at the discretion of the President. In general, the President shall perform all duties incident to that office, and such other duties as may be prescribed by the Board of Directors from time to time.

Section 6. The Secretary:

(a) Keep the minutes of the Board of Directors' meetings in one (1) or more books provided for that purpose.

(b) Ensure that all notices are duly given in accordance with the provisions of these Bylaws or as required by law.

(c) Perform all duties incident to the office of Secretary and such other duties as from time to time may be assigned by the President or by the Board of Directors.

Section 7. Treasurer: If required by the Board of Directors, the Treasurer may give a bond for the faithful discharge of his or her duties in such sum and with such surety or sureties as the Board of Directors shall determine. The Treasurer shall:

(a) Have the oversight responsibility for all funds and securities of the Corporation, and for moneys due and payable to the Corporation from any source whatsoever, including the deposit of such moneys in the name of the Corporation in such banks, trust companies or other depositories as shall be selected in accordance with the provisions of these Bylaws, and

(b) In general, perform all duties incident to the office of Treasurer and such other duties as from time to time may be assigned by the President or by the Board of Directors.

Section 8. Other Assistants and Acting Officers: The Board of Directors shall have the power to appoint any person to act as assistant to any officer, or to perform the duties of such officer whenever for any reason it is impracticable for such officer to act personally, and such assistant or acting officer so appointed by the Board of Directors shall have the power to perform all the duties of the office to which such person is so appointed to be assistant, or as to which such person is so appointed to act, except as such power may otherwise be defined or restricted by the Board of Directors.

Section 9. Additional Officers. Any additional officer not specified above shall have only such authority, duties and responsibilities as shall be specifically authorized and designated by the Board of Directors.

Section 10. Compensation: Officers of the corporation shall not receive compensation for serving as officers but may receive reasonable compensation for other personal services rendered which are necessary to carrying out the exempt purposes of the corporation. In addition, officers may receive reimbursement for reasonable expenses incurred in connection with corporate matters, provided that such reimbursement is authorized by the Board of Directors.

ARTICLE V

Indemnification

Section 1. Mandatory Indemnification: The Corporation shall, to the fullest extent permitted or required by North Carolina law, including any amendments thereto (but in the case of any such amendment, only to the extent such amendment permits or requires the Corporation to provide broader indemnification rights than prior to such amendment), indemnify its Directors and Officers against any and all Liabilities, and advance any and all reasonable Expenses incurred thereby in any Proceeding to which any Director or Officer is a Party because such Director or Officer is a Director or Officer of the Corporation. The Corporation may indemnify its employees and authorized agents, acting within the scope of their duties as such, to the same extent as Directors or Officers hereunder. The rights to indemnification granted hereunder shall not be deemed exclusive of any other rights to indemnification against Liabilities or the advancement of Expenses which such Director or Officer may be entitled under any written agreement, Board resolution, or otherwise.

<u>Section 2. Permissive Supplementary Benefits:</u> The Corporation may, but shall not be required to, supplement the foregoing right to indemnification against Liabilities and advancement of Expenses under Section 1 of this Article by:

(a) The purchase of insurance on behalf of any one or more of such Directors, Officers, employees, or agents, whether or not the corporation would be obligated to indemnify or advance expenses to such Director, Officer, employee or agent under Section 1 of this Article, and

(b) Entering into individual or group indemnification agreements with any one or more of such Directors or Officers.

<u>Section 3. Private Foundations.</u> Notwithstanding the foregoing, whenever the corporation is a private foundation as defined in I.R.C. Section 509(a), it shall not make any indemnification which would give rise to a penalty excise tax under I.R.C. Chapter 42.

ARTICLE VI

Fiscal Year

The fiscal year of the corporation shall end on the last day of June in each year.

ARTICLE VII

Seal

The corporation has no corporate seal.

ARTICLE VIII

Corporate Acts, Loans, and Deposits

Section 1. Corporate Acts: The President plus any one of the Vice-President (if applicable), the Secretary or the Treasurer shall have authority to sign, execute and acknowledge on behalf of the Corporation, all deeds, mortgages, bonds, stock certificates, contracts, leases, reports, and all other documents or instruments necessary or proper to be executed in the course of the Corporation's regular business, or which shall be authorized by resolution of the Board of Directors. Except as otherwise provided by North Carolina law, or directed by the Board of Directors, the President may authorize in writing, any officer or agent of the Corporation to sign, execute and acknowledge such documents and instruments in his or her place and stead. The Secretary of the Corporation is authorized and empowered to sign in attestation all documents so signed, and to certify and issue copies of any such document and of any resolution adopted by the Board of Directors of the Corporation, provided, however, that an attestation is not required to enable a document to be an act of the Corporation.

Section 2. Loans: No moneys shall be borrowed on behalf of the corporation and no evidence of such indebtedness shall be issued in its name unless authorized by a resolution of the Board of Directors. Such authority may be general or confined to specific instances.

Section 3. Deposits: All funds of the corporation, not otherwise employed, shall be deposited from time to time to the credit of the corporation in such banks, investment firms or other depositories as the Board of Directors may select.

ARTICLE IX

Amendments

Section 1. By the Directors: These Bylaws may be altered, amended, or repealed and new Bylaws may be adopted by the Board of Directors at any regular or special meeting thereof.

Section 2. Implied Amendments: Any action taken or authorized by the Board of Directors, which would be inconsistent with the Bylaws then in effect but is taken or authorized by affirmative vote of not less than the number of directors required to amend the Bylaws so that the Bylaws would be consistent with such action, shall be given the same effect as though the Bylaws had been temporarily amended or suspended so far, but only so far, as is necessary to permit the specific action so taken or authorized.

* * * * *

Certified a true and correct copy of the Bylaws adopted on the 21st day of March 2024, by the Board of Directors of North Carolina for Online Instruction, Inc.

Alexandria Speller
Alexandria Speller (Apr 2, 2024 13:00 EDT)
, Secretary

CONFLICT OF INTEREST AND ANTI-NEPOTISM POLICY

Version: 1 **Date of Approval: March 21, 2024**

Purpose

The Board is committed to high standards of ethical conduct. The purpose of the policy is to protect the School when it is contemplating entering into a transaction or arrangement that might impermissibly benefit the private Financial Interest of an Officer or Director of the Board, and to provide the Board with a procedure which, if observed, will allow a transaction or arrangement to be treated as valid and binding even though Board Director has, or may have, a Conflict of Interest with respect to the transaction.

Definitions

"Board" means a candidate for Board membership, or members of the Board of Directors of the School or any Board committee with Board-delegated powers that is considering the proposed transaction or arrangement.

"Compensation" means direct and indirect remuneration as well as gifts or favors that are substantial in nature.

"Conflict of Interest" occurs when an interested person may financially materially benefit from a decision he or she could make in such capacity, either alone or in conjunction with others. Financial benefits include indirect benefits such as to Family Members or to businesses with which the interested person or that person's Family Members are closely associated. For purposes of this policy, a financial benefit does not include the ownership of no more than one percent (1%) of the shares of stock in a publicly traded company.

"Financial Interest" is an interest held by a person, either directly or indirectly, through business, investment, or family, that falls into one or more of the following categories:

(a.) an ownership or investment interest in any entity with which the School has a transaction or arrangement, or
(b.) a compensation arrangement with the School or with any entity or individual with which the School has a transaction or arrangement, or
(c.) a potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which the School is negotiating a transaction or arrangement.

A Financial Interest is not necessarily a conflict of interest. In general, a person with a Financial Interest has a Conflict of Interest only if the Board decides that a Conflict of Interest exists. However, under no circumstances will the Board enter into a contract with any of its Board members, or with any company, individual or business in which any of its Board members, or Board member's immediate family, have a substantial direct or indirect interest and/or ownership greater than five percent (5%).

"Family Member" means:
a) any of the following relationships by blood, adoption, marriage (including common law marriage, civil union, or domestic partnership) - spouse, parent, child, brother/half brother, sister/half-sister, grandparent, or grandchild – and shall include in-laws and "step" relationships (e.g., stepparent) of those persons, and

b) any dependent residing in the same household as the Affected Person and anyone for whom the Affected Person is a dependent.

"Interested Person**"** means any Director, Officer, or member of the Board who has a direct or indirect Financial Interest.

"Materially Benefit" means a benefit which, in view of the totality of the circumstances, is substantial enough that it would, or could reasonably be perceived as, affecting an Affected person's judgment with respect to a transaction. There is a presumption that a financial benefit is material if its value exceeds $1,000.

Disclosure of Financial Interest and Determination of Conflict

Annual Disclosure Form

All Board candidates shall complete and file a Conflict of Interest Disclosure Statement, in the form attached to this policy, to the Secretary of the board annually within thirty (30) days of the start of the Fiscal Year.

The Secretary shall review the forms in conjunction with the Chair and Vice Chair and is responsible for ensuring compliance with this policy as to all matters that come before the board. The Secretary shall inform the Chair and Vice Chair in writing of those individuals who fail to timely furnish the annual disclosure form.

Duty to Disclose

All interested persons have a duty to disclose any actual or potential conflicts of interest that may arise in the course of their duties. If an Interested Person becomes aware that the Board will discuss or act upon any transaction or arrangement related to their Financial Interest, they must promptly disclose the existence, nature and extent of the Financial Interest to the Board in advance of such discussion or action by the Board.

Self-Recusal

Any Board member may recuse themselves at any time from involvement in any decision or discussion in which the Board member believes they have or may have a conflict of interest, without going through the process for determining whether a conflict of interest exists.

Determining Whether a Conflict of Interest Exists

After disclosure of the Financial Interest and all material facts, and after any discussion with the Board, the interested Board member shall not participate in the discussions or vote on the matter. The remaining Board members shall determine whether a Conflict of Interest exists.

Procedures for Addressing the Conflict of Interest

If the Board determines that a Financial Interest of a Board member constitutes a Conflict of Interest, the Board Chair (or acting Board Chair if the sitting chair is the interested member) shall, if appropriate, appoint a disinterested person or committee to investigate alternatives to the proposed transaction or arrangement giving rise to the conflict of interest.

After exercising due diligence, the Board shall determine whether it can obtain a more advantageous transaction or arrangement with reasonable efforts from a person or entity that would not give rise to a Conflict of Interest.

If a more advantageous transaction or arrangement is not reasonably attainable, and the State's Ethics and/or Conflict of Interest Laws do not prohibit or invalidate the proposed transaction, the Board or committee shall determine by a majority vote whether the proposed transaction or arrangement is in the School's best interest, for its own benefit, and whether the transaction is fair and reasonable to the School. Based on this determination, the Board shall decide whether to enter into the proposed transaction or arrangement.

The Board shall make its determination in accordance with state law and using the Rebuttable Presumption Checklist Property as a guide.

A person shall not be disqualified from serving on the Board of Directors because of the existence of a conflict of interest so long as the person's actions comply with this Policy and applicable law.

No employee of the school or employee of a for-profit company that provides substantial services to the school for a fee, shall be a voting member of the Board.

Violations of the Conflict of Interest Policy

If the Board or committee has reasonable cause to believe that a member has failed to disclose an actual or possible Conflict of Interest, it shall inform the member of the basis for such belief and afford the member an opportunity to explain the alleged failure to disclose.

If, after hearing the response of the member and making such further investigation as the Board deems warranted under the circumstances, the Board determines that the member has in fact failed to disclose an actual or possible Conflict of Interest, the Board shall take appropriate corrective action.

Records of Proceedings

The minutes of the Board shall document the Conflict of Interest and contain:

(a.) the names of the persons who disclosed or otherwise were found to have a Financial Interest giving rise to an actual or possible conflict of interest, the nature of the Financial Interest, any action taken to determine whether a conflict of interest was present, and the Board's decision as to whether a Conflict of Interest in fact existed.

(b.) the names of the persons who were present for discussions and votes relating to the transaction or arrangement, the content of the discussion, including any alternatives to the proposed transaction or arrangement, and a record of any votes taken on the subject.

Compensation

A voting member of the Board who receives direct or indirect compensation from the School for services that are necessary for carrying out the School's purposes (other than serving as a Board Director), where this is permitted by law or not otherwise prohibited, is precluded from participating in discussions or votes pertaining to that member's compensation.

A voting member of any committee whose jurisdiction includes compensation matters and who receives direct or indirect compensation from the School for services is precluded from participating in discussions or votes pertaining to that member's compensation.

When setting compensation for any individual, the Board committee with jurisdiction overcompensation matters shall set such compensation using the Rebuttable Presumption Checklist (Compensation).

No Board member is precluded from providing information to the Board of Directors or any committee of the Board regarding member compensation.

Annual Disclosure

Each Director and member of the Board shall annually sign the Conflict of Interest Disclosure Statement, which affirms that the Board member:

(a.) has received a copy of the Conflict of Interest Policy,

(b.) has read and understands the Policy,

(c.) has agreed to comply with the Policy, and

(d.) understands that the School is a charitable organization and that in order to maintain its federal tax exemption it must engage primarily in activities that accomplish one or more of its tax-exempt purposes.

Confidentiality

Annual Disclosure Forms shall be held in confidence to the extent permitted by applicable state and federal law.

Periodic Review

The Board shall conduct periodic reviews to ensure that the School operates in a manner consistent with its charitable purposes and does not engage in activities that could jeopardize its status as an organization exempt from federal income tax.

The periodic reviews shall, at a minimum, address the following subjects:

(a.) Whether compensation arrangements and benefits are reasonable, and the result of arm’s-length bargaining and do not result in inurement or impermissible private benefit.

(b.) Whether partnership and joint venture arrangements and third party transactions conform to written policies, are properly recorded, reflect reasonable payments for goods and services, further the School’s charitable purposes, and do not result in inurement or impermissible private benefit.

(c.) Whether agreements with employees and third-party payers further the School’s charitable purposes and do not result in inurnment or impermissible private benefit.

In conducting the periodic reviews provided for above, the School may use outside advisors. The use of outside advisors does not relieve the Board of its responsibility for ensuring that periodic reviews are conducted.

Anti-Nepotism

To further protect the interests of the school, the Board establishes the following provisions:

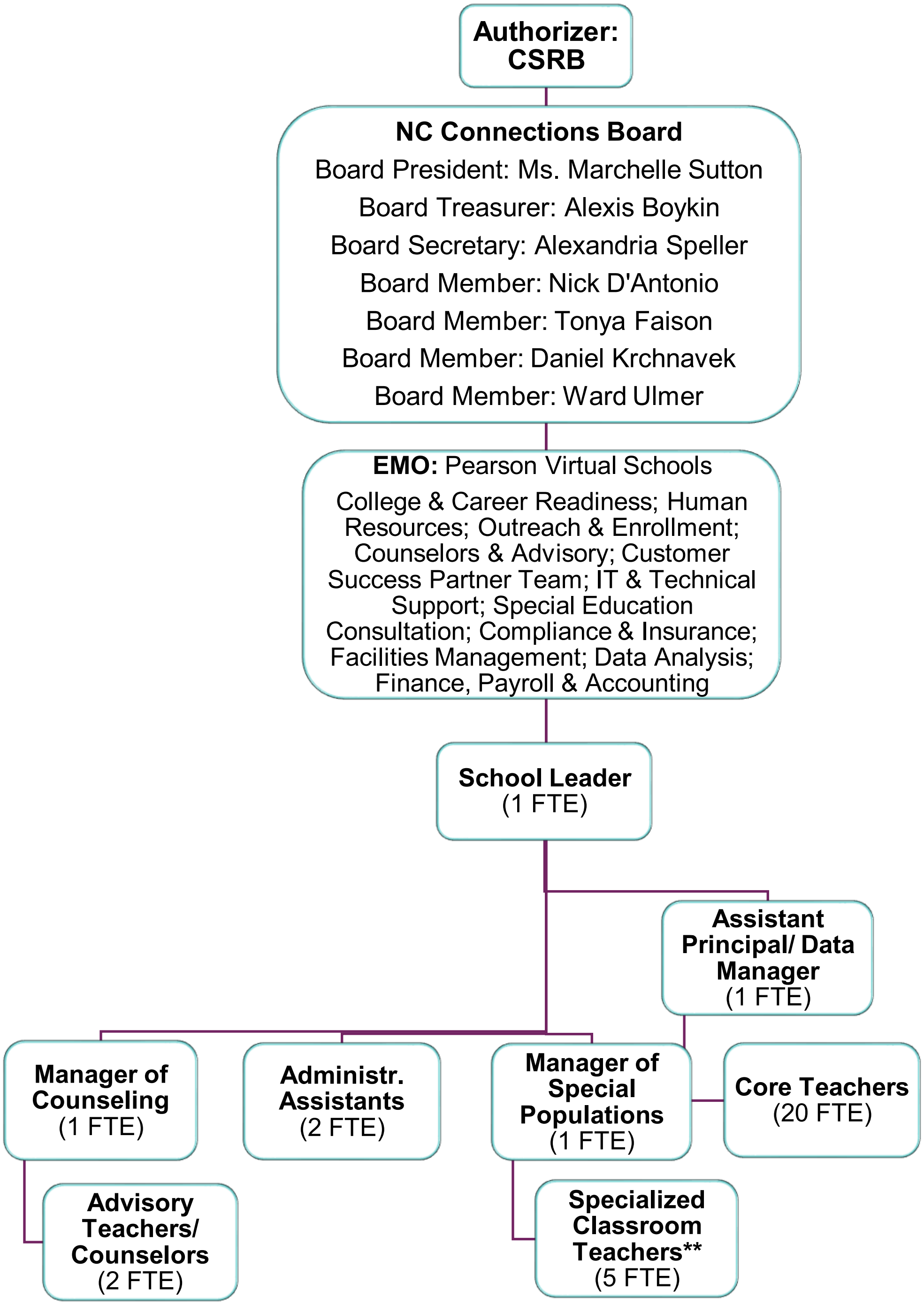
No employee of the school shall be immediate family to any member of the board or to a school employee with supervisory authority unless such proposed employment is disclosed to the board of directors and approved by the board in an open meeting. The burden of disclosure of such a conflict of interest shall be on the applicable board member or employee with supervisory authority.

No teacher or staff member that is immediate family of the chief administrator shall be hired without the board evaluating their credentials, establishing a structure to prevent conflicts of interest, and notifying the Department of Public Instruction, with evidence, that this process has occurred.

APPENDIX G

Organizational Charts

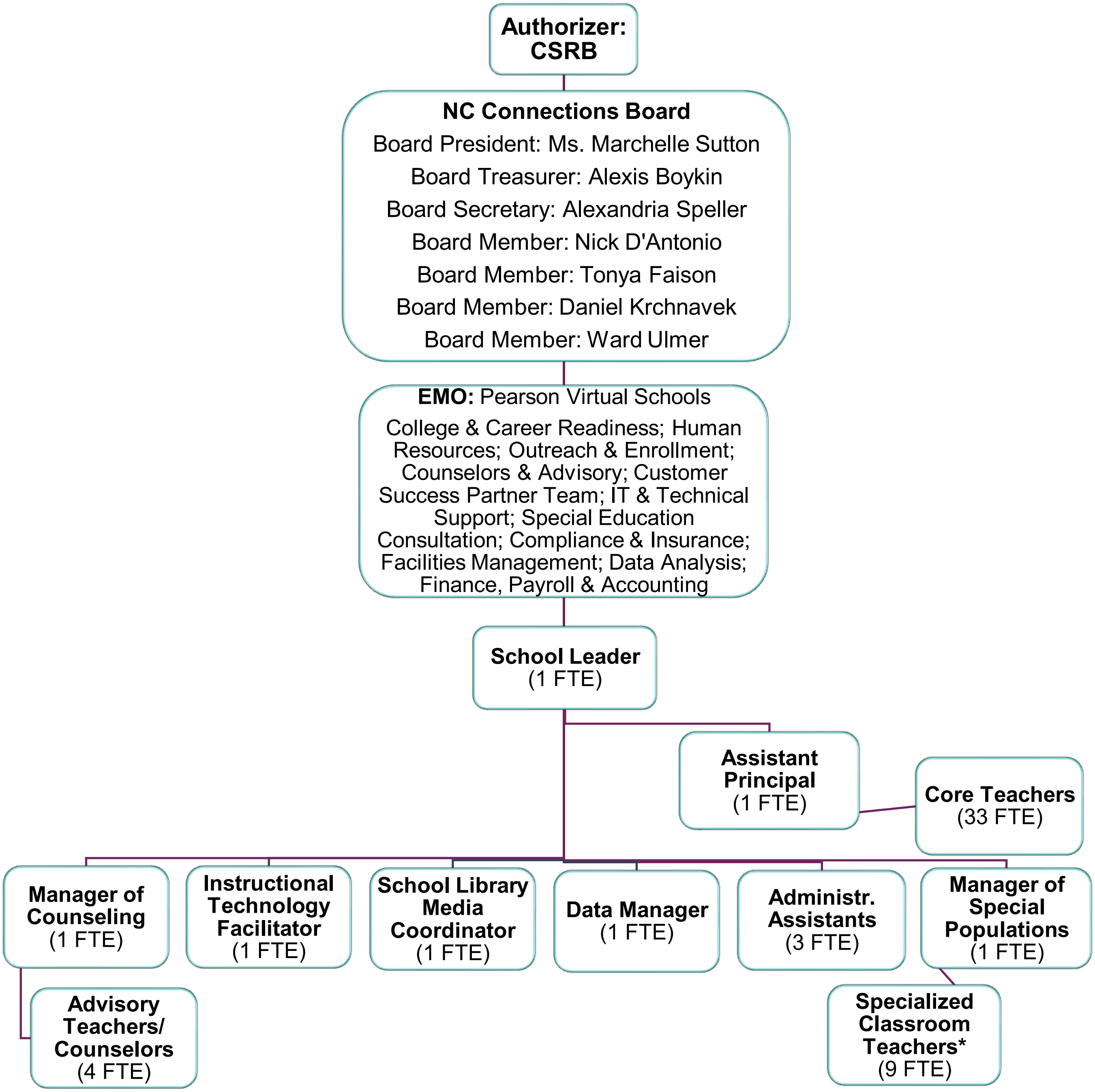
Organizational Chart for YEAR 1: Total Staff = 33



*In Year 1, the **Instructional Technology Facilitator** role will be a dual role combined with a Business Teacher. The **School Library Media Coordinator** role will be a dual role combined with an English Teacher in Year 1.

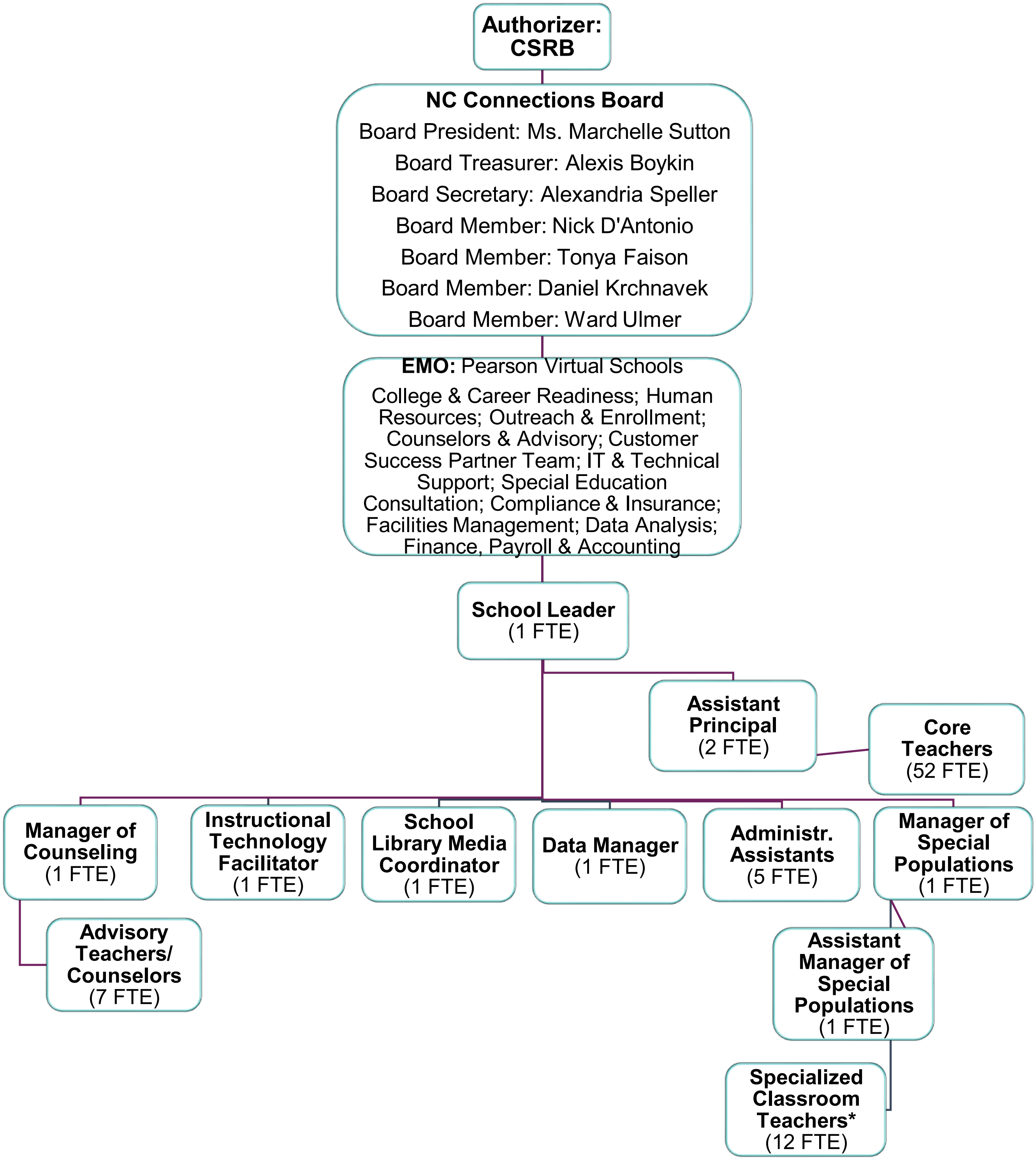
**Specialized Classroom Teachers include Special Education Teachers, EL Teachers, and Foreign Language Teachers.

Organizational Chart for YEAR 2: Total Staff = 56



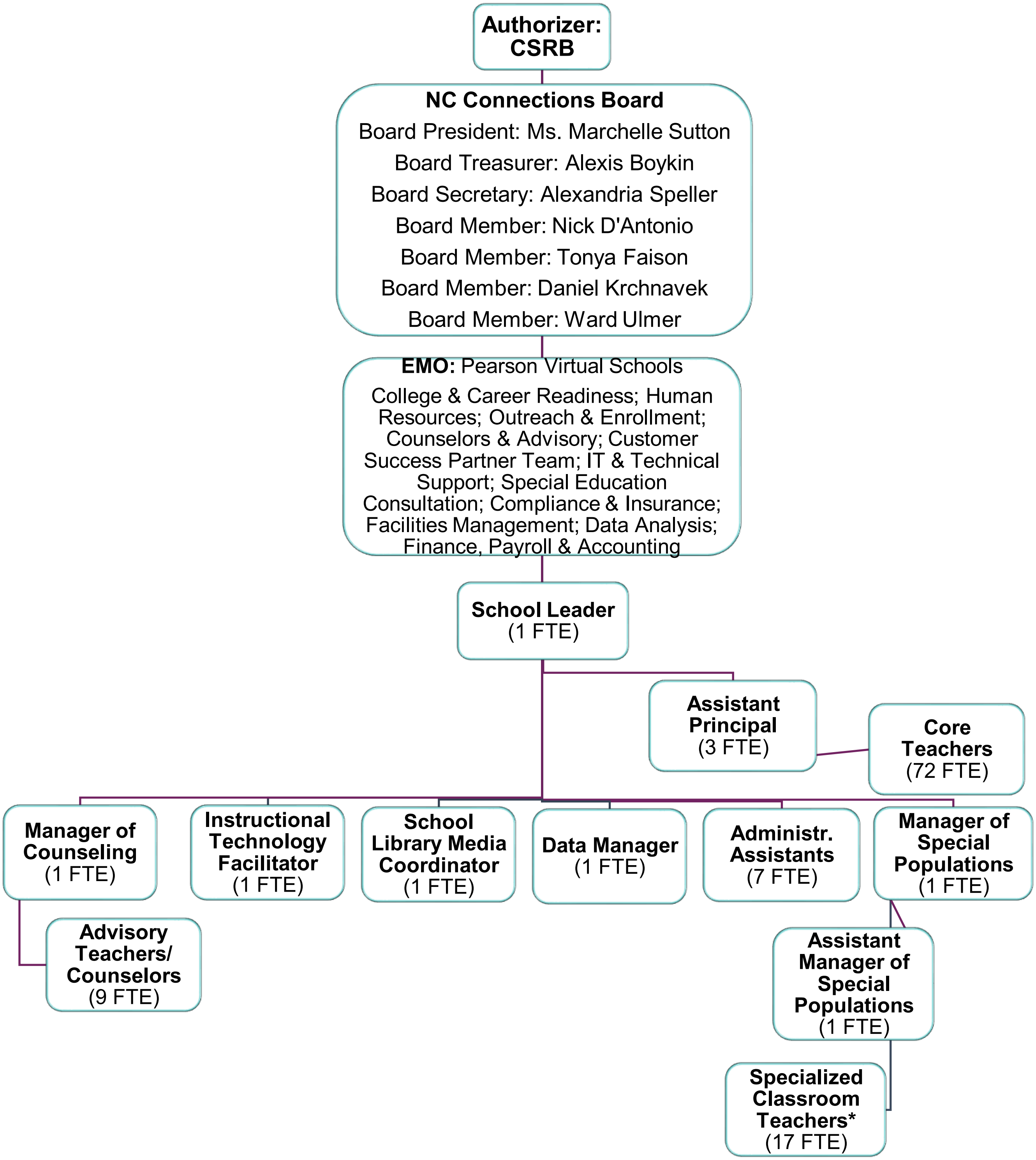
*Specialized Classroom Teachers include Special Education Teachers, EL Teachers, and Foreign Language Teachers.

Organizational Chart for YEAR 3: Total Staff = 85



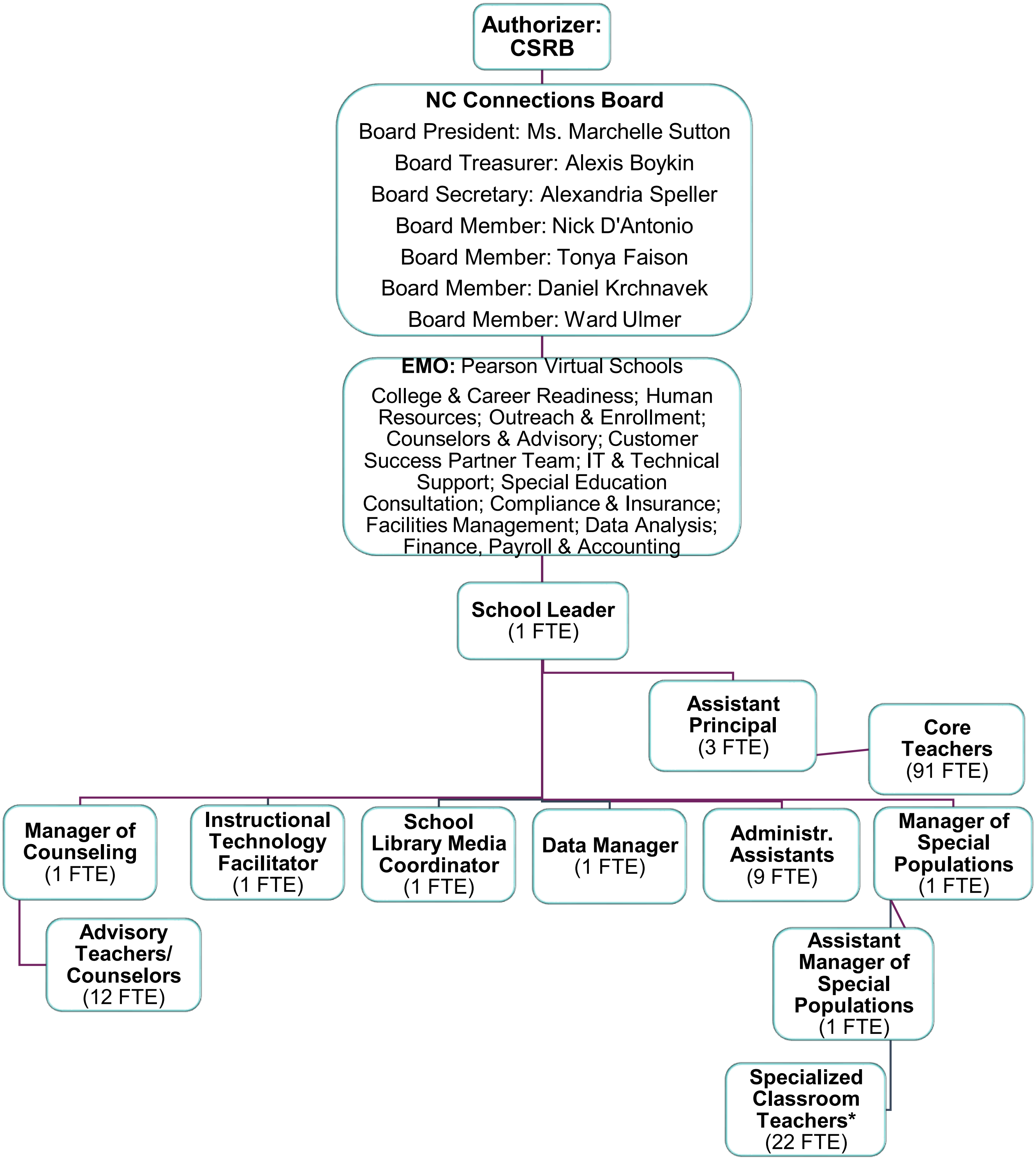
*Specialized Classroom Teachers include Special Education Teachers, EL Teachers, and Foreign Language Teachers.

Organizational Chart for YEAR 4: Total Staff = 115



*Specialized Classroom Teachers include Special Education Teachers, EL Teachers, and Foreign Language Teachers.

Organizational Chart for YEAR 5: Total Staff = 144



*Specialized Classroom Teachers include Special Education Teachers, EL Teachers, and Foreign Language Teachers.

Ethnicity/Race	**# of Students**	**Percentage (%)**
American Indian or Alaska Native	8	1%
Asian	30	4%
Black or African American	184	25%
Hispanic	158	21%
Native HI or Pacific Islander	1	0%
Two or More Races	41	5%
White	328	44%
Total number of students:	750	
EDS Subgroups		0%
Economically Disadvantaged Students	389	52%
Students with Disabilities	96	13%
English Language Learners	23	3%
Students Experiencing Homelessness	11	2%

Position	**Year 0**	**Year 1**	**Year 2**
Principal/School Leader	1	1	1
Assistant Principal	0	1	1
Manager of Special Populations	0	1	1
Assistant Manager of Special Education	0	0	0
Manager of Counseling	0	1	1
Additional School Leadership			
Core Classroom Teachers	0	20	33
Specialized Classroom Teachers (e.g. special education, ELL, foreign language, etc.)	0	5	9
Student Support Positions (e.g., social workers, psychologists, etc.)	These would be contracted positions and not full-ti		
Advisory Teachers/Counselors		2	4
Administrative Assistants	0	2	3
Instructional Technology Facilitator*	0	0	1
School Library Media Coordinator**	0	0	1
Data Manager***	0	0	1
Remote Technicians to provide Tech support	Contracted service from Pearson		
Total		33	56

*The Instructional Technology Facilitator role will be a dual role combined with a Business Teacher in Year 1.
**The School Library Media Coordinator role will be a dual roll combined with an English Teacher in Year 1.
***The Data Manager will be a dual role combined with the Assistant Principal for Year 1.

	Year 3	**Year 4**	**Year 5**
	1	1	1
	2	3	3
	1	1	1
	1	1	1
	1	1	1
	52	72	91
	12	17	22
me.			
	7	9	12
	5	7	9
	1	1	1
	1	1	1
	1	1	1
	85	115	144

APPENDIX A

Evidence of Community/Parent Support

This appendix contains:

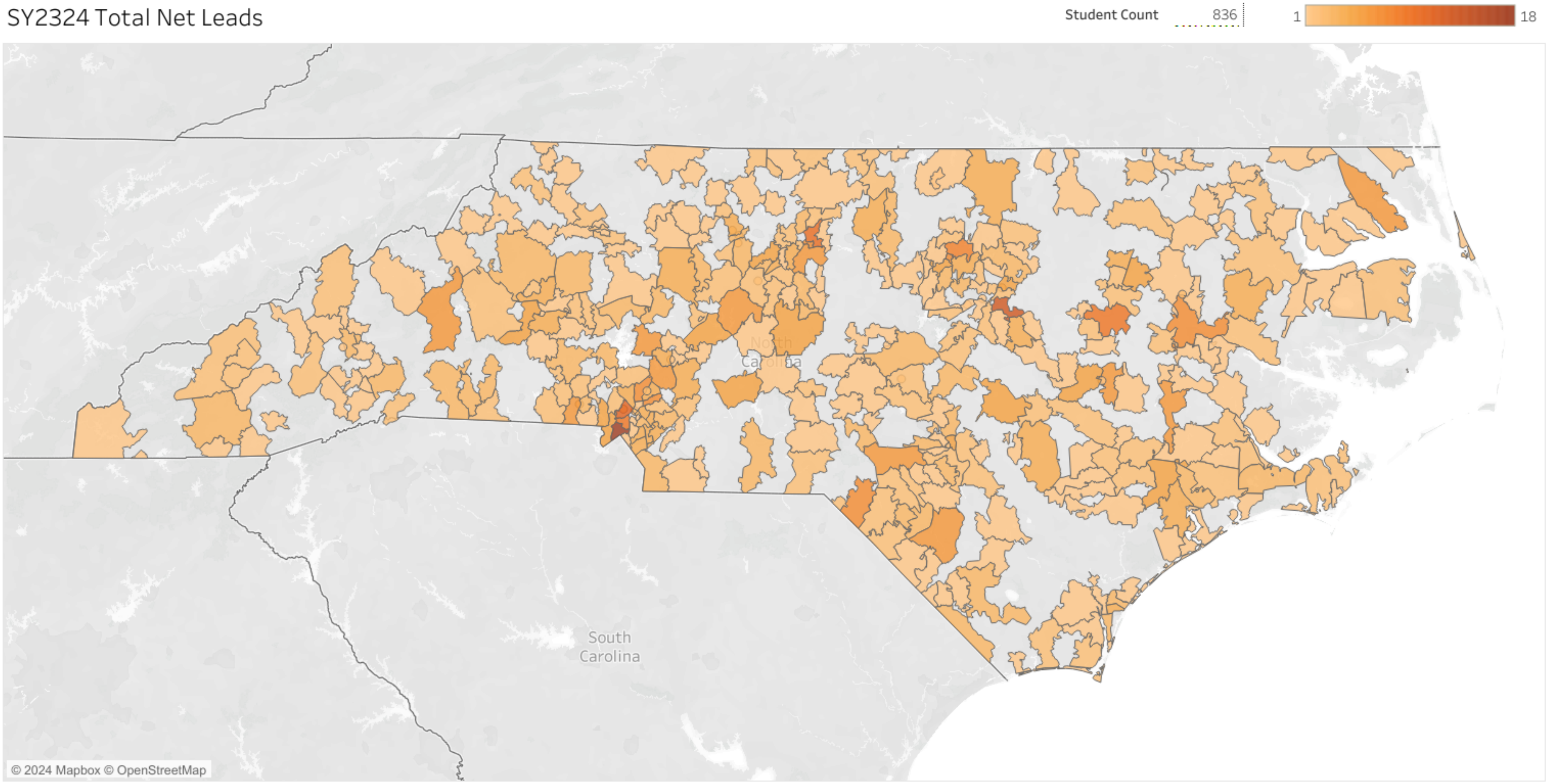
1. Information Sessions & Locations
2. Requests for Information Received Statewide
3. Statement of Support and 469 Signatures
4. Community Letters of Support

Information Sessions

Date	Time	Location
February 20, 2024	11:00 a.m.	305 McGill Avenue Northwest Concord, NC 28025
February 20, 2024	7:00 p.m.	878 West 4th Street Winston-Salem, NC 27101
February 21, 2024	9:00 a.m.	411 W. 4th Street Winston-Salem, NC 27101
February 21, 2024	7:00 p.m.	197 N. 2nd Street Albemarle, NC 28001
February 22, 2024	8:00 a.m.	220 E. Trade Street Charlotte, NC 28202
March 20, 2024	12:00 p.m.	238 S. Cherokee Street Kings Mountain, NC 28086
March 20, 2024	3:00 p.m.	135 Locust Street Columbus NC 28722
March 20, 2024	7:00 p.m.	10 Broadway Street Asheville, NC 28801
March 21, 2024	10:00 a.m.	39 Catawba Avenue Old Fort, NC 28762
March 21, 2024	8:00 p.m.	4509 Creedmoor Road Raleigh, NC 27612
April 11, 2024	12:00 p.m.	213 N Greene Street Snow Hill, NC 28580
April 11, 2024	2:00 p.m.	214 N Heritage Street Kinston, NC 28501
April 11, 2024	7:00 p.m.	1 N Lake Park Boulevard Carolina Beach, NC 28428

Requests for Information

Another indicator of demand is the 4,225 requests for information that have come in over the last five years from across the state. The figure below illustrates the location of the families who contacted Pearson's enrollment team interested in a Connections Academy virtual school in North Carolina this past year.



STATEMENT OF SUPPORT FOR NEW NC CAREER FOCUSED CONNECTIONS ACADEMY *(EXAMPLE)*

The founding board of an exciting North Carolina career-focused Connections Academy model will be applying to open a new school, serving students statewide as a remote charter academy. Upon approval from the Charter School Review Board, the school will open Fall of 2026 serving students in grades K-12 across the state. The school will offer an award-winning, standards-aligned curriculum focusing on and supporting academic achievement for all students.

Students and families will benefit from the best practices developed from this proven core model of virtual learning over the past 20 years. The new school will also provide students with a unique badging and credentialing experience where students can learn a new skill and work on career readiness.

The new Connections Academy career-focused school will afford North Carolina families with access to a virtual public charter school option with the following:

- High-quality Curriculum – Our curriculum and instruction meet standards at the state and national level while also integrating the best materials, texts, and resources available.
- Exceptional Teachers – Experts in online learning and online learning protocols. Teachers are NC certified, and the majority will be residents of North Carolina, and are trained to excel in online teaching.
- Individualized Learning – Each student has unique abilities and performs better when receiving individualized attention in a nurturing learning environment.
- Parent-Supported Learning – A parent, guardian, or other responsible adult serves as their student's virtual school Learning Coach, choosing to be closely involved in their child's daily education and take on an active role in supporting and encouraging their child.
- Easy-to-Use Technology – Access to laptops and internet access will be provided for qualifying students. Through the Education Management System (EMS), an online learning platform, parents/guardians and students can easily access curriculum, review grades, and schedule lessons.
- College and Career-Readiness – Each student will develop a readiness to succeed beyond high school in a dynamic and changing world through a robust college and career offering.

The Board must document support from teachers, parents/guardians and students. We would also appreciate community support. By signing below, you are certifying you are a North Carolina resident in favor of the establishment of a new Connections Academy. The Board truly appreciates your support!

First and Last Name: ____

Street Address: ______________________________**City:**__________________ **County:** _______________**State:** ________ **Zip Code:** __________

Please check one of the following categories: **Parent/Guardian** ___ **Student** ___ **Teacher** ___ **Community Member** ___

Signature: ____

Statement of Support: 469 Signatures

No.	Last Name	County	State	Zip	Category
1.	Anderson	Alamance	NC	27215	Community Member
2.	Batres	Alamance	NC	27215	Community Member
3.	Talley-Thompson	Alamance	NC	27215	Student
4.	Myers	Alexander	NC	28681	Community Member
5.	Harris	Alexander	NC	28681	Community Member
6.	Atwood	Allegheny	NC	28675	Parent/Guardian
7.	Gooding	Anson	NC	28170	Student
8.	Tillman	Anson	NC	28170	Parent/Guardian
9.	Jordan	Ashe	NC	28640	Community Member
10.	Burnham	Beaufort	NC	27817	Community Member
11.	Sauer	Bertie	NC	27957	Community Member
12.	Tavares	Bertie	NC	27983	Parent/Guardian
13.	Speller	Bertie	NC	27983	Parent/Guardian
14.	Smith	Bladen	NC	28448	Community Member
15.	McCullum	Bladen	NC	28337	Parent/Guardian
16.	Mahoney	Brunswick	NC	28451	Community Member
17.	Dennis	Brunswick	NC	28420	Community Member
18.	Landrie	Brunswick	NC	28462	Community Member

19.	Maggio	Brunswick	NC	28461	Community Member
20.	Eisenhower	Buncombe	NC	28806	Parent/Guardian
21.	Disser	Buncombe	NC	28801	Community Member
22.	Herndon	Buncombe	NC	28803	Community Member
23.	Honeycutt	Buncombe	NC	28803	Community Member
24.	Ward	Buncombe	NC	28805	Community Member
25.	Castellani	Buncombe	NC	28805	Community Member
26.	McKee	Buncombe	NC	28804	Community Member
27.	Barrett	Buncombe	NC	28704	Parent / Guardian
28.	Roberts	Buncombe	NC	28801	Student
29.	Robertson	Buncombe	NC	28704	Community Member
30.	Godfrey	Buncombe	NC	28715	Community Member
31.	Phillips	Burke	NC	28655	Parent / Guardian
32.	Mercer	Burke	NC	28655	Parent / Guardian
33.	Carraway	Burke	NC	28655	Community Member
34.	Stanley	Cabarrus	NC	28107	Community Member
35.	Haynie	Cabarrus	NC	28027	Parent / Guardian
36.	DiRicco	Cabarrus	NC	28027	Community Member
37.	Connally	Cabarrus	NC	28027	Community Member

38.	Ritchie	Cabarrus	NC	28025	Community Member
39.	Reynoso	Cabarrus	NC	28025	Community Member
40.	Winoker	Cabarrus	NC	28025	Parent / Guardian
41.	Winoker	Cabarrus	NC	28025	Parent / Guardian
42.	Monroe	Cabarrus	NC	28027	Community Member
43.	Cole	Cabarrus	NC	28027	Community Member
44.	Hammond	Cabarrus	NC	28025	Student
45.	Butler	Cabarrus	NC	28025	Student
46.	Brown Shaw	Cabarrus	NC	28027	Community Member
47.	Perez	Cabarrus	NC	28081	Community Member
48.	Whitt	Cabarrus	NC	28075	Community Member
49.	Miller	Cabarrus	NC	28083	Parent/Guardian
50.	West	Caldwell	NC	28645	Community Member
51.	Eyanson	Caldwell	NC	28638	Community Member
52.	Dickson (Palmer)	Caldwell	NC	28645	Community Member
53.	Dotson	Caldwell	NC	28638	Community Member
54.	Carter	Caldwell	NC	28645	Community Member
55.	Nelson Fowler	Carteret	NC	28584	Community Member

56.	Wright	Caswell	NC	27379	Community Member
57.	MacLane	Catawba	NC	28610	Community Member
58.	Arizmendi	Catawba	NC	28602	Community Member
59.	Xiong	Catawba	NC	28613	Community Member
60.	Icard	Catawba	NC	28601	Parent/Guardian
61.	Cline	Catawba	NC	28601	Parent/Guardian
62.	Barishman	Chatham	NC	27344	Community Member
63.	Barishman	Chatham	NC	27344	Parent/Guardian
64.	Phillips	Cherokee	NC	28906	Community Member
65.	Bunch	Chowan	NC	27932	Community Member
66.	Hallow	Chowan	NC	27932	Community Member
67.	Hubbard	Cleveland	NC	28086	Community Member
68.	Armstrong	Cleveland	NC	28086	Parent / Guardian
69.	Craig	Cleveland	NC	28086	Community Member
70.	Green	Cleveland	NC	28152	Community Member
71.	Jarrett	Columbus	NC	28472	Community Member
72.	Hinson	Columbus	NC	28472	Community Member
73.	St. Denis	Craven	NC	28562	Community Member

74.	McDougal	Craven	NC	28562	Community Member
75.	Rdwards	Craven	NC	28560	Community Member
76.	Murray	Craven	NC	28532	Community Member
77.	Liscano	Cumberland	NC	28304	Student
78.	Bethea	Cumberland	NC	28348	Community Member
79.	Unger	Cumberland	NC	28303	Community Member
80.	Benn	Cumberland	NC	28304	Community Member
81.	Williams	Cumberland	NC	28390	Community Member
82.	Daniels	Cumberland	NC	28312	Community Member
83.	Pagan	Cumberland	NC	28312	Parent/Guardian
84.	Foster-Sapp	Cumberland	NC	28314	Teacher
85.	Bates	Cumberland	NC	28301	Community Member
86.	Brown	Cumberland	NC	28301	Parent/Guardian
87.	Wightman	Cumberland	NC	28314	Parent/Guardian
88.	Bates	Cumberland	NC	28301	Parent/Guardian
89.	Bates	Cumberland	NC	28304	Community Member
90.	Etheridge	Currituck	NC	27958	Community Member
91.	Warnecki	Dare	NC	27948	Community Member
92.	Walsen	Davidson	NC	27292	Parent / Guardian

93.	Shook	Davidson	NC	27295	Community Member
94.	Paul	Davidson	NC	27292	Community Member
95.	Gray	Davidson	NC	27292	Community Member
96.	Loman	Davidson	NC	27299	Community Member
97.	Owens	Davidson	NC	27292	Parent/Guardian
98.	Brown	Davidson	NC	27295	Parent/Guardian
99.	Drake	Davie	NC	27028	Parent / Guardian
100.	Mittelsteadt	Davie	NC	27028	Community Member
101.	Osrio	Duplin	NC	28453	Student
102.	Ramos	Durham	NC	27703	Student
103.	Young	Durham	NC	27701	Community Member
104.	Cole	Durham	NC	27704	Community Member
105.	Moore	Durham	NC	27703	Community Member
106.	Manning	Durham	NC	27707	Parent/Guardian
107.	Valdes	Durham	NC	27713	Parent/Guardian
108.	Mangum	Durham	NC	27704	Parent/Guardian
109.	Williams	Durham	NC	27704	Community Member
110.	Brown	Durham	NC	27704	Community Member
111.	Pratt	Durham	NC	27705	Community Member
112.	Dockery	Durham	NC	27713	Community Member

113.	Brown	Durham	NC	27703	Community Member
114.	Reid	Durham	NC	27703	Community Member
115.	Lewis	Durham	NC	27713	Community Member
116.	Mangum	Durham	NC	27704	Community Member
117.	Howell	Durham	NC	27703	Parent/Guardian
118.	Knuckles	Durham	NC	27704	Parent/Guardian
119.	Anderson	Edgecombe	NC	27801	Community Member
120.	Archer	Edgecombe	NC	27801	Parent/Guardian
121.	Al-Khatib	Forsyth	NC	27284	Community Member
122.	Alberty	Forsyth	NC	27103	Community Member
123.	Logan	Forsyth	NC	27107	Parent / Guardian
124.	Hunt	Forsyth	NC	27012	Student
125.	Zynda	Forsyth	NC	27284	Community Member
126.	Haddon	Forsyth	NC	27107	Community Member
127.	Juran	Forsyth	NC	27101	Community Member
128.	Rempe	Forsyth	NC	27051	Teacher
129.	Harmon	Forsyth	NC	27127	Community Member
130.	Turbeville	Forsyth	NC	27103	Community Member
131.	Houck	Forsyth	NC	27127	Community Member

132.	Sullivan	Forsyth	NC	27101	Community Member
133.	Alsup	Forsyth	NC	27101	Community Member
134.	Smith	Forsyth	NC	27106	Community Member
135.	Lindsay	Forsyth	NC	27103	Community Member
136.	Downing	Forsyth	NC	27107	Student
137.	Bowling	Forsyth	NC	27103	Parent/Guardian
138.	Russell	Forsyth	NC	27107	Community Member
139.	Brown	Forsyth	NC	27105	Community Member
140.	Jones	Forsyth	NC	27106	Community Member
141.	Booe	Forsyth	NC	27105	Community Member
142.	Bright	Forsyth	NC	27023	Community Member
143.	Frazier	Forsyth	NC	27106	Community Member
144.	Grice	Forsyth	NC	27284	Parent/Guardian
145.	Johnston	Forsyth	NC	27284	Parent/Guardian
146.	Bright	Forsyth	NC	27023	Parent/Guardian
147.	Taner	Forsyth	NC	27106	Community Member
148.	Cunningham	Forsyth	NC	27105	Parent/Guardian
149.	Tamer	Forsyth	NC	27106	Community Member
150.	Cohade	Forsyth	NC	27021	Parent/Guardian

151.	Tippett	Franklin	NC	27596	Community Member
152.	Saphire	Franklin	NC	27549	Parent/Guardian
153.	Daigle	Franklin	NC	27596	Parent/Guardian
154.	Blowe	Gaston	NC	28012	Parent/Guardian
155.	Blowe	Gaston	NC	28012	Parent/Guardian
156.	Crouch	Gaston	NC	28016	Community Member
157.	Walker	Gaston	NC	28120	Student
158.	Lail	Gaston	NC	28052	Community Member
159.	Lazarou	Gaston	NC	28012	Community Member
160.	Drungs	Gaston	NC	28921	Community Member
161.	Ruffin	Gaston	NC	28052	Community Member
162.	Augustin	Gaston	NC	28098	Community Member
163.	Novick	Gaston	NC	28056	Parent/Guardian
164.	Stone	Gaston	NC	28056	Parent/Guardian
165.	Nishiyama	Gaston	NC	28120	Community Member
166.	Willis	Gaston	NC	28120	Community Member
167.	Epp	Gates	NC	27926	Parent/Guardian
168.	Richardson	Granville	NC	27522	Community Member
169.	Nogueda	Granville	NC	27565	Parent/Guardian
170.	Landrau	Granville	NC	27581	Parent/Guardian
171.	Carter	Greene	NC	28580	Parent/Guardian

172.	Garner	Greene	NC	28580	Community Member
173.	Rodriguez	Greene	NC	28580	Student
174.	Anderson	Greene	NC	28580	Student
175.	Hoffmann	Guilford	NC	27214	Parent/Guardian
176.	Fernandez	Guilford	NC	27406	Parent/Guardian
177.	Abrams	Guilford	NC	27409	Community Member
178.	Hoffmann	Guilford	NC	27455	Parent/Guardian
179.	Hoffmann	Guilford	NC	27455	Parent/Guardian
180.	Ceron	Guilford	NC	27410	Student
181.	Wrisley	Guilford	NC	27455	Parent / Guardian
182.	Moore	Guilford	NC	27407	Community Member
183.	McLaurin	Guilford	NC	27407	Community Member
184.	Terry	Guilford	NC	27214	Community Member
185.	Black	Guilford	NC	27406	Community Member
186.	Chambers	Guilford	NC	27310	Community Member
187.	Southard	Guilford	NC	27407	Community Member
188.	Fuchs	Guilford	NC	27408	Community Member
189.	Millikan	Guilford	NC	27410	Community Member
190.	Chambers	Guilford	NC	27310	Parent/Guardian
191.	Sampson	Guilford	NC	27377	Parent/Guardian

192.	Moore	Guílford	NC	27249	Community Member
193.	Jones	Halifax	NC	27870	Community Member
194.	Adams	Harnett	NC	28334	Community Member
195.	Augustine	Harnett	NC	28326	Community Member
196.	Rosciano	Harnett	NC	27505	Community Member
197.	Lehmkuhl	Harnett	NC	28339	Community Member
198.	Brackett	Henderson	NC	28732	Community Member
199.	Harris	Henderson	NC	28739	Community Member
200.	Medina	Henderson	NC	28792	Community Member
201.	Gallagher	Henderson	NC	28792	Community Member
202.	Charboneau	Henderson	NC	28792	Community Member
203.	McElligott	Henderson	NC	28791	Community Member
204.	Barnes	Henderson	NC	28739	Community Member
205.	Schifferli	Henderson	NC	28739	Community Member
206.	Lavigne	Hoke	NC	28376	Community Member
207.	Kreutz	Hoke	NC	28376	Community Member
208.	Phillips	Hoke	NC	28376	Parent/Guardian

209.	Homes	Hyde	NC	27885	Community Member
210.	Thomas	Iredell	NC	28677	Community Member
211.	Turner	Iredell	NC	28677	Community Member
212.	Pittd	Iredell	NC	28678	Community Member
213.	Falotico	Iredell	NC	28166	Community Member
214.	Harwell	Iredell	NC	28166	Community Member
215.	Bernardi	Iredell	NC	28117	Parent/Guardian
216.	Staelgraeve	Iredell	NC	28115	Parent/Guardian
217.	Hegab	Iredell	NC	27560	Parent/Guardian
218.	Upright	Iredell	NC	28166	Parent/Guardian
219.	Skyers	Johnston	NC	27527	Parent/Guardian
220.	Cox	Johnston	NC	27527	Parent/Guardian
221.	Baker	Johnston	NC	27527	Parent/Guardian
222.	Ustica	Johnston	NC	27520	Student
223.	Eri	Johnston	NC	27324	Community Member
224.	Breckley	Johnston	NC	27527	Community Member
225.	Capps	Johnston	NC	27569	Community Member
226.	Barnes	Jones	NC	28585	Parent/Guardian
227.	Hill	Jones	NC	28585	Parent/Guardian
228.	Elander	Lee	NC	27330	Community Member

229.	Gordon	Lee	NC	27330	Community Member
230.	Letchworth	Lenoir	NC	28501	Parent/Guardian
231.	Gwaltney	Lenoir	NC	28501	Community Member
232.	Reese	Lenoir	NC	28572	Community Member
233.	Korn	Lenoir	NC	28501	Parent/Guardian
234.	Izediuno	Lincoln	NC	28037	Parent/Guardian
235.	Saunders	Lincoln	NC	28037	Community Member
236.	Mclean	Lincoln	NC	28092	Community Member
237.	Ward	Madison	NC	28754	Community Member
238.	Foxworth	McDowell	NC	29571	Community Member
239.	Smith	McDowell	NC	28762	Community Member
240.	Rodriguez	Mecklenburg	NC	28262	Parent/Guardian
241.	Pike	Mecklenburg	NC	28226	Parent/Guardian
242.	Hing	Mecklenburg	NC	28278	Parent/Guardian
243.	Small	Mecklenburg	NC	28269	Parent/Guardian
244.	Porter	Mecklenburg	NC	28209	Parent/Guardian
245.	Moore	Mecklenburg	NC	28227	Community Member
246.	Moore	Mecklenburg	NC	28227	Community Member
247.	Rincon	Mecklenburg	NC	28270	Parent/Guardian
248.	Wilson	Mecklenburg	NC	28215	Parent/Guardian
249.	Robinson	Mecklenburg	NC	28217	Parent/Guardian

250.	Crommarty	Mecklenburg	NC	28227	Parent/Guardian
251.	Carelock	Mecklenburg	NC	28262	Parent/Guardian
252.	Schehr	Mecklenburg	NC	28204	Parent/Guardian
253.	McNamara	Mecklenburg	NC	28209	Parent/Guardian
254.	Wallace	Mecklenburg	NC	28078	Parent/Guardian
255.	Summerour	Mecklenburg	NC	28078	Parent/Guardian
256.	Mitchell	Mecklenburg	NC	28105	Parent/Guardian
257.	Heierman	Mecklenburg	NC	28105	Parent/Guardian
258.	Willis	Mecklenburg	NC	28104	Parent/Guardian
259.	Ocompo	Mecklenburg	NC	28078	Parent / Guardian
260.	Creer	Mecklenburg	NC	28214	Parent / Guardian
261.	Hamid	Mecklenburg	NC	28215	Parent / Guardian
262.	Dunn	Mecklenburg	NC	28262	Community Member
263.	Dippert	Mecklenburg	NC	28104	Student
264.	Johnson	Mecklenburg	NC	28216	Student
265.	Edorh	Mecklenburg	NC	28206	Student
266.	Daley	Mecklenburg	NC	28262	Student
267.	Wilson	Mecklenburg	NC	28214	Parent/Guardian
268.	Strong	Mecklenburg	NC	28214	Parent/Guardian
269.	Harvey	Mecklenburg	NC	28273	Parent/Guardian
270.	Herring	Mecklenburg	NC	28214	Parent/Guardian
271.	Tweedy	Mecklenburg	NC	28216	Parent/Guardian
272.	Boggan	Mecklenburg	NC	28204	Student
273.	Conn	Mecklenburg	NC	28215	Student
274.	Makori	Mecklenburg	NC	28214	Student
275.	Lee	Mecklenburg	NC	28214	Student
276.	Hammond	Mecklenburg	NC	28214	Student

277.	Mpilu	Mecklenburg	NC	28208	Student
278.	Reed	Mecklenburg	NC	28213	Community Member
279.	Hagans	Mecklenburg	NC	28269	Community Member
280.	Foy-Burroughs	Mecklenburg	NC	28216	Community Member
281.	Ominu	Mecklenburg	NC	28216	Student
282.	Perkins-Allen	Mecklenburg	NC	28269	Parent/Guardian
283.	Hyde	Mecklenburg	NC	28216	Student
284.	Styles	Mecklenburg	NC	28277	Parent/Guardian
285.	Mercado	Mecklenburg	NC	28216	Student
286.	Mercado	Mecklenburg	NC	28216	Community Member
287.	Wright	Mecklenburg	NC	28269	Student
288.	Dawkins	Mecklenburg	NC	28217	Community Member
289.	Houston	Mecklenburg	NC	28213	Teacher/Educator
290.	Adams	Mecklenburg	NC	28208	Community Member
291.	Stewart	Mecklenburg	NC	28208	Community Member
292.	Huntley	Mecklenburg	NC	28211	Community Member
293.	Anderson	Mecklenburg	NC	28277	Community Member
294.	Linke	Mecklenburg	NC	28216	Community Member
295.	Summerour	Mecklenburg	NC	28078	Community Member
296.	Donaldson	Mecklenburg	NC	28216	Community Member

297.	Clemons	Mecklenburg	NC	28278	Community Member
298.	Rincon	Mecklenburg	NC	28270	Community Member
299.	Patton	Mecklenburg	NC	28269	Community Member
300.	Shaw	Mecklenburg	NC	28215	Community Member
301.	Hayes	Mecklenburg	NC	28215	Community Member
302.	Young	Mitchell	NC	28705	Community Member
303.	Robinson	Montgomery	NC	27306	Student
304.	Stewart	Moore	NC	28315	Parent/Guardian
305.	Hall	Moore	NC	27376	Community Member
306.	Holt	Moore	NC	28387	Community Member
307.	Haywood	Nash	NC	27807	Community Member
308.	Lassiter	Nash	NC	27856	Community Member
309.	Toribio	New Hanover	NC	28401	Community Member
310.	McIver	New Hanover	NC	28412	Community Member
311.	Edwards	New Hanover	NC	28403	Community Member
312.	Methvin	New Hanover	NC	28411	Community Member
313.	Ryan	New Hanover	NC	28411	Community Member

314.	Derminer	New Hanover	NC	28428	Community Member
315.	Watson	New Hanover	NC	28409	Community Member
316.	Saunders	New Hanover	NC	28412	Student
317.	Williams	New Hanover	NC	28405	Community Member
318.	Craddock	New Hanover	NC	28412	Community Member
319.	Marsh	New Hanover	NC	28411	Community Member
320.	Hernandez	New Hanover	NC	28409	Community Member
321.	Reichert	New Hanover	NC	28409	Community Member
322.	Kaynan	New Hanover	NC	28411	Teacher
323.	Pilosi	New Hanover	NC	28403	Community Member
324.	Maxson	New Hanover	NC	28412	Community Member
325.	Southards	New Hanover	NC	28412	Community Member
326.	Watson	New Hanover	NC	28412	Parent/Guardian
327.	Philp	New Hanover	NC	28412	Parent/Guardian
328.	Kovacevic Bryant	New Hanover	NC	28412	Parent/Guardian
329.	Kovacevic	New Hanover	NC	28412	Community Member
330.	Raymond	New Hanover	NC	28403	Community Member
331.	Smith	New Hanover	NC	28405	Community Member

332.	Brown	New Hanover	NC	28413	Community Member
333.	Gaymon	New Hanover	NC	28411	Parent/Guardian
334.	Everest	Northampton	NC	27842	Community Member
335.	Royce	Onslow	NC	28445	Parent/Guardian
336.	Hall	Onslow	NC	28574	Community Member
337.	Schutt	Onslow	NC	28574	Community Member
338.	Bruce	Onslow	NC	28460	Community Member
339.	Bowden	Onslow	NC	28574	Student
340.	Rensma	Orange	NC	27516	Parent/Guardian
341.	Pulsfort	Orange	NC	27517	Student
342.	O'Brien	Orange	NC	27517	Community Member
343.	White	Orange	NC	27278	Community Member
344.	Robeson	Pasquotank	NC	27909	Community Member
345.	Wasserberg	Pasquotank	NC	27909	Parent/Guardian
346.	Welte	Pender	NC	28443	Parent/Guardian
347.	Jones	Pender	NC	28443	Parent/Guardian
348.	Bever	Pender	NC	28443	Community Member
349.	Jones	Pender	NC	28443	Community Member
350.	Hicks	Person	NC	27572	Community Member
351.	Santana	Pitt	NC	28513	Parent/Guardian

352.	Brown	Pitt	NC	27834	Student
353.	Brown	Pitt	NC	27834	Parent/Guardian
354.	Squires	Pitt	NC	27834	Community Member
355.	Moore	Pitt	NC	27834	Parent/Guardian
356.	White	Pitt	NC	27834	Community Member
357.	Wells	Pitt	NC	27858	Community Member
358.	More	Pitt	NC	27836	Community Member
359.	Sparrow	Pitt	NC	28590	Parent/Guardian
360.	Dolan	Polk	NC	28722	Teacher
361.	Ballew	Polk	NC	28722	Community Member
362.	Ballew	Polk	NC	28722	Community Member
363.	Ballew	Polk	NC	28722	Community Member
364.	Lawson	Polk	NC	28756	Community Member
365.	Stoney	Polk	NC	28783	Community Member
366.	Gasey	Randolph	NC	27203	Parent / Guardian
367.	Branning	Randolph	NC	27203	Community Member
368.	Sizemore	Randolph	NC	27370	Community Member
369.	Matteson	Randolph	NC	27370	Teacher
370.	Hug	Richmond	NC	28345	Community Member
371.	Grice	Robeson	NC	28340	Parent/Guardian

372.	Morgan	Robeson	NC	28377	Parent/Guardian
373.	Ixtepan	Robeson	NC	28384	Community Member
374.	Thompson	Robeson	NC	28340	Community Member
375.	Martin	Rockingham	NC	27025	Community Member
376.	Ramsey	Rockingham	NC	27288	Community Member
377.	Fuller	Rockingham	NC	27320	Community Member
378.	Turner	Rockingham	NC	27288	Community Member
379.	Wells	Rockingham	NC	27048	Community Member
380.	Bare	Rowan	NC	28144	Parent / Guardian
381.	Cooper	Rowan	NC	28144	Parent / Guardian
382.	Luckadoo	Rowan	NC	28144	Student
383.	Chamberlain	Rowan	NC	28144	Community Member
384.	Faw	Rowan	NC	28088	Student
385.	Pittman	Rowan	NC	28146	Community Member
386.	Reed	Rowan	NC	28115	Community Member
387.	Young	Rutherford	NC	28018	Parent/Guardian
388.	Hutchinson	Rutherford	NC	28139	Community Member
389.	Redmon	Rutherford	NC	28746	Community Member
390.	Medina	Sampson	NC	28366	Parent/Guardian
391.	Henery	Sampson	NC	20447	Student

392.	Lovell	Scotland	NC	28343	Parent/Guardian
393.	Kies	Stanly	NC	28164	Community Member
394.	Whitley	Stanly	NC	28163	Student
395.	Avila	Stanly	NC	28163	Parent / Guardian
396.	Vanhoy	Stanly	NC	28137	Parent / Guardian
397.	Vanhoy	Stanly	NC	28137	Community Member
398.	Cartrette	Stanly	NC	28001	Community Member
399.	Baker	Stanly	NC	28001	Community Member
400.	Russell	Stanly	NC	28001	Parent / Guardian
401.	Flanagan	Stanly	NC	28001	Parent / Guardian
402.	Haigler	Stanly	NC	28097	Parent / Guardian
403.	Honeycutt	Stanly	NC	28001	Community Member
404.	Williams	Stanly	NC	28001	Community Member
405.	Mabe	Stokes	NC	27025	Community Member
406.	Phillips	Surry	NC	27030	Parent/Guardian
407.	Benton	Surry	NC	28621	Parent / Guardian
408.	Beshears	Surry	NC	28621	Community Member
409.	Mitchell	Surry	NC	27041	Community Member
410.	Smith	Transylvania	NC	28712	Parent/Guardian
411.	Winslow	Tyrrell	NC	27925	Community Member
412.	Metzer	Union	NC	28079	Parent/Guardian

413.	Clarkson	Union	NC	28110	Parent/Guardian
414.	Gates	Union	NC	28110	Parent/Guardian
415.	Rodriguez	Union	NC	28079	Community Member
416.	Bullock	Union	NC	28079	Community Member
417.	Eilerman	Union	NC	28112	Community Member
418.	Garvey	Union	NC	28173	Community Member
419.	Ahmed	Wake	NC	27511	Student
420.	Latino	Wake	NC	27526	Community Member
421.	Scott	Wake	NC	27526	Parent/Guardian
422.	Carter	Wake	NC	27529	Parent/Guardian
423.	Snyder	Wake	NC	27529	Parent/Guardian
424.	Brown	Wake	NC	27529	Community Member
425.	Sato	Wake	NC	27529	Parent/Guardian
426.	Thorn	Wake	NC	27603	Parent/Guardian
427.	Creamer	Wake	NC	27603	Parent/Guardian
428.	Stanley	Wake	NC	27603	Parent/Guardian
429.	Maggio	Wake	NC	27603	Community Member
430.	Holt	Wake	NC	27603	Parent/Guardian
431.	Edwards	Wake	NC	27610	Parent/Guardian
432.	Speller	Wake	NC	27609	Parent/Guardian
433.	Scarvers	Wake	NC	27616	Community Member
434.	Holt	Wake	NC	27603	Parent/Guardian

435.	Gilbert	Wake	NC	27610	Parent/Guardian
436.	Resendiz	Wake	NC	27604	Student
437.	Esguerra	Wake	NC	27604	Parent / Guardian
438.	Nesler	Wake	NC	27609	Community Member
439.	Kohlman	Wake	NC	27612	Community Member
440.	Brochu	Wake	NC	27519	Community Member
441.	Giray	Wake	NC	27529	Community Member
442.	Turner	Wake	NC	27601	Community Member
443.	Collado	Wake	NC	27604	Parent / Guardian
444.	Guinan	Wake	NC	27519	Community Member
445.	Nixon	Wake	NC	27604	Student
446.	Benthall	Wake	NC	27608	Community Member
447.	Koss	Wake	NC	27587	Community Member
448.	Pettit	Wake	NC	27526	Community Member
449.	Saphire	Wake	NC	27587	Community Member
450.	Taylor	Wake	NC	27597	Community Member
451.	Edwards	Wake	NC	27519	Community Member
452.	Wallace	Wake	NC	27526	Community Member

453.	Borgia	Wake	NC	27502	Community Member
454.	Campbell	Wake	NC	27587	Community Member
455.	Ford	Wake	NC	27608	Community Member
456.	Choi	Wake	NC	27614	Community Member
457.	Timmerberg	Wake	NC	27613	Community Member
458.	West	Wake	NC	27519	Community Member
459.	Jackson	Wake	NC	27591	Community Member
460.	Woodson	Warren	NC	27589	Community Member
461.	Woodson	Warren	NC	27589	Community Member
462.	Spruill	Washington	NC	27970	Community Member
463.	Garris	Washington	NC	27889	Community Member
464.	Deichman	Watauga	NC	28692	Community Member
465.	Tyndall	Wayne	NC	27530	Parent/Guardian
466.	Crouch	Wayne	NC	27530	Student
467.	Lawrimore	Wilkes	NC	28697	Community Member
468.	Harris	Wilson	NC	27880	Community Member
469.	Moore	Wilson	NC	27893	Parent/Guardian

Community Letters of Support

- District C
- Be Pro Be Proud NC
- North Carolina Home Builders Association
- Associated Builders and Contractors, Inc. of the Carolinas (ABC Carolinas)
- Parents for Educational Freedom in North Carolina (PEFNC)
- Representative Frank Sossamon, 32nd District
- Representative Jeffrey Elmore, 94th District

April 2024

Charter School Review Board
North Carolina Department of Public Instruction
301 N. Wilmington Street
Raleigh, NC 27601

RE: Support for NC Career-focused Connections Academy

Dear Chairman Friend and Board Members:

As a non-profit organization that provides team-based internship programs for students, we support the new North Carolina career-focused Connections Academy charter application to the Charter School Review Board. We believe in developing students' durable skills - the skills AI cannot take over. The exposure to working with real businesses to solve real problems during school is very important. Connections Academy is doing this work to bring experiences to students on their path to college and/or career.

District C shares a similar vision and believes the best way to ensure student success and career longevity, while meeting the needs of North Carolina's future economy and workforce, is through innovative and early introductions to the basic skills required for the jobs of the future in our state and across the nation. These aligned visions between our organization and the school are why we support the development of this new Connections Academy career-focused school in NC. We look forward to working with their leadership to bring new and sustaining opportunities to students across the state.

While we fully support our traditional public schools through many district partners, we value students having access to what works for them and their families across the state. District C supports this career-focused full-time virtual learning opportunity, and sees the many benefits to our students and families.

If you have any questions, please feel free to reach out to me.

Sincerely,

Ashley Mannka
Chief Strategy Officer
District C

DISTRICT C
A North Carolina nonprofit with 501(c)(3) tax exempt status
www.districtc.com

March 29, 2024

Dear Chairman Friend and Members of the Charter School Review Board,

I am writing to you in support of the application for North Carolina Connections Academy.

Be Pro Be Proud NC is proud to be furthering the interest and opportunities of a number of technical careers for students, parents and educators across the state. We are excited to be able to expose students to countless skilled professions, and employers who seek well-trained individuals to fill significant gaps in the state’s workforce. We partner with North Carolina Home Builders Association, CAT, Lowe’s Pros, Mid-Atlantic Mechanical Contractors Association and the North Carolina Forestry Association, just to name a few.

We support this new Connections Academy school model and its ability to further train and prepare students to enter a variety of technical professions. Those who partner with the school will aid in providing additional opportunities to the students and schools across North Carolina.

While we fully support our traditional public schools, we also understand through our own experiences, the value of having multiple learning options and platforms available to students in our state. Be Pro Be Proud NC enthusiastically supports this career-focused full-time virtual learning opportunity, and sees the endless benefits to our students and families.

Thank you for your time and consideration of the application for North Carolina Connections Academy. I believe that its approval could benefit the students of our state.

Sincerely,

Wade Butner

NORTH CAROLINA HOME BUILDERS ASSOCIATION
P.O. BOX 99090 · RALEIGH, N.C. 27624-9090
PHONE (919) 676-9090 · TOLL FREE 1-800-662-7129 · FAX (919) 676-0402
www.nchba.org · www.21buildingexpo.com

April 19, 2024

Dear Chairman Friend and Members of the Charter School Review Board,

The 15,604 members of the North Carolina Home Builders Association wish to support the development of a skilled workforce in our state. As business leaders, we are experiencing a labor gap in our skilled tradespeople that seems to grow daily. In working with our education partners, we are looking for solutions that allow students to graduate high school with immediate employability skills or move to higher education to further their technical education.

We write this letter in support of North Carolina Connections Academy as this school will offer a virtual school pathway for students to pursue career options or college opportunities. North Carolina Connections Academy is a potential solution to the shortage of skilled individuals we experience within our building industry. Students will learn skills and trades for employability immediately after high school; they will also have the opportunity to explore a number of career pathways before determining what is best for their skill sets and learn leadership skills from an early age.

Based on our information on the educational opportunities available to students in North Carolina, we believe this Connections Academy school is a great option for students and therefore write this letter in support. We look forward to seeing the positive impact this school will bring to students across the state, and our state's workforce as a whole.

Sincerely,

Tim Minton
Executive Vice President

2024 NCHBA OFFICERS

President
CODY BYRD
Lenoir, (828) 292-0615
cody.byrd@alairhomes.com

President-Elect
THOMAS MCCLAIN
Mills River, (828) 242-3465
thomas@hshwnc.com

First Vice President
DICKY GEPHART
Raleigh, (919) 745-1002
richard@gephartbuilt.com

Vice President, Region I
MARK MERRELL
Emerald Isle, (252) 241-7761
mark@codhomeservices.com

Vice President, Region II
DAVID PRICE
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Vice President, Region III
DOUGLAS BALL
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douglas@ballrentals.com

Vice President, Region IV
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swiftsell@gmail.com

Vice President, Region V
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Vice President, Region VI
ANDI DIRKSCHNEIDER
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Vice President, Region VII
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Vice President, Region VIII
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adamsandadamsconstruction@gmail.com

Secretary/Treasurer
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callen@parksite.com

Immediate Past President
BRANDON BRYANT
Asheville, (828) 712-1518
brandon@redtreebuilders.com

Executive Vice President
TIM MINTON
Raleigh, (919) 676-9090
tminton@nchba.org

*EUGENE A. GULLEDGE (1964)
C. PHIL ROBINSON, JR. (1965-66)
*CARL W. JOHNSON (1967)
*JOHN CROSLAND, JR. (1968)
*J.M. DAUGHTRIDGE (1969)
*HOMER BARRETT (1970)
*JAMES W. LESTER (1971)
CHARLES C. McLAURIN (1972)
*J. VAUGHN KLUTTS (1973)
*C. L. REAVIS (1974)
*JOHN T. BELL (1975)
*WILLIAM T. BOYD (1976)
LaRUE HAMBRICK (1977)
*J. RAY SPARROW (1978)
SHERRILL FAW (1979)
MARK E. TIPTON (1980)
M. DURWOOD STEPHENSON (1981)
J. WATTS ROBERSON (1982)
*NELSON CALLAHAN (1983)
*PAUL D. TROLLINGER (1984)
RICK BATCHELOR (1985)
BURL LANCE (1986)
*LARRY SUMMER (1987)
HERSCHEL REDDING (1988)
JAMES FORD (1989)
*STEVE NASH (1990)
HARRIS B. GUPTON (1991)
RUSS DAVIS (1992)
CHUCK MILLER (1993)
CHARLES MULLEN (1994)
ROBERT INGRAHAM (1995)
DAVID PRESSLY, JR. (1996)
DONALD W. BETSWORTH (1997)
GEORGE HENSON (1998)
ROBERT YATKO (1999)
DANNY ADAMS (2000)
JONATHAN ELLIOT (2001)
DON CROOM (2002)
GREG ISENHOUR (2003)
RICK JUDSON (2004)
BUDDY HUGHES (2005)
DAVE STORMONT (2006)
PAUL MULLICAN (2007)
RAY RHODES (2008)
FRANK WIESNER (2009)
LYLE GARDNER (2010)
BILL DALEURE (2011)
ERIK ANDERSON (2012)
J. GARY HILL (2013-14)
SEAN SULLIVAN (2015)
BRIAN PACE (2016)
GARY EMBLER (2017)
ALAN BANKS (2018)
PHIL WARRICK (2019)
MARK MARTIN (2020)
MICHAEL ENSCORE (2021)
WES CARROLL (2022)
*Deceased

ABC
Associated Builders and Contractors
Carolinas

April 3, 2024

Dear Members of the Charter School Review Board,

We at the Associated Builders and Contractors, Inc. of the Carolinas (ABC Carolinas) would like to show our support for the new remote charter academy, North Carolina Connections Academy. We believe this new school would be an asset to students and families in the state and offer a fantastic opportunity for students to pursue careers in our industry.

Within our mission at ABC Carolinas is to enhance informational and educational programs statewide, and that safety training is the lifeblood of our industry. We strive to support builders and contractors in securing employees with proper training and who merit employment in the industry with organizations of the highest standards.

We believe North Carolina Connections Academy will provide a high-quality public-school option for students to pursue both higher education and technical careers. We believe it is important for students in North Carolina to have a full-time remote learning option with career programming. The flexibility that students and families are looking for is not just in the delivery of instruction, it is also the programming that is available, and the supports and incentives provided.

ABC Carolinas supports North Carolina Connections Academy, and hopes to benefit from the skilled workforce their program is likely to produce.

Sincerely,

Kristen Powell

Kristen Powell
President and CEO

April 12, 2024

Dear Members of the Charter Schools Review Board,

Parents for Educational Freedom in North Carolina (PEFNC) is a non-profit organization that advocates for quality educational options through parental school choice. PEFNC has been a source for parental school choice, both traditional and non-traditional for many years. PEFNC firmly believes that education is not “one size fits all,” and that children have unique needs. Families should have the freedom to choose the best education to meet those needs, regardless of race, zip code, or income.

As a statewide remote public charter school applicant, North Carolina Connections Academy would provide a high-quality online learning environment for students and families across North Carolina. Its career components will offer a unique model to students of all backgrounds that is not currently available in the statewide online landscape. We believe it would be a wonderful option for families that desire this school model.

For these reasons, we advocate for the approval of the North Carolina Connections Academy remote charter application. We appreciate your consideration of their application.

Best regards,

Mike Long

Mike Long
PEFNC President

North Carolina General Assembly
House of Representatives

REPRESENTATIVE FRANK SOSSAMON
GRANVILLE AND VANCE COUNTIES
32ND DISTRICT

OFFICE: 609 LEGISLATIVE OFFICE BUILDING
300 N. SALISBURY STREET
RALEIGH, NC 27603—5925
PHONE: (919) 733-5824
EMAIL: FRANK.SOSSAMON@NCLEG.GOV

COMMITTEES: APPROPRIATIONS
APPROPRIATIONS, EDUCATION
COMMERCE
EDUCATION, K-12
TRANSPORTATION

April 10, 2024

Charter School Review Board
North Carolina Department of Public Instruction
301 N. Wilmington Street
Raleigh, NC 27601-2825

Dear Chairman Friend and Members of the Charter School Review Board:

When I was made aware a group of accomplished professionals were applying to the Charter Schools Review Board to open a career-focused Connections Academy (a statewide remote charter academy), I wanted to reach out and share my support for this new school with you.

While our traditional education system is wonderful for many kids, it is not necessarily right for every child. There are numerous examples of situations where a child needs a unique way or environment in which to learn. A statewide, full-time remote learning model aligned to college and career readiness for families wishing for their children to develop a strong appreciation for life-long learning, such as this school’s enhanced academic school year and badging culture, would provide one more educational option for our families. This option allows parents to choose the time, place and pace of their child’s learning to help increase their child’s academic performance and increase their chances of success.

Granville County has a rich history and is filled with families who are constantly striving to find the best for their children. While the citizens of my district value tradition, they also welcome innovation and professional advancement. I believe North Carolina Connections Academy is a great addition to North Carolina as one more educational choice available to our families so more children can learn in an environment that best suits them.

North Carolina General Assembly
House of Representatives

REPRESENTATIVE FRANK SOSSAMON
GRANVILLE AND VANCE COUNTIES
32ND DISTRICT

OFFICE: 609 LEGISLATIVE OFFICE BUILDING
300 N. SALISBURY STREET
RALEIGH, NC 27603—5925
PHONE: (919) 733-5824
EMAIL: FRANK.SOSSAMON@NCLEG.GOV

COMMITTEES: APPROPRIATIONS
APPROPRIATIONS, EDUCATION
COMMERCE
EDUCATION, K-12
TRANSPORTATION

Sincerely,

Frank Sossamon

Frank Sossamon
32nd District Representative

North Carolina General Assembly
House Of Representatives

REPRESENTATIVE JEFFREY ELMORE
94TH DISTRICT

OFFICE: 301-D LEGISLATIVE OFFICE BUILDING
300 N. SALISBURY STREET
RALEIGH, NC 27603-5925
PHONE: (919) 733-5935
FAX: (919) 733-3113
EMAIL: jeffrey.elmore@ncleg.gov
DISTRICT: ALEXANDER AND WILKES

COMMITTEES:
APPROPRIATIONS, CHAIRMAN
APPROPRIATIONS, EDUCATION, VICE-CHAIRMAN
AGRICULTURE
EDUCATION, COMMUNITY COLLEGES
EDUCATION, K-12
PENSIONS AND RETIREMENT

April 9, 2024

Charter School Review Board
North Carolina Department of Public Instruction
301 N. Wilmington Street
Raleigh, NC 27601-2825

Dear Chairman Friend and Members of the Charter School Review Board:

I am writing in support of North Carolina Connections Academy. As more parents consider virtual education in the COVID-19 era, it is vital that the North Carolina support these forms of education in order to ensure success for all of our students. It's clear that many are seeking alternative educational avenues to better equip their children for the workforce. The unique offerings provided by this school have the potential to benefit not only my district but also many rural North Carolina families statewide. As a legislator, I am optimistic about the positive impact this charter school can have on our community and the educational landscape of our state.

North Carolina Connections Academy is unique in its focus on career readiness, providing students a number of opportunities with career pathways, career counseling, and exposure to professionals in a variety of fields of interest. As our state faces a shortage in our workforce, these types of programs present a bright spot and a grand opportunity to teach our children about how to be contributing members of the workforce and how to hold family-sustaining jobs.

These programs bring additional choices for parents in an age where kids who learn differently will benefit from different approaches to education. North Carolina Connections Academy will provide an exceptional choice for families in my district who are looking for another way to educate their children in ways that best suit their needs.

Thank you for your thoughtful consideration of this project. I am proud to lend my support to North Carolina Connections Academy and the unique opportunity the school will provide.

Sincerely,

Rep. J. Elmore

Representative Jeffrey Elmore

District 94

APPENDIX K

Articles of Incorporation

This appendix contains:

1. Articles of Incorporation
2. Resignation of Original Board Chair
3. Board Meeting Minutes Reflecting New Board Chair

NORTH CAROLINA
Department of the Secretary of State

To all whom these presents shall come, Greetings:

I, ELAINE F. MARSHALL, Secretary of State of the State of North Carolina, do hereby certify the following and hereto attached to be a true copy of

ARTICLES OF INCORPORATION

OF

NORTH CAROLINA FOR ONLINE INSTRUCTION, INC.

the original of which was filed in this office on the 23rd day of February, 2024.

Scan to verify online.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal at the City of Raleigh, this 23rd day of February, 2024.

Elaine F. Marshall

Secretary of State

SOSID: 2795664
Date Filed: 2/23/2024 8:23:00 AM
Elaine F. Marshall
North Carolina Secretary of State
C2024 052 01613

State of North Carolina
Department of the Secretary of State

ARTICLES OF INCORPORATION
NONPROFIT CORPORATION

Pursuant to §55A-2-02 of the General Statutes of North Carolina, the undersigned corporation does hereby submit these Articles of Incorporation for the purpose of forming a nonprofit corporation.

1. The name of the nonprofit corporation is: North Carolina for Online Instruction, Inc.

2. ☑ (Check only if applicable.) The corporation is a charitable or religious corporation as defined in NCGS §55A-1-40(4).

3. The name of the initial registered agent is: Corporation Service Company

4. The street address and county of the initial registered agent's office of the corporation is:

Number and Street: 2626 Glenwood Ave Ste 550

City: Raleigh State: NC Zip Code: 27608 County: Wake

The mailing address ***if different from the street address*** of the initial registered agent's office is:

Number and Street or PO Box: 2626 Glenwood Ave Ste 550

City: Raleigh State: NC Zip Code: 27608 County: Wake

5. The name and address of each incorporator is as follows:

Name	Address
James E Bartlett II	309 Ashdown Forest Lane Cary NC, 27519-1531 United States

6. (Check either "a" or "b" below.)

   a. ☐ The corporation will have members.

   b. ☑ The corporation will not have members.

7. ☑ Attached are provisions regarding the distribution of the corporation's assets upon its dissolution.

8. ☑ Attached are provisions regarding the limitation of activities of the corporation.

9. Any other provisions which the corporation elects to include are attached.

10. The street address and county of the principal office of the corporation is:

Principal Office Telephone Number: ______

Number and Street: 309 Ashdown Forest Lane

City: Cary State: NC Zip Code: 27519-1531 County: Chatham

The mailing address ***if different from the street address*** of the principal office is:

Number and Street or PO Box: 509 S Exeter St., Suite 202

City: Baltimore State: MD Zip Code: 21202-4252 County: Baltimore City

11. Principal Office Email Address: Privacy Redaction

12. **(Optional):** Listing of Officers (See instructions for why this is important)

Name	Address	Title

13. **(Optional):** Please provide a business e-mail address: Privacy Redaction.
The Secretary of State's Office will e-mail the business automatically at the address provided at no charge when a document is filed. The e-mail provided will not be viewable on the website. For more information on why this service is being offered, please see the instructions for this document.

14. These articles will be effective upon filing, unless a future time and/or date is specified: ______

This is the 21st day of February ,2024.

______
Incorporator Business Entity Name

James E Bartlett II
Signature of Incorporator

James E Bartlett II Incorporator
Type or print Incorporator's name and title, if any

NOTES:
1. Filing fee is $60. This document must be filed with the Secretary of State.

Purpose of Corporation
The corporation is organized for the following purpose(s): (check all that apply):

- ☐ Religious
- ☐ Charitable
- ☑ Educational
- ☐ Testing for public safety
- ☐ Scientific
- ☐ Literary
- ☐ Fostering national or international amateur sports competitions, and/or
- ☐ Prevention of cruelty to children or animals.

The Dissolution Clause

Upon the dissolution of the corporation, assets shall be distributed for one or more exempt purposes within the meaning of section 501(c)(3) of the Internal Revenue Code, or the corresponding section of any future federal tax code, or shall be distributed to the federal government, or to a state or local government, for a public purpose. Any such assets not so disposed of shall be disposed of by a Court of Competent Jurisdiction of the county in which the principal office of the corporation is then located, exclusively for such purposes or to such organization or organizations, as said Court shall determine, which are organized and operated exclusively for such purposes.

The Limitation of Activities Clause

No part of the net earnings of the corporation shall inure to the benefit of, or be distributable to its members, trustees, officers, or other private persons, except that the corporation shall be authorized and empowered to pay reasonable compensation for services rendered and to make payments and distributions in furtherance of the purposes set forth in these Articles. No substantial part of the activities of the corporation shall be the carrying on of propaganda, or otherwise attempting to influence legislation, and the corporation shall not participate in, or intervene in (including the publishing or distribution of statements) any political campaign on behalf of or in opposition to any candidate for public office.

Notwithstanding any other provision of these articles, the corporation shall not carry on any other activities not permitted to be carried on (a) by a corporation exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code, or the corresponding section of any future federal tax code, or (b) by a corporation, contributions to which are deductible under section 170(c)(2) of the Internal Revenue Code, or the corresponding section of any future federal tax code.

ADDENDUM TO
ARTICLES OF INCORPORATION
NORTH CAROLINA FOR ONLINE INSTRUCTION, INC.

ARTICLE I
Purpose

The Corporation is organized, and shall be operated exclusively for charitable religious, educational, and/or scientific purposes, including, for such purposes, the making of distributions to organizations that qualify as exempt organizations under section 501(c)(3) of the Internal Revenue Code, or the corresponding section of any future federal tax code. These purposes include, but are not limited to, promoting, supporting, and representing the interests of, and operating a charter school in the State of North Carolina.

ARTICLE II
Anti-Discrimination

The Corporation will not practice, or permit discrimination based on sex, age, race, national origin, religion, or physical handicap or disability.

ARTICLE III
Board of Directors

The management of the affairs of the Corporation shall be vested in its Board of Directors, as defined by the Corporation's bylaws. The terms of office, qualifications, and method of election of the directors shall be as specified in the Bylaws.

ARTICLE IV
Term of Existence

The duration of the corporation shall be perpetual subject to dissolution of the Company in accordance with the Act and this Agreement.

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ARTICLE V
Amendment

The Articles of Incorporation may be amended by the directors of the corporation by a vote of two-thirds (2/3) of the number of directors in office at the time that the amendment is adopted.

ARTICLE VI
Director Liability

To the fullest extent permitted by State law, no director of the Corporation shall be liable to the Corporation for monetary damages for any acts or omissions as a director. No repeal, amendment, or modification of this article, whether direct or indirect, shall eliminate or reduce its effect with respect to any act or failure to act of a director of the Corporation occurring prior to such repeal, amendment, or modification.

ARTICLE VII
Indemnification

To the fullest extent permitted by State law, the Corporation shall indemnify and advance expenses to any person who incurs expenses or liabilities by reason of the fact he or she is or was an officer, director, employee or agent of the Corporation or is or was serving at the request of the Corporation as a director, officer, employee or agent of another foreign or domestic corporation, partnership, joint venture, trust, employee benefit plan or other entity. The foregoing indemnification and advancement of expenses shall be mandatory in all circumstances in which the same are permitted by law. No repeal, amendment, or modification of this article, whether direct or indirect, shall eliminate or reduce its effect with respect to any matter giving rise to indemnification and advancement of expenses occurring prior to such repeal, amendment.

From: James Bartlett
Sent: Wednesday, March 13, 2024 9:47 AM
To: Karen Duquette
Subject:

Karen:

I am emailing to let you know that I do not feel I will be able to serve on the board. Since my wife and I took positions at Old Dominion University, we have purchased a house in Norfolk, VA and have recently decided to sell our NC house purchase one at the beach in VA. I would be willing to help support this effort in other ways if needed. My doctoral student (who just successfully defended his dissertation, Nick D'Antonio) is planning on keeping his residence status in NC and will be great. Sorry for the change but, I feel it is better to let you know now than in a month.

James

James E. Barlett, II, Ph.D.
Old Dominion University
Associate Professor of Workforce Development and Community College Leadership

Executive Director
Association for Career and
Technical Education Research
https://www.acteronline.org/

APPROVED 4/17/24

NORTH CAROLINA CONNECTIONS ACADEMY
ORGANIZATIONAL BOARD MEETING

Thursday, March 21, 2024 at 6:00 p.m.

Held at the following location:
Perry's Steakhouse & Grille
4509 Creedmoor Road
Raleigh, NC 27612

I. Call to Order and Roll Call

Ms. Arthur called the meeting to order at 7:05 p.m. when all participants were present in person.

Board Members Present: Marchelle Sutton, Alexandria Ratcliff, Philip Thomas and Alexis Boykin;

Guests Present: Karen Duquette and Megann Arthur, Pearson Virtual Schools (PVS) staff.

II. Welcome and Introduction of All Participants

Ms. Arthur welcomed all participants, thanked them for their time and willingness to participate in this new remote career charter academy opportunity, and encouraged all present to introduce themselves, provide some biographical information to the group, and share their passion for educational opportunity. All founding Board member candidates introduced themselves as did both members of the Pearson Virtual Schools team. Ms. Arthur and Ms. Duquette also highlighted support services Pearson can offer the school and Board, at a high level.

III. Routine Business

a. Review of Goals for the Meeting

Ms. Arthur presented this item to the Board. She reviewed the agenda, overall goals for the evening's meeting, including the appointments of directors and officers, review and consideration of organizational and foundational documentation, and the anticipated process prior to submission. Ms. Arthur also related that this was an opportunity for the primary stakeholders and contacts associated with this new school opportunity to connect, strategize and discuss future plans for the school and priorities of the Board.

b. Approval of Agenda

Ms. Arthur asked the Board to review the agenda distributed prior to the meeting. There being no changes noted, a motion was made by and seconded as follows:

RESOLVED, that the Agenda for the March 21, 2024 Organizational Meeting of the North Carolina Connections Academy Board of Directors, as presented, is hereby approved.

The motion passed unanimously.

IV. Overview of Charter Application Timeline, Process and Communications with Potential Authorizer

Ms. Arthur re-iterated the many goals of the day, including the discussions slated later in the meeting to provide highlights on the instructional model, components of the career and technical education programs, and operational plans.

Ms. Arthur and Ms. Duquette further reviewed the anticipated timeline for submission of all associated charter documentation, the potential authorizer's review of the application, preparations over the coming months for the Board's presentation to the Charter School Review Board in the fall, and the expected timing of the authorizer's decision on the charter application. She further noted that the application cycle is for a school to begin operations in the fall of 2026. Board members had brief discussion regarding the state's required board member background checks and documents.

V. Action Items

a. Approval of Appointment of Founding Board Members

Ms. Arthur briefly highlighted the biographical information both provided in the Board meeting materials and provided by each founding candidate present at the start of the meeting. She further reviewed some of the primary roles and responsibilities of non-profit school board directors, and recommended the founding board be established. There being no further discussion, a motion was made and seconded as follows:

RESOLVED, that the appointments of James Bartlett, Alexis Boykin, Marchelle Sutton, Tonya Faison, Alexandria Ratcliff, Nicholas D'Antonio and Philip Thomas as Founding Board Members for North Carolina for Online Instruction, Inc. for terms until the next Annual Meeting, as presented, are hereby approved.

The motion passed unanimously.

b. Approval of Election of Board Officers

Ms. Arthur reviewed with the Board each Officer position as set out in the Bylaws and in the Board materials provided to the Board for their review and consideration. She advised the Board that all positions would be for the term until the next Annual Meeting. Nominations were opened for each position, and discussion held regarding the best members of the Board to serve in each role. There being no further discussion, a motion was made and seconded as follows:

RESOLVED, that the appointments of:

Marchelle Thomas, Board President;
Alexis Boykin, Board Treasurer; and
Alexandria Ratcliff, Board Secretary, as discussed, are hereby approved.

The motion passed unanimously.

c. Review and Approval of Bylaws

Ms. Arthur reviewed the proposed Bylaws in detail with the Board, including the Board's responsibilities, terms of office, Officer roles and ethical duties. Board members had clarifying discussion with Ms. Arthur regarding specific sections of the Bylaws and noted a couple of non-substantive edits to be made. There being no further discussion, a motion was made and seconded as follows:

RESOLVED, that the Bylaws, as amended at meeting, are hereby approved.

The motion passed unanimously.

d. Ratification of Articles of Incorporation (AOI)

Ms. Arthur noted that the AOI were provided to the Board in the meeting materials, and advised that they had been filed and accepted by the state prior to the Board meeting, to establish the new entity. Board members had brief discussion about the incorporator, Mr. James Bartlett's initial interest and involvement in the founding board, prior to accepting a new university position in another state. There being no further discussion, a motion was made and seconded as follows:

RESOLVED, that the Articles of Incorporation, as presented, are hereby ratified.

The motion passed unanimously.

e. Review and Approval of Organizational Resolutions

Ms. Arthur presented this item to the Board. She reviewed with the Board the Organizational Resolutions in detail, as included in the Board materials. Board members discussed specific items within the Resolutions, including bank accounts and insurance matters, and also discussed the timing for the completion of certain tasks following charter approval. There being no further discussion, a motion was made and seconded as follows:

RESOLVED, that the Organizational Resolutions, as presented, are hereby approved.

The motion passed unanimously.

f. Review and Approval of Board Governance Policies: Background Clearance for Board Members, Board Delegation, Code of Ethics, Conflict of Interest and Anti-Nepotism, and Expense Reimbursement and Compensation

Ms. Arthur presented this item to the Board, providing an overview of the recommended policies, and the advantages of approving this set at this early stage of the charter application/ contract process. Ms. Arthur advised that additional policy recommendations will be brought before the Board for consideration in future meetings, noting that all school and board policies are evolving, and both review and amendments will happen regularly. There being no further discussion, a motion was made and seconded as follows:

RESOLVED, that Board Governance Policies: Background Clearance for Board Members, Board Delegation, Code of Ethics, Conflict of Interest and Anti-Nepotism, and Expense Reimbursement and Compensation, as discussed, are hereby approved.

The motion passed unanimously.

g. Review and Approval of School Mission and Vision Statements

Ms. Arthur reviewed the proposed Mission and Vision statements with the Board, as included in the Board materials. Board members expressed their support of the statements. There being no further discussion, a motion was made and seconded as follows:

RESOLVED, that the School Mission and Vision Statements, as presented, are hereby approved.

The motion passed unanimously.

VI. Board Training and Charter Application Review

a. Instructional, Operational and Governance Plan Highlights

Ms. Duquette and Ms. Arthur provided the Board with some high level school program details, as well as planning activities for both the Board's interview with the Charter School Review Board, and planning year prior to the state of school operations (following charter approval). Board members also reviewed programmatic items discussed throughout the evening's meeting.

VII. Review and Consideration of Authorization for Board President to Negotiate, Finalize and Execute/Submit School Foundational Documentation on Behalf of the Board

a. Charter Application
b. Board Counsel Engagement
c. School Facility Lease
d. Statement of Agreement (SOA) with Pearson Virtual Schools (PVS)
e. School Name Change

Ms. Arthur re-iterated the anticipated timeline for charter submission, and the advantages of appointing the Board President as Board Designee to negotiate, finalize and either execute or submit (or both) foundational and charter-related documentation on behalf of the Board. Board members had discussion regarding the items proposed to designate the Board President to finalize, and each expressed their support of designating the actions to the Board President, especially given the timing of the charter submission.

Ms. Duquette reviewed the process completed to date to identify and vet potential Board Counsel candidates. She further discussed the Board Counsel candidate's engagement letter included in the Board materials, noting the anticipated scope of work and associated fees. Board members discussed the Board Counsel engagement, and expressed their intent to approve the engagement based on the Counsel's proposal. There being no further discussion, a motion was made and seconded as follows:

RESOLVED, that the Authorization for Board President to Negotiate, Finalize and Execute/Submit School Foundational Documentation on Behalf of the Board, including the (a) Charter Application, (c) School Facility Lease, (d) Statement of Agreement (SOA) with Pearson Virtual Schools (PVS), and (e) School Name Change, as discussed, is hereby approved; and

FURTHER RESOLVED, that the Board Counsel Engagement, as presented, is hereby approved.

The motions passed unanimously.

VIII. Information/ Discussion Items

a. Board Statements and Letters of Support

Ms. Duquette discussed the ways residents of North Carolina can show support for the school's application. She reviewed the requirements within the application to include support in the appendices, and the efforts made to date, as well as those planned prior to submission, for inclusion in the application. Ms. Duquette asked Board members for their assistance in collecting both statements and letters of support for the application.

b. Board Training and Upcoming Meeting(s) Planning

Ms. Arthur had a brief discussion with the Board regarding timing of both the Board's next meeting, as well as training in the coming months in preparation for the Board's charter application interview.

IX. Review and Consideration of Any Necessary Action(s) Based on Board Meeting Discussions

Ms. Arthur reminded the Board of Mr. James Bartlett's appointment earlier in the meeting as he was previously interested and engaged in founding board activities; she also reviewed his letter of resignation, received just prior to the evening's meeting, and his regret not to continue with the Board due to his recent acceptance of a new out-of-state employment. She further reminded Board members that Dr. Warm Ulmer was also a candidate for the founding board, and referred Board members to his resume and biographical information included in the Board meeting materials. There being no further discussion, a motion was made and seconded as follows:

RESOLVED, that the Acceptance of Resignation of James E. Bartlett, II, as discussed and effective immediately, is hereby approved; and

FURTHER RESOLVED, that the Appointment of Dr. Ward Ulmer as a Founding Board Member for North Carolina for Online Instruction, Inc. for a term until the next Annual Meeting, as presented, is hereby approved.

The motions passed unanimously.

X. Board Member Completion of all Charter Application Required Forms

Members of the Board had discussion with Ms. Duquette and Ms. Arthur regarding the required documentation for the charter application submission.

XI. Adjournment and Confirmation of Next Meeting Date

Ms. Arthur noted that the Board was at the end of its agenda. The Board confirmed the next Board meeting will telephonic and scheduled for Thursday, April 11, 2024 at 12:00 p.m. EST. There being no further business, the meeting was adjourned at 10:15 p.m.

APPENDIX A4.1

Draft Management Contract

PEARSON VIRTUAL SCHOOLS USA
VIRTUAL LEARNING EDUCATION PROGRAMS

STATEMENT OF AGREEMENT

Customer Name: North Carolina for Online Instruction, Inc.
Contact Person: Marchelle Sutton
Phone Number: (919) 583-1148
Email Address: Marchelles117@gmail.com
Effective Date: July 1, 2026
Expiration Date: June 30, 2031

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1. **Background Information**, North Carolina for Online Instruction, Inc, a non-profit organization ("Customer") holding the charter for a North Carolina public charter school under the name North Carolina Connections Academy pursuant to a trademark license granted in this Agreement ("School") is contracting with Connections Education LLC, also doing business as Pearson Virtual Schools USA ("Pearson") to receive access to certain virtual education products through Pearson's education management system ("EMS"), along with associated support services, as more fully set forth in the attached Schedules (collectively, the "Education Program"). Customer and Pearson together are sometimes collectively referred to herein as Parties and individually as a Party. The School is authorized as a remote charter academy by its Authorizer under North Carolina ("State") law. The Parties' rights and responsibilities are set forth in the schedules attached hereto and incorporated herein by reference, and for the convenience of the Parties are organized as set forth below. Upon mutual written agreement of the Parties, schedules can be amended or restated without amending or restating the remainder of the schedules or this cover page.
2. **Term**. This Agreement will commence on July 1, 2026 ("Effective Date") and expire on June 30, 2031 (the "Term"), unless otherwise renewed ("Renewal Term").

3. **Pearson Rights and Responsibilities**.
    a. The Education Program, described on Schedule 1;
    b. Special Education Services, described on Schedule 2;
    c. Employment and Staffing, described on Schedule 3;
    d. Staff Related Services, described on Schedule 4;
    e. Partner Success Team, described on Schedule 5;
    f. Enrollment, Academic Placement and Public Information Campaign services, described on Schedule 6;
    g. Student Record Services, described on Schedule 7;
    h. Technology and Facility Services, described on Schedule 8;

4. **Customer Responsibilities**.
    a. All responsibilities not specifically delegated to Pearson are the responsibility of Customer and are generally organized for Customer's convenience in Schedule 9, with additional references to Customer's responsibilities in other attached schedules;
    b. Collection of Funds, Pricing and Payment Terms, described on Schedule 10;

5. **Additional Schedules.**
    a. Notice Information, described on Schedule 11;
    b. Insurance Policies, described on Schedule 12;
    c. Legal Terms, described on Schedule 13; and
    d. Index of Defined Terms described on Schedule 14.

This Agreement, including the attached Schedules, comprises the entirety of the Parties' agreement.

Agreed to by:

PEARSON VIRTUAL SCHOOLS USA	**NORTH CAROLINA FOR ONLINE INSTRUCTION, INC.**
By: ________________________________	By: ________________________________
Title: ______________________________	Title: ______________________________
Date: ______________________________	Date: ______________________________

Schedule 1

Education Program

1. Curriculum. Pearson will provide the Education Program which includes educational content and materials delivered primarily through the internet and other electronic means ("Curriculum") which, when supplemented with Teacher provided additions and modifications, meets the State standards. The Curriculum includes:
    a. Pearson standard Course offerings, access to teacher-directed extended learning activities, non-School directed extracurricular activities, and other special events.
    b. To the extent permitted by state law, optional access to certain courses taught through the Pearson Online Academy
    c. A license to use Pearson's standard instructional materials ("Instructional Materials"). Instructional Materials will be provided in compliance with Students' individualized education plan ("IEP") or 504 Plan when available.
    d. To the extent reasonably possible and so long as within the existing capability of the scope of products and services provided as part of the Education Program, provide services and accommodations for assessments, instructional approach and/or lesson presentation to meet individual needs of a Student to the extent documented on an IEP or 504 plan provided to Pearson.

2. EMS Access. Pearson grants Customer a license for the duration of the Term to access and use Pearson's proprietary technology platform (the "EMS"), so that Students, Caretakers of Students, Learning Coaches, Teachers and Administrative Staff have access to the Education Program.
3. Personalized Learning Plan Protocol. Provide Teachers with resources and assistance designed to enhance Teachers' effectiveness in creating a Personalized Learning Plan ("PLP") for each Student that will meet or exceed any educational standards established by the State or otherwise required by the Charter.
4. Testing and Assessments. Support School in the administration of benchmark assessments, as well as all State-required testing and other State-mandated assessments, including a series of assessments designed to gauge the Student's mastery of core concepts and readiness for the State standardized tests or other State mandated testing, as more fully described in Schedule 9, Section 4.
5. Training.
    a. Provide Customer and School Staff with necessary training in Pearson protocols and continuing professional development and other related training, leadership development and peer to peer networking opportunities (collectively "Training") that support the School mission and delivery of the Education Program and which will allow the respective School Staff to comply with applicable laws that specify Training requirements.
    b. Provide training and support programs and materials to Students, Learning Coaches, Caretakers and community coordinators on the Curriculum, use of the EMS, various Pearson policies and procedures, and other topics relevant to successfully engaging the Education Program.

   c. All costs associated with such Training shall be the responsibility of Pearson, including related travel, housing, meal and hospitality costs, except to the extent Pearson notifies the Customer at least three months prior to the Training opportunity of those costs the Customer will be required to cover. Pearson's sponsored training will be for the purpose of supporting the School's education mission and other related official school business.

6. NCAA. So long as the School meets the Pearson NCAA criteria and agrees to deliver courses and instruction in compliance with the NCAA Guidelines for Connections Academy Schools (both criteria and Guidelines found here: https://www.connexus.com/library/launch.aspx?id=80237), the School will be included in the Connections Academy "district" for NCAA purposes at no additional fee, which will entitle Students to receive access to high school courses that meet the NCAA Eligibility.

7. Public Website. Maintain a public web site on behalf of the School that will contain or link to any information required by applicable law. The web site, its design, layout and non-School specific content is the exclusive property of Pearson.

8. Health and Safety: Assist the Customer in the development of training and policies related to the following standards regarding health and safety:

   a. Reporting child abuse or neglect where there is reasonable basis for suspecting such abuse or neglect is occurring, as required by state law;

   b. Adopting policies prohibiting the use of drugs, alcohol, weapons and tobacco in school operated facilities or at school sponsored events;

   c. Adopting policies prohibiting bullying, sexual harassment, harassment, and other social behaviors prohibited under applicable law, including Title IX related violations; and

   d. Complying with all state immunization laws.

   Pearson will conduct audits on a routine basis to track School Staff participation in such trainings, as well as the number of behavior incidents covered by these trainings and policies and reported by the School in either the Student log, the Issue Aware ticketing system or other location, the results of which will be shared with Customer.

9. Counseling and Related Services: Provide services to support, monitor, and train the School in its provision of academic counseling, life skills counseling, college and career counseling, as well as completion of counseling tasks (transcription, AP exam scheduling, graduation counseling, student safety monitoring support, etc.) and other related services to Students, including assisting in the development of protocols and providing consultative support in connection with the protocols.

10. Additional Programs. Make available to Students additional programs such as Career Technical Education, STEM, extended year and accelerated options to the extent permitted by State law, and taking into consideration enrollment demand, funding availability, and other programmatic considerations Pearson deems relevant in determining the feasibility of implementing such programs.

11. Program Oversight. Pursuant to the terms of this Agreement, and as a part of the Pearson fee for Educational Services and Pearson's Program responsibilities, Pearson shall make key personnel reasonably available for advisement and consultation with Customer's

representatives who are responsible for managing or overseeing the Education Program. Except to the extent otherwise agreed, all costs, including reasonable hospitality related expenses, incurred in connection with Program Oversight, shall be paid out of the fee for Educational Services paid to Pearson and, therefore, Customer shall not be separately assessed for any costs incurred by Pearson in connection with its Program Oversight related responsibilities outlined in this Section.

12. Periodic Review. Pearson has invested substantial money and resources in developing a nationally recognized virtual education program under the "Connections Academy" brand and it has an inherent interest in protecting the goodwill generated in connection therewith and the academic integrity of the Education Program. The Parties also recognize that the Customer has a vested interest in Pearson protecting such goodwill, as well as the academic integrity of the Education Program in connection with the School's mission to advance the education interests of its Students. Accordingly, Pearson is hereby obligated and authorized to perform ongoing and periodic reviews of School records documenting the manner in which the Education Program is delivered to Students, including documentation of interaction between Teachers and/or Administrative Staff with Students, Learning Coaches and Caretakers and to report to the Customer, Administrative Staff and/or Teachers any deviations from established Pearson policies, procedures and protocols, federal or state legal requirements, or established best practices, or other deficiencies Pearson takes note of in connection with such ongoing or periodic review.

Schedule 2

Special Education Services

Pearson Employs Special Education Director:

1. The Education Program shall comply with the requirements of the Individuals with Disabilities Education Improvement Act of 2004 (“IDEA”), 20 U.S.C. §§ 1400-1482; Section 504 of the Rehabilitation Act of 1973 (“Section 504”), 29 U.S.C. § 794; the Americans with Disabilities Act (“ADA”), 42 U.S.C. §§ 12101–12213; and any and all state and federal regulations promulgated in connection therewith.
2. Pearson will:
   a. Develop and implement the Special Education Protocols that will govern the manner in which Special Education Services are provided and which shall be in compliance with federal and state special education regulations and statutes;

   b. Implement and deliver the Special Education Services provided by the School, including but not limited to:
      i. Provide periodic compliance assessments to the Customer of the School's delivery of Special Education Services;
      ii. Support the School with ongoing professional learning and monitoring in the areas of special education, Section 504, English Learner (“EL”) and gifted;
      iii. Meet at a minimum, once per month with the School’s Special Education Director or School leadership members, as applicable;
      iv. Monitor the implementation of the Special Education Protocols as well as compliance with Section 504 and EL federal and state requirements;
      v. Provide data support in connection with the State specific Special Education reporting systems;

   c. Provide assistive technology for eligible students;

   d. Provide oral and written English translations for limited English proficient caretakers in their native language in accordance with state and federal law;

   e. Contract directly with related service providers for therapies, evaluations, closed captioning, consulting for vision and hearing impaired and pay invoices for all such services.

3. The Customer authorizes Pearson to apply for, seek, collect, and retain reimbursement through Medicaid (or other applicable State or federal programs) on behalf of the School for the provision of reimbursement eligible services delivered by Pearson (“Medicaid Reimbursement”). The Customer will fully cooperate with Pearson as required to facilitate such Medicaid Reimbursement.

4. <u>Adoption of and Compliance with Special Education Protocols</u>. The School will adopt the Special Education Protocols. The Special Education Protocols will be subject to review and revision by Pearson from time to time throughout the Term. Customer will fully and consistently implement such Special Education Protocols in the provision of Special Education Services and will defer to Pearson guidance with respect to providing Special Needs Students with a free and appropriate public education ("FAPE").

Schedule 3

Employment and Staffing

<u>Administrative Staff and Teachers</u>.

1. Pearson is the employer of Administrative Staff and Teachers.
2. The Administrative Staff and Teachers shall be licensed and/or credentialed in accordance with Applicable Law.
3. In circumstances where there is a vacancy or the Customer's enrollment is insufficient to support one or more full-time Administrative and/or Customer Staff positions, and to the extent permitted by the law of the states of both affected schools, Pearson may utilize the services of certain Administrative Staff members and Teachers from another Pearson supported Customer to staff the School until such time as the relevant vacant position is filled or there are sufficient number of Students to support a particular full-time position, respectively.
4. Pearson will notify the Customer as soon as is practicable of any Administrative Staff or Teacher who Pearson learns has been:
    a. charged with or pled guilty to (including Alford pleas and pleas of nolo contendere) to any felony or misdemeanor, or to an infraction or violation of an ordinance involving a crime of moral turpitude; or
    b. will provide Customer with a copy of any formal "Determination" provided to Pearson regarding an Administrative Staff or Teacher who has been alleged to have committed child abuse or neglect issued by the Department of Social Services (or similar agency) or law enforcement agency regarding such allegations.
5. Customer shall provide notice with specificity to Pearson as soon as practicable of any concerns regarding members of Administrative Staff or Teacher.
6. Pearson will be solely responsible for all employment decisions, including the performance reviews of its employees. The Lead School Administrator shall be responsible for supervision of all School Staff and shall report directly to the Director of School Operations. Customer acknowledges Pearson's employment relationship with School Staff and commits to respecting that relationship. The Customer will be provided with updates pertaining to school performance including the performance of key staff members in a manner consistent with Pearson's employment obligations.

Schedule 4

Staff-Related Services

1. Human Resources Services

   Pearson is the employer of all Staff.

2. Compliance Services

   a. Provide business-related compliance Customer support including: policy creation for all Customer stakeholders, ad hoc board policies, health, safety and emergency preparedness, research and guidance on course and credential alignment and tracking, school calendars, business insurance, business risk management, and board of director compliance and tracking services;

   b. Pearson will be responsible for criminal background checks and fingerprinting to be conducted on staff assigned to the School to the extent required by State law, and will maintain documentary evidence of such background checks and fingerprinting. Upon the Customer's request, Pearson will provide documentary evidence of its compliance with this section, subject to any privacy restrictions or confidentiality requirements imposed by State law.

Schedule 5

Partner Success Team

1. Pearson's Partner Success Team will provide the School with a team of people who will support the school. The Partner Success Team's responsibilities are set forth below.
   a. Advise customer on the academic, financial, and operational health of the school.
   b. Act as a liaison between Pearson departments and the School to ensure processes related to PIC, Enrollment, placement, instruction, product, Curriculum, Computer Technology, facilities, progress monitoring of Students, and business functions are followed.
   c. Liaise with the Customer to provide support in relation (but not limited) to:
      i. Customer strategic concerns;
      ii. Delivery of the terms of this Agreement;
      iii. School relationships with the State Department of Education and authorizer, if applicable;
      iv. Management support of the Budget.
   d. Monitoring the Education Program to ensure the School is implementing it with fidelity to the Pearson model, including established protocols and interventions;
   e. Support the School's academic performance and operational health;
   f. Provide supervision of the Administrative Staff, as well as, guidance oversight and support on:
      i. School Improvement Planning (SIP);
      ii. Problem solving;
      iii. School operations;
      iv. Establishment of and adherence to School policy;
      v. Analysis of School performance and other key data metrics;
      vi. Leadership development and concerns; and
      vii. Targeted intervention strategies.
   g. Support Schools with issue resolution, business measurement and reporting, and data needs.
2. <u>Partner Success Team Communication with School Leader and Administration Staff</u>:
   i. <u>Will participate in:</u>
      a. A weekly Connections Academy School Leader Update (SLU) Information email includes updates or information on items that school leadership teams need to be aware of and/or complete.
      b. Monthly School Leadership team meetings with all Connections Academy principals, assistant principals, Partner Success Team Members and other Pearson employees to

talk about timely topics. All Principals and Assistant Principals are encouraged to attend these monthly meetings.

c. Professional development sessions for school leadership team members. These include monthly meetings on school data, school improvement planning, and other topics. If a school leader is struggling in an area and needs professional development, these sessions may be assigned as mandatory professional development sessions.

d. Quarterly School Improvement update sessions. Each school will report on the current results of their school improvement plan. These sessions are required and should be attended by school leaders, the leadership team, and anyone else at the school who owns one of the school action plans. Members of the Partner Success Team will also attend. Schools are encouraged to invite other stakeholders.

ii. School Leaders and Administrative Staff will at minimum participate in:

i. Weekly one-on-one check-in sessions to touch base and stay informed about:

a. School Year Cycle topics;
b. School metrics;
c. School Improvement Planning (SIP); and
d. Daily school operations.

These meetings/check-in sessions may include only the School Leader or may include other members of the school leadership team as well. For a larger school, other members of the leadership team should attend.

iii. Performance management meetings, where the following will be discussed with the Partner Success Team's Director of School Operations:

a. Goal setting for School Leader;
b. School Leader performance level with improvement suggestions;
c. Improvement planning; and
d. Formalized performance review sessions (mid-year and end of year reviews).

Schedule 6

Enrollment, Academic Placement and Public Information Campaign

1. Enrollment and Academic Placement Processing. Implement and conduct the School enrollment process on behalf of the Customer, in accordance with enrollment, placement and withdrawal policies and procedures adopted by the Customer and Pearson, and consistent with local, state and federal law.
   a. The Customer acknowledges that Pearson is the School's agent throughout the enrollment and placement process. Pearson will receive and deliver information from and to Students and Caretakers in connection with the enrollment and placement process in compliance with state and federal laws.
   b. Pearson shall maintain a list of the Students enrolled in the School and shall provide such list to the Customer promptly upon request.
   c. Dual or part-time enrollment will not be permitted unless mutually agreed upon by Pearson and Customer.
   d. Typically, enrollment and placement services commence the February preceding the upcoming Academic Year. Accordingly, Pearson will have no obligation to provide enrollment and placement services identified herein in support of the Academic Year that follows any termination of this Agreement. Pearson shall, however, be obligated to continue providing enrollment and placement services in support of the final Academic Year of the Term through the termination date of the Agreement. For avoidance of doubt, if the Agreement terminates on June 30, 2031, then Pearson has no obligation to provide any enrollment and placement services that support the 2031-2032 Academic Year.

2. Public Information Campaign.

a. Pearson will develop and implement a Public Information Campaign ("PIC") to inform potential students, their Caretakers, and other interested parties about the Education Program. Pearson will not implement PIC initiatives promoted by the Customer that Pearson determines may have a negative impact on its brand identity and/or reputation in the Marketplace, including in connection with the School. PIC initiatives, strategies and tactics may shift throughout each Academic Year of the Term depending on market demand, changing consumer behaviors, and testing and optimization campaigns.

b. To the extent there is more than one Pearson supported school in the State, the Customer acknowledges the PIC, including all Enrollment Leads, will benefit all schools located within the State taking into consideration each respective school's stated enrollment goals. To the extent possible, siblings of an existing student in a particular school will be placed in that same school, returning students, including students who withdraw and return, are placed in the school of initial enrollment, students who specifically request a particular school are placed in the school of choice. If specific enrollment criteria of a particular school prohibits a particular student from being enrolled in that school, then, if possible, the Student will be placed in another Pearson supported school in the State. Once a school has reached its enrollment cap, efforts will be made to direct families to other Pearson supported schools in the state until such a time as they have reached their enrollment cap, if any.

c. Any methods, processes, collateral, and Enrollment Leads that are obtained, developed and/or used in connection with the PIC is proprietary Pearson Confidential Information, and is the property of Pearson.

d. Pearson maintains an Enrollment Lead database of all generated leads, including those developed through Pearson's PIC efforts. The Enrollment Lead database is the exclusive property of Pearson and shall include, but is not limited to, Enrollment Leads who begin the enrollment process and fail to convert, those who take no steps toward enrollment, and those who withdraw or are otherwise no longer enrolled in a Pearson supported school. The Enrollment Lead database is only for the benefit of the School during the Term, including any renewal term. Customer is not entitled to receive any benefit of the Enrollment Lead database on or after February 1 of the last Academic Year of the Term, except those Enrollment Leads who specifically express a request for enrollment in the last Academic Year of the term. For the avoidance of doubt, and consistent with Pearson's enrollment and placement obligations set forth in Section 1.d. above, if the Agreement expires June 30, 2031 and is not renewed, the School shall not receive the benefit of the Enrollment Lead database for the 2031-2032 Academic Year and beyond.

e. Pearson is authorized by Customer to access Student Records for communication directly with Caregivers and Students in support of the School's education mission about education enrichment related opportunities of potential interest, including post high-school opportunities, clubs and activities, academic contests and competitions, summer school opportunities, internship and job training opportunities. Pearson may authorize other Pearson affiliated businesses to send such communications, so long as Pearson approves of the communication content and such communications comply with all appliable state and federal law.

f. Pearson will keep Customer's PIC coordinator, if any, apprised of the PIC development and implementation.

g. Pearson and the Customer's PIC coordinator, if any, will work together each year during the Term to develop and implement a PIC for the upcoming Academic Year. Pearson is under no obligation to implement any PIC initiatives promoted by the Customer that Pearson determines will have a negative impact on its brand identity and/or reputation in the Marketplace, including in connection with the School.

h. Customer shall not undertake any independent PIC or other marketing activities without the express written consent of Pearson and then only under the terms Pearson establishes.

3. <u>Invoicing for Enrollment Services and PIC</u>. Enrollment Services and PICs supporting a given Academic Year commence during the prior Academic Year but are covered by invoices issued to the School on or after the first day of the Academic Year for which they are intended to benefit. The aforementioned invoices will be issued under the "Upfront Connections Program Fee" line item as described in the Fee Schedule at Schedule 10, as the fee for the Enrollment Services and PIC are included in the bundled Upfront Connections Program Fee. Customer is obligated to fully and timely pay the invoices for the Upfront Connections Program Fee, which for Customer's convenience, are spread out over the months of July through June, even though services commence during the previous Academic Year. For the sake of clarity, the PIC and Enrollment Services related to the 2026-2027 school year may begin as early as January 2026, but the invoicing for them will not commence until on or after July 2026.

4. <u>Post-Termination Enrollment and PIC Obligations</u>. Pearson will have no obligation to perform enrollment services or to develop and implement a PIC for the Academic Year that follows any termination and non-renewal of this Agreement. For example, if the Agreement terminates and non-renews on June 30, 2031, then during the 2030-2031 Academic Year, Pearson has no obligation to develop and implement a PIC to support the recruitment and enrollment of

students for the 2031-2032 Academic Year. School is solely responsible for providing marketing and enrollment services to support the recruitment and enrollment of students for the 2031-2032 Academic Year and may do so without Pearson's involvement except, such services may not be provided in a manner that is disparaging of Pearson and may not use Pearson branding.

Schedule 7

Student Records and Data

1. Repository of School Records. The Customer hereby appoints Pearson its repository of electronic Student Records and other electronic School records, including financial records, subject to the access, confidentiality, and privacy requirements of FERPA, the IDEA, Section 504, and other state and federal law.
   a. Pearson will store and maintain such electronic records in accordance with state, local and federal requirements and consistent with commercially reasonable technical and organizational measures intended to protect against:
      i. accidental or unauthorized destruction;
      ii. accidental or intentional loss or alteration; or
      iii. unauthorized disclosure or access.
   b. In the event the Agreement terminates, Pearson will maintain such repository of records for a period of four (4) years following such termination for no additional fee.
2. Student Records Support. In furtherance of its enrollment and placement related obligations set forth in this Agreement and in connection with its repository obligations set forth above:
   a. Pearson shall receive from Caretakers all Student Records on the School's behalf that are submitted electronically through its secure, password-protected system.
   b. All Student Record information remain the property of the School, and, to the extent not immediately available through the School's on-demand access, shall be provided to the Customer via a secure means without unreasonable delay upon written request for such information. To the extent permitted by law, Pearson may retain a copy of such records subject to the confidentiality requirements of this Agreement until such time as the Customer provides written notice requesting that specific records be returned or Destroyed.
   c. Pearson shall certify to the Customer within one (1) year from the date it receives instructions as to what Student Records are to be returned or Destroyed that it has complied with the instructions of the Customer in connection with such notice.
3. Protection of Student Records. Pearson and the School acknowledge and agree that pursuant to FERPA and any regulations promulgated thereunder, the parties have certain obligations with regard to maintaining the security, integrity and confidentiality of "education records", as that term is defined by FERPA (also referred to herein as "Student Records"). The parties acknowledge that the School at all times owns the Student Records and each party must perform its obligations under the Agreement in compliance with FERPA and any regulations promulgated thereunder. Pearson and the School each designate the Lead School Administrator, School Staff, Customer, third party service providers (including Pearson and volunteers who are providing educational and/or administrative services to the Students as agents of the School) as individuals having a legitimate educational interest and thus entitled to access education records under FERPA. Pearson and the School shall also maintain Student Records in accordance with all other applicable laws and regulations.

4. Confidential Information. Each Party shall maintain the confidentiality of Student Records in accordance with applicable federal and state laws as more fully set forth in Schedule 13 (Legal Terms).

5. Aggregated Data. Student specific data, including corresponding Caretaker data, is the property of the School, Student and/or the Caretaker ("Student Information"). Pearson will not use any such School-owned Student Information for any non-school related purpose without obtaining the written permission of the School or the Student or Student's Caretaker (as the case may be).

    a. Pearson may freely aggregate School owned Student Information so long as such aggregated use does not reveal identifying characteristics that would enable a third party to determine the identity of any individual Student, including that Student's Caretaker.

    b. All such aggregated data shall be the property of Pearson. Pearson may freely use all such aggregated data and identify its source as being the School.

    c. Pearson shall, from time to time, provide to the School reports in an electronic format requested by the School to the extent Pearson's systems and capabilities permit. Upon receipt of such request from the School, Pearson will work with the School to formulate queries, formats and designs that will generate Student Information in a manner most useful to the School, based on the School's objectives and Pearson's existing capabilities.

6. Communications from Pearson. Customer acknowledges and agrees that Pearson may periodically contact Authorized Users for the School in connection with the Education Program, as well as to inform Caretakers and Students of educational opportunities related to such Students' academic pursuits in compliance with state and federal law. Unless prohibited by law, the School specifically consents to such communications being delivered to Caretakers and Students via the EMS WebMail portal and message boards, personal email to the extent such information is available, and direct mail. Except as expressly permitted by law, Pearson will not deliver communications to Students that constitute targeted advertising based on personally identifiable information from Student Records. Telephone communications will be limited to School related communications of an immediate nature that impact a Student's access to the Education Program or are related to the Students' academic participation and/or academic achievement. By accessing the Licensed Collateral, the School and Authorized Users will be deemed to have consented to receive such communications.

Schedule 8

Technology and Facility

1. Technology. Pearson will provide the following Computer Technology and services associated therewith**:**

   a. School Staff. Pearson will provide and maintain in working condition Computer Technology for School Staff. Any Computer Technology provided by Pearson will be the exclusive property of Pearson or its contractors and will be returned upon the termination of this Agreement or upon the termination of employment of such respective School Staff, whichever is sooner. Notwithstanding the above, all School Staff data files stored on the Computer Technology shall remain the property of the School and Pearson shall make reasonable efforts to provide the School opportunity to remove data prior to the return of devices upon the termination of this Agreement or upon the termination of employment of such respective School Staff, whichever is sooner.

   b. Student Technology. Pearson will ensure access to technology is available to Students, on a case by case basis or otherwise as required by applicable law, as necessary to fully access the curriculum. Such Computer Technology will be the exclusive property of Pearson or its contractors and will be returned upon the termination of this Agreement, or when the Student is no longer Enrolled, whichever is sooner. Pearson may invoice Caretakers of Students, unless prohibited by law, for Computer Technology not returned.

   c. Technology Support. Provide 24/7/365 technical support through on-line Help (in the EMS) and live phone support via Pearson Support Services to families and students and School Staff. Procedures for contacting Pearson Support Services are shared during the onboarding process and are posted for families and staff in the EMS. Currently technical support hours are Monday-Friday 9:00 a.m. to 9:00 p.m. (ET), and to staff Monday-Friday 8:00 a.m. to 6:00 p.m. (ET). Technical support hours are subject to change. For Students not using computer technology provided by Pearson, Pearson shall provide initial technical support to ensure Students have the minimum requirements necessary to participate in the Education Program, and ongoing technical support on an as needed basis for the Students' use of the EMS.

   d. Student Technology Support Stipend Administration. To the extent the Customer has established a student technology support stipend program, Pearson shall act as the agent for administering such a program. Payment of the stipend to eligible households would be facilitated by Pearson, which will be issued to the Caretaker (and in certain circumstances, the Student) according to the schedule outlined in the School handbook, which shall be consistent with the rate used in the development of the Budget, when applicable. The Customer's student technology support stipend program will be limited to the eligibility and amount required by law unless Pearson has agreed to a program that exceeds the minimum required by law.

2. Facility Support. Pearson or its designee shall provide the following Facility Management and Maintenance:

   a. Pearson will procure administrative office space on behalf of the School in circumstances where, in Pearson's sole opinion, the School does not have appropriate facility to meet the

School's purpose. Pearson or its designee will work with the Landlord and oversee the buildout of the office space to accommodate the needs of the School;

b. Pearson will provide management and maintenance responsibilities for the space on behalf of the School, including management and maintenance of equipment, furniture, and utilities.

c. The office space shall be compliant with the Americans with Disabilities Act and meet any other requirements of applicable law.

d. If this Agreement is terminated prior to its expiration, any capital equipment or furniture and fixtures ("Capital Assets") owned by Pearson and located in the facility may be purchased by the Customer at the then current book value as recorded on Pearson's financial records.

e. Any Capital Assets not otherwise the property of the Landlord pursuant to the terms of the lease, as well as any other furniture, equipment or fixtures purchased by Pearson on behalf of the School using federal or state grant funds or any other sources of public money, will continue to be deemed the property of the School.

Schedule 9

Customer Responsibilities

1. General. The Customer is responsible for monitoring the Education Program quality and efficacy, implementation of the Pearson model with fidelity, monitoring Student safety and well-being, and ensuring the School's financial accountability, as well as adopting any necessary policies to comply with State law in oversight of the School, and overseeing Pearson's day to day operation of the School, except for those services to be performed by Customer under this Agreement.
2. Diplomas. Grant diplomas based on attainment of minimum requirements for graduation with a School diploma.
3. Testing and Assessments. With the support of Pearson, administer benchmark assessments, as well as all State-required testing and other State-mandated assessments, including a series of assessments designed to gauge the student's mastery of core concepts and readiness for the State standardized tests or other State mandated testing and provide the resulting data to test Pearson. Current benchmark assessments available include Renaissance or NWEA MAP, ("Benchmark Tests"). Customer commits to administering one of these benchmark assessments at the beginning, middle, and end of the year, and provide resulting data to Pearson, where the data will be used to analyze and develop recommendations for areas of improvement. In addition, Customer will ensure the benchmarking data will be used by the School to make instructional decisions for each student. As a supplement to the Benchmark Tests, Customer will ensure that the School will share data from other State required Classroom Diagnostic Tools (CDTs), to the extent the sharing of such data is permitted under applicable law including FERPA.
4. Curriculum Modification Requests. Engage the Solutions Partner with respect to all Curriculum Modification Requests as early as possible. Information regarding timelines and process to be followed for Curriculum Modification Requests can be found at https://www.connectionsacademy.com/product-highlights. Pearson prioritizes Course Modification Requests that relate to or arise out of a change in regulatory standards. Pearson cannot guarantee other requested modifications will be available by the requested date, but will work with Customer to deliver such modifications within a commercially reasonable timeframe given complexity of request, resource availability, and other such relevant considerations. In the event a specific Curriculum Modification Request cannot be implemented or Pearson is unwilling to implement any Curriculum Modification Request, Pearson shall provide Customer with an explanation with specificity of its decision and engage Customer on other options available to it, given Customer's motivation for the particular modification.
5. Collection of Funds. Except to the extent prohibited by State law, the Customer shall use reasonable efforts to assist in the collection of any amounts that are due from other federal, state and local governmental entities, but shall not be responsible for any amounts that remain uncollected.
6. Insurance. Maintain the insurance identified on Schedule 12.

7. Student Data Transfer/Access Requests. Customer is responsible for determining that any Customer request for access to or transfer of Student personally identifiable information or Customer information to any third-parties, including government agencies, is appropriate, accurate and compliant with applicable local or Customer policies and procedures, as well as compliant with state or federal law, and for informing Pearson of any restrictions Pearson must follow in providing such requested access or transfer. To the extent permitted by law, the Customer shall hold Pearson harmless and indemnify Pearson regarding such access.

8. Abide by Established Protocols, Policies and Procedures. The Customer shall abide by all Pearson established protocols, policies and procedures in connection with the Education Program, including requirements for Course completion (including awarding of transfer credit where applicable), grade attainment and attendance in order to meet minimum requirements for graduation with a School diploma, and return and recovery policies in connection with the use of Pearson-provided Computer Technology and Instructional Materials. In the event Customer becomes aware of a known or potential conflict with federal, State or local law, that makes compliance with this paragraph impossible or impracticable, Customer shall immediately provide Pearson with written notification of the known or potential conflict and work with Pearson to satisfactorily resolve such conflict. During any period of time that the Customer fails to: (i) implement the Education Program with fidelity; (ii) timely and consistently implement any School Improvement Plan; or (iii) take corrective action with regard to any issue(s), matter(s), or concern(s) related to implementation of the Education Program brought to the Customer's attention by Pearson, Pearson and its agents, employees, and assigns, will not be deemed to have engaged in any wrongdoing, misconduct, negligence, or default under Schedule 13 - Indemnification, of this Agreement.
9. Regular Meetings. The Customer shall meet regularly with Partner Success team to discuss updates related to the School operation and performance, school leader performance, as well as the parties' relationship.
10. Non-Pearson Computer Technology. In the event that the Customer elects to procure any of its Computer Technology from a source other than Pearson, Customer shall be solely responsible for providing support and logistics services for such Computer technology.

11. Other Services. To the extent there are products and services not included in the Education Program and the Customer elects to contract with a third party other than Pearson for such products or services, it shall be the Customer's responsibility to ensure that such products or services are provided consistent with the Budget and in accordance with any requirements of Charter School Law or other applicable law and any requirements in the Charter.

12. Charter Agreement: The terms of the Charter Agreement entered into on or [DATE] by and between the Customer and the Authorizer ("Charter Agreement") is a critical document, the terms of which were and remain fundamental to Pearson's decision to enter into and remain a party to this Agreement. Customer hereby provides written assurances that it will not enter into any amendment to the Charter Agreement without consulting with Pearson and obtaining its written consent to any amendment terms. Failure to obtain such written consent prior to execution of any such amendment shall be considered a material breach of this Agreement. Any amendment that materially changes Pearson's ability to perform its obligations set forth in this Agreement or materially increases the cost to do so shall be grounds for termination.

Schedule 10

Collection of Funds, Pricing and Payment Terms

1. Pricing and Payment Terms:
   a. Payments. Pearson shall receive funds in accordance with the annual schedule of fees for services (the "Fee Schedule"), attached and incorporated hereto. Pearson reserves the right to increase any or all non-percentage of revenue-based fees set forth in the Fee Schedule for each subsequent year of the Term, but in no event will such fee increase exceed 3% in any given year ("Cap"), and Pearson shall notify the Customer by June 1 of the current Academic Year of such increase. Upon issuance of the rate increase notice, the fees set forth in the Fee Schedule shall be deemed to be adjusted accordingly without the need for an updated fee schedule. Notwithstanding anything to the contrary, the Cap shall not apply to any discretionary services offered by Pearson.
   b. Invoicing.
      a. Pearson shall invoice Customer monthly, unless the Parties agree in writing otherwise. Customer shall remit payment to Pearson for these invoices within thirty (30) days of receipt. Any other payments due to Pearson by Customer for funds received for additional state or federal revenues or receipts for Students with Special Needs shall be paid within thirty (30) days of Customer's receipt of such funds. The Parties may establish alternate payment arrangements by mutual agreement. In no event shall failure by Pearson to invoice Customer, in part or in full, constitute an abrogation of Customer's obligation to make payment to Pearson as provided for in this Schedule
      b. Pearson may charge interest at the rate of one-half percent (0.5%) per month for any invoices paid more than sixty (60) days after the date of invoice, unless such failure to pay is the result of: (i) funds being withheld from the Customer due to a failure by Pearson to perform under the terms of this Agreement and then only to the extent School has timely notified Pearson of such failure; or (ii) delay by the State or, to the extent applicable, any of the School's students' resident school district to disburse funds due to Customer and Customer has insufficient funds on hand to timely pay the invoice without receipt of such disbursement, in which event Customer shall use its best efforts to cause the funds to be disbursed and the shortfall will be paid as soon as reasonably practicable after the funds are received; or (iii) Customer or Pearson disputes any charges and then only for such disputed charges. Customer or Pearson, as the case may be, shall notify the other of any dispute and the basis for any dispute within five (5) days of receipt of the invoice and shall work to resolve the dispute within thirty (30) days. All amounts other than any amounts in dispute shall be paid according to the terms herein.
      c. In the event Pearson refunds or otherwise remits to Customer a sum greater than a refund or other payment obligation due, Customer is obligated to return any overpayment to Pearson upon receipt of notice of such overpayment.
2. School Funds. The Customer is responsible for using its portion of all funding it is entitled to receive under the Charter Agreement and not owed or reasonably to be owed to Pearson ("School Funds") to pay all of the Customer's required expenses, such as legal expenses and audit fees and insurance premiums. Further, the Customer shall exercise its discretion such that

at no time shall the School fall into a deficit, but rather will at all times reflect a fund balance equal to or greater than the amount required by State law. Any costs required by the Charter Agreement not included in this Agreement shall be paid by the Customer.

3. Payment Agent. The parties may agree to have Pearson act as its payment agent for various expenditures, in which case Pearson shall act as payment agent for payment of Customer Staff compensation during the Term, in accordance with the Budget. Pearson will submit to the Customer appropriate documentation evidencing payment of such expenditures and upon said submission shall be entitled to a dollar for dollar reimbursement for these expenses. All such payment agent services provided by Pearson shall be exclusively for expenses accruing in Academic Years covered by the Term. Pearson can, at any time, request the Customer prepay the amount of the expenditure prior to issuing payment on the Customer's behalf.

4. Funding Collection. Customer shall work with Pearson to collect all state, local and federal funding to which the School is entitled. Pearson shall provide to the Governing Board any and all documentation required by law to demonstrate the School's compliance with respect to the use of the funds it receives.

5. Funds Character. All School funds received by the Customer, from whatever source, retain their character as school funds until such time as they are paid out to a third party, including Pearson, as payment for a service performed (or to be performed) for, or at the direction of, the Customer or for a product obtained at the direction of the Customer, at which time such monies paid to such third parties shall lose their school fund character.

6. Budgets. No later than the earlier of June 1 or fourteen (14) working days prior to any deadline specified in the Charter or other regulatory mandate, Pearson will present to the Customer treasurer or its designee a proposed balanced budget (i.e., not resulting in a cumulative net asset deficit) for the following fiscal year developed under the direction of the Customer or its designee. The Budget shall be in reasonable detail and shall be based on the applicable Fee Schedule. In the event that the Customer and Pearson do not agree on a Budget, the Parties agree that Pearson will continue to perform all of its responsibilities under this Agreement and will use the then current approved Budget and the corresponding Fee Schedule as the basis for operations until the Parties agree to a new Budget. Pearson will use the staffing model in existence as of such date to release new positions that need to be filled in order to accommodate the projected growth in enrollment for the following Academic Year, which will allow the School to recruit, hire, and train new staff in time for the start of the following Academic Year.

7. State Audit Adjustments. To the extent that any adjustments as a result of a state audit are the result of Pearson's failure to adequately perform its responsibilities under this Agreement, Pearson will be required to either, at the choice of Pearson: (i) return funds to the Customer in the amount determined as a result of a State audit; or (ii) to the extent that funds are withheld from future payments to the Customer, reduce amounts invoiced to the Customer by the amount funding is withheld.

8. Protection Against Deficits and Service Credit.

a. In the event that as of June 30 of each year during the Term, funds received by the School from whatever source in a given Academic Year, whether from state, local, or federal government agencies, including but not limited to Federal Title funds, grants, income, or other funding sources ("Total Revenues") are less than the School's expenditures, including payments to Pearson as well as those incurred and paid by the School, but excluding any payments for capital expenditures (the "Total Expenditures"), and in the event that the School does not have positive Net Assets (as defined in its annual audited financial statements) sufficient to offset the difference between Total Revenues and Total Expenditures, to the extent that any expenditures in excess of Total Revenues were included in the balanced budget or were subsequently approved by both Parties in a written budget amendment, Pearson shall issue a credit or discount to the School to the extent required to maintain positive Net Assets at least equal to Ten Thousand Dollars ($10,000) (or higher if so required by law) as of each June 30 during the Term of this Agreement ("Service Credit"). Any credit or discount offered under this clause will not be recoverable by Pearson in subsequent years.

b. In order for the School to qualify for such deficit protection, both Parties must formally approve the School's annual budget and any amendments to it during the year, such budget and amendment(s) to be reduced to a writing approved by both Parties. To the extent the School engages in spending outside the approved budget, as may be amended from time to time, the gross sum of such expenditures shall not be eligible for a Service Credit unless and then only to the extent expressly agreed to in writing by Pearson. For example, if at the end of year two (2) of the Term, the School runs a deficit of three hundred thousand dollars ($300,000) that would otherwise be eligible for a Service Credit and fifty thousand dollars ($50,000) of such deficit is attributable to expenses incurred on spending not approved in the School's annual budget for that year, then only two hundred and fifty thousand dollars ($250,000) of such deficit is covered by the Service Credit. Further, to the extent the fifty thousand dollars ($50,000) in spending is carried forward to future Academic Years, such spending shall not be covered by Service Credits in such future years unless and then only to the extent expressly agreed to in writing by Pearson.

9. <u>School Financial Services</u>. Pearson shall:

   a. Provide accounting support services to the Customer, including providing all necessary supporting reports for all Pearson's activities under this Agreement.

   b. Assist the Customer in the development of a Budget for the Customer's consideration and approval on an annual basis.

   c. Provide audit support and local, state and federal financial reporting support, as well as related consultation support to the Governing Board, its finance committee and its audit committee.

   d. Serve as an invoice payment processor for the School. All costs associated with the payment processing of invoices, however, remain the responsibility of the School and will be reimbursed at cost to Pearson. In the event Customer requests invoice processing for an invoice, and Pearson reasonably believes (i) the Customer lacks sufficient funds to reimburse Pearson within thirty (30) days of presentation, or (ii) timely reimbursing Pearson will result in the Customer not having sufficient funds to timely pay Pearson for services rendered pursuant to the terms of this Agreement, or (iii) payment of such invoice is for services that supports the Customer for an Academic Year during which Pearson is not going to be providing services under this Agreement or a renewal of this Agreement, or (iv) Customer is in arrears on its payment obligations to Pearson for any reason, then Pearson, in its sole discretion, may refuse to process such invoice or require prepayment of the reimbursement as a condition of processing the invoice.

Fee Schedule

Schedule of fees for the Educational Program under the terms of the Agreement:

Fee Type	Rate	Basis
Upfront Fee Per Student	$1,030	*Charged per each student enrolled in the school*
Upfront Fee per Technology Shipped	$623	*Charged per each computer provided by Pearson at any time during the school year*
Monthly fee per Student	$283	*Charged per each student enrolled at the end of the month; measured monthly for nine months of the school year - 9/30, 10/31, 11/30, 12/31, 1/31, 2/28, 3/31, 4/30, 5/31 (or last day of the school year)*
Monthly Fee per Special Population Student	$360	*Charged per each student enrolled at the end of the month who is on an IEP; measured monthly for nine months of the school year - 9/30, 10/31, 11/30, 12/31, 1/31, 2/28, 3/31, 4/30, 5/31 (or last day of the school year)*
Monthly Fee per School Staff Member	$1,082	*Charged per each school staff member employed at the end of the month; measured monthly for nine months of the school year - 9/30, 10/31, 11/30, 12/31, 1/31, 2/28, 3/31, 4/30, 5/31 (or last day of the school year)*
Short Term Substitute Teaching Services	$309	*Charged on a per day basis whenever the school has elected to use Pearson to provide a substitute teacher to cover a short-term need.*
Other Supplemental Services		
Direct Course Instruction Support	$2.75	*Charged on a per student per course per day basis whenever the school has elected to use Pearson to provide course instruction.*
Benefits	26%	*Charged as a % of compensation (wages, bonus, stipend, etc.) earned by school staff. This fee is subject to an annual adjustment not to exceed two percentage points.*

Pearson will be reimbursed at cost for all pass-through expenses (no mark-up and not included in table above), including but not limited to, all School Staff compensation and related payroll tax expenses as it is incurred.

Schedule 11

Notice Information

Notices. All notices, consents and other communications under this Agreement shall be given in writing and shall be sent by and deemed to have been sufficiently given or served for all purposes as of the date it is delivered by hand, received by overnight courier, or within three (3) business days of being sent by registered or certified mail, postage prepaid to the parties at the following addresses (or to such other address as hereafter may be designated in writing by such party to the other party):

If to Pearson:	Connections Education LLC dba Pearson Virtual Schools USA 509 S. Exeter St, Suite 202 Baltimore, MD 21202 Attn: General Manager
With a copy to:	Pearson Virtual Schools USA 509 S. Exeter St., Suite 202 Baltimore, MD 21202 Attn: Legal E-mail: Legal-PearsonOBL@pearson.com
If to the Customer:	
With a copy to:	

Schedule 12
Insurance

1. Pearson Requirements. Pearson will maintain and keep in force insurance policies and limits no less than such amounts as outlined below, to cover insurable risks associated with operations under this Agreement. The below limits of liability may be provided under the primary insurance policies, or in a combination with the limits provided by an Umbrella or Excess policy. The School will be included as an additional named insured under the below policies as allowed by law, or Pearson shall procure stand-alone policies on behalf of the School with similar coverage and limits, but in no event less than required by Applicable Law.
    a. Workers' Compensation insurance, including Employer's Liability coverage with limits of at least $1,000,000 for each coverage provided thereunder.
    b. Commercial General Liability insurance with limits of at least $5,000,000 per occurrence and in the annual aggregate.
    c. Sexual Abuse and Molestation coverage with limits of at least $5,000,000 per each abusive conduct limit and in the aggregate.
    d. Automobile Liability insurance covering all owned, non-owned and hired vehicles in an amount no less than $1,000,000 each accident.
    e. Educator's Legal Liability insurance in an amount no less than $2,000,000 each claim and in the annual aggregate.
    f. Crime Insurance in the amount of no less than $500,000 each claim and in the annual aggregate. Each claim limit applies separately to Crime coverages: Employee Theft, Client Property, Forgery or Alteration, Computer and Funds Transfer Fraud, Money Orders & Counterfeit Currency, and Premises.
    g. Pearson will assist the School with procuring Directors and Officer's Insurance in the amount required by Applicable Law, but in no event less than One Million Dollars ($1,000,000) in the aggregate.
2. Customer Requirements. Except for that insurance identified above, obtain and maintain the insurance as may be required and/or permitted by applicable law and as appropriate in connection with Customer's responsibilities under this Agreement. To the extent permitted by applicable law and if explicitly authorized in writing by the Customer's insurer, Pearson shall be added as additional named insured on all policies of insurance obtained and maintained by and for the benefit of the School. Additionally, insurance for any facility leased directly and/or managed by the School and any capital equipment or furniture and fixtures owned by the School will be the responsibility of the School.

Schedule 13

Legal Terms

1. Term. The Term of this Agreement shall be as described in Section 2 of the cover page of this Agreement.

2. Renewal Term Negotiation. If the parties have entered into negotiations to renew this Agreement, and, as of February 1, 2031, neither party has informed the other party of its intent to not renew the Agreement, this Agreement shall continue to be in full force and effect until: (1) the Parties enter into a renewal agreement; or (2) one party informs the other party of its intent to not renew the agreement. If the notice of intent to not renew occurs anytime on or after June 30 of the last Academic Year of the Term (i.e. June 30, 2031, then such notice of termination shall take effect on June 30 of the immediate upcoming Academic Year [i.e. June 30, 2032] ("Continuation Term") and Pearson's compensation shall be in accordance with the fee agreement set forth in the Agreement, including any price increase for the Continuation Term. If notice of the intent to not renew is provided by Customer between the dates of February 1 and June 30 of the final Academic Year, Pearson shall be entitled to reasonable compensation for services provided to the School in preparation for and in anticipation of the immediate upcoming Academic Year in an amount equal to the total number of Students enrolled in the School as of October 31 of the prior Academic Year multiplied by $750. For example, if the notice to not renew is provided on May 15, 2031, then Pearson's compensation for services provided to the School in anticipation of the 2031-2032 Academic Year shall be a sum equal to the number of Students enrolled on October 31, 2030 multiplied by $750. In the event that Pearson continues to provide services throughout the Continuation Term without (i) a renewal agreement being executed or (ii) a notice of non-renewal being issued by March 1 of the Continuation Term, then the terms by which the parties will conduct themselves during the continued negotiation of the renewal agreement shall be as set forth in this section, with each subsequent Academic Year Pearson provides services under the terms of the Agreement (July1 to June 30)) being termed a Continuation Term.

3. Termination. Any notice of early termination shall take effect at the closing of the last day of the Academic Year, unless otherwise agreed to by the parties or provided for herein. Notices of termination must be made in writing and delivered to the addresses set forth herein no later than December 15 of the current Academic Year, unless another date is specifically provided for, and shall list all reasons for said early termination. Except as specifically provided for herein, this Agreement can only be terminated before its expiration as follows:
    a. By either party, if one (1) party materially breaches this Agreement and fails to cure the breach within thirty (30) days following written notification of the breach from the other party. In the event objectively ascertainable reasonable efforts have been made to effect the cure and the breach at issue does not objectively lend itself to cure within that thirty (30) day period, then such additional time as necessary to complete the cure, but in no event longer than sixty (60) days following written notification of the breach;
    b. By Pearson, if, in Pearson's sole opinion, (i) the payments to which Pearson is entitled as set forth in Schedule 10 of this Agreement are materially reduced as a result of a change in funding provided to the School, or (ii) applicable laws or regulations impose requirements that are materially different from those previously provided under this Agreement and

Pearson is unwilling or unable to make the required changes. Termination under this provision may only take effect on the earlier of the effective date of the change in funding provided to the School or at the end of the then current Academic Year;

c. By Pearson, if there are unresolvable differences between the Parties relating to what Pearson, in its sole discretion, considers to be conduct that reflects materially and unfavorably upon Pearson's reputation with respect to the manner in which School carries out its responsibilities under the terms of this Agreement and Pearson provides the School with thirty (30) days written notice of its intent to terminate during which such time the Parties shall work in good faith to alleviate to Pearson satisfaction the circumstances giving rise to the unresolvable differences. Termination under this provision may only take effect at the end of the Academic Year in which such notice is given;

d. By Customer, if Customer determines that the Education Program set forth in this Agreement does not meet the requirements for a publicly funded virtual school, as defined by applicable laws and regulations, but only if Pearson is unable or unwilling to cure the identified deficiency within sixty (60) days after being given reasonable notice of the deficiency and the requirements to cure the deficiency. In the event Customer determines Pearson's cure efforts do not cure the deficiency, Pearson shall be provided additional reasonable time, which shall be no less than thirty (30) days, to address the areas of deficiency identified by Customer;

e. By either party, immediately, if the Charter is terminated or if the School is no longer authorized by the Authorizer as required by applicable state law and regulation.

4. <u>Obligations in Anticipation of Termination or Non-Renewal</u>. Customer shall be solely responsible for providing all services in support of the School's preparation for the Academic Year following termination or non-renewal of the Agreement, regardless of when during the calendar year those services typically commence. Such services include, but are not limited to, marketing, enrollment, intent to return process, budget development, development of any charter renewal application or other public filings. For example, if the Agreement terminates or non-renews as of June 30, 2031, then any services historically provided by Pearson in preparation for an upcoming Academic Year (in this example, the 2031/2032 Academic Year), is the sole responsibility of Customer. In addition, upon notice of Customer's intent of non-renewal or termination, it will be in Pearson's sole discretion whether Customer or School Staff is included in Connections Academy school meetings, trainings and events.

5. <u>Obligations on Termination</u>. In the event this Agreement is terminated by either party for any reason:

a. Pearson shall provide reasonable assistance to Customer in the Customer's transition of Pearson's responsibilities; provided, however, this provision shall not apply if the Agreement was terminated due to Customer's material breach thereof.

b. Each party will promptly (not later than thirty (30) days after the effective date of termination) return to the other party all Confidential Information, property and material of any type belonging to the other party, including but not limited to, electronic versions, hard copies and reproductions and will not retain copies of any such property or material except as may be expressly permitted in this Agreement;

c. All access to the EMS and other educational products and services contracted for herein shall be discontinued upon the effective date of any such termination;

d. Pearson shall provide to Customer copies of all Student Records not otherwise in the School's possession or able to be taken into Customer's possession through self-help means available to the Customer through its access rights, within a reasonable time after receipt of such request, taking into account Pearson's competing priorities;

e. The Customer shall pay Pearson all amounts due under this Agreement upon the earlier of either their due dates or thirty (30) days after the effective date of termination.

f. Customer's license to use the Licensed Marks shall immediately terminate, except as expressly permitted in this Agreement. The Customer agrees that within thirty (30) calendar days from the date of termination, all references to "Connections Academy" or "Pearson", and any other Licensed Marks shall be removed from the School's signage, stationary, website, marketing materials and any other material or location it appears.

6. Grant of Rights and Access.

a. License. Pearson hereby grants to the School a non-exclusive, nontransferable, royalty-free, limited license during the Term of the Agreement for Authorized Users to access and use the EMS and the Content and Instructional Materials and other Intellectual Property contained in the EMS (collectively the "Licensed Collateral"). The Authorized Users' right to access and use the Licensed Collateral is solely for the intended purpose for which the access is granted and is subject to Pearson's Intellectual Property provisions of this Agreement set forth below, as well as the Terms of Use, which may be updated from time to time (https://www.connectionseducation.com/terms-of-use/) and the School Handbook (The Terms of Use will govern in the event of any conflict between the Terms of Use and the School Handbook). Pearson may update the features and functions of the EMS from time to time. Any right to use the Content and Instructional Materials shall be solely for the applicable Course for which a Student is enrolled or that an Authorized User is otherwise authorized to access.

b. Permitted and Prohibited Uses.

i. All rights not expressly granted to the School and Authorized Users pursuant to this Agreement are reserved to Pearson, and any uses of the Licensed Collateral by the School and Authorized Users not expressly permitted in this Agreement are strictly prohibited.

ii. Unless otherwise authorized by Pearson in furtherance of the delivery of Education Program related services, School will not, and will not permit Authorized Users, School's employees or agents or any third party to: (i) access the Content and Instructional Materials or the EMS, except in connection with Courses for which a Student is enrolled; (ii) use the Curriculum, Content and Instructional Materials except in strict compliance with the Agreement, the Terms of Use and the School Handbook; (iii) copy, reproduce, modify, alter, transfer, transmit, perform, publish, display, sub-license, distribute, circulate provide access to, rent, or create Derivative Works from the Content and Instructional Materials or any portion thereof; (iv) decompile, reverse engineer, disassemble, or otherwise determine or attempt to determine the source code (or the underlying ideas, algorithms, structure or organization) of the Content and Instructional Materials or of the EMS; (v) upload files that contain viruses, Trojan horses, worms, time bombs, cancel bots, corrupted files, or any other similar software or programs that may damage the operation of the EMS; (vi) take any actions, whether intentional or unintentional, that may circumvent, disable, damage or impair the control or security systems of the EMS or the Content and Instructional Materials, nor allow or assist a third party to do so; (vii) use the Content and Instructional Materials in a manner that disparages the EMS, Content, Instructional Materials, Pearson or its content providers, or in any manner that Pearson may, in its sole discretion, deem inappropriate; or (viii) disclose Log-In Information or permit access to the EMS and/or the Content and Instructional Materials by unauthorized persons using an Authorized User's Log-In Information.

c. Usage Guidelines and Rules of Conduct. The School (including its employees and agents) and Authorized Users may use the Licensed Collateral for bona fide educational and other contracted-for purposes only. The School will comply and assure compliance by its employees, agents and the Authorized Users with Terms of Use of the EMS, Privacy Policy, and other applicable Pearson policies, as well as the School Handbook, all or any of which may be updated from time to time. The Privacy Policy and Terms of Use are posted on the Website and are accessible from the EMS login page. The School acknowledges that Pearson may also institute basic rules for academic and personal conduct for Authorized Users' use of the Licensed Collateral, and that Pearson will enforce those rules in its sole discretion, including terminating access for Authorized Users in the event of their failure to adhere to those rules. Included in the rules of conduct are prohibitions against any Authorized User's attempt to make inappropriate communication or contact with any other Authorized Users through the EMS, as well as, hacking, viral infection, or other technical attempts to gain unauthorized access to or cause damage to the EMS. The School shall immediately provide Pearson with written notice of any unauthorized use or distribution of the Content, Instructional Materials, Education Program, or any use of the EMS that violates the Terms of Use, of which the School becomes aware and shall take all necessary steps to ensure that such unauthorized or inappropriate use or distribution is terminated.

d. Security and Use of Passwords. Each Authorized User will have a username and password for the purpose of accessing the EMS and the Content and Instructional Materials (the "Log-In Information"). The School and its Authorized Users must keep all Log-In Information strictly confidential, and all Log-In Information may be used only by the assigned Authorized User. The School and its Authorized Users are responsible for maintaining the security and confidentiality of all Log-In Information, and for preventing access to the EMS and/or the Content and Instructional Materials by unauthorized persons using an Authorized User's Log-In Information. Unauthorized access to or use of the EMS and/or the Content and Instructional Materials by someone using an Authorized User's Log-In information may be attributed to such Authorized User.

e. Availability and Support. Pearson strives to provide access to the EMS twenty-four (24) hours per day, seven (7) days per week; however, it is anticipated that there will be periodic system interruptions due to occasional computer technology failures, system maintenance and updates, and/or internet provider service interruptions and that those interruptions may be for an extended period of time due to events such as but not limited to times of social disruption, cyber-security incident, or catastrophic system failures or preemptive measures taken to avoid or minimize an unauthorized data disclosure event, cyber-security incident or catastrophic system failure. Any system access failures resulting from degradation or loss of internet access is outside the control of Pearson and cannot be attributed to Pearson.

f. School Name. During the Term, Pearson grants a limited, royalty free, nontransferable license for the duration of the Term, unless terminated earlier as described herein, to use the name North Carolina Connections Academy as the name for the School being operated under the terms of this Agreement. Customer agrees to adopt as requested by Pearson any aesthetic changes, such as font and color scheme, to the Connections Academy brand, including to the star person design mark or other design mark that Pearson adopts to be used in proximity to the Connections Academy brand. The Customer agrees that Pearson is permitted to place in proximity to the School's name a Pearson endorsement, including but not limited to "by Pearson." Customer agrees that even in circumstances where the licensed School name does not contain the Connections Academy brand as part of its name, the goodwill associated with the School name is directly attributable to the use of the Connections Academy Education Program and the interactions between Students, Caregivers and Learning Coaches, as well as School Staff and Pearson systems, curriculum and tools, and service providers and that changing the School name is essential to protecting Pearson goodwill and reputation in the marketplace.

g. Social Media. As part of its public relations and outreach service offering to Customer, Pearson has agreed to develop, manage and maintain a website and other social media presence, which currently consists of a Facebook page, but may expand to other social media platforms (collectively "Social Media Channels"), exclusively for the use of the School. The design, branding/name, URL, content (including quoted material from School teachers and families obtained by Pearson) are for use on the website and Social Media Channels, including related metadata, and are developed and maintained by Pearson as its exclusive intellectual property. School is hereby granted a beneficial license to the website and Social Media Channels during the term of this Agreement, and any extension thereto. Customer is prohibited from creating branded Social Media Channels without the express written consent of Pearson, which consent can be freely withheld. Updates to the website or Social Media Channels, except updates required by law, shall no longer be made as of February 20 of the last year of the Term and Social Media Channels will be deactivated as of April 30 of the last year of the Term. Further, except for graduation support, no School specific public relations services will be provided after April 30 of the last year of the Term. Under no circumstances is Customer or any third-party service provider of Customer permitted to copy or otherwise use any content, including metadata, from Pearson's developed and maintained website and Social Media Channels. All search history, metadata, and similar attributes of use of the website and Social Media Page Channels inure to the exclusive benefit of Pearson.

7. Trademarks.

a. Pearson and its Affiliates are the owners of various trademarks, service marks, logos, or trade names used in its business of providing Education Program. Pearson trademarks can be found at:

https://www.connectionsacademy.com/content/dam/pvs/ca/portals/75/documents/trademarks/common-law-trademarks.pdf (collectively, the "Licensed Marks"). Pearson grants to the School a non-exclusive, non-transferable, royalty-free sub-license to use the Licensed Marks during the term of this Agreement solely in connection with the performance of this Agreement and subject to pre-approval of such use by Pearson. The School agrees to use the Licensed Marks in accordance with any trademark usage guidelines provided by Pearson, the most up-to-date version of which can be found at:

https://www.connectionseducation.com/trademark-guidelines/. Pearson retains all right, title and interest in and to the Licensed Marks and any related proprietary rights not expressly granted to the School hereunder. All goodwill attributable to the Licensed Marks will inure exclusively to the benefit of Pearson.

b. Upon termination of this Agreement, the School's license to use the Licensed Marks shall immediately terminate, except as expressly permitted in this Agreement. The School agrees that within thirty (30) calendar days from the date of termination, all references to "Connections Academy", and any other Licensed Marks shall be removed from the School's signage, stationary, website, marketing materials and any other material or location it appears.

8. Intellectual Property.

a. Limitations on Use. The Licensed Collateral, including but not limited to, the EMS and all technology, programs, services, and materials hosted thereon, the Curriculum, all tangible and intangible education materials, all Pearson trademarks and copyrighted works, and the trade name "North Carolina Connections Academy" are the Intellectual Property of Pearson. The School's right to use and benefit from said Intellectual Property is limited to its license rights set forth in this Agreement and shall terminate automatically with the termination of expiration of this Agreement.

b. No Sale. Nothing in this Agreement shall be interpreted to be a sale or transfer of ownership interest from Pearson to the School, School Staff, Students, Caretakers, or Learning Coaches.

c. No Use of School Funds to Develop or Procure. No School funds shall be used by Pearson to develop or procure Courses or Content or Instructional Materials or improvements to the EMS, provided, however, any School funds paid to Pearson for provision of the Education Program hereunder, once paid, shall not be deemed to be School funds, but shall be compensation for services rendered by Pearson. Any use of such compensation by Pearson shall be its proprietary information, subject to trade secret protection, and not subject to disclosure.

9. Confidentiality.

a. Confidential Information. The receiving party shall use the Confidential Information of the disclosing party only in connection with the furtherance of the business relationship between the parties, and the receiving party shall make no further use, in whole or in part, of any such Confidential Information. The receiving party agrees not to disclose, deliver or provide access to all or any portion of the disclosing party's Confidential Information to a third party or to permit a third party to inspect, copy, or duplicate the same. The receiving party will disclose Confidential Information only to its employees and agents who have a need to know such Confidential Information in connection with the performance of the Agreement and who are under a written obligation to protect the confidentiality of such Confidential Information. The receiving party will treat the Confidential Information with the same degree of care and confidentiality that the receiving party provides for similar information belonging to the receiving party that the receiving party does not wish disclosed to the public, but not less than holding it in strict confidence.

b. Student Records. Pearson and the School acknowledge and agree that pursuant to FERPA and any regulations promulgated thereunder, the parties have certain obligations with regard to maintaining the security, integrity and confidentiality of "education records", as that term is defined by FERPA (also referred to herein as "Student Records"). The parties acknowledge that the School at all times retains ownership of Student Records and that each party must perform its obligations under the Agreement in compliance with FERPA and any regulations promulgated thereunder. Pearson and the School each designate the Lead School Administrator, School Staff, Customer, third party service providers (including Pearson and volunteers who are providing educational and/or administrative services to the Students as agents of the School) as individuals having a legitimate educational interest and thus entitled to access education records under FERPA. Pearson and the School shall also maintain Student Records in accordance with all other applicable laws and regulations.

c. <u>Exceptions</u>. The foregoing shall not prevent the receiving party from disclosing Confidential Information that must be disclosed by operation of law, provided: (i) the receiving party shall promptly notify the disclosing party of any such request for disclosure in order to allow the disclosing party full opportunity to seek the appropriate protective orders, and (ii) the receiving party complies with any protective order (or equivalent) imposed on such disclosure. It is understood and agreed that this is not intended to permit the disclosure of education records referenced in the sub-section above, unless permitted by Applicable Law.

d. <u>Directory Information</u>. To the extent permitted by law, Pearson is authorized by Customer without submitting a formal public records request, to collect Directory Information from School for purposes of supporting Pearson's advocacy efforts on School's behalf and for communicating with families about other educational opportunities available through Pearson or its affiliated businesses.

e. <u>Return of Confidential Information</u>. The receiving party agrees that it will, within ten (10) days after written request by the disclosing party, return to the disclosing party, or at the option of the disclosing party, destroy and certify in writing the destruction of, all Confidential Information received from the disclosing party, including copies, reproductions, electronic files or any other materials containing Confidential Information.

f. <u>Remedy for Breach</u>. The parties acknowledge that monetary damages may not be a sufficient remedy for unauthorized disclosure of Confidential Information or other trade secret information to which a party gains access (either authorized or unauthorized) and that a party shall be entitled, without waiving any other rights or remedies, and without the posting of bond or other equity, to such injunctive or equitable relief as may be deemed proper by a court of competent jurisdiction.

10. <u>Indemnification.</u>

a. <u>Indemnification Obligations</u>. Each party shall defend, indemnify, save and hold harmless the other party, its Affiliates, Parent, subsidiaries and its respective directors, officers, agents and employees (together "Indemnified Party") against and from any and all claims, actions, liabilities, costs, expenses, damages, injury or loss (including reasonable attorney's fees) made, brought, incurred, or alleged by any third party ("Claim") to which the Indemnified Party, its Affiliates and their respective directors, officers, agents and employees may be subject to liability by reason of any wrongdoing, misconduct, negligence, willful misconduct or default by the Indemnifying Party, its agents, employees, subcontractors, or assigns in connection with the performance of this Agreement. This indemnification, defense and hold harmless obligation on behalf of Indemnifying Party shall survive the termination of this Agreement.

b. Indemnification Procedure. The Indemnified Party will: (a) promptly notify the Indemnifying Party in writing of any claim, loss, damages, liabilities and costs, and for third party claims, (b) allow the Indemnifying Party to control the defense, and (c) reasonably cooperate with the Indemnifying Party in the defense and any related settlement negotiations. In addition to any defense provided by the Indemnifying Party, the Indemnified Party may, at its expense, retain its own counsel. If the Indemnifying Party does not promptly assume the Indemnified Party's defense against any third-party claim, the Indemnified Party reserves the right to undertake its own defense at the Indemnifying Party's expense.

11. Power and Authority; Authorization. Each Party has the power and authority to execute and deliver this Agreement and to perform its respective obligations hereunder. The Customer has provided and will provide Pearson with the authority and power necessary and proper to undertake its obligations and responsibilities pursuant to this Agreement.

12. Sales Tax, Gross Receipts Tax or Other Business Tax (collectively "Business Tax"). The School shall provide Pearson with support that it is tax exempt. The School shall be responsible for all state or local Business Tax assessed, if any, based on the Education Program provided by Pearson hereunder, regardless of whether such law assigns responsibility for payment of the tax to Pearson.

13. Limitation of Liabilities. In no event will either Party, or such Party's Affiliates, directors, officers, employees, or agents, be responsible or liable for the debts, acts or omissions of the other Party or such Party's Affiliates, directors, officers, employees, or agents.

14. Governing Law. This Agreement shall be governed and controlled by the laws of the State in which the School is located. Any legal actions prosecuted or instituted by any party under this Agreement shall be brought in a court of competent jurisdiction located in that State, and each party hereby consents to the jurisdiction and venue of any such courts for such purpose.

15. Dispute Resolution. Any dispute arising out of or relating to this Agreement shall be resolved in accordance with the procedures specified in this Section, including disputes related to whether a Party has breached this Agreement, unresolvable difference between the Parties, or Customer's payment of sums owed to Pearson under this Agreement.

a. Negotiation. The parties agree to negotiate in good faith all disputes arising out of or relating to the rights and obligations of the Parties, as set forth in this Agreement and/or established by applicable law. Any dispute not resolved within the normal course of business shall be referred to the Senior Vice President of Partnerships and Customer Success for Pearson and Customer's designee, for discussions related to the nature of the dispute and an agreed course of action as to how to resolve the dispute or to other such persons within the organization of Pearson and the School as the Parties mutually deem appropriate.

b. Mediation. In the event the parties are unable to fully resolve a dispute through negotiation, each Party agrees to submit all unresolved disputes to nonbinding mediation pursuant to processes and procedures mutually agreed upon by the Parties. In the event the Parties are unable to agree to such processes and procedures, the Parties agree to submit the matter to a third party agreed upon by the Parties, who will establish the processes and procedures by which such unresolved disputes will be mediated. In the event the dispute arises out of an early termination provision allowing for a cure period, mediation must occur within the cure time frame permitted under such provision.

c. Confidentiality. The Parties agree to treat all discussions and sharing of documents related to this Section 13 as confidential and not subject to disclosure to any third party to the extent permissible by law, except as consented to by the disclosing Party. In the event the Parties are unable to resolve such dispute through nonbinding mediation, to the extent such dispute remains unresolved, each Party, upon providing the other party ten (10) calendar days' notice of its intent to do so, may pursue their respective contractual, administrative, legal and/or equitable remedies available to them in order to fully resolve such dispute.

16. Attendance at Meetings. The parties agree that during the Term, Pearson is hereby invited (through a Pearson-designated individual or individuals) to attend all Governing Board closed session meetings except to the extent such attendance: (i) is prohibited by applicable law; (ii) will result in a waiver of the attorney/client privilege; (iii) will result in Pearson being present during discussions concerning negotiations regarding the renewal or termination of this Agreement, or (iv) will result in Pearson being present during discussions regarding such other matter with respect to which Pearson has a conflict of interest.

17. Non-Discrimination. Neither Pearson nor the Customer will discriminate against any person on the basis of race, creed, color, sex, national origin, religion, ancestry, sexual orientation or disability, or any other basis prohibited by federal or State law.

18. Severability. If any provision of this Agreement is held to be invalid or unenforceable, it shall be ineffective only to the extent of the invalidity, without affecting or impairing the validity and enforceability of the remainder of the provision or the remaining provisions of this Agreement; provided, however, that if such invalidity or unenforceability, in Pearson's sole discretion, materially affects Pearson's ability to provide the Education Program, Pearson may terminate this Agreement.

19. Successors and Assigns. The terms and provisions of this Agreement shall be assignable by either party only with the prior written permission of the other, which consent shall not be unreasonably withheld; provided that a change in control of Pearson or its managing member or an assignment from or to a wholly owned subsidiary of Pearson, notice of which shall be provided by Pearson to Customer, shall not be deemed a violation of this Agreement if such assignment is made without prior written permission.

20. Complete Agreement; Modification and Waiver. This Agreement, including all schedules, exhibits and addenda attached thereto, constitutes the entire agreement between the Parties with respect to the matter contained herein and supersedes all prior and contemporaneous agreements, warranties and understandings of the Parties. There are no agreements, representations or warranties of any kind except as expressly set forth in this Agreement. No supplement, modification or amendment of this Agreement shall be binding unless executed in writing by both parties, provided, however, the parties may execute written amended (including restated) schedules without amending the entirety of the Agreement. Unless any amendment results in a modification of fee for services or other remuneration to either party, the SVP, Business Development and Customer Success is authorized by Pearson to execute

schedule amendments. No waiver of any provision of this Agreement will be effective unless it is in writing and signed by the Party to be charged with such modification, and no such waiver will constitute a waiver of any other provision(s) or of the same provision on another occasion.

21. Force Majeure. If any circumstance should occur that is not anticipated or is beyond the control of a Party or that delays or renders impossible or impracticable performance as to the obligations of such Party, the Party's obligation to perform such services shall be postponed for a period equal to the time during which such circumstance shall exist, or, if such performance has been rendered impossible by such circumstance, then the performance of such obligation shall be cancelled.

22. No Third-Party Rights. This Agreement is made for the sole benefit of the Parties. Except as otherwise expressly provided, nothing in this Agreement shall create or be deemed to create a relationship among the Parties or any of them, and any third party, including a relationship in the nature of a third-party beneficiary or fiduciary.

23. Professional Fees and Expenses. Each party shall bear its own expenses for legal, accounting, and other fees or expenses in connection with the negotiation of this Agreement.

24. 501(c)(3) Status. The Parties agree to negotiate in good faith an amendment to this Agreement to cure any IRS cited defect in the Agreement that will impede the issuance of a determination from the IRS that the School is a tax exempt organization under Internal Revenue Code Section 501(c)(3)

25. Counterparts. This Agreement may be signed in counterparts, which shall together constitute the signed original Agreement.

26. Compliance with Laws, Policies, Procedures, and Rules. Each Party will comply with all applicable federal and state laws and regulations including all the specific requirements of the Charter, applicable local ordinances and the School's policies whether or not specifically listed in this Agreement.

27. Interpretation of Agreement. The parties hereto acknowledge and agree that this Agreement has been negotiated at arm's length and between parties equally sophisticated and knowledgeable in the subject matter dealt with in this Agreement. Accordingly, any rule of law or legal decision that would require interpretation of any ambiguities in this Agreement against the party that has drafted it is not applicable and this Agreement shall be interpreted in a reasonable manner to affect the intent of the parties as set forth in this Agreement.

28. Headings; Exhibits. The section headings contained herein are for convenience only and shall not in any way affect the interpretation or enforceability of any provision of this Agreement. All schedules and exhibits to this Agreement are incorporated herein and shall be deemed a part of this Agreement as fully as if set forth in the body hereof.

29. Authority to Enter into Agreement. Each Party represents and warrants that it has the right, power, and authority to enter into this Agreement, to become a Party hereto and to perform its obligations hereunder. This Agreement is a legal, valid and binding obligation of such Party, enforceable against such Party in accordance with its terms. Each party further warrants that the individuals who have signed this Agreement have the legal power, right, and authority to make this Agreement and to bind each respective party.

30. Electronic Signatures. This Agreement and related documents may be accepted in electronic form (e.g., by scanned copy of the signed document, an electronic or digital signature or other means of demonstrating assent) and each Party's acceptance will be deemed binding on the Parties. This Agreement may also be signed in counterparts, which shall together constitute the signed original Agreement. Each Party acknowledges and agrees that it will not contest the validity or enforceability of this Agreement and related documents, including under any applicable statute of frauds, because they were accepted or signed in electronic form. Each Party further acknowledges and agrees that it will not contest the validity or enforceability of a signed scanned PDF or facsimile copy of this Agreement and related documents on the basis that it lacks an original handwritten signature. Facsimile and scanned PDF signatures shall be considered valid signatures as of the date hereof. Computer maintained records of this Agreement and related documents when produced in hard copy form shall constitute business records and shall have the same validity as any other generally recognized business records.

31. Survival. The rights and responsibilities the parties with respect to Fees and State Audit Adjustments; Trademarks; Derivative Works; Confidentiality; Obligations on Termination; Indemnification; Limitation of Liabilities; Notice; Governing Law; Resolution of Disputes; No Third-Party Rights; Professional Fees and Expenses; Compliance with Laws, Policies, Procedures and Rules; Interpretation of Agreement; and Status and Relationship of Parties, shall survive the termination of this Agreement.

32. Status and Relationship of the Parties. Pearson is a limited liability company organized under the laws of the State of North Carolina and is not a division or a part of the Customer . The Customer is the governing board of a State public charter school authorized by State law and is not a division or part of Pearson. The parties intend that the relationship created by this Agreement is that of an independent contractor and not employer-employee. No agent or employee of Pearson shall be deemed to be an agent or employee of the Customer. Pearson shall be solely responsible for its acts and the acts of its agents, employees and subcontractors, and the Customer shall be solely responsible for its acts and the acts of its agents, employees and subcontractors. The relationship between Pearson and the Customer is based solely on the terms of this Agreement, and the terms and conditions of any other written agreement between Pearson and the Customer. The Parties acknowledge that Pearson has the right to provide the Education Program to others within and outside of the State.

Schedule 14

Index of Defined Terms

“Academic Year” shall mean the school year as defined by the School Calendar under which the School operates.

“Administrative Staff” means any and all individuals employed by or otherwise providing administrative services for or on behalf of the Education Program operated by the School, including but not limited to Lead School Administrator, Principal, Assistant Principals and Special Education leader whose primary job responsibilities involve day to day operations of the School, including oversight of the Instructional Staff.

“Affiliates” means any entity controlling, controlled by or under common control with another entity. With respect to Pearson, Affiliate shall also include Pearson plc and its Affiliates. For the purposes of this definition, “control” means the possession, directly or indirectly, of the power to direct the management and policies of an entity whether through the ownership of voting securities, registered capital, contract or otherwise.

“Applicable Law” and “applicable law” is defined herein as the Constitution of the State, the State education laws and/or code, the federal Every Student Succeeds Act, the federal Individuals with Disabilities in Education Act, other applicable federal, state or local statutes, ordinances and regulations, any amendments to or recodification of the aforementioned laws, and other binding rulings applicable to virtual public charter schools in the State.

“Authorizer” is the agency or other governmental entity authorized by law in the state to permit the Customer to operate a school in accordance with the Charter and Applicable Law.

“Authorized Users” shall mean the Students, Caretakers, Teachers, Instructional Aides, Administrative Staff, Learning Coaches, and School Board members who are authorized to access the EMS, the Content, Instructional Materials and Courses pursuant to the terms of this Agreement.

“Budget” shall mean the operating budget for the School, as approved by the Governing Board.

“Caretaker” shall mean the parent(s), legal guardian(s) or another individual designated by a parent or legal guardian as a Student’s Caretaker.

“Charter” shall mean the authorization to operate a charter school granted to the School by the Authorizer.

“Charter School Law” shall mean the applicable laws and regulations governing charter schools as codified in statutes and code of regulations of the State of North Carolina.

“Computer Technology” shall mean (a) computer hardware, software, or both, that shall meet or exceed any specifications required by law, for each eligible household in which one (1) or more Students reside, and (b) any computer hardware, software, or both, required by Administrative Staff or Teachers.

“Confidential Information” shall mean proprietary business, technical and financial information of each of the parties, including for example and without limitation, each party’s respective information concerning: (a) business strategy and operations such as business plans, methods, marketing strategies, outreach plans and sales information, pricing information and customer and prospect lists, the identities and locations of vendors and consultants providing services or materials to or on behalf of the disclosing party; (b) product development such as product designs and concepts; (c) financial information such as budget and expense information, economic models, pricing, cost and sales data, operating and other financial reports and analysis; (d) human resource information such as compensation policies and schedules, employee recruiting and retention plans, organization charts and personnel data; (e) unpublished educational content, curricula, teaching outlines, lesson plans, testing processes and procedures; (f) Student Records and other student-related or parent-related personal information; (g) the terms of this Agreement, (h) login and password information for Connexus®; (i) technical information such as development methods, computer software, research, inventions, the design and operation of Connexus®; and (j) other similar non-public information that is furnished, disclosed or transmitted to the receiving party or to which the receiving party is otherwise given access by the disclosing party, orally, in written form, in any type of storage medium, or otherwise. Confidential Information, in whatever form provided, shall remain the exclusive property of the disclosing party at all times, and the parties hereby acknowledge and agree that all such Confidential Information of a party are its trade secrets. Except as specifically provided for herein, nothing contained in this Agreement shall be construed as granting or conferring any rights in any Confidential Information disclosed to the receiving party, by license or otherwise.

"Content" means the components of a Course and/or Service Delivery Resource (as each is defined herein) licensed, designed, developed, owned or provided by Pearson and its third party content partners and delivered in an online format through the EMS (as defined herein) or in an offline format (textbooks and other materials) to teach students in various subjects in grades K–12 and/or to deliver resources in connection with the Services (defined herein). Content may include the courseware, data, documentation, text, audio, video, graphics, animation, drawings, programming, icons, images, pictures and charts, Teachlet® tutorials and LiveLesson® sessions. Pearson reserves the right to add Content, withdraw Content, modify and/or offer substitute Content, in its sole discretion, provided that the School will receive reasonable notification concerning any substitution or withdrawal that is substantial.

"Course(s)" shall be comprised of a set of lessons and assessments, including Instructional Materials, that shall meet the educational content or other standards established by the state in order to be recognized for high school credit in grades 9-12 and/or for meeting educational requirements in grades K-8, as the case may be.

"Curriculum" means a program of instruction provided by Pearson, which includes Content and Instructional Materials accessed primarily through the EMS, that, together with Teacher provider additions and/or modifications, shall meet the educational content or other standards established by the state in order to be recognized for high school credit in grades 9-12 or for meeting educational requirements in grades K-8.

"Derivative Works" include any translation, editorial revision, annotation, elaboration, or other modification, correction, addition, enhancement, extension, condensation, upgrade, improvement, compilation, abridgement or other form in which the Content or Instructional Materials or other Licensed Collateral may be recast, transformed or adapted, including but not limited to all forms in which such Derivative Works may or may not infringe any of the copyrights in the Content or Instructional Materials.

"Destroyed" means at minimum removing personally identifiable information from the Student Record stored on Pearson's production systems.

"EMS" means the website or Education Management System (also sometimes referred to as Learning Management System, EMS or LMS) with the URL www.classroom.pearson.com, or such other URL as Pearson or its Affiliates may designate from time to time, through which Authorized Users access Pearson Content via a secure, password protected website. The features and functions of the EMS may be modified and/or updated from time to time by Pearson. Access to the EMS is governed by the Terms of Use located at https://www.connectionseducation.com/terms-of-use/ and defined herein.

"Enrollment Leads" shall mean the Caretaker names, contact information, demographic and other information developed and collected through any and all Pearson marketing efforts (including but not limited to Public Information Campaigns defined herein) at any time before, during or after the initial or any renewal term of this Agreement.

"FERPA" means the Family Educational Rights and Privacy Act, 20 U.S.C. § 1232 (g), as amended from time to time.

"Governing Board" shall mean the governing board of the School.

"Intellectual Property" means collectively, rights under patent, trademark, copyright and trade secret laws, and any other intellectual property or proprietary rights recognized in any country or jurisdiction worldwide, now or in the future, including but not limited to, moral rights, industrial design rights and similar rights, and shall in all cases include Enrollment Leads, data and materials and other related collateral developed by Pearson, regardless of whether such data, materials and collateral are developed specifically for the School.

"Learning Coach" shall mean a Caretaker of the Student or another adult specifically designated by the Student's Caretaker, or the Student where over 18 or emancipated, who will perform the responsibilities as defined in the Caretaker Acknowledgement, Designated Learning Coach Agreement or Eligible Student Acknowledgement, respectively, and the School Handbook, which shall be subject to the review and approval annually by the Governing Board. Learning Coaches are not employees or contractors of either the School or Pearson; shall not receive any compensation for their services from either Pearson or the Governing Board; and shall look solely to the Caretaker to collect any alleged agreed to compensation. Learning Coaches shall not fall within the definition of "Instructional Aides".

"Licensed Collateral" shall mean The EMS and all technology, programs, services, and materials hosted thereon to which Customer is granted access, the Curriculum, all tangible and intangible education materials and other proprietary and copyright protected works and other Intellectual Property to which Customer is granted a right of use (whether in digital, print or both and including third party content contained therein or linked to therefrom), and all Pearson trademarks, and the trade name "North Carolina Connections Academy"

"Marketplace" shall mean each of United States and its territories and lawful possessions (individually and in the aggregate).

"Public Information Campaigns" or "PIC" shall mean such activities as outreach efforts to drive awareness and interest of the School to attract eligible students through various channels. Outreach efforts, strategies and tactics may shift throughout the PIC depending on demand, changing consumer behaviors, and testing and optimization of campaigns

“Privacy Policy” means that certain statement of Pearson’s practices for handling personally identifiable and non-personally identifiable information gathered by Pearson through the EMS or any web site maintained by Pearson from time to time.

“Program Guide” shall have that meaning ascribed to “Curriculum Guide,” defined herein.

“Related Services” shall mean services related to the provision of speech therapy, occupational therapy, physical therapy, counseling, psych-educational evaluations, closed captioning, sign language interpreting, , support for the vision and hearing impaired, assistive technology, and other services of a similar nature.

“School Calendar” shall be the days when the Education Program under this Agreement will be delivered to Students, as defined by the School Handbook. Pearson will provide Educational Products and Services on those days established to be the School Calendar for the Academic Year, except that Students may continue to report attendance during scheduled school holidays to the extent permitted under North Carolina law. The School Calendar for each Academic Year is subject to the prior approval of the Governing Board, taking into account all reasonable comments and suggestion by Pearson, and shall meet any regulatory requirements for days and hours of instruction required by law or regulation.

“School Handbook” shall mean the set of policies, rules, and guidelines promulgated by Pearson that are to be followed by Students and their Caretakers.

“School Staff” shall refer collectively to Lead School Administrator, Administrative Staff and Teachers.

“SDR” means Service Delivery Resource and relates to any tools, instructions, assessments or other support materials used in the delivery of Services, either through the EMS or otherwise.

“Services” means any service provided by Pearson to Students, including therapeutic or educational services, under the terms of the Agreement between the School and Pearson.

“Special Education Protocols” shall mean the policies, procedures and protocols that govern the provision of Special Education Services and shall, at minimum comply with applicable state and federal law requirements.

“Special Education Services” shall mean all necessary special education programs and services, including the development and implementation of IEPs and Section 504 plans, handling administrative proceedings and specialized services, submitting state or federal reports, applying for and administering supplemental funding, providing other Related Services and all other administrative services associated with the delivery of services to Special Needs Students.

“Special Needs Students” shall mean Students (as hereinafter defined) who have been identified as disabled under the Federal Individuals with Disabilities Education Improvement Act, as amended (“IDEIA”) or Section 504 of the Federal Rehabilitation Act of 1973.

“Student” means any person actively enrolled in the School.

“Student Records” shall mean those “educational records,” as defined in subsection (a)(4)(A) of FERPA (as defined herein), which the School or Pearson is required to retain in accordance with state law.

"Teacher" means any and all educators (including Pearson Teachers) involved in providing instruction, assessment and/or other educational support of Students pursuant to the terms of this Agreement and the Charter.

"Terms of Use" means certain rules governing how Authorized Users may and may not use EMS and any Content and Instructional Materials accessible through the EMS. The most current version is located at https://www.connectionseducation.com/terms-of-use/

"Website" means the Pearson website with the URL http://www.connectionsacademy.com/home.aspx and any subpages connected thereto.

APPENDIX A4.1

Draft Management Contract

PEARSON VIRTUAL SCHOOLS USA
VIRTUAL LEARNING EDUCATION PROGRAMS

STATEMENT OF AGREEMENT

Customer Name: North Carolina for Online Instruction, Inc.
Contact Person: Marchelle Sutton
Phone Number: (919) 583-1148
Email Address: Marchelles117@gmail.com
Effective Date: July 1, 2026
Expiration Date: June 30, 2031

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1. **<u>Background Information</u>**, North Carolina for Online Instruction, Inc, a non-profit organization ("Customer") holding the charter for a North Carolina public charter school under the name North Carolina Connections Academy pursuant to a trademark license granted in this Agreement ("School") is contracting with Connections Education LLC, also doing business as Pearson Virtual Schools USA ("Pearson") to receive access to certain virtual education products through Pearson's education management system ("EMS"), along with associated support services, as more fully set forth in the attached Schedules (collectively, the "Education Program"). Customer and Pearson together are sometimes collectively referred to herein as Parties and individually as a Party. The School is authorized as a remote charter academy by its Authorizer under North Carolina ("State") law. The Parties' rights and responsibilities are set forth in the schedules attached hereto and incorporated herein by reference, and for the convenience of the Parties are organized as set forth below. Upon mutual written agreement of the Parties, schedules can be amended or restated without amending or restating the remainder of the schedules or this cover page.
2. **<u>Term</u>**. This Agreement will commence on July 1, 2026 ("Effective Date") and expire on June 30, 2031 (the "Term"), unless otherwise renewed ("Renewal Term").

3. **Pearson Rights and Responsibilities**.
    a. The Education Program, described on Schedule 1;
    b. Special Education Services, described on Schedule 2;
    c. Employment and Staffing, described on Schedule 3;
    d. Staff Related Services, described on Schedule 4;
    e. Partner Success Team, described on Schedule 5;
    f. Enrollment, Academic Placement and Public Information Campaign services, described on Schedule 6;
    g. Student Record Services, described on Schedule 7;
    h. Technology and Facility Services, described on Schedule 8;

4. **Customer Responsibilities**.
    a. All responsibilities not specifically delegated to Pearson are the responsibility of Customer and are generally organized for Customer's convenience in Schedule 9, with additional references to Customer's responsibilities in other attached schedules;
    b. Collection of Funds, Pricing and Payment Terms, described on Schedule 10;

5. **Additional Schedules.**
    a. Notice Information, described on Schedule 11;
    b. Insurance Policies, described on Schedule 12;
    c. Legal Terms, described on Schedule 13; and
    d. Index of Defined Terms described on Schedule 14.

This Agreement, including the attached Schedules, comprises the entirety of the Parties' agreement.

Agreed to by:

PEARSON VIRTUAL SCHOOLS USA	**NORTH CAROLINA FOR ONLINE INSTRUCTION, INC.**
By: ________________________________	By: ________________________________
Title: ______________________________	Title: ______________________________
Date: ______________________________	Date: ______________________________

Schedule 1

Education Program

1. Curriculum. Pearson will provide the Education Program which includes educational content and materials delivered primarily through the internet and other electronic means ("Curriculum") which, when supplemented with Teacher provided additions and modifications, meets the State standards. The Curriculum includes:
    a. Pearson standard Course offerings, access to teacher-directed extended learning activities, non-School directed extracurricular activities, and other special events.
    b. To the extent permitted by state law, optional access to certain courses taught through the Pearson Online Academy
    c. A license to use Pearson's standard instructional materials ("Instructional Materials"). Instructional Materials will be provided in compliance with Students' individualized education plan ("IEP") or 504 Plan when available.
    d. To the extent reasonably possible and so long as within the existing capability of the scope of products and services provided as part of the Education Program, provide services and accommodations for assessments, instructional approach and/or lesson presentation to meet individual needs of a Student to the extent documented on an IEP or 504 plan provided to Pearson.

2. EMS Access. Pearson grants Customer a license for the duration of the Term to access and use Pearson's proprietary technology platform (the "EMS"), so that Students, Caretakers of Students, Learning Coaches, Teachers and Administrative Staff have access to the Education Program.
3. Personalized Learning Plan Protocol. Provide Teachers with resources and assistance designed to enhance Teachers' effectiveness in creating a Personalized Learning Plan ("PLP") for each Student that will meet or exceed any educational standards established by the State or otherwise required by the Charter.
4. Testing and Assessments. Support School in the administration of benchmark assessments, as well as all State-required testing and other State-mandated assessments, including a series of assessments designed to gauge the Student's mastery of core concepts and readiness for the State standardized tests or other State mandated testing, as more fully described in Schedule 9, Section 4.
5. Training.
    a. Provide Customer and School Staff with necessary training in Pearson protocols and continuing professional development and other related training, leadership development and peer to peer networking opportunities (collectively "Training") that support the School mission and delivery of the Education Program and which will allow the respective School Staff to comply with applicable laws that specify Training requirements.
    b. Provide training and support programs and materials to Students, Learning Coaches, Caretakers and community coordinators on the Curriculum, use of the EMS, various Pearson policies and procedures, and other topics relevant to successfully engaging the Education Program.

   c. All costs associated with such Training shall be the responsibility of Pearson, including related travel, housing, meal and hospitality costs, except to the extent Pearson notifies the Customer at least three months prior to the Training opportunity of those costs the Customer will be required to cover. Pearson's sponsored training will be for the purpose of supporting the School's education mission and other related official school business.

6. NCAA. So long as the School meets the Pearson NCAA criteria and agrees to deliver courses and instruction in compliance with the NCAA Guidelines for Connections Academy Schools (both criteria and Guidelines found here: https://www.connexus.com/library/launch.aspx?id=80237), the School will be included in the Connections Academy "district" for NCAA purposes at no additional fee, which will entitle Students to receive access to high school courses that meet the NCAA Eligibility.

7. Public Website. Maintain a public web site on behalf of the School that will contain or link to any information required by applicable law. The web site, its design, layout and non-School specific content is the exclusive property of Pearson.

8. Health and Safety: Assist the Customer in the development of training and policies related to the following standards regarding health and safety:

   a. Reporting child abuse or neglect where there is reasonable basis for suspecting such abuse or neglect is occurring, as required by state law;

   b. Adopting policies prohibiting the use of drugs, alcohol, weapons and tobacco in school operated facilities or at school sponsored events;

   c. Adopting policies prohibiting bullying, sexual harassment, harassment, and other social behaviors prohibited under applicable law, including Title IX related violations; and

   d. Complying with all state immunization laws.

   Pearson will conduct audits on a routine basis to track School Staff participation in such trainings, as well as the number of behavior incidents covered by these trainings and policies and reported by the School in either the Student log, the Issue Aware ticketing system or other location, the results of which will be shared with Customer.

9. Counseling and Related Services: Provide services to support, monitor, and train the School in its provision of academic counseling, life skills counseling, college and career counseling, as well as completion of counseling tasks (transcription, AP exam scheduling, graduation counseling, student safety monitoring support, etc.) and other related services to Students, including assisting in the development of protocols and providing consultative support in connection with the protocols.

10. Additional Programs. Make available to Students additional programs such as Career Technical Education, STEM, extended year and accelerated options to the extent permitted by State law, and taking into consideration enrollment demand, funding availability, and other programmatic considerations Pearson deems relevant in determining the feasibility of implementing such programs.

11. Program Oversight. Pursuant to the terms of this Agreement, and as a part of the Pearson fee for Educational Services and Pearson's Program responsibilities, Pearson shall make key personnel reasonably available for advisement and consultation with Customer's

representatives who are responsible for managing or overseeing the Education Program. Except to the extent otherwise agreed, all costs, including reasonable hospitality related expenses, incurred in connection with Program Oversight, shall be paid out of the fee for Educational Services paid to Pearson and, therefore, Customer shall not be separately assessed for any costs incurred by Pearson in connection with its Program Oversight related responsibilities outlined in this Section.

12. Periodic Review. Pearson has invested substantial money and resources in developing a nationally recognized virtual education program under the "Connections Academy" brand and it has an inherent interest in protecting the goodwill generated in connection therewith and the academic integrity of the Education Program. The Parties also recognize that the Customer has a vested interest in Pearson protecting such goodwill, as well as the academic integrity of the Education Program in connection with the School's mission to advance the education interests of its Students. Accordingly, Pearson is hereby obligated and authorized to perform ongoing and periodic reviews of School records documenting the manner in which the Education Program is delivered to Students, including documentation of interaction between Teachers and/or Administrative Staff with Students, Learning Coaches and Caretakers and to report to the Customer, Administrative Staff and/or Teachers any deviations from established Pearson policies, procedures and protocols, federal or state legal requirements, or established best practices, or other deficiencies Pearson takes note of in connection with such ongoing or periodic review.

Schedule 2

Special Education Services

<u>Pearson Employs Special Education Director</u>:

1. The Education Program shall comply with the requirements of the Individuals with Disabilities Education Improvement Act of 2004 (“IDEA”), 20 U.S.C. §§ 1400-1482; Section 504 of the Rehabilitation Act of 1973 (“Section 504”), 29 U.S.C. § 794; the Americans with Disabilities Act (“ADA”), 42 U.S.C. §§ 12101–12213; and any and all state and federal regulations promulgated in connection therewith.
2. Pearson will:
   a. Develop and implement the Special Education Protocols that will govern the manner in which Special Education Services are provided and which shall be in compliance with federal and state special education regulations and statutes;

   b. Implement and deliver the Special Education Services provided by the School, including but not limited to:
      i. Provide periodic compliance assessments to the Customer of the School's delivery of Special Education Services;
      ii. Support the School with ongoing professional learning and monitoring in the areas of special education, Section 504, English Learner (“EL”) and gifted;
      iii. Meet at a minimum, once per month with the School’s Special Education Director or School leadership members, as applicable;
      iv. Monitor the implementation of the Special Education Protocols as well as compliance with Section 504 and EL federal and state requirements;
      v. Provide data support in connection with the State specific Special Education reporting systems;

   c. Provide assistive technology for eligible students;

   d. Provide oral and written English translations for limited English proficient caretakers in their native language in accordance with state and federal law;

   e. Contract directly with related service providers for therapies, evaluations, closed captioning, consulting for vision and hearing impaired and pay invoices for all such services.

3. The Customer authorizes Pearson to apply for, seek, collect, and retain reimbursement through Medicaid (or other applicable State or federal programs) on behalf of the School for the provision of reimbursement eligible services delivered by Pearson (“Medicaid Reimbursement”). The Customer will fully cooperate with Pearson as required to facilitate such Medicaid Reimbursement.

4. <u>Adoption of and Compliance with Special Education Protocols</u>. The School will adopt the Special Education Protocols. The Special Education Protocols will be subject to review and revision by Pearson from time to time throughout the Term. Customer will fully and consistently implement such Special Education Protocols in the provision of Special Education Services and will defer to Pearson guidance with respect to providing Special Needs Students with a free and appropriate public education ("FAPE").

Schedule 3

Employment and Staffing

<u>Administrative Staff and Teachers</u>.

1. Pearson is the employer of Administrative Staff and Teachers.
2. The Administrative Staff and Teachers shall be licensed and/or credentialed in accordance with Applicable Law.
3. In circumstances where there is a vacancy or the Customer's enrollment is insufficient to support one or more full-time Administrative and/or Customer Staff positions, and to the extent permitted by the law of the states of both affected schools, Pearson may utilize the services of certain Administrative Staff members and Teachers from another Pearson supported Customer to staff the School until such time as the relevant vacant position is filled or there are sufficient number of Students to support a particular full-time position, respectively.
4. Pearson will notify the Customer as soon as is practicable of any Administrative Staff or Teacher who Pearson learns has been:
    a. charged with or pled guilty to (including Alford pleas and pleas of nolo contendere) to any felony or misdemeanor, or to an infraction or violation of an ordinance involving a crime of moral turpitude; or
    b. will provide Customer with a copy of any formal "Determination" provided to Pearson regarding an Administrative Staff or Teacher who has been alleged to have committed child abuse or neglect issued by the Department of Social Services (or similar agency) or law enforcement agency regarding such allegations.
5. Customer shall provide notice with specificity to Pearson as soon as practicable of any concerns regarding members of Administrative Staff or Teacher.
6. Pearson will be solely responsible for all employment decisions, including the performance reviews of its employees. The Lead School Administrator shall be responsible for supervision of all School Staff and shall report directly to the Director of School Operations. Customer acknowledges Pearson's employment relationship with School Staff and commits to respecting that relationship. The Customer will be provided with updates pertaining to school performance including the performance of key staff members in a manner consistent with Pearson's employment obligations.

Schedule 4

Staff-Related Services

1. Human Resources Services

   Pearson is the employer of all Staff.

2. Compliance Services

   a. Provide business-related compliance Customer support including: policy creation for all Customer stakeholders, ad hoc board policies, health, safety and emergency preparedness, research and guidance on course and credential alignment and tracking, school calendars, business insurance, business risk management, and board of director compliance and tracking services;

   b. Pearson will be responsible for criminal background checks and fingerprinting to be conducted on staff assigned to the School to the extent required by State law, and will maintain documentary evidence of such background checks and fingerprinting. Upon the Customer's request, Pearson will provide documentary evidence of its compliance with this section, subject to any privacy restrictions or confidentiality requirements imposed by State law.

Schedule 5

Partner Success Team

1. Pearson's Partner Success Team will provide the School with a team of people who will support the school. The Partner Success Team's responsibilities are set forth below.
   a. Advise customer on the academic, financial, and operational health of the school.
   b. Act as a liaison between Pearson departments and the School to ensure processes related to PIC, Enrollment, placement, instruction, product, Curriculum, Computer Technology, facilities, progress monitoring of Students, and business functions are followed.
   c. Liaise with the Customer to provide support in relation (but not limited) to:
      i. Customer strategic concerns;
      ii. Delivery of the terms of this Agreement;
      iii. School relationships with the State Department of Education and authorizer, if applicable;
      iv. Management support of the Budget.
   d. Monitoring the Education Program to ensure the School is implementing it with fidelity to the Pearson model, including established protocols and interventions;
   e. Support the School's academic performance and operational health;
   f. Provide supervision of the Administrative Staff, as well as, guidance oversight and support on:
      i. School Improvement Planning (SIP);
      ii. Problem solving;
      iii. School operations;
      iv. Establishment of and adherence to School policy;
      v. Analysis of School performance and other key data metrics;
      vi. Leadership development and concerns; and
      vii. Targeted intervention strategies.
   g. Support Schools with issue resolution, business measurement and reporting, and data needs.
2. <u>Partner Success Team Communication with School Leader and Administration Staff</u>:
   i. <u>Will participate in:</u>
      a. A weekly Connections Academy School Leader Update (SLU) Information email includes updates or information on items that school leadership teams need to be aware of and/or complete.
      b. Monthly School Leadership team meetings with all Connections Academy principals, assistant principals, Partner Success Team Members and other Pearson employees to

talk about timely topics. All Principals and Assistant Principals are encouraged to attend these monthly meetings.

c. Professional development sessions for school leadership team members. These include monthly meetings on school data, school improvement planning, and other topics. If a school leader is struggling in an area and needs professional development, these sessions may be assigned as mandatory professional development sessions.
d. Quarterly School Improvement update sessions. Each school will report on the current results of their school improvement plan. These sessions are required and should be attended by school leaders, the leadership team, and anyone else at the school who owns one of the school action plans. Members of the Partner Success Team will also attend. Schools are encouraged to invite other stakeholders.

ii. <u>School Leaders and Administrative Staff will at minimum participate in:</u>

i. Weekly one-on-one check-in sessions to touch base and stay informed about:

a. School Year Cycle topics;
b. School metrics;
c. School Improvement Planning (SIP); and
d. Daily school operations.

These meetings/check-in sessions may include only the School Leader or may include other members of the school leadership team as well. For a larger school, other members of the leadership team should attend.

iii. Performance management meetings, where the following will be discussed with the Partner Success Team's Director of School Operations:

a. Goal setting for School Leader;
b. School Leader performance level with improvement suggestions;
c. Improvement planning; and
d. Formalized performance review sessions (mid-year and end of year reviews).

Schedule 6

Enrollment, Academic Placement and Public Information Campaign

1. Enrollment and Academic Placement Processing. Implement and conduct the School enrollment process on behalf of the Customer, in accordance with enrollment, placement and withdrawal policies and procedures adopted by the Customer and Pearson, and consistent with local, state and federal law.
   a. The Customer acknowledges that Pearson is the School's agent throughout the enrollment and placement process. Pearson will receive and deliver information from and to Students and Caretakers in connection with the enrollment and placement process in compliance with state and federal laws.
   b. Pearson shall maintain a list of the Students enrolled in the School and shall provide such list to the Customer promptly upon request.
   c. Dual or part-time enrollment will not be permitted unless mutually agreed upon by Pearson and Customer.
   d. Typically, enrollment and placement services commence the February preceding the upcoming Academic Year. Accordingly, Pearson will have no obligation to provide enrollment and placement services identified herein in support of the Academic Year that follows any termination of this Agreement. Pearson shall, however, be obligated to continue providing enrollment and placement services in support of the final Academic Year of the Term through the termination date of the Agreement. For avoidance of doubt, if the Agreement terminates on June 30, 2031, then Pearson has no obligation to provide any enrollment and placement services that support the 2031-2032 Academic Year.

2. Public Information Campaign.

a. Pearson will develop and implement a Public Information Campaign ("PIC") to inform potential students, their Caretakers, and other interested parties about the Education Program. Pearson will not implement PIC initiatives promoted by the Customer that Pearson determines may have a negative impact on its brand identity and/or reputation in the Marketplace, including in connection with the School. PIC initiatives, strategies and tactics may shift throughout each Academic Year of the Term depending on market demand, changing consumer behaviors, and testing and optimization campaigns.

b. To the extent there is more than one Pearson supported school in the State, the Customer acknowledges the PIC, including all Enrollment Leads, will benefit all schools located within the State taking into consideration each respective school's stated enrollment goals. To the extent possible, siblings of an existing student in a particular school will be placed in that same school, returning students, including students who withdraw and return, are placed in the school of initial enrollment, students who specifically request a particular school are placed in the school of choice. If specific enrollment criteria of a particular school prohibits a particular student from being enrolled in that school, then, if possible, the Student will be placed in another Pearson supported school in the State. Once a school has reached its enrollment cap, efforts will be made to direct families to other Pearson supported schools in the state until such a time as they have reached their enrollment cap, if any.

c. Any methods, processes, collateral, and Enrollment Leads that are obtained, developed and/or used in connection with the PIC is proprietary Pearson Confidential Information, and is the property of Pearson.

d. Pearson maintains an Enrollment Lead database of all generated leads, including those developed through Pearson's PIC efforts. The Enrollment Lead database is the exclusive property of Pearson and shall include, but is not limited to, Enrollment Leads who begin the enrollment process and fail to convert, those who take no steps toward enrollment, and those who withdraw or are otherwise no longer enrolled in a Pearson supported school. The Enrollment Lead database is only for the benefit of the School during the Term, including any renewal term. Customer is not entitled to receive any benefit of the Enrollment Lead database on or after February 1 of the last Academic Year of the Term, except those Enrollment Leads who specifically express a request for enrollment in the last Academic Year of the term. For the avoidance of doubt, and consistent with Pearson's enrollment and placement obligations set forth in Section 1.d. above, if the Agreement expires June 30, 2031 and is not renewed, the School shall not receive the benefit of the Enrollment Lead database for the 2031-2032 Academic Year and beyond.

e. Pearson is authorized by Customer to access Student Records for communication directly with Caregivers and Students in support of the School's education mission about education enrichment related opportunities of potential interest, including post high-school opportunities, clubs and activities, academic contests and competitions, summer school opportunities, internship and job training opportunities. Pearson may authorize other Pearson affiliated businesses to send such communications, so long as Pearson approves of the communication content and such communications comply with all appliable state and federal law.

f. Pearson will keep Customer's PIC coordinator, if any, apprised of the PIC development and implementation.

g. Pearson and the Customer's PIC coordinator, if any, will work together each year during the Term to develop and implement a PIC for the upcoming Academic Year. Pearson is under no obligation to implement any PIC initiatives promoted by the Customer that Pearson determines will have a negative impact on its brand identity and/or reputation in the Marketplace, including in connection with the School.

h. Customer shall not undertake any independent PIC or other marketing activities without the express written consent of Pearson and then only under the terms Pearson establishes.

3. <u>Invoicing for Enrollment Services and PIC</u>. Enrollment Services and PICs supporting a given Academic Year commence during the prior Academic Year but are covered by invoices issued to the School on or after the first day of the Academic Year for which they are intended to benefit. The aforementioned invoices will be issued under the "Upfront Connections Program Fee" line item as described in the Fee Schedule at Schedule 10, as the fee for the Enrollment Services and PIC are included in the bundled Upfront Connections Program Fee. Customer is obligated to fully and timely pay the invoices for the Upfront Connections Program Fee, which for Customer's convenience, are spread out over the months of July through June, even though services commence during the previous Academic Year. For the sake of clarity, the PIC and Enrollment Services related to the 2026-2027 school year may begin as early as January 2026, but the invoicing for them will not commence until on or after July 2026.

4. <u>Post-Termination Enrollment and PIC Obligations</u>. Pearson will have no obligation to perform enrollment services or to develop and implement a PIC for the Academic Year that follows any termination and non-renewal of this Agreement. For example, if the Agreement terminates and non-renews on June 30, 2031, then during the 2030-2031 Academic Year, Pearson has no obligation to develop and implement a PIC to support the recruitment and enrollment of

students for the 2031-2032 Academic Year. School is solely responsible for providing marketing and enrollment services to support the recruitment and enrollment of students for the 2031-2032 Academic Year and may do so without Pearson's involvement except, such services may not be provided in a manner that is disparaging of Pearson and may not use Pearson branding.

Schedule 7

Student Records and Data

1. Repository of School Records. The Customer hereby appoints Pearson its repository of electronic Student Records and other electronic School records, including financial records, subject to the access, confidentiality, and privacy requirements of FERPA, the IDEA, Section 504, and other state and federal law.
   a. Pearson will store and maintain such electronic records in accordance with state, local and federal requirements and consistent with commercially reasonable technical and organizational measures intended to protect against:
      i. accidental or unauthorized destruction;
      ii. accidental or intentional loss or alteration; or
      iii. unauthorized disclosure or access.
   b. In the event the Agreement terminates, Pearson will maintain such repository of records for a period of four (4) years following such termination for no additional fee.
2. Student Records Support. In furtherance of its enrollment and placement related obligations set forth in this Agreement and in connection with its repository obligations set forth above:
   a. Pearson shall receive from Caretakers all Student Records on the School's behalf that are submitted electronically through its secure, password-protected system.
   b. All Student Record information remain the property of the School, and, to the extent not immediately available through the School's on-demand access, shall be provided to the Customer via a secure means without unreasonable delay upon written request for such information. To the extent permitted by law, Pearson may retain a copy of such records subject to the confidentiality requirements of this Agreement until such time as the Customer provides written notice requesting that specific records be returned or Destroyed.
   c. Pearson shall certify to the Customer within one (1) year from the date it receives instructions as to what Student Records are to be returned or Destroyed that it has complied with the instructions of the Customer in connection with such notice.

3. Protection of Student Records. Pearson and the School acknowledge and agree that pursuant to FERPA and any regulations promulgated thereunder, the parties have certain obligations with regard to maintaining the security, integrity and confidentiality of "education records", as that term is defined by FERPA (also referred to herein as "Student Records"). The parties acknowledge that the School at all times owns the Student Records and each party must perform its obligations under the Agreement in compliance with FERPA and any regulations promulgated thereunder. Pearson and the School each designate the Lead School Administrator, School Staff, Customer, third party service providers (including Pearson and volunteers who are providing educational and/or administrative services to the Students as agents of the School) as individuals having a legitimate educational interest and thus entitled to access education records under FERPA. Pearson and the School shall also maintain Student Records in accordance with all other applicable laws and regulations.

4. Confidential Information. Each Party shall maintain the confidentiality of Student Records in accordance with applicable federal and state laws as more fully set forth in Schedule 13 (Legal Terms).

5. Aggregated Data. Student specific data, including corresponding Caretaker data, is the property of the School, Student and/or the Caretaker ("Student Information"). Pearson will not use any such School-owned Student Information for any non-school related purpose without obtaining the written permission of the School or the Student or Student's Caretaker (as the case may be).

   a. Pearson may freely aggregate School owned Student Information so long as such aggregated use does not reveal identifying characteristics that would enable a third party to determine the identity of any individual Student, including that Student's Caretaker.

   b. All such aggregated data shall be the property of Pearson. Pearson may freely use all such aggregated data and identify its source as being the School.

   c. Pearson shall, from time to time, provide to the School reports in an electronic format requested by the School to the extent Pearson's systems and capabilities permit. Upon receipt of such request from the School, Pearson will work with the School to formulate queries, formats and designs that will generate Student Information in a manner most useful to the School, based on the School's objectives and Pearson's existing capabilities.

6. Communications from Pearson. Customer acknowledges and agrees that Pearson may periodically contact Authorized Users for the School in connection with the Education Program, as well as to inform Caretakers and Students of educational opportunities related to such Students' academic pursuits in compliance with state and federal law. Unless prohibited by law, the School specifically consents to such communications being delivered to Caretakers and Students via the EMS WebMail portal and message boards, personal email to the extent such information is available, and direct mail. Except as expressly permitted by law, Pearson will not deliver communications to Students that constitute targeted advertising based on personally identifiable information from Student Records. Telephone communications will be limited to School related communications of an immediate nature that impact a Student's access to the Education Program or are related to the Students' academic participation and/or academic achievement. By accessing the Licensed Collateral, the School and Authorized Users will be deemed to have consented to receive such communications.

Schedule 8

Technology and Facility

1. Technology. Pearson will provide the following Computer Technology and services associated therewith**:**

   a. School Staff. Pearson will provide and maintain in working condition Computer Technology for School Staff. Any Computer Technology provided by Pearson will be the exclusive property of Pearson or its contractors and will be returned upon the termination of this Agreement or upon the termination of employment of such respective School Staff, whichever is sooner. Notwithstanding the above, all School Staff data files stored on the Computer Technology shall remain the property of the School and Pearson shall make reasonable efforts to provide the School opportunity to remove data prior to the return of devices upon the termination of this Agreement or upon the termination of employment of such respective School Staff, whichever is sooner.

   b. Student Technology. Pearson will ensure access to technology is available to Students, on a case by case basis or otherwise as required by applicable law, as necessary to fully access the curriculum. Such Computer Technology will be the exclusive property of Pearson or its contractors and will be returned upon the termination of this Agreement, or when the Student is no longer Enrolled, whichever is sooner. Pearson may invoice Caretakers of Students, unless prohibited by law, for Computer Technology not returned.

   c. Technology Support. Provide 24/7/365 technical support through on-line Help (in the EMS) and live phone support via Pearson Support Services to families and students and School Staff. Procedures for contacting Pearson Support Services are shared during the onboarding process and are posted for families and staff in the EMS. Currently technical support hours are Monday-Friday 9:00 a.m. to 9:00 p.m. (ET), and to staff Monday-Friday 8:00 a.m. to 6:00 p.m. (ET). Technical support hours are subject to change. For Students not using computer technology provided by Pearson, Pearson shall provide initial technical support to ensure Students have the minimum requirements necessary to participate in the Education Program, and ongoing technical support on an as needed basis for the Students' use of the EMS.

   d. Student Technology Support Stipend Administration. To the extent the Customer has established a student technology support stipend program, Pearson shall act as the agent for administering such a program. Payment of the stipend to eligible households would be facilitated by Pearson, which will be issued to the Caretaker (and in certain circumstances, the Student) according to the schedule outlined in the School handbook, which shall be consistent with the rate used in the development of the Budget, when applicable. The Customer's student technology support stipend program will be limited to the eligibility and amount required by law unless Pearson has agreed to a program that exceeds the minimum required by law.

2. Facility Support. Pearson or its designee shall provide the following Facility Management and Maintenance:

   a. Pearson will procure administrative office space on behalf of the School in circumstances where, in Pearson's sole opinion, the School does not have appropriate facility to meet the

School’s purpose. Pearson or its designee will work with the Landlord and oversee the buildout of the office space to accommodate the needs of the School;

b. Pearson will provide management and maintenance responsibilities for the space on behalf of the School, including management and maintenance of equipment, furniture, and utilities.

c. The office space shall be compliant with the Americans with Disabilities Act and meet any other requirements of applicable law.

d. If this Agreement is terminated prior to its expiration, any capital equipment or furniture and fixtures (“Capital Assets”) owned by Pearson and located in the facility may be purchased by the Customer at the then current book value as recorded on Pearson’s financial records.

e. Any Capital Assets not otherwise the property of the Landlord pursuant to the terms of the lease, as well as any other furniture, equipment or fixtures purchased by Pearson on behalf of the School using federal or state grant funds or any other sources of public money, will continue to be deemed the property of the School.

Schedule 9

Customer Responsibilities

1. General. The Customer is responsible for monitoring the Education Program quality and efficacy, implementation of the Pearson model with fidelity, monitoring Student safety and well-being, and ensuring the School's financial accountability, as well as adopting any necessary policies to comply with State law in oversight of the School, and overseeing Pearson's day to day operation of the School, except for those services to be performed by Customer under this Agreement.
2. Diplomas. Grant diplomas based on attainment of minimum requirements for graduation with a School diploma.
3. Testing and Assessments. With the support of Pearson, administer benchmark assessments, as well as all State-required testing and other State-mandated assessments, including a series of assessments designed to gauge the student's mastery of core concepts and readiness for the State standardized tests or other State mandated testing and provide the resulting data to test Pearson. Current benchmark assessments available include Renaissance or NWEA MAP, ("Benchmark Tests"). Customer commits to administering one of these benchmark assessments at the beginning, middle, and end of the year, and provide resulting data to Pearson, where the data will be used to analyze and develop recommendations for areas of improvement. In addition, Customer will ensure the benchmarking data will be used by the School to make instructional decisions for each student. As a supplement to the Benchmark Tests, Customer will ensure that the School will share data from other State required Classroom Diagnostic Tools (CDTs), to the extent the sharing of such data is permitted under applicable law including FERPA.
4. Curriculum Modification Requests. Engage the Solutions Partner with respect to all Curriculum Modification Requests as early as possible. Information regarding timelines and process to be followed for Curriculum Modification Requests can be found at https://www.connectionsacademy.com/product-highlights. Pearson prioritizes Course Modification Requests that relate to or arise out of a change in regulatory standards. Pearson cannot guarantee other requested modifications will be available by the requested date, but will work with Customer to deliver such modifications within a commercially reasonable timeframe given complexity of request, resource availability, and other such relevant considerations. In the event a specific Curriculum Modification Request cannot be implemented or Pearson is unwilling to implement any Curriculum Modification Request, Pearson shall provide Customer with an explanation with specificity of its decision and engage Customer on other options available to it, given Customer's motivation for the particular modification.
5. Collection of Funds. Except to the extent prohibited by State law, the Customer shall use reasonable efforts to assist in the collection of any amounts that are due from other federal, state and local governmental entities, but shall not be responsible for any amounts that remain uncollected.
6. Insurance. Maintain the insurance identified on Schedule 12.

7. Student Data Transfer/Access Requests. Customer is responsible for determining that any Customer request for access to or transfer of Student personally identifiable information or Customer information to any third-parties, including government agencies, is appropriate, accurate and compliant with applicable local or Customer policies and procedures, as well as compliant with state or federal law, and for informing Pearson of any restrictions Pearson must follow in providing such requested access or transfer. To the extent permitted by law, the Customer shall hold Pearson harmless and indemnify Pearson regarding such access.
8. Abide by Established Protocols, Policies and Procedures. The Customer shall abide by all Pearson established protocols, policies and procedures in connection with the Education Program, including requirements for Course completion (including awarding of transfer credit where applicable), grade attainment and attendance in order to meet minimum requirements for graduation with a School diploma, and return and recovery policies in connection with the use of Pearson-provided Computer Technology and Instructional Materials. In the event Customer becomes aware of a known or potential conflict with federal, State or local law, that makes compliance with this paragraph impossible or impracticable, Customer shall immediately provide Pearson with written notification of the known or potential conflict and work with Pearson to satisfactorily resolve such conflict. During any period of time that the Customer fails to: (i) implement the Education Program with fidelity; (ii) timely and consistently implement any School Improvement Plan; or (iii) take corrective action with regard to any issue(s), matter(s), or concern(s) related to implementation of the Education Program brought to the Customer's attention by Pearson, Pearson and its agents, employees, and assigns, will not be deemed to have engaged in any wrongdoing, misconduct, negligence, or default under Schedule 13 - Indemnification, of this Agreement.
9. Regular Meetings. The Customer shall meet regularly with Partner Success team to discuss updates related to the School operation and performance, school leader performance, as well as the parties' relationship.
10. Non-Pearson Computer Technology. In the event that the Customer elects to procure any of its Computer Technology from a source other than Pearson, Customer shall be solely responsible for providing support and logistics services for such Computer technology.
11. Other Services. To the extent there are products and services not included in the Education Program and the Customer elects to contract with a third party other than Pearson for such products or services, it shall be the Customer's responsibility to ensure that such products or services are provided consistent with the Budget and in accordance with any requirements of Charter School Law or other applicable law and any requirements in the Charter.
12. Charter Agreement: The terms of the Charter Agreement entered into on or [DATE] by and between the Customer and the Authorizer ("Charter Agreement") is a critical document, the terms of which were and remain fundamental to Pearson's decision to enter into and remain a party to this Agreement. Customer hereby provides written assurances that it will not enter into any amendment to the Charter Agreement without consulting with Pearson and obtaining its written consent to any amendment terms. Failure to obtain such written consent prior to execution of any such amendment shall be considered a material breach of this Agreement. Any amendment that materially changes Pearson's ability to perform its obligations set forth in this Agreement or materially increases the cost to do so shall be grounds for termination.

Schedule 10

Collection of Funds, Pricing and Payment Terms

1. Pricing and Payment Terms:
    a. Payments. Pearson shall receive funds in accordance with the annual schedule of fees for services (the “Fee Schedule”), attached and incorporated hereto. Pearson reserves the right to increase any or all non-percentage of revenue-based fees set forth in the Fee Schedule for each subsequent year of the Term, but in no event will such fee increase exceed 3% in any given year (“Cap”), and Pearson shall notify the Customer by June 1 of the current Academic Year of such increase. Upon issuance of the rate increase notice, the fees set forth in the Fee Schedule shall be deemed to be adjusted accordingly without the need for an updated fee schedule. Notwithstanding anything to the contrary, the Cap shall not apply to any discretionary services offered by Pearson.
    b. Invoicing.
        a. Pearson shall invoice Customer monthly, unless the Parties agree in writing otherwise. Customer shall remit payment to Pearson for these invoices within thirty (30) days of receipt. Any other payments due to Pearson by Customer for funds received for additional state or federal revenues or receipts for Students with Special Needs shall be paid within thirty (30) days of Customer’s receipt of such funds. The Parties may establish alternate payment arrangements by mutual agreement. In no event shall failure by Pearson to invoice Customer, in part or in full, constitute an abrogation of Customer’s obligation to make payment to Pearson as provided for in this Schedule
        b. Pearson may charge interest at the rate of one-half percent (0.5%) per month for any invoices paid more than sixty (60) days after the date of invoice, unless such failure to pay is the result of: (i) funds being withheld from the Customer due to a failure by Pearson to perform under the terms of this Agreement and then only to the extent School has timely notified Pearson of such failure; or (ii) delay by the State or, to the extent applicable, any of the School’s students’ resident school district to disburse funds due to Customer and Customer has insufficient funds on hand to timely pay the invoice without receipt of such disbursement, in which event Customer shall use its best efforts to cause the funds to be disbursed and the shortfall will be paid as soon as reasonably practicable after the funds are received; or (iii) Customer or Pearson disputes any charges and then only for such disputed charges. Customer or Pearson, as the case may be, shall notify the other of any dispute and the basis for any dispute within five (5) days of receipt of the invoice and shall work to resolve the dispute within thirty (30) days. All amounts other than any amounts in dispute shall be paid according to the terms herein.
        c. In the event Pearson refunds or otherwise remits to Customer a sum greater than a refund or other payment obligation due, Customer is obligated to return any overpayment to Pearson upon receipt of notice of such overpayment.
2. School Funds. The Customer is responsible for using its portion of all funding it is entitled to receive under the Charter Agreement and not owed or reasonably to be owed to Pearson (“School Funds”) to pay all of the Customer’s required expenses, such as legal expenses and audit fees and insurance premiums. Further, the Customer shall exercise its discretion such that

at no time shall the School fall into a deficit, but rather will at all times reflect a fund balance equal to or greater than the amount required by State law. Any costs required by the Charter Agreement not included in this Agreement shall be paid by the Customer.

3. Payment Agent. The parties may agree to have Pearson act as its payment agent for various expenditures, in which case Pearson shall act as payment agent for payment of Customer Staff compensation during the Term, in accordance with the Budget. Pearson will submit to the Customer appropriate documentation evidencing payment of such expenditures and upon said submission shall be entitled to a dollar for dollar reimbursement for these expenses. All such payment agent services provided by Pearson shall be exclusively for expenses accruing in Academic Years covered by the Term. Pearson can, at any time, request the Customer prepay the amount of the expenditure prior to issuing payment on the Customer's behalf.

4. Funding Collection. Customer shall work with Pearson to collect all state, local and federal funding to which the School is entitled. Pearson shall provide to the Governing Board any and all documentation required by law to demonstrate the School's compliance with respect to the use of the funds it receives.

5. Funds Character. All School funds received by the Customer, from whatever source, retain their character as school funds until such time as they are paid out to a third party, including Pearson, as payment for a service performed (or to be performed) for, or at the direction of, the Customer or for a product obtained at the direction of the Customer, at which time such monies paid to such third parties shall lose their school fund character.

6. Budgets. No later than the earlier of June 1 or fourteen (14) working days prior to any deadline specified in the Charter or other regulatory mandate, Pearson will present to the Customer treasurer or its designee a proposed balanced budget (i.e., not resulting in a cumulative net asset deficit) for the following fiscal year developed under the direction of the Customer or its designee. The Budget shall be in reasonable detail and shall be based on the applicable Fee Schedule. In the event that the Customer and Pearson do not agree on a Budget, the Parties agree that Pearson will continue to perform all of its responsibilities under this Agreement and will use the then current approved Budget and the corresponding Fee Schedule as the basis for operations until the Parties agree to a new Budget. Pearson will use the staffing model in existence as of such date to release new positions that need to be filled in order to accommodate the projected growth in enrollment for the following Academic Year, which will allow the School to recruit, hire, and train new staff in time for the start of the following Academic Year.

7. State Audit Adjustments. To the extent that any adjustments as a result of a state audit are the result of Pearson's failure to adequately perform its responsibilities under this Agreement, Pearson will be required to either, at the choice of Pearson: (i) return funds to the Customer in the amount determined as a result of a State audit; or (ii) to the extent that funds are withheld from future payments to the Customer, reduce amounts invoiced to the Customer by the amount funding is withheld.

8. Protection Against Deficits and Service Credit.

a. In the event that as of June 30 of each year during the Term, funds received by the School from whatever source in a given Academic Year, whether from state, local, or federal government agencies, including but not limited to Federal Title funds, grants, income, or other funding sources ("Total Revenues") are less than the School's expenditures, including payments to Pearson as well as those incurred and paid by the School, but excluding any payments for capital expenditures (the "Total Expenditures"), and in the event that the School does not have positive Net Assets (as defined in its annual audited financial statements) sufficient to offset the difference between Total Revenues and Total Expenditures, to the extent that any expenditures in excess of Total Revenues were included in the balanced budget or were subsequently approved by both Parties in a written budget amendment, Pearson shall issue a credit or discount to the School to the extent required to maintain positive Net Assets at least equal to Ten Thousand Dollars ($10,000) (or higher if so required by law) as of each June 30 during the Term of this Agreement ("Service Credit"). Any credit or discount offered under this clause will not be recoverable by Pearson in subsequent years.

b. In order for the School to qualify for such deficit protection, both Parties must formally approve the School's annual budget and any amendments to it during the year, such budget and amendment(s) to be reduced to a writing approved by both Parties. To the extent the School engages in spending outside the approved budget, as may be amended from time to time, the gross sum of such expenditures shall not be eligible for a Service Credit unless and then only to the extent expressly agreed to in writing by Pearson. For example, if at the end of year two (2) of the Term, the School runs a deficit of three hundred thousand dollars ($300,000) that would otherwise be eligible for a Service Credit and fifty thousand dollars ($50,000) of such deficit is attributable to expenses incurred on spending not approved in the School's annual budget for that year, then only two hundred and fifty thousand dollars ($250,000) of such deficit is covered by the Service Credit. Further, to the extent the fifty thousand dollars ($50,000) in spending is carried forward to future Academic Years, such spending shall not be covered by Service Credits in such future years unless and then only to the extent expressly agreed to in writing by Pearson.

9. <u>School Financial Services</u>. Pearson shall:

a. Provide accounting support services to the Customer, including providing all necessary supporting reports for all Pearson's activities under this Agreement.

b. Assist the Customer in the development of a Budget for the Customer's consideration and approval on an annual basis.

c. Provide audit support and local, state and federal financial reporting support, as well as related consultation support to the Governing Board, its finance committee and its audit committee.

d. Serve as an invoice payment processor for the School. All costs associated with the payment processing of invoices, however, remain the responsibility of the School and will be reimbursed at cost to Pearson. In the event Customer requests invoice processing for an invoice, and Pearson reasonably believes (i) the Customer lacks sufficient funds to reimburse Pearson within thirty (30) days of presentation, or (ii) timely reimbursing Pearson will result in the Customer not having sufficient funds to timely pay Pearson for services rendered pursuant to the terms of this Agreement, or (iii) payment of such invoice is for services that supports the Customer for an Academic Year during which Pearson is not going to be providing services under this Agreement or a renewal of this Agreement, or (iv) Customer is in arrears on its payment obligations to Pearson for any reason, then Pearson, in its sole discretion, may refuse to process such invoice or require prepayment of the reimbursement as a condition of processing the invoice.

Fee Schedule

Schedule of fees for the Educational Program under the terms of the Agreement:

Fee Type	Rate	Basis
Upfront Fee Per Student	$1,030	*Charged per each student enrolled in the school*
Upfront Fee per Technology Shipped	$623	*Charged per each computer provided by Pearson at any time during the school year*
Monthly fee per Student	$283	*Charged per each student enrolled at the end of the month; measured monthly for nine months of the school year - 9/30, 10/31, 11/30, 12/31, 1/31, 2/28, 3/31, 4/30, 5/31 (or last day of the school year)*
Monthly Fee per Special Population Student	$360	*Charged per each student enrolled at the end of the month who is on an IEP; measured monthly for nine months of the school year - 9/30, 10/31, 11/30, 12/31, 1/31, 2/28, 3/31, 4/30, 5/31 (or last day of the school year)*
Monthly Fee per School Staff Member	$1,082	*Charged per each school staff member employed at the end of the month; measured monthly for nine months of the school year - 9/30, 10/31, 11/30, 12/31, 1/31, 2/28, 3/31, 4/30, 5/31 (or last day of the school year)*
Short Term Substitute Teaching Services	$309	*Charged on a per day basis whenever the school has elected to use Pearson to provide a substitute teacher to cover a short-term need.*
Other Supplemental Services		
Direct Course Instruction Support	$2.75	*Charged on a per student per course per day basis whenever the school has elected to use Pearson to provide course instruction.*
Benefits	26%	*Charged as a % of compensation (wages, bonus, stipend, etc.) earned by school staff. This fee is subject to an annual adjustment not to exceed two percentage points.*

Pearson will be reimbursed at cost for all pass-through expenses (no mark-up and not included in table above), including but not limited to, all School Staff compensation and related payroll tax expenses as it is incurred.

Schedule 11

Notice Information

Notices. All notices, consents and other communications under this Agreement shall be given in writing and shall be sent by and deemed to have been sufficiently given or served for all purposes as of the date it is delivered by hand, received by overnight courier, or within three (3) business days of being sent by registered or certified mail, postage prepaid to the parties at the following addresses (or to such other address as hereafter may be designated in writing by such party to the other party):

If to Pearson:	Connections Education LLC dba Pearson Virtual Schools USA 509 S. Exeter St, Suite 202 Baltimore, MD 21202 Attn: General Manager
With a copy to:	Pearson Virtual Schools USA 509 S. Exeter St., Suite 202 Baltimore, MD 21202 Attn: Legal E-mail: Legal-PearsonOBL@pearson.com
If to the Customer:	
With a copy to:	

Schedule 12
Insurance

1. Pearson Requirements. Pearson will maintain and keep in force insurance policies and limits no less than such amounts as outlined below, to cover insurable risks associated with operations under this Agreement. The below limits of liability may be provided under the primary insurance policies, or in a combination with the limits provided by an Umbrella or Excess policy. The School will be included as an additional named insured under the below policies as allowed by law, or Pearson shall procure stand-alone policies on behalf of the School with similar coverage and limits, but in no event less than required by Applicable Law.
   a. Workers' Compensation insurance, including Employer's Liability coverage with limits of at least $1,000,000 for each coverage provided thereunder.
   b. Commercial General Liability insurance with limits of at least $5,000,000 per occurrence and in the annual aggregate.
   c. Sexual Abuse and Molestation coverage with limits of at least $5,000,000 per each abusive conduct limit and in the aggregate.
   d. Automobile Liability insurance covering all owned, non-owned and hired vehicles in an amount no less than $1,000,000 each accident.
   e. Educator's Legal Liability insurance in an amount no less than $2,000,000 each claim and in the annual aggregate.
   f. Crime Insurance in the amount of no less than $500,000 each claim and in the annual aggregate. Each claim limit applies separately to Crime coverages: Employee Theft, Client Property, Forgery or Alteration, Computer and Funds Transfer Fraud, Money Orders & Counterfeit Currency, and Premises.
   g. Pearson will assist the School with procuring Directors and Officer's Insurance in the amount required by Applicable Law, but in no event less than One Million Dollars ($1,000,000) in the aggregate.
2. Customer Requirements. Except for that insurance identified above, obtain and maintain the insurance as may be required and/or permitted by applicable law and as appropriate in connection with Customer's responsibilities under this Agreement. To the extent permitted by applicable law and if explicitly authorized in writing by the Customer's insurer, Pearson shall be added as additional named insured on all policies of insurance obtained and maintained by and for the benefit of the School. Additionally, insurance for any facility leased directly and/or managed by the School and any capital equipment or furniture and fixtures owned by the School will be the responsibility of the School.

Schedule 13

Legal Terms

1. Term. The Term of this Agreement shall be as described in Section 2 of the cover page of this Agreement.

2. Renewal Term Negotiation. If the parties have entered into negotiations to renew this Agreement, and, as of February 1, 2031, neither party has informed the other party of its intent to not renew the Agreement, this Agreement shall continue to be in full force and effect until: (1) the Parties enter into a renewal agreement; or (2) one party informs the other party of its intent to not renew the agreement. If the notice of intent to not renew occurs anytime on or after June 30 of the last Academic Year of the Term (i.e. June 30, 2031, then such notice of termination shall take effect on June 30 of the immediate upcoming Academic Year [i.e. June 30, 2032] ("Continuation Term") and Pearson's compensation shall be in accordance with the fee agreement set forth in the Agreement, including any price increase for the Continuation Term. If notice of the intent to not renew is provided by Customer between the dates of February 1 and June 30 of the final Academic Year, Pearson shall be entitled to reasonable compensation for services provided to the School in preparation for and in anticipation of the immediate upcoming Academic Year in an amount equal to the total number of Students enrolled in the School as of October 31 of the prior Academic Year multiplied by $750. For example, if the notice to not renew is provided on May 15, 2031, then Pearson's compensation for services provided to the School in anticipation of the 2031-2032 Academic Year shall be a sum equal to the number of Students enrolled on October 31, 2030 multiplied by $750. In the event that Pearson continues to provide services throughout the Continuation Term without (i) a renewal agreement being executed or (ii) a notice of non-renewal being issued by March 1 of the Continuation Term, then the terms by which the parties will conduct themselves during the continued negotiation of the renewal agreement shall be as set forth in this section, with each subsequent Academic Year Pearson provides services under the terms of the Agreement (July1 to June 30)) being termed a Continuation Term.

3. Termination. Any notice of early termination shall take effect at the closing of the last day of the Academic Year, unless otherwise agreed to by the parties or provided for herein. Notices of termination must be made in writing and delivered to the addresses set forth herein no later than December 15 of the current Academic Year, unless another date is specifically provided for, and shall list all reasons for said early termination. Except as specifically provided for herein, this Agreement can only be terminated before its expiration as follows:

   a. By either party, if one (1) party materially breaches this Agreement and fails to cure the breach within thirty (30) days following written notification of the breach from the other party. In the event objectively ascertainable reasonable efforts have been made to effect the cure and the breach at issue does not objectively lend itself to cure within that thirty (30) day period, then such additional time as necessary to complete the cure, but in no event longer than sixty (60) days following written notification of the breach;
   b. By Pearson, if, in Pearson's sole opinion, (i) the payments to which Pearson is entitled as set forth in Schedule 10 of this Agreement are materially reduced as a result of a change in funding provided to the School, or (ii) applicable laws or regulations impose requirements that are materially different from those previously provided under this Agreement and

Pearson is unwilling or unable to make the required changes. Termination under this provision may only take effect on the earlier of the effective date of the change in funding provided to the School or at the end of the then current Academic Year;

c. By Pearson, if there are unresolvable differences between the Parties relating to what Pearson, in its sole discretion, considers to be conduct that reflects materially and unfavorably upon Pearson's reputation with respect to the manner in which School carries out its responsibilities under the terms of this Agreement and Pearson provides the School with thirty (30) days written notice of its intent to terminate during which such time the Parties shall work in good faith to alleviate to Pearson satisfaction the circumstances giving rise to the unresolvable differences. Termination under this provision may only take effect at the end of the Academic Year in which such notice is given;

d. By Customer, if Customer determines that the Education Program set forth in this Agreement does not meet the requirements for a publicly funded virtual school, as defined by applicable laws and regulations, but only if Pearson is unable or unwilling to cure the identified deficiency within sixty (60) days after being given reasonable notice of the deficiency and the requirements to cure the deficiency. In the event Customer determines Pearson's cure efforts do not cure the deficiency, Pearson shall be provided additional reasonable time, which shall be no less than thirty (30) days, to address the areas of deficiency identified by Customer;

e. By either party, immediately, if the Charter is terminated or if the School is no longer authorized by the Authorizer as required by applicable state law and regulation.

4. <u>Obligations in Anticipation of Termination or Non-Renewal</u>. Customer shall be solely responsible for providing all services in support of the School's preparation for the Academic Year following termination or non-renewal of the Agreement, regardless of when during the calendar year those services typically commence. Such services include, but are not limited to, marketing, enrollment, intent to return process, budget development, development of any charter renewal application or other public filings. For example, if the Agreement terminates or non-renews as of June 30, 2031, then any services historically provided by Pearson in preparation for an upcoming Academic Year (in this example, the 2031/2032 Academic Year), is the sole responsibility of Customer. In addition, upon notice of Customer's intent of non-renewal or termination, it will be in Pearson's sole discretion whether Customer or School Staff is included in Connections Academy school meetings, trainings and events.
5. <u>Obligations on Termination</u>. In the event this Agreement is terminated by either party for any reason:

a. Pearson shall provide reasonable assistance to Customer in the Customer's transition of Pearson's responsibilities; provided, however, this provision shall not apply if the Agreement was terminated due to Customer's material breach thereof.

b. Each party will promptly (not later than thirty (30) days after the effective date of termination) return to the other party all Confidential Information, property and material of any type belonging to the other party, including but not limited to, electronic versions, hard copies and reproductions and will not retain copies of any such property or material except as may be expressly permitted in this Agreement;

c. All access to the EMS and other educational products and services contracted for herein shall be discontinued upon the effective date of any such termination;

d. Pearson shall provide to Customer copies of all Student Records not otherwise in the School's possession or able to be taken into Customer's possession through self-help means available to the Customer through its access rights, within a reasonable time after receipt of such request, taking into account Pearson's competing priorities;

e. The Customer shall pay Pearson all amounts due under this Agreement upon the earlier of either their due dates or thirty (30) days after the effective date of termination.

f. Customer's license to use the Licensed Marks shall immediately terminate, except as expressly permitted in this Agreement. The Customer agrees that within thirty (30) calendar days from the date of termination, all references to "Connections Academy" or "Pearson", and any other Licensed Marks shall be removed from the School's signage, stationary, website, marketing materials and any other material or location it appears.

6. Grant of Rights and Access.

a. License. Pearson hereby grants to the School a non-exclusive, nontransferable, royalty-free, limited license during the Term of the Agreement for Authorized Users to access and use the EMS and the Content and Instructional Materials and other Intellectual Property contained in the EMS (collectively the "Licensed Collateral"). The Authorized Users' right to access and use the Licensed Collateral is solely for the intended purpose for which the access is granted and is subject to Pearson's Intellectual Property provisions of this Agreement set forth below, as well as the Terms of Use, which may be updated from time to time (https://www.connectionseducation.com/terms-of-use/) and the School Handbook (The Terms of Use will govern in the event of any conflict between the Terms of Use and the School Handbook). Pearson may update the features and functions of the EMS from time to time. Any right to use the Content and Instructional Materials shall be solely for the applicable Course for which a Student is enrolled or that an Authorized User is otherwise authorized to access.

b. Permitted and Prohibited Uses.

i. All rights not expressly granted to the School and Authorized Users pursuant to this Agreement are reserved to Pearson, and any uses of the Licensed Collateral by the School and Authorized Users not expressly permitted in this Agreement are strictly prohibited.

ii. Unless otherwise authorized by Pearson in furtherance of the delivery of Education Program related services, School will not, and will not permit Authorized Users, School's employees or agents or any third party to: (i) access the Content and Instructional Materials or the EMS, except in connection with Courses for which a Student is enrolled; (ii) use the Curriculum, Content and Instructional Materials except in strict compliance with the Agreement, the Terms of Use and the School Handbook; (iii) copy, reproduce, modify, alter, transfer, transmit, perform, publish, display, sub-license, distribute, circulate provide access to, rent, or create Derivative Works from the Content and Instructional Materials or any portion thereof; (iv) decompile, reverse engineer, disassemble, or otherwise determine or attempt to determine the source code (or the underlying ideas, algorithms, structure or organization) of the Content and Instructional Materials or of the EMS; (v) upload files that contain viruses, Trojan horses, worms, time bombs, cancel bots, corrupted files, or any other similar software or programs that may damage the operation of the EMS; (vi) take any actions, whether intentional or unintentional, that may circumvent, disable, damage or impair the control or security systems of the EMS or the Content and Instructional Materials, nor allow or assist a third party to do so; (vii) use the Content and Instructional Materials in a manner that disparages the EMS, Content, Instructional Materials, Pearson or its content providers, or in any manner that Pearson may, in its sole discretion, deem inappropriate; or (viii) disclose Log-In Information or permit access to the EMS and/or the Content and Instructional Materials by unauthorized persons using an Authorized User's Log-In Information.

c. <u>Usage Guidelines and Rules of Conduct</u>. The School (including its employees and agents) and Authorized Users may use the Licensed Collateral for bona fide educational and other contracted-for purposes only. The School will comply and assure compliance by its employees, agents and the Authorized Users with Terms of Use of the EMS, Privacy Policy, and other applicable Pearson policies, as well as the School Handbook, all or any of which may be updated from time to time. The Privacy Policy and Terms of Use are posted on the Website and are accessible from the EMS login page. The School acknowledges that Pearson may also institute basic rules for academic and personal conduct for Authorized Users' use of the Licensed Collateral, and that Pearson will enforce those rules in its sole discretion, including terminating access for Authorized Users in the event of their failure to adhere to those rules. Included in the rules of conduct are prohibitions against any Authorized User's attempt to make inappropriate communication or contact with any other Authorized Users through the EMS, as well as, hacking, viral infection, or other technical attempts to gain unauthorized access to or cause damage to the EMS. The School shall immediately provide Pearson with written notice of any unauthorized use or distribution of the Content, Instructional Materials, Education Program, or any use of the EMS that violates the Terms of Use, of which the School becomes aware and shall take all necessary steps to ensure that such unauthorized or inappropriate use or distribution is terminated.

d. <u>Security and Use of Passwords</u>. Each Authorized User will have a username and password for the purpose of accessing the EMS and the Content and Instructional Materials (the "Log-In Information"). The School and its Authorized Users must keep all Log-In Information strictly confidential, and all Log-In Information may be used only by the assigned Authorized User. The School and its Authorized Users are responsible for maintaining the security and confidentiality of all Log-In Information, and for preventing access to the EMS and/or the Content and Instructional Materials by unauthorized persons using an Authorized User's Log-In Information. Unauthorized access to or use of the EMS and/or the Content and Instructional Materials by someone using an Authorized User's Log-In information may be attributed to such Authorized User.

e. <u>Availability and Support</u>. Pearson strives to provide access to the EMS twenty-four (24) hours per day, seven (7) days per week; however, it is anticipated that there will be periodic system interruptions due to occasional computer technology failures, system maintenance and updates, and/or internet provider service interruptions and that those interruptions may be for an extended period of time due to events such as but not limited to times of social disruption, cyber-security incident, or catastrophic system failures or preemptive measures taken to avoid or minimize an unauthorized data disclosure event, cyber-security incident or catastrophic system failure. Any system access failures resulting from degradation or loss of internet access is outside the control of Pearson and cannot be attributed to Pearson.

f. School Name. During the Term, Pearson grants a limited, royalty free, nontransferable license for the duration of the Term, unless terminated earlier as described herein, to use the name North Carolina Connections Academy as the name for the School being operated under the terms of this Agreement. Customer agrees to adopt as requested by Pearson any aesthetic changes, such as font and color scheme, to the Connections Academy brand, including to the star person design mark or other design mark that Pearson adopts to be used in proximity to the Connections Academy brand. The Customer agrees that Pearson is permitted to place in proximity to the School's name a Pearson endorsement, including but not limited to "by Pearson." Customer agrees that even in circumstances where the licensed School name does not contain the Connections Academy brand as part of its name, the goodwill associated with the School name is directly attributable to the use of the Connections Academy Education Program and the interactions between Students, Caregivers and Learning Coaches, as well as School Staff and Pearson systems, curriculum and tools, and service providers and that changing the School name is essential to protecting Pearson goodwill and reputation in the marketplace.

g. Social Media. As part of its public relations and outreach service offering to Customer, Pearson has agreed to develop, manage and maintain a website and other social media presence, which currently consists of a Facebook page, but may expand to other social media platforms (collectively "Social Media Channels"), exclusively for the use of the School. The design, branding/name, URL, content (including quoted material from School teachers and families obtained by Pearson) are for use on the website and Social Media Channels, including related metadata, and are developed and maintained by Pearson as its exclusive intellectual property. School is hereby granted a beneficial license to the website and Social Media Channels during the term of this Agreement, and any extension thereto. Customer is prohibited from creating branded Social Media Channels without the express written consent of Pearson, which consent can be freely withheld. Updates to the website or Social Media Channels, except updates required by law, shall no longer be made as of February 20 of the last year of the Term and Social Media Channels will be deactivated as of April 30 of the last year of the Term. Further, except for graduation support, no School specific public relations services will be provided after April 30 of the last year of the Term. Under no circumstances is Customer or any third-party service provider of Customer permitted to copy or otherwise use any content, including metadata, from Pearson's developed and maintained website and Social Media Channels. All search history, metadata, and similar attributes of use of the website and Social Media Page Channels inure to the exclusive benefit of Pearson.

7. Trademarks.

a. Pearson and its Affiliates are the owners of various trademarks, service marks, logos, or trade names used in its business of providing Education Program. Pearson trademarks can be found at:

https://www.connectionsacademy.com/content/dam/pvs/ca/portals/75/documents/trademarks/common-law-trademarks.pdf (collectively, the "Licensed Marks"). Pearson grants to the School a non-exclusive, non-transferable, royalty-free sub-license to use the Licensed Marks during the term of this Agreement solely in connection with the performance of this Agreement and subject to pre-approval of such use by Pearson. The School agrees to use the Licensed Marks in accordance with any trademark usage guidelines provided by Pearson, the most up-to-date version of which can be found at:

https://www.connectionseducation.com/trademark-guidelines/. Pearson retains all right, title and interest in and to the Licensed Marks and any related proprietary rights not expressly granted to the School hereunder. All goodwill attributable to the Licensed Marks will inure exclusively to the benefit of Pearson.

b. Upon termination of this Agreement, the School's license to use the Licensed Marks shall immediately terminate, except as expressly permitted in this Agreement. The School agrees that within thirty (30) calendar days from the date of termination, all references to "Connections Academy", and any other Licensed Marks shall be removed from the School's signage, stationary, website, marketing materials and any other material or location it appears.

8. Intellectual Property.

   a. Limitations on Use. The Licensed Collateral, including but not limited to, the EMS and all technology, programs, services, and materials hosted thereon, the Curriculum, all tangible and intangible education materials, all Pearson trademarks and copyrighted works, and the trade name "North Carolina Connections Academy" are the Intellectual Property of Pearson. The School's right to use and benefit from said Intellectual Property is limited to its license rights set forth in this Agreement and shall terminate automatically with the termination of expiration of this Agreement.

   b. No Sale. Nothing in this Agreement shall be interpreted to be a sale or transfer of ownership interest from Pearson to the School, School Staff, Students, Caretakers, or Learning Coaches.

   c. No Use of School Funds to Develop or Procure. No School funds shall be used by Pearson to develop or procure Courses or Content or Instructional Materials or improvements to the EMS, provided, however, any School funds paid to Pearson for provision of the Education Program hereunder, once paid, shall not be deemed to be School funds, but shall be compensation for services rendered by Pearson. Any use of such compensation by Pearson shall be its proprietary information, subject to trade secret protection, and not subject to disclosure.

9. Confidentiality.

   a. Confidential Information. The receiving party shall use the Confidential Information of the disclosing party only in connection with the furtherance of the business relationship between the parties, and the receiving party shall make no further use, in whole or in part, of any such Confidential Information. The receiving party agrees not to disclose, deliver or provide access to all or any portion of the disclosing party's Confidential Information to a third party or to permit a third party to inspect, copy, or duplicate the same. The receiving party will disclose Confidential Information only to its employees and agents who have a need to know such Confidential Information in connection with the performance of the Agreement and who are under a written obligation to protect the confidentiality of such Confidential Information. The receiving party will treat the Confidential Information with the same degree of care and confidentiality that the receiving party provides for similar information belonging to the receiving party that the receiving party does not wish disclosed to the public, but not less than holding it in strict confidence.

   b. Student Records. Pearson and the School acknowledge and agree that pursuant to FERPA and any regulations promulgated thereunder, the parties have certain obligations with regard to maintaining the security, integrity and confidentiality of "education records", as that term is defined by FERPA (also referred to herein as "Student Records"). The parties acknowledge that the School at all times retains ownership of Student Records and that each party must perform its obligations under the Agreement in compliance with FERPA and any regulations promulgated thereunder. Pearson and the School each designate the Lead School Administrator, School Staff, Customer, third party service providers (including Pearson and volunteers who are providing educational and/or administrative services to the Students as agents of the School) as individuals having a legitimate educational interest and thus entitled to access education records under FERPA. Pearson and the School shall also maintain Student Records in accordance with all other applicable laws and regulations.

c. Exceptions. The foregoing shall not prevent the receiving party from disclosing Confidential Information that must be disclosed by operation of law, provided: (i) the receiving party shall promptly notify the disclosing party of any such request for disclosure in order to allow the disclosing party full opportunity to seek the appropriate protective orders, and (ii) the receiving party complies with any protective order (or equivalent) imposed on such disclosure. It is understood and agreed that this is not intended to permit the disclosure of education records referenced in the sub-section above, unless permitted by Applicable Law.

d. Directory Information. To the extent permitted by law, Pearson is authorized by Customer without submitting a formal public records request, to collect Directory Information from School for purposes of supporting Pearson's advocacy efforts on School's behalf and for communicating with families about other educational opportunities available through Pearson or its affiliated businesses.

e. Return of Confidential Information. The receiving party agrees that it will, within ten (10) days after written request by the disclosing party, return to the disclosing party, or at the option of the disclosing party, destroy and certify in writing the destruction of, all Confidential Information received from the disclosing party, including copies, reproductions, electronic files or any other materials containing Confidential Information.

f. Remedy for Breach. The parties acknowledge that monetary damages may not be a sufficient remedy for unauthorized disclosure of Confidential Information or other trade secret information to which a party gains access (either authorized or unauthorized) and that a party shall be entitled, without waiving any other rights or remedies, and without the posting of bond or other equity, to such injunctive or equitable relief as may be deemed proper by a court of competent jurisdiction.

10. Indemnification.

a. Indemnification Obligations. Each party shall defend, indemnify, save and hold harmless the other party, its Affiliates, Parent, subsidiaries and its respective directors, officers, agents and employees (together "Indemnified Party") against and from any and all claims, actions, liabilities, costs, expenses, damages, injury or loss (including reasonable attorney's fees) made, brought, incurred, or alleged by any third party ("Claim") to which the Indemnified Party, its Affiliates and their respective directors, officers, agents and employees may be subject to liability by reason of any wrongdoing, misconduct, negligence, willful misconduct or default by the Indemnifying Party, its agents, employees, subcontractors, or assigns in connection with the performance of this Agreement. This indemnification, defense and hold harmless obligation on behalf of Indemnifying Party shall survive the termination of this Agreement.

b. Indemnification Procedure. The Indemnified Party will: (a) promptly notify the Indemnifying Party in writing of any claim, loss, damages, liabilities and costs, and for third party claims, (b) allow the Indemnifying Party to control the defense, and (c) reasonably cooperate with the Indemnifying Party in the defense and any related settlement negotiations. In addition to any defense provided by the Indemnifying Party, the Indemnified Party may, at its expense, retain its own counsel. If the Indemnifying Party does not promptly assume the Indemnified Party's defense against any third-party claim, the Indemnified Party reserves the right to undertake its own defense at the Indemnifying Party's expense.

11. Power and Authority; Authorization. Each Party has the power and authority to execute and deliver this Agreement and to perform its respective obligations hereunder. The Customer has provided and will provide Pearson with the authority and power necessary and proper to undertake its obligations and responsibilities pursuant to this Agreement.

12. Sales Tax, Gross Receipts Tax or Other Business Tax (collectively "Business Tax"). The School shall provide Pearson with support that it is tax exempt. The School shall be responsible for all state or local Business Tax assessed, if any, based on the Education Program provided by Pearson hereunder, regardless of whether such law assigns responsibility for payment of the tax to Pearson.

13. Limitation of Liabilities. In no event will either Party, or such Party's Affiliates, directors, officers, employees, or agents, be responsible or liable for the debts, acts or omissions of the other Party or such Party's Affiliates, directors, officers, employees, or agents.

14. Governing Law. This Agreement shall be governed and controlled by the laws of the State in which the School is located. Any legal actions prosecuted or instituted by any party under this Agreement shall be brought in a court of competent jurisdiction located in that State, and each party hereby consents to the jurisdiction and venue of any such courts for such purpose.

15. Dispute Resolution. Any dispute arising out of or relating to this Agreement shall be resolved in accordance with the procedures specified in this Section, including disputes related to whether a Party has breached this Agreement, unresolvable difference between the Parties, or Customer's payment of sums owed to Pearson under this Agreement.

    a. Negotiation. The parties agree to negotiate in good faith all disputes arising out of or relating to the rights and obligations of the Parties, as set forth in this Agreement and/or established by applicable law. Any dispute not resolved within the normal course of business shall be referred to the Senior Vice President of Partnerships and Customer Success for Pearson and Customer's designee, for discussions related to the nature of the dispute and an agreed course of action as to how to resolve the dispute or to other such persons within the organization of Pearson and the School as the Parties mutually deem appropriate.

    b. Mediation. In the event the parties are unable to fully resolve a dispute through negotiation, each Party agrees to submit all unresolved disputes to nonbinding mediation pursuant to processes and procedures mutually agreed upon by the Parties. In the event the Parties are unable to agree to such processes and procedures, the Parties agree to submit the matter to a third party agreed upon by the Parties, who will establish the processes and procedures by which such unresolved disputes will be mediated. In the event the dispute arises out of an early termination provision allowing for a cure period, mediation must occur within the cure time frame permitted under such provision.

c. Confidentiality. The Parties agree to treat all discussions and sharing of documents related to this Section 13 as confidential and not subject to disclosure to any third party to the extent permissible by law, except as consented to by the disclosing Party. In the event the Parties are unable to resolve such dispute through nonbinding mediation, to the extent such dispute remains unresolved, each Party, upon providing the other party ten (10) calendar days' notice of its intent to do so, may pursue their respective contractual, administrative, legal and/or equitable remedies available to them in order to fully resolve such dispute.

16. Attendance at Meetings. The parties agree that during the Term, Pearson is hereby invited (through a Pearson-designated individual or individuals) to attend all Governing Board closed session meetings except to the extent such attendance: (i) is prohibited by applicable law; (ii) will result in a waiver of the attorney/client privilege; (iii) will result in Pearson being present during discussions concerning negotiations regarding the renewal or termination of this Agreement, or (iv) will result in Pearson being present during discussions regarding such other matter with respect to which Pearson has a conflict of interest.

17. Non-Discrimination. Neither Pearson nor the Customer will discriminate against any person on the basis of race, creed, color, sex, national origin, religion, ancestry, sexual orientation or disability, or any other basis prohibited by federal or State law.

18. Severability. If any provision of this Agreement is held to be invalid or unenforceable, it shall be ineffective only to the extent of the invalidity, without affecting or impairing the validity and enforceability of the remainder of the provision or the remaining provisions of this Agreement; provided, however, that if such invalidity or unenforceability, in Pearson's sole discretion, materially affects Pearson's ability to provide the Education Program, Pearson may terminate this Agreement.

19. Successors and Assigns. The terms and provisions of this Agreement shall be assignable by either party only with the prior written permission of the other, which consent shall not be unreasonably withheld; provided that a change in control of Pearson or its managing member or an assignment from or to a wholly owned subsidiary of Pearson, notice of which shall be provided by Pearson to Customer, shall not be deemed a violation of this Agreement if such assignment is made without prior written permission.

20. Complete Agreement; Modification and Waiver. This Agreement, including all schedules, exhibits and addenda attached thereto, constitutes the entire agreement between the Parties with respect to the matter contained herein and supersedes all prior and contemporaneous agreements, warranties and understandings of the Parties. There are no agreements, representations or warranties of any kind except as expressly set forth in this Agreement. No supplement, modification or amendment of this Agreement shall be binding unless executed in writing by both parties, provided, however, the parties may execute written amended (including restated) schedules without amending the entirety of the Agreement. Unless any amendment results in a modification of fee for services or other remuneration to either party, the SVP, Business Development and Customer Success is authorized by Pearson to execute

schedule amendments. No waiver of any provision of this Agreement will be effective unless it is in writing and signed by the Party to be charged with such modification, and no such waiver will constitute a waiver of any other provision(s) or of the same provision on another occasion.

21. Force Majeure. If any circumstance should occur that is not anticipated or is beyond the control of a Party or that delays or renders impossible or impracticable performance as to the obligations of such Party, the Party's obligation to perform such services shall be postponed for a period equal to the time during which such circumstance shall exist, or, if such performance has been rendered impossible by such circumstance, then the performance of such obligation shall be cancelled.
22. No Third-Party Rights. This Agreement is made for the sole benefit of the Parties. Except as otherwise expressly provided, nothing in this Agreement shall create or be deemed to create a relationship among the Parties or any of them, and any third party, including a relationship in the nature of a third-party beneficiary or fiduciary.
23. Professional Fees and Expenses. Each party shall bear its own expenses for legal, accounting, and other fees or expenses in connection with the negotiation of this Agreement.
24. 501(c)(3) Status. The Parties agree to negotiate in good faith an amendment to this Agreement to cure any IRS cited defect in the Agreement that will impede the issuance of a determination from the IRS that the School is a tax exempt organization under Internal Revenue Code Section 501(c)(3)
25. Counterparts. This Agreement may be signed in counterparts, which shall together constitute the signed original Agreement.
26. Compliance with Laws, Policies, Procedures, and Rules. Each Party will comply with all applicable federal and state laws and regulations including all the specific requirements of the Charter, applicable local ordinances and the School's policies whether or not specifically listed in this Agreement.
27. Interpretation of Agreement. The parties hereto acknowledge and agree that this Agreement has been negotiated at arm's length and between parties equally sophisticated and knowledgeable in the subject matter dealt with in this Agreement. Accordingly, any rule of law or legal decision that would require interpretation of any ambiguities in this Agreement against the party that has drafted it is not applicable and this Agreement shall be interpreted in a reasonable manner to affect the intent of the parties as set forth in this Agreement.
28. Headings; Exhibits. The section headings contained herein are for convenience only and shall not in any way affect the interpretation or enforceability of any provision of this Agreement. All schedules and exhibits to this Agreement are incorporated herein and shall be deemed a part of this Agreement as fully as if set forth in the body hereof.
29. Authority to Enter into Agreement. Each Party represents and warrants that it has the right, power, and authority to enter into this Agreement, to become a Party hereto and to perform its obligations hereunder. This Agreement is a legal, valid and binding obligation of such Party, enforceable against such Party in accordance with its terms. Each party further warrants that the individuals who have signed this Agreement have the legal power, right, and authority to make this Agreement and to bind each respective party.

30. Electronic Signatures. This Agreement and related documents may be accepted in electronic form (e.g., by scanned copy of the signed document, an electronic or digital signature or other means of demonstrating assent) and each Party's acceptance will be deemed binding on the Parties. This Agreement may also be signed in counterparts, which shall together constitute the signed original Agreement. Each Party acknowledges and agrees that it will not contest the validity or enforceability of this Agreement and related documents, including under any applicable statute of frauds, because they were accepted or signed in electronic form. Each Party further acknowledges and agrees that it will not contest the validity or enforceability of a signed scanned PDF or facsimile copy of this Agreement and related documents on the basis that it lacks an original handwritten signature. Facsimile and scanned PDF signatures shall be considered valid signatures as of the date hereof. Computer maintained records of this Agreement and related documents when produced in hard copy form shall constitute business records and shall have the same validity as any other generally recognized business records.

31. Survival. The rights and responsibilities the parties with respect to Fees and State Audit Adjustments; Trademarks; Derivative Works; Confidentiality; Obligations on Termination; Indemnification; Limitation of Liabilities; Notice; Governing Law; Resolution of Disputes; No Third-Party Rights; Professional Fees and Expenses; Compliance with Laws, Policies, Procedures and Rules; Interpretation of Agreement; and Status and Relationship of Parties, shall survive the termination of this Agreement.

32. Status and Relationship of the Parties. Pearson is a limited liability company organized under the laws of the State of North Carolina and is not a division or a part of the Customer . The Customer is the governing board of a State public charter school authorized by State law and is not a division or part of Pearson. The parties intend that the relationship created by this Agreement is that of an independent contractor and not employer-employee. No agent or employee of Pearson shall be deemed to be an agent or employee of the Customer. Pearson shall be solely responsible for its acts and the acts of its agents, employees and subcontractors, and the Customer shall be solely responsible for its acts and the acts of its agents, employees and subcontractors. The relationship between Pearson and the Customer is based solely on the terms of this Agreement, and the terms and conditions of any other written agreement between Pearson and the Customer. The Parties acknowledge that Pearson has the right to provide the Education Program to others within and outside of the State.

Schedule 14

Index of Defined Terms

"Academic Year" shall mean the school year as defined by the School Calendar under which the School operates.

"Administrative Staff" means any and all individuals employed by or otherwise providing administrative services for or on behalf of the Education Program operated by the School, including but not limited to Lead School Administrator, Principal, Assistant Principals and Special Education leader whose primary job responsibilities involve day to day operations of the School, including oversight of the Instructional Staff.

"Affiliates" means any entity controlling, controlled by or under common control with another entity. With respect to Pearson, Affiliate shall also include Pearson plc and its Affiliates. For the purposes of this definition, "control" means the possession, directly or indirectly, of the power to direct the management and policies of an entity whether through the ownership of voting securities, registered capital, contract or otherwise.

"Applicable Law" and "applicable law" is defined herein as the Constitution of the State, the State education laws and/or code, the federal Every Student Succeeds Act, the federal Individuals with Disabilities in Education Act, other applicable federal, state or local statutes, ordinances and regulations, any amendments to or recodification of the aforementioned laws, and other binding rulings applicable to virtual public charter schools in the State.

"Authorizer" is the agency or other governmental entity authorized by law in the state to permit the Customer to operate a school in accordance with the Charter and Applicable Law.

"Authorized Users" shall mean the Students, Caretakers, Teachers, Instructional Aides, Administrative Staff, Learning Coaches, and School Board members who are authorized to access the EMS, the Content, Instructional Materials and Courses pursuant to the terms of this Agreement.

"Budget" shall mean the operating budget for the School, as approved by the Governing Board.

"Caretaker" shall mean the parent(s), legal guardian(s) or another individual designated by a parent or legal guardian as a Student's Caretaker.

"Charter" shall mean the authorization to operate a charter school granted to the School by the Authorizer.

"Charter School Law" shall mean the applicable laws and regulations governing charter schools as codified in statutes and code of regulations of the State of North Carolina.

"Computer Technology" shall mean (a) computer hardware, software, or both, that shall meet or exceed any specifications required by law, for each eligible household in which one (1) or more Students reside, and (b) any computer hardware, software, or both, required by Administrative Staff or Teachers.

"Confidential Information" shall mean proprietary business, technical and financial information of each of the parties, including for example and without limitation, each party's respective information concerning: (a) business strategy and operations such as business plans, methods, marketing strategies, outreach plans and sales information, pricing information and customer and prospect lists, the identities and locations of vendors and consultants providing services or materials to or on behalf of the disclosing party; (b) product development such as product designs and concepts; (c) financial information such as budget and expense information, economic models, pricing, cost and sales data, operating and other financial reports and analysis; (d) human resource information such as compensation policies and schedules, employee recruiting and retention plans, organization charts and personnel data; (e) unpublished educational content, curricula, teaching outlines, lesson plans, testing processes and procedures; (f) Student Records and other student-related or parent-related personal information; (g) the terms of this Agreement, (h) login and password information for Connexus®; (i) technical information such as development methods, computer software, research, inventions, the design and operation of Connexus®; and (j) other similar non-public information that is furnished, disclosed or transmitted to the receiving party or to which the receiving party is otherwise given access by the disclosing party, orally, in written form, in any type of storage medium, or otherwise. Confidential Information, in whatever form provided, shall remain the exclusive property of the disclosing party at all times, and the parties hereby acknowledge and agree that all such Confidential Information of a party are its trade secrets. Except as specifically provided for herein, nothing contained in this Agreement shall be construed as granting or conferring any rights in any Confidential Information disclosed to the receiving party, by license or otherwise.

“Content” means the components of a Course and/or Service Delivery Resource (as each is defined herein) licensed, designed, developed, owned or provided by Pearson and its third party content partners and delivered in an online format through the EMS (as defined herein) or in an offline format (textbooks and other materials) to teach students in various subjects in grades K–12 and/or to deliver resources in connection with the Services (defined herein). Content may include the courseware, data, documentation, text, audio, video, graphics, animation, drawings, programming, icons, images, pictures and charts, Teachlet® tutorials and LiveLesson® sessions. Pearson reserves the right to add Content, withdraw Content, modify and/or offer substitute Content, in its sole discretion, provided that the School will receive reasonable notification concerning any substitution or withdrawal that is substantial.

“Course(s)” shall be comprised of a set of lessons and assessments, including Instructional Materials, that shall meet the educational content or other standards established by the state in order to be recognized for high school credit in grades 9-12 and/or for meeting educational requirements in grades K-8, as the case may be.

“Curriculum” means a program of instruction provided by Pearson, which includes Content and Instructional Materials accessed primarily through the EMS, that, together with Teacher provider additions and/or modifications, shall meet the educational content or other standards established by the state in order to be recognized for high school credit in grades 9-12 or for meeting educational requirements in grades K-8.

“Derivative Works” include any translation, editorial revision, annotation, elaboration, or other modification, correction, addition, enhancement, extension, condensation, upgrade, improvement, compilation, abridgement or other form in which the Content or Instructional Materials or other Licensed Collateral may be recast, transformed or adapted, including but not limited to all forms in which such Derivative Works may or may not infringe any of the copyrights in the Content or Instructional Materials.

"Destroyed" means at minimum removing personally identifiable information from the Student Record stored on Pearson's production systems.

"EMS" means the website or Education Management System (also sometimes referred to as Learning Management System, EMS or LMS) with the URL www.classroom.pearson.com, or such other URL as Pearson or its Affiliates may designate from time to time, through which Authorized Users access Pearson Content via a secure, password protected website. The features and functions of the EMS may be modified and/or updated from time to time by Pearson. Access to the EMS is governed by the Terms of Use located at https://www.connectionseducation.com/terms-of-use/ and defined herein.

"Enrollment Leads" shall mean the Caretaker names, contact information, demographic and other information developed and collected through any and all Pearson marketing efforts (including but not limited to Public Information Campaigns defined herein) at any time before, during or after the initial or any renewal term of this Agreement.

"FERPA" means the Family Educational Rights and Privacy Act, 20 U.S.C. § 1232 (g), as amended from time to time.

"Governing Board" shall mean the governing board of the School.

"Intellectual Property" means collectively, rights under patent, trademark, copyright and trade secret laws, and any other intellectual property or proprietary rights recognized in any country or jurisdiction worldwide, now or in the future, including but not limited to, moral rights, industrial design rights and similar rights, and shall in all cases include Enrollment Leads, data and materials and other related collateral developed by Pearson, regardless of whether such data, materials and collateral are developed specifically for the School.

"Learning Coach" shall mean a Caretaker of the Student or another adult specifically designated by the Student's Caretaker, or the Student where over 18 or emancipated, who will perform the responsibilities as defined in the Caretaker Acknowledgement, Designated Learning Coach Agreement or Eligible Student Acknowledgement, respectively, and the School Handbook, which shall be subject to the review and approval annually by the Governing Board. Learning Coaches are not employees or contractors of either the School or Pearson; shall not receive any compensation for their services from either Pearson or the Governing Board; and shall look solely to the Caretaker to collect any alleged agreed to compensation. Learning Coaches shall not fall within the definition of "Instructional Aides".

"Licensed Collateral" shall mean The EMS and all technology, programs, services, and materials hosted thereon to which Customer is granted access, the Curriculum, all tangible and intangible education materials and other proprietary and copyright protected works and other Intellectual Property to which Customer is granted a right of use (whether in digital, print or both and including third party content contained therein or linked to therefrom), and all Pearson trademarks, and the trade name "North Carolina Connections Academy"

"Marketplace" shall mean each of United States and its territories and lawful possessions (individually and in the aggregate).

"Public Information Campaigns" or "PIC" shall mean such activities as outreach efforts to drive awareness and interest of the School to attract eligible students through various channels. Outreach efforts, strategies and tactics may shift throughout the PIC depending on demand, changing consumer behaviors, and testing and optimization of campaigns

"Privacy Policy" means that certain statement of Pearson's practices for handling personally identifiable and non-personally identifiable information gathered by Pearson through the EMS or any web site maintained by Pearson from time to time.

"Program Guide" shall have that meaning ascribed to "Curriculum Guide," defined herein.

"Related Services" shall mean services related to the provision of speech therapy, occupational therapy, physical therapy, counseling, psych-educational evaluations, closed captioning, sign language interpreting, , support for the vision and hearing impaired, assistive technology, and other services of a similar nature.

"School Calendar" shall be the days when the Education Program under this Agreement will be delivered to Students, as defined by the School Handbook. Pearson will provide Educational Products and Services on those days established to be the School Calendar for the Academic Year, except that Students may continue to report attendance during scheduled school holidays to the extent permitted under North Carolina law. The School Calendar for each Academic Year is subject to the prior approval of the Governing Board, taking into account all reasonable comments and suggestion by Pearson, and shall meet any regulatory requirements for days and hours of instruction required by law or regulation.

"School Handbook" shall mean the set of policies, rules, and guidelines promulgated by Pearson that are to be followed by Students and their Caretakers.

"School Staff" shall refer collectively to Lead School Administrator, Administrative Staff and Teachers.

"SDR" means Service Delivery Resource and relates to any tools, instructions, assessments or other support materials used in the delivery of Services, either through the EMS or otherwise.

"Services" means any service provided by Pearson to Students, including therapeutic or educational services, under the terms of the Agreement between the School and Pearson.

"Special Education Protocols" shall mean the policies, procedures and protocols that govern the provision of Special Education Services and shall, at minimum comply with applicable state and federal law requirements.

"Special Education Services" shall mean all necessary special education programs and services, including the development and implementation of IEPs and Section 504 plans, handling administrative proceedings and specialized services, submitting state or federal reports, applying for and administering supplemental funding, providing other Related Services and all other administrative services associated with the delivery of services to Special Needs Students.

"Special Needs Students" shall mean Students (as hereinafter defined) who have been identified as disabled under the Federal Individuals with Disabilities Education Improvement Act, as amended ("IDEIA") or Section 504 of the Federal Rehabilitation Act of 1973.

"Student" means any person actively enrolled in the School.

"Student Records" shall mean those "educational records," as defined in subsection (a)(4)(A) of FERPA (as defined herein), which the School or Pearson is required to retain in accordance with state law.

"Teacher" means any and all educators (including Pearson Teachers) involved in providing instruction, assessment and/or other educational support of Students pursuant to the terms of this Agreement and the Charter.

"Terms of Use" means certain rules governing how Authorized Users may and may not use EMS and any Content and Instructional Materials accessible through the EMS. The most current version is located at https://www.connectionseducation.com/terms-of-use/

"Website" means the Pearson website with the URL http://www.connectionsacademy.com/home.aspx and any subpages connected thereto.

APPENDIX D

Yearly Academic Calendar

2026-2027

August '26

S	M	T	W	T	F	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30	31					

September '26

S	M	T	W	T	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30			

October '26

S	M	T	W	T	F	S
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

November '26

S	M	T	W	T	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30					

December '26

S	M	T	W	T	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		

January '27

S	M	T	W	T	F	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30
31						

Calendar of Events

8/12	First Day of School (Teachers)
8/24	First Day of School (Students)
9/7	Labor Day
11/11	Veteran's Day
11/25-11/27	Fall Break
12/23	First Semester End Date
12/24-1/1	Winter Break
1/4	Staff Work Day
1/5	Second Semester Start Date
1/18	Martin Luther King, Jr. Day
3/1-3/5	Connections Week
3/22-3/26	Spring Break
5/31	Memorial Day
6/11	Last Day of School (Students)
6/14	Last day of School (Teachers)

Legend	
🟦	No School (Staff and Students)
🟧	Staff Work Day
🟩	Semester Start/End Dates
Semester Dates	
S1	8/24/2026 - 12/23/2026 91 Days
S2	1/5/2027 - 6/11/2027 99 Days
Total School Days: 190	

February '27

S	M	T	W	T	F	S
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28						

March '27

S	M	T	W	T	F	S
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			

April '27

S	M	T	W	T	F	S
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	

May '27

S	M	T	W	T	F	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30	31					

June '27

S	M	T	W	T	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30			

July '27

S	M	T	W	T	F	S
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

School Calendar

Note: The School Status Legend below the calendar reflects the possible school statuses for each event. All events which show a status of School In Session indicates they are school days for students. All events which show any other status indicates they are NOT school days for students. Please refer to the legend to determine whether teachers and/or administrator staff are available for each event according to its status.

Event	School Status	Date
First Day of School (Students)	School and Office Open	August 24, 2026
Labor Day	School and Office Closed	September 7, 2026
Veterans' Day	School and Office Closed	November 11, 2026
Fall Break	School and Office Closed	November 25-27, 2026
First Semester End Date	School and Office Open	December 23, 2026
Winter Break	School and Office Closed	December 24, 2026 - January 1, 2027
Staff Work Day	Staff Work Day	January 4, 2027
Second Semester Start Date	School and Office Open	January 5, 2027
Martin Luther King, Jr. Day	School and Office Closed	January 18, 2027
Connections Week	School and Office Open	March 1-5, 2027
Spring Break	School Closed/Office Open	March 22-24, 2027
	School and Office Closed	March 25-26, 2027
Memorial Day	School and Office Closed	May 31, 2027
Last Day of School (Students)	School and Office Open	June 11, 2027

School Closed - Additional Administrator/12 Month Employee Days: *November 11, 2026****;*** *November 25, 2026; December 24, 2026; March 25, 2027; March 26, 2027*

School Status Legend:

School Closed/Office Open = Students and Teachers are not in school but Admin are on duty

School and Office Closed = No one is in school

School and Office Open = Everyone is in school

Staff Work Day = Students are not in school but Admin and Teachers are on duty

Teacher Calendar

Event	School Status	Date
First Day of School (Teachers)	Staff Work Day	August 12, 2026
First Day of School (Students)	School and Office Open	August 24, 2026
Labor Day	School and Office Closed	September 7, 2026
Veterans' Day	School and Office Closed	November 11, 2026
Fall Break	School and Office Closed	November 25-27, 2026
First Semester End Date	School and Office Open	December 23, 2026
First Semester Sections Close	NA	December 23, 2026
Winter Break	School and Office Closed	December 24, 2026 - January 1, 2027
Staff Work Day	Staff Work Day	January 4, 2027
Second Semester Sections Open	NA	January 5, 2027
Second Semester Start Date	School and Office Open	January 5, 2027
Martin Luther King, Jr. Day	School and Office Closed	January 18, 2027
Connections Week	School and Office Open	March 1-5, 2027
Spring Break	School Closed/Office Open	March 22-24, 2027
	School and Office Closed	March 25-26, 2027
Memorial Day	School and Office Closed	May 31, 2027
Last Day of School (Students)	School and Office Open	June 11, 2027
Last Day of School (Teachers)	Staff Work Day	June 14, 2027

School Closed - Additional Administrator/12 Month Employee Days: *November 11, 2026; November 25, 2026; December 24, 2026; March 25, 2027; March 26, 2027*

School Status Legend:

School Closed/Office Open = Students and Teachers are not in school but Admin are on duty

School and Office Closed = No one is in school

School and Office Open = Everyone is in school

Staff Work Day = Students are not in school but Admin and Teachers are on duty

APPENDIX E

Daily and Weekly Schedules

Sample Kindergarten Daily Schedule

Hour	Activity/Lesson
8 AM	Live Lesson: Social Studies
9 AM	Health & Physical Education K – Benefits of Physical Activity
10 AM	Language Arts K B – We Learn About the World: Speak/Listen
11 AM	Break/Lunch
12 PM	Science K B – My Animal and Habitat Report
1 PM	Math K B – Mid Unit Review
2 PM	Social Studies K B – What are the Seasons?
3 PM	Physical Activity: Soccer

Sample First Grade Daily Schedule

Hour	Activity/Lesson
8 AM	Experiencing Music II – A Maze of Melodies
9 AM	Social Studies 1 B – Stories from the Past Day 2
10 AM	Language Arts 1 B - Show That You Care: Synthesize Quick Check
11 AM	Science 1 B – Simple Machines
12 PM	Break/Lunch
1 PM	Live Lesson: Language Arts
2 PM	Math 1 B – Math Practices: Make Sense & Persevere
3 PM	Science Sleuths Club

Sample Second Grade Daily Schedule

Hour	Activity/Lesson
8 AM	Live Lesson: Social Studies
9 AM	Health & Physical Education 2 – Jump Start Your Heart
10 AM	Language Arts 2 B – Stay Prepared: Genre
11 AM	Break/Lunch
12 PM	Science 2 B - Day and Night
1 PM	Math 2 B - Compare Numbers on the Number Line
2 PM	Social Studies 2 B - American Stories Day 1 Quick Check
3 PM	Physical Activity: Martial Arts

Sample Third Grade Daily Schedule

Hour	Activity/Lesson
8 AM	Social Studies 3 B: Economics – Supply & Demand
9 AM	Educational Technology & Online Learning 3: Internet Safety – Cyber Community
10 AM	Language Arts 3 B – Surprising Characters: Comprehension
11 AM	Break/Lunch
12 PM	Science 3 B – Types of Resources
1 PM	Math 3 B – Area: Standard Units
2 PM	Social Studies 3 B Art 3 – Weaving Warmth
3 PM	Chess Club

Sample Fourth Grade Daily Schedule

Hour	Activity/Lesson
8 AM	Social Studies 4 B – Regions - The Southeast Day 1 Portfolio: Apply
9 AM	Physical Education 4 – Flexibility Training
10 AM	Language Arts 4 B – How I See It Unit Test
11 AM	Break/Lunch
12 PM	Science 4 B - Earth's Layers & Features: Review
1 PM	Math 4 B – Measure & Draw Angles
2 PM	Art 4 – Forms & Shapes: Still Life
3 PM	Physical Activity: Stretching/Yoga

Sample Fifth Grade Daily Schedule

Hour	Activity/Lesson
8 AM	Art 5 - Color Your World Differently: Matisse
9 AM	Math 5 B – Develop a Volume Formula
10 AM	Language Arts 5 B - Unearthing the Past: Comprehension
11 AM	Break/Lunch
12 PM	Science 5 B – Weathering & Erosion: Constructive Forces
1 PM	Live Lesson: Math
2 PM	Social Studies 5 B - A Growing Nation: Railroads, Miners, & Ranchers
3 PM	Elementary Sign Language - Nouns: Animals

Sample Sixth Grade Daily Schedule

Hour	Activity/Lesson
8 AM	Language Arts 6 A - Informational Text Analysis: Learning New Words
9 AM	Middle School Coding 1 A - Crack the Code! - Programming Basics
10 AM	Live Lesson: Math
11 AM	Break/Lunch
12 PM	Gifted and Talented Science 6 A – The Universe: Apply
1 PM	Math 6 A – Ratios & Percents: Use Tables of Equivalent Ratios
2 PM	Social Studies 6 A – Northern Eurasia: Living in Northern Eurasia
3 PM	Middle Spanish I – My Home: Our Kitchen

Sample Seventh Grade Daily Schedule

Hour	Activity/Lesson
8 AM	Art 7 A – The Essentials of Visual Arts: Pop Art
9 AM	Live Lesson: Science
10 AM	Gifted & Talented Language Arts 7 A – Building Vocabulary: Using Affixes & Roots
11 AM	Break/Lunch
12 PM	Science 7 A – Cells: Cellular Transport
1 PM	Math 7 A - Multiply & Divide Rational Numbers Divide Decimals & Fractions
2 PM	Social Studies 7 A – Civics: Rights & Responsibilities of Citizenship
3 PM	Middle School Exploring Health Science

Sample Eighth Grade Daily Schedule

Hour	Activity/Lesson
8 AM	Art 8 A – Art Connections: Art & Science
9 AM	Live Lesson: Math
10 AM	Language Arts 8 A – Grammar: Participles
11 AM	Break/Lunch
12 PM	Science 8 A – Natural Hazards: Tracking Hurricane Dorian
1 PM	Gifted & Talented Math 8 A – Power Rule of Exponents
2 PM	Social Studies 8 A - The Early Republic: Madison & the War of 1812
3 PM	Leadership Club

Sample Ninth Grade Daily Schedule

Hour	Activity/Lesson
8 AM	English 9 B – The Research Paper: Prewriting – Gathering Information-
9 AM	Art History B – Ancient Rome: Art of an Empire - History & Culture
10 AM	Algebra 1 B – Polynomials & Factoring: Multiplying Binomials
11 AM	Break/Lunch
12 PM	Biology B - Energy Flow: Cycling of Matter & Energy Flow
1 PM	Live Lesson: Algebra 1 B
2 PM	United States History B – New Deal: The Second New Deal
3 PM	Japanese I B – Weather: Suuji no 2

Sample Tenth Grade Daily Schedule

Hour	Activity/Lesson
8 AM	Honors English 10 A – Language & Style: Mood & Sensory Language
9 AM	Human Development & Wellness – Managing Stress: How Stress Affects Your Body
10 AM	Live Lesson: Algebra 2
11 AM	Break/Lunch
12 PM	Chemistry A – The Periodic Table: Valence Electrons 1
1 PM	Algebra 2 A – Linear Systems: Solving Systems Using Matrices
2 PM	World Geography – Asia: The Political Landscape of China
3 PM	Physical Activity: Hike

<u>**Sample Eleventh Grade Daily Schedule**</u>

Hour	Activity/Lesson
8 AM	Honors Economics – How Markets Work: Determinants of Supply
9 AM	German III A -Stadtleben: Lektion 2A Kontext (Day 2)
10 AM	English 11 B – The Namesake: Expository Writing – The Idea of Home
11 AM	Break/Lunch
12 PM	Physics B – Waves: The Speed of Sound
1 PM	Geometry B – Similarity: Proportions in Triangles
2 PM	Live Lesson: Physics B
3 PM	Driver's Education – Being a Responsible Driver: Managing Distractions

Sample Twelfth Grade Daily Schedule

Hour	Activity/Lesson
8 AM	AP Eng. Lang. & Comp. B – Fractured Identities: Dropbox Items
9 AM	Marketing Foundations 1 B – Promotion & Advertising: Podcast
10 AM	Live Lesson: Honors Pre-Calculus
11 AM	Break/Lunch
12 PM	Environmental Science B – Env. Sci. Programs & Policies: Composting
1 PM	Honors Pre-Calculus B – Vectors: Unit Vectors
2 PM	American Government B – State & Local Govts.: State Legislatures
3 PM	French IV B - S'évader et s'amuser: Structures 8.1

Sample Kindergarten Weekly Schedule

Hour	Monday	Tuesday	Wednesday	Thursday	Friday
8 AM	Live Lesson: Social Studies	Art K – See & Draw Like an Artist	Language Arts K B - We Learn About World: Synthesize	Social Studies K B - How Do We Use Earth's Resources? (1)	Science K B - What Makes Up Earth? -
9 AM	Physical Education K – Benefits of Physical Activity	Educational Technology & Online Learning K – Beginning Consonant C	Physical Education K – Being Active Outside of School	Experiencing Music I – A Full Scale	Educational Technology & Online Learning K – Beginning Constant D
10 AM	Language Arts K B – We Learn About the World: Speak/Listen	Language Arts K B – We Learn About the World - Fluency	Live Lesson: Math	Language Arts K B - Now I Can Do It: Comprehension	Language Arts K B - Now I Can Do It: Speak/Listen
11 AM	Break/Lunch	Break/Lunch	Break/Lunch	Break/Lunch	Break/Lunch
12 PM	Science K B – My Animal and Habitat Report	Science K B – More Plants & Animals Review	Science K B – More Plants & Animals Unit Quiz	Science K B - Introduction: What Are Earth and the Sky Like?	Live Lesson: Language Arts
1 PM	Math K B – Mid Unit Review	Math K B – Making 17, 18, & 19	Math K B – Look for a Pattern	Math K B - Review of Making 11-19	Math K B - Composing Numbers 11–19 Unit Test
2 PM	Social Studies K B – What are the Seasons?	Social Studies K B – How Do We Identify Cause & Effect? (1)	Social Studies K B – How do We Identify Cause & Effect (2)	Live Lesson: Science	Social Studies K B - How Do We Use Earth's Resources? (2)
3 PM	Physical Activity: Soccer	Kindness Club	Physical Activity: Take a walk with Dad		
4 PM					

Sample First Grade Weekly Schedule

Hour	Monday	Tuesday	Wednesday	Thursday	Friday
8 AM	Language Arts 1 B – Show That You Care: Speak/Listen Quick Check	Educational Technology & Online Learning 1 – Silly Sentences	Language Arts 1 B - Opinion Writing Process Draft	Experiencing Music II – A Maze of Melodies	Educational Technology & Online Learning 1 -Long I Words: Vowel Pattern
9 AM	Physical Education 1 – Making Healthy Choices: Exercise	Art 1 – Magical Mosaics	Live Lesson: Science	Social Studies 1 B – Stories from the Past Day 2	Science 1 B - Magnets
10 AM	Live Lesson: Math	Language Arts 1 B – Show That You Care: Fluency Quick Check	Physical Education 1 – Making Healthy Choices: Personal Hygiene	Language Arts 1 B - Show That You Care: Synthesize Quick Check	Language Arts 1 B - Work and Play Together: Genre Quick Check
11 AM	Science 1 B – Position & Motion	Science 1 B – Pushes and Pulls	Science 1 B – Lab: Which Liquid Flows Faster?	Science 1 B – Simple Machines	Live Lesson: Social Studies
12 PM	Break/Lunch	Break/Lunch	Break/Lunch	Break/Lunch	Break/Lunch
1 PM	Math 1 B – Make Numbers on Hundred Chart	Math 1 B – Compare Numbers	Math 1 B – Compare Numbers on a Number Line	Live Lesson: Language Arts	Math 1 B – Compare Two-Digit Numbers Unit Test
2 PM	Social Studies 1 B – We Celebrate Our Nation Day 1	Social Studies 1 B – We Celebrate Our Nation Day 2	Social Studies 1 B – Stories from the Past Day 1	Math 1 B – Math Practices: Make Sense & Persevere	Social Studies 1 B – Sharing Our Cultures Day 1
3 PM	Physical Activity: Yoga		Physical Activity: Dance	Science Sleuths Club	
4 PM					

Sample Second Grade Weekly Schedule

Hour	Monday	Tuesday	Wednesday	Thursday	Friday
8 AM	Live Lesson: Social Studies	Art 2 B – Art and Math: You Take the Cake!	Language Arts 2 B – Stay Prepared: Speak/Listen	Social Studies 2 B - Two Cultures Day 2 Quiz	Science 2 B - The Solar System
9 AM	Physical Education 2 – Jump Start Your Heart	Educational Technology & Online Learning & Online Learning 2 – Writing a Book Report	Physical Education 2 – Get Around This!	Experiencing Music III	Educational Technology & Online Learning & Online Learning 2 – Sequencing Events
10 AM	Language Arts 2 B – Stay Prepared: Genre	Language Arts 2 B – Stay Prepared: Comprehension	Live Lesson: Math	Language Arts 2 B – Stay Prepared: Fluency	Language Arts 2 B – Stay Prepared: Synthesize
11 AM	Break/Lunch	Break/Lunch	Break/Lunch	Break/Lunch	Break/Lunch
12 PM	Science 2 B - Day and Night	Science 2 B - Inquiry Skill: Draw Conclusions	Science 2 B - Why Seasons Happen	Science 2 B - The Moon and Stars	Live Lesson: Language Arts
1 PM	Math 2 B - Compare Numbers on the Number Line	Math 2 B - Unit Practice	Math 2 B - Numbers to 1,000 Unit Test	Math 2 B - Add 10 and 100	Math 2 B - Add on an Open Number Line
2 PM	Social Studies 2 B - American Stories Day 1 Quick Check	Social Studies 2 B - American Stories Day 2 Quick Check	Social Studies 2 B - Two Cultures Day 1 Quick Check	Live Lesson: Science	Social Studies 2 B - 21st Century Skills: Using Graphic Sources Quick Check
3 PM	Physical Activity: Martial Arts	Movement Club	Physical Activity: Walk to the park with Mom	Computer Science 2 B – Programming & Debugging: Citing Artifacts	

Sample Third Grade Weekly Schedule

Hour	Monday	Tuesday	Wednesday	Thursday	Friday
8 AM	Language Arts 3 B – Surprising Characters: Genre	Social Studies 3 B: Economics – Supply & Demand	Language Arts 3 B – Surprising Characters: Speak/Listen	Social Studies 3 B: Economics – Spending & Saving	Science 3 B - Survival
9 AM	Math 3 B – Area: Nonstandard Units	Educational Technology & Online Learning 3: Internet Safety – Cyber Community	Math 3 B - Area of Squares & Rectangles	Discovering Music I: Musical Palette – Step Ladder	Live Lesson: Language Arts
10 AM	Live Lesson: Social Studies	Language Arts 3 B – Surprising Characters: Comprehension	Science 3 B – Living Things in Habitats	Live Lesson: Science	Math 3 B – Area and the Distributive Property
11 AM	Break/Lunch	Break/Lunch	Break/Lunch	Break/Lunch	Break/Lunch
12 PM	Science 3 B – Resources in Habitats	Science 3 B – Types of Resources	Live Lesson: Math	Science 3 B - Habitats	Social Studies 3 B: Economics - Jobs
1 PM	Physical Education 3: Your Body & Exercise – Nutrition & Healthy Eating	Math 3 B – Area: Standard Units	Physical Education 3: Your Body & Exercise – The Importance of Fluids	Math 3 B – Comparing Areas	Language Arts 3 B – Surprising Characters: Synthesize
2 PM	Social Studies 3 B: Economics – Goods & Services	Social Studies 3 B Art 3 – Weaving Warmth	Social Studies 3 B: Economics - Exchange	Language Arts 3 B – Surprising Characters: Fluency	Educational Technology & Online Learning 3: Internet Safety - Cyberbullying
3 PM	Physical Activity: Soccer	Chess Club	Physical Activity: Dance		

Sample Fourth Grade Weekly Schedule

Hour	Monday	Tuesday	Wednesday	Thursday	Friday
8 AM	Educational Technology & Online Learning 4 – Note Taking & Summarizing	Physical Education 4 – A Healthy Exercise Routine	Language Arts 4 B – Explaining the Natural World: Read	Social Studies 4 B – Regions - The Southeast Day 1 Portfolio: Apply	Live Lesson: Science
9 AM	Live Lesson: Math	Science 4 B – Identify Patterns	Discovering Music II – Instrument Families	Physical Education 4 – Flexibility Training	Educational Technology & Online Learning 4 – Using Graphic Organizers
10 AM	Language Arts 4 B – Explaining the Natural World: Fluency	Language Arts 4 B – Explaining the Natural World: Fluency Discussion	Live Lesson: Social Studies	Language Arts 4 B – How I See It Unit Test	Language Arts 4 B – A Fresh Point of View: Genre
11 AM	Break/Lunch	Break/Lunch	Break/Lunch	Break/Lunch	Break/Lunch
12 PM	Science 4 B – Earth's Features	Live Lesson: Language Arts	Science 4 B – Earth's Layers & Features: Apply	Science 4 B - Earth's Layers & Features: Review	Science 4 B - Earth's Layers & Features: Unit Test
1 PM	Math 4 B – Lines, Rays, & Angles	Math 4 B – Understand Angles & Unit Angles	Math 4 B – Measure with Unit Angles	Math 4 B – Measure & Draw Angles	Math 4 B – Add & Subtract Angle Measures
2 PM	Social Studies 4 B – A Land of Many Resources	Social Studies 4 B – Settling the Southeast	Social Studies 4 B – Southern Life	Art 4 – Forms & Shapes: Still Life	Social Studies 4 B – Regions - The Southeast Day 2 Portfolio: Apply
3 PM	Arts & Crafts Club	Physical Activity: Softball		Physical Activity: Stretching/Yoga	

Sample Fifth Grade Weekly Schedule

Hour	Monday	Tuesday	Wednesday	Thursday	Friday
8 AM	Social Studies 5 B – A Growing Nation Introduction	Art 5 - Color Your World Differently: Matisse	Language Arts 5 B - Unearthing the Past: Speak/Listen	Social Studies 5 B - A Growing Nation: Native American's Struggle to Survive	Science 5 B - Weathering & Erosion Portfolio: Plan
9 AM	Physical Education 5 – Learning Locomotor Skills: Marathon Walk/Run	Math 5 B – Develop a Volume Formula	Physical Education 5 – Learning Locomotor Skills: Up and Down the Step Aerobics	Live Lesson: Science	Educational Technology & Online Learning 5 - Microsoft® Word: Drafting an Outline
10 AM	Language Arts 5 B – Unearthing the Past: Genre	Language Arts 5 B - Unearthing the Past: Comprehension	Educational Technology & Online Learning 5 - Microsoft® Word: Editing a	Language Arts 5 B - Unearthing the Past: Fluency	Language Arts 5 B - Unearthing the Past: Synthesize
11 AM	Break/Lunch	Break/Lunch	Break/Lunch	Break/Lunch	Break/Lunch
12 PM	Science 5 B – Weathering & Erosion Introduction	Science 5 B – Weathering & Erosion: Constructive Forces	Science 5 B - Weathering & Erosion: Earth's Surface	Science 5 B - Weathering & Erosion: Natural Disaster Plan	Live Lesson: Language Arts
1 PM	Math 5 B – Model Volume	Live Lesson: Math	Math 5 B – Volumes of Prisms	Math 5 B – Solve Word Problems Using Volume	Math 5 B – Math Practices: Use Appropriate Tools
2 PM	Live Lesson: Social Studies	Social Studies 5 B - A Growing Nation: Railroads, Miners, & Ranchers	Social Studies 5 B - A Growing Nation: Sodbusters & Homesteaders	Discovering Music III – Musical Influences: Innovation	Social Studies 5 B - A Growing Nation: Expanding Overseas
3 PM	Physical Activity: Stretching/Yoga	Elementary Sign Language - Nouns: Animals	Physical Activity: Basketball	Gaming & Technology Club	Computer Science 5 B – Collaboration in Technology: Algorithms

Sample Sixth Grade Weekly Schedule

Hour	Monday	Tuesday	Wednesday	Thursday	Friday
8 AM	Art 6 A – The Elements of Art: The Space In Between	Live Lesson: Social Studies	Language Arts 6 A - Informational Text Analysis: Learning New Words	Social Studies 6 A – Northern Eurasia: Northern Eurasia at Work	Gifted & Talented Science 6 A – The Universe: Unit Test
9 AM	Gifted & Talented Science 6 A – The Universe: Characteristics of the Universe	Educational Technology & Online Learning & Online 6 - Microsoft® Excel: Filtering a Database	Middle School Coding 1 A - Crack the Code! - Programming Basics	Exploring Music I – Building Blocks: Minor Scales	Social Studies 6 A – Northern Eurasia: Challenges Facing Northern Eurasia
10 AM	Language Arts 6 A - Informational Text Analysis Intro	Language Arts 6 A - Informational Text Analysis: Relationships Between Words	Live Lesson: Math	Language Arts 6 A - Informational Text Analysis: Technical Definitions	Language Arts 6 A - Informational Text Analysis: Figurative & Connotative Meanings
11 AM	Break/Lunch	Break/Lunch	Break/Lunch	Break/Lunch	Break/Lunch
12 PM	Health & Physical Education 6- Healthy Relationships: Friends & Peers	Gifted & Talented Science 6 A – The Universe: Theories about the Universe	Gifted & Talented Science 6 A – The Universe: Apply	Gifted & Talented Science 6 A – The Universe: Review	Live Lesson: Language Arts
1 PM	Math 6 A – Ratios & Percents: Tape Diagrams	Math 6 A – Ratios & Percents: Make Tables of Equivalent Ratios	Math 6 A – Ratios & Percents: Use Tables of Equivalent Ratios	Math 6 A – Ratios & Percents: Compare Ratios	Math 6 A – Ratios & Percents: Convert Percent to Rate
2 PM	Social Studies 6 A – Northern Eurasia: Russia Emerges	Social Studies 6 A – Northern Eurasia: The Soviet Union and its Breakup	Social Studies 6 A – Northern Eurasia: Living in Northern Eurasia	Live Lesson: Science	Educational Technology & Online Learning 6 – Digital Publishing: Exploring a Topic
3 PM	Physical Activity: Golf	Connections Esports Club	Middle Spanish I – My Home: Our Kitchen	Internet Safety 6: Safeguarding Identity	

Sample Seventh Grade Weekly Schedule

Hour	Monday	Tuesday	Wednesday	Thursday	Friday
8 AM	Live Lesson: Social Studies	Art 7 A – The Essentials of Visual Arts: Pop Art	Gifted & Talented Language Arts 7 A – Building Vocabulary: Purpose of Reference Materials	Social Studies 7 A – Civics: Public Opinion in a Democratic Society	Science 7 A – Cells: Mitosis
9 AM	Health & Physical Education 7 – Mental & Emotional Health: Stress	Live Lesson: Science	Math 7 A - Multiply & Divide Rational Numbers: Decimals as Rational Numbers	Exploring Music II – Stylistic Imprints: Baroque Brilliance	Educational Technology & Online Learning 7 - Microsoft® PowerPoint: Using Context Clues
10 AM	Gifted & Talented Language Arts 7 A – Building Vocabulary: Using Context Clues	Gifted & Talented Language Arts 7 A – Building Vocabulary: Using Affixes & Roots	Educational Technology & Online Learning 7 – Study Skills: Memory Aids	Gifted & Talented Language Arts 7 A – Building Vocabulary: Etymological Spelling Patterns	Gifted & Talented Language Arts 7 A – Building Vocabulary: Apply
11 AM	Break/Lunch	Break/Lunch	Break/Lunch	Break/Lunch	Break/Lunch
12 PM	Science 7 A – Cells: Modeling Cells	Science 7 A – Cells: Cellular Transport	Science 7 A – Cells: Organelles	Science 7 A – Cells: Unicellular & Multicellular	Live Lesson: Language Arts
1 PM	Math 7 A - Multiply & Divide Rational Numbers: Divide Rational Numbers	Math 7 A - Multiply & Divide Rational Numbers Divide Decimals & Fractions	Live Lesson: Math	Math 7 A - Multiply & Divide Rational Numbers: Write Fractions as Decimals	Math 7 A - Multiply & Divide Rational Numbers: Applications of Dividing Rational Numbers
2 PM	Social Studies 7 A – Civics: The Electoral Process	Social Studies 7 A – Civics: Rights & Responsibilities of Citizenship	Social Studies 7 A – Civics: Participating in a Democracy	Middle School Career Exploration 1 - Knowledge & Innovation: Podcast	Social Studies 7 A – Civics: Public Policy
3 PM	Physical Activity: Volleyball	Middle School Exploring Health Science	Middle Chinese II – My Holidays: The Lantern Festival	Writer's Oasis Club	

Sample Eighth Grade Weekly Schedule

Hour	Monday	Tuesday	Wednesday	Thursday	Friday
8 AM	Live Lesson: Social Studies	Art 8 A – Art Connections: Art & Science	Language Arts 8 A – Grammar: Phrases & Clauses	Social Studies 8 A - The Early Republic: Unit Review	Science 8 A – Natural Hazards: Mitigating the Effects of Wildfires
9 AM	Health & Physical Education 8 – Infectious Diseases: Common Infectious Diseases	Live Lesson: Math	Middle School Career Exploration 2 – Working on Your Workplace Skills: Activity	Exploring Music III – Musical Cultures: Folk Forms	Educational Technology & Online Learning 8 – Internet Safety: Predator Awareness
10 AM	Language Arts 8 A – Grammar: Gerunds	Language Arts 8 A – Grammar: Participles	Educational Technology & Online Learning 8 – Internet Safety: The Power of Media	Language Arts 8 A – Grammar: Identifying Passive & Active Voice	Language Arts 8 A – Grammar: Using Passive & Active Voice
11 AM	Break/Lunch	Break/Lunch	Break/Lunch	Break/Lunch	Break/Lunch
12 PM	Science 8 A – Natural Hazards: Volcanic Eruptions	Science 8 A – Natural Hazards: Tracking Hurricane Dorian	Science 8 A – Natural Hazards: Learning from Hurricane Katrina	Science 8 A – Natural Hazards: Using Data to Predict Wildfires	Live Lesson: Language Arts
1 PM	Gifted & Talented Math 8 A – Zero Power Rule of Exponents	Gifted & Talented Math 8 A – Power Rule of Exponents	Gifted & Talented Math 8 A – Negative Integer Exponents	Gifted & Talented Math 8 A – Apply All Exponent Rules	Gifted & Talented Math 8 A – Exponent Rules Prompt
2 PM	Social Studies 8 A – The Early Republic: Jefferson's Presidency	Social Studies 8 A - The Early Republic: Madison & the War of 1812	Social Studies 8 A - The Early Republic: Monroe's Presidency	Live Lesson: Science	Social Studies 8 A - The Early Republic: Unit Test
3 PM	Physical Activity: Rollerblading	Leadership Club	Home Life – In the Kitchen: Culinary Creatures	Middle School Digital Art & Design – Graphic Design: Building a Brand with Art	

Sample Ninth Grade Weekly Schedule

Hour	Monday	Tuesday	Wednesday	Thursday	Friday
8 AM	Art History B – Midterm Project	Biology B – Energy Flow: Cycling of Matter & Energy	English 9 B – The Research Paper: Prewriting – Gathering Information-	Health Science 1 A	Biology B – Energy Flow: Ten Percent Rule
9 AM	Live Lesson: United States History	Sports Management – Media & Public Relations: Sports Broadcasting	Art History B – Ancient Rome: Art of an Empire - History & Culture	Live Lesson: English 9	Coding 1 B – Glam your GUI: Flitter Fun GUI
10 AM	English 9 B – The Research Paper: Prewriting – Forming Research Questions	English 9 B – The Research Paper: Prewriting – Developing a Research Proposal	Algebra 1 B – Polynomials & Factoring: Multiplying Binomials	English 9 B – The Research Paper: Prewriting – Evaluating Information	English 9 B – The Research Paper: Prewriting – Taking Notes
11 AM	Break/Lunch	Break/Lunch	Break/Lunch	Break/Lunch	Break/Lunch
12 PM	Biology B – Energy Flow: Introduction	Live Lesson: Biology B	Biology B - Energy Flow: Cycling of Matter & Energy Flow	Biology B – Energy Flow: Tropic Levels	Japanese I B – Weather: Suuji no 3
1 PM	Algebra 1 B – Polynomials & Factoring: Adding & Subtracting Polynomials	Algebra 1 B – Polynomials & Factoring: Multiplying & Factoring Polynomials	Live Lesson: Algebra 1 B	Algebra 1 B – Polynomials & Factoring: Multiplying Special Cases	Algebra 1 B – Polynomials & Factoring: Factoring x^2 + bx + c
2 PM	United States History B – New Deal: Roosevelt's New Deal	United States History B – New Deal: Impact of the New Deal	United States History B – New Deal: The Second New Deal	United States History B – New Deal: Work & Culture	United States History B – New Deal: The New Deal's Legacy
3 PM		Physical Activity: Lacrosse	Japanese I B – Weather: Suuji no 2	Drama Club	

Sample Tenth Grade Weekly Schedule

Hour	Monday	Tuesday	Wednesday	Thursday	Friday
8 AM	Live Lesson: World Geography	Introduction to Graphic Design B – Layout: Creating a Layout	Honors English 10 A – Language & Style: Mood & Sensory Language	World Geography – Asia: China's Growing Economy	Chemistry A – The Periodic Table: Historical Understandings
9 AM	Human Development & Wellness – Managing Stress: What Causes Stress?	Learning in a Digital World – Online Safety: Online Threats	Human Development & Wellness – Managing Stress: How Stress Affects Your Body	Introduction to Graphic Design B – Layout: Balance, Hierarchy, & Consistency	Learning in a Digital World – Online Safety: Who Are You Online?
10 AM	Honors English 10 A – Language & Style: Figures of Speech	Honors English 10 A – Language & Style: Comparisons	Live Lesson: Algebra 2 A	Honors English 10 A – Language & Style: Irony, Sarcasm, & Paradox	Honors English 10 A – Language & Style: Context
11 AM	Break/Lunch	Break/Lunch	Break/Lunch	Break/Lunch	Break/Lunch
12 PM	Chemistry A – The Periodic Table: Atomic Number	Chemistry A – The Periodic Table: Stable Ions	Chemistry A – The Periodic Table: Valence Electrons 1	Chemistry A – The Periodic Table: Protons & Isotopes	Live Lesson: English 10
1 PM	Algebra 2 A – Linear Systems: Linear Programming	Algebra 2 A – Linear Systems: Systems with 3 Variables	Algebra 2 A – Linear Systems: Solving Systems Using Matrices	Algebra 2 A – Linear Systems: Unit Review	Algebra 2 A – Linear Systems: Unit Test
2 PM	World Geography – Asia: An Introduction to Asia	World Geography – Asia: The Cultural Landscape of India	World Geography – Asia: The Political Landscape of China	Live Lesson: Chemistry	World Geography – North America: Physical Landscape
3 PM	Careers in Criminal Justice 1 B	Global Trek Club	Physical Activity: Hike	College Prep with ACT – College Readiness Standards	

Sample Eleventh Grade Weekly Schedule

Hour	Monday	Tuesday	Wednesday	Thursday	Friday
8 AM	Live Lesson: Honors Economics	Living Music II – Inspired to Relate: In Harmony - Triads	English 11 B – The Namesake: Literary Devices as Clues	Honors Economics – How Markets Work: Determinants of Supply	Physics B – Waves: Nature of Light
9 AM	Game Design for Chromebooks 1 A – Tell a Captivating Story: Ideas for Stories	Game Design for Chromebooks 1 A – Tell a Captivating Story: The Structure of Stories	Personal Fitness – Cardiovascular Fitness: Muscle Fibers	German III A - Stadtleben: Lektion 2A Kontext (Day 2)	Living Music II – Inspired to Relate - Beyond Do, Re, Mi: All Sorts of Scales
10 AM	English 11 B – The Namesake: Point of View & Tone	English 11 B – The Namesake: Literary Analysis – Generational Culture Clash	Live Lesson: Geometry B	English 11 B – The Namesake: Expository Writing – The Idea of Home	English 11 B – The Namesake: Themes
11 AM	Break/Lunch	Break/Lunch	Break/Lunch	Break/Lunch	Break/Lunch
12 PM	Physics B – Waves: Wave Application	Physics B – Waves: Interference of Waves	Physics B – Waves: Sound Wave Phenomena	Physics B – Waves: The Speed of Sound	Live Lesson: English 11 B
1 PM	Geometry B – Similarity: Similar Polygons	Geometry B – Similarity: Proving Triangles Similar	Geometry B – Similarity: Similarity in Right Triangles	Geometry B – Similarity: Proportions in Triangles	Geometry B – Similarity: Unit Review
2 PM	Honors Economics – How Markets Work: Law of Demand	Honors Economics – How Markets Work: Law of Supply	Honors Economics – How Markets Work: Production Costs of a Firm	Live Lesson: Physics B	Honors Economics – How Markets Work: Market Equilibrium
3 PM	German III A – Stadtleben: Lektion 2A Kontext (Day 1)	Conversation Corner Club	Physical Activity: Karate	Driver's Education – Being a Responsible Driver: Managing Distractions	

Sample Twelfth Grade Weekly Schedule

Hour	Monday	Tuesday	Wednesday	Thursday	Friday
8 AM	Live Lesson: American Government	Web Design B – Introduction to Java Script: JavaScript Functions	AP Eng. Lang. & Comp. B – Fractured Identities: Dropbox Items	American Government B – State & Local Govts.: The Governor & State Administration	Environmental Science B – Env. Sci. Programs & Policies: Transportation Challenges
9 AM	Life Skills: Navigating Adulthood – Life in the 21st Century: Character & Grit	French IV B - S'évader et s'amuser: Imaginez: L'océan Indien	Marketing Foundations 1 B – Promotion & Advertising: Podcast	French IV B - S'évader et s'amuser: Structures 8.2	Marketing Foundations 1 B – Promotion & Advertising: Actvity
10 AM	AP Eng. Lang. & Comp. B – Fractured Identities: Vietnam	AP Eng. Lang. & Comp. B – Fractured Identities: Divided Loyalties	Live Lesson: Honors Pre-Calculus	AP Eng. Lang. & Comp. B – Fractured Identities: Wrap-Up	AP Eng. Lang. & Comp. B – Fractured Identities: Essay Test
11 AM	Break/Lunch	Break/Lunch	Break/Lunch	Break/Lunch	Break/Lunch
12 PM	Environmental Science B – Env. Sci. Programs & Policies: Planning Conservation	Environmental Science B – Env. Sci. Programs & Policies: Waste Management	Environmental Science B – Env. Sci. Programs & Policies: Composting	Environmental Science B– Env. Sci. Programs & Policies: Space Waste	Live Lesson: AP Eng. Lang. & Comp.
1 PM	Honors Pre-Calculus B – Vectors: Representing Vectors	Honors Pre-Calculus B – Vectors: Operations with Vectors	Honors Pre-Calculus B – Vectors: Unit Vectors	Honors Pre-Calculus B – Vectors: Direction Angle	Honors Pre-Calculus B – Vectors: Dot Product
2 PM	American Government B – State & Local Govts.: States' Rights	American Government B – State & Local Govts.: State Constitutions	American Government B – State & Local Govts.: State Legislatures	Live Lesson: Environmental Science	American Government B – State & Local Govts.: The State Judiciary
3 PM	Physical Activity: Weightlifting	Connections Esports Club	French IV B - S'évader et s'amuser: Structures 8.1	Web Design B - Introduction to Java Script: Checking if JavaScript is Enabled	

APPENDIX H

for

Tonya Faison

1. **Board Member Information Form**
2. **One-Page Resume**

Office of
CHARTER SCHOOLS
NC Department of Public Instruction

Charter School Board Member Information Form

Note: *To be completed individually by each proposed founding charter school board member. Please include a* ***one-page*** *resume with this form and sign by hand.*

Serving on a public charter school board is a position of public trust and as a board member of a North Carolina public charter school; you are responsible for ensuring the quality of the school's entire program, competent stewardship of public funds, and the school's fulfillment of its public obligations and all terms of its charter.

As part of the application for a new charter school, the State Board of Education requests that each prospective board member respond individually to this questionnaire. Where narrative responses are required, brief responses are sufficient.

The purpose of this questionnaire is twofold: 1) to give application reviewers a clearer introduction to the applicant team behind each school proposal in advance of the applicant interview, in order to be better prepared for the interview; and 2) to encourage board members to reflect individually as well as collectively on their common mission, purposes, and obligations at the earliest stage of school development.

School Information	
Name of charter school	**NC Connections Academy**

Board Member's Information	
Board Members	Full name: Tonya M Faison
	Home Address: 12562 Jessica Pl Charlotte NC 28269
	Business Name & Address: Charlotte Mecklenburg Schools @Randolph IB Middle School 4400 Water Oak Dr Charlotte NC 28211
	Telephone No.:980-343-6700

	E-mail address: faison827@gmail.com

Board Member Application	
Have you previously served on a board of a school district, another charter school, a non-public school, or any non-profit corporation?	No: X Yes: ☐
Educational History	Petersburg High School, Petersburg VA Graduated 1988 Central Piedmont Community College, Charlotte NC Graduated 1991 – Associate Degree – Accounting NC A&T State University, Greensboro NC Graduated 1995 – B.S. – Accounting East Carolina University, Greenville NC Graduated 2006 – Masters – Educational Leadership East Carolina University, Greenville, NC Graduated 2013 – Advanced Degree – Educational Leadership
Employment History	Wayne County Public Schools (Teacher, AP, CTE IMC, Principal) 1998 – 2013 Charlotte Mecklenburg Schools (Principal0 2013 - present
How were you recruited to join this Board of Directors?	I was contacted by a friend who was involved with this new school opportunity.
Why do you wish to serve on the board of the proposed charter school?	I served as the founding principal for the Charlotte Mecklenburg Schools Virtual Middle School in August 2021 and served for two years.

	I believe that virtual schools provide great educational options for all students.
What is your understanding of the appropriate role of a public charter school board member?	The Board will oversee policy direction and decisions, academic success, and financial health of the school with the School Leader managing the day-to-day operation of the school with the support of the administrative team.
Describe any previous experience you have that is relevant to serving on the charter school's board (e.g., other board service). If you have not had previous experience of this nature, explain why you can be an effective board member.	Since working in education for 26 years, I have an extensive professional background in (educational leadership, finance and business, career and technical fields, workforce development), and believe my talents and experiences will lend to the development of this new school model.
Describe the specific knowledge and experience that you would bring to the board.	I am a 26-year veteran educator and have been able to work in different capacities throughout my tenure. From being a teacher, to assistant principal, to district office, to a principal of high school and middle school I have been given the opportunity to learn and know so much about the learning process. Being the founding principal of a virtual middle school (elementary was added the second year), I have a clear understanding of what it should look like, feel like and be like for the students who attend.

School Mission and Program	
What is your understanding of the school's mission and guiding beliefs?	Mission- The School's mission is to help students meet performance standards and maximize their potential through an individualized learning program. The school's tailored approach prepares students of all abilities to succeed in school and life. Vision- The School will be a virtual learning leader delivering life-changing learning outcomes and experiences for North Carolina

	students in K-12, building the next generation of curious, skilled, career-ready citizens. The Board approved the school's Mission and Vision Statements at the first meeting, to ensure that those were the driving principles guiding decisions from the beginning.
What is your understanding of the school's proposed educational program?	This new Connections Academy career-focused school model will serve students statewide as a remote charter academy. The school will serve students in grades K-12 across the state. The school will offer an award-winning, standards-aligned curriculum focusing on and supporting academic achievement for all students.
What do you believe to be the characteristics of a successful school?	Characteristics of a successful school include high student expectations by licensed high-quality teaching, administrative & support staff, with strong community partnerships for student and family involvement.
How will you know that the school is succeeding (or not) in its mission?	Board members will receive student performance data constantly, from annual state assessment reports to benchmark assessment data to quarterly metrics data showing comparisons with other Connections Academy schools. The Board will also receive regular feedback from students and parents on their satisfaction with the school and annual staff assessments.

Governance	
Describe the role that the board will play in the school's operation.	While the Board will leave the day-to-day operations of the school to the School Leader and their leadership team, the Board will oversee the school's overall financial health, as well as set all policies and procedures that guide the operations.

How will you know if the school is successful at the end of the first year of operation?	The Board will receive data on student course completion rates, staff satisfaction survey results and overall school/family feedback at the end of the first year, all of which will reveal aspects of the school's success following the first year of operation. Financial and operational success following the first year of operation can be measured against the school's ability to maintain the proposed budget within a reasonable variation. While state assessment data will not yet be available, many other benchmark assessment data will be available to the Board, and both student and teacher feedback, and student engagement and completion data is very useful in determining early success.
How will you know at the end of five years of the schools is successful?	At each Board meeting, the School Leader and Pearson Academic Support Partner will provide updates on student metrics, demographics and overall academic health through the Monthly School Report and other data reports. This data will provide a up-to-date snapshot of most areas of school performance, for the board to properly maintain their oversight responsibilities.
What specific steps will the charter school board need to take to ensure that the school is successful?	The Board will need to continuously monitor the school leader's performance, the academic metrics, including trends, enrollment and mobility trends, and engagement and participation rates. The Board will also need to oversee the financial results, ask questions, and monitor compliance with policy set for the school.
How would you handle a situation in which you believe one or more members of the school's board were acting unethically or not in the best interests of the school?	If I believe a member of the Board were acting outside the best interest of the school, and worst case in an unethical manner, I will immediately escalate the situation to the Board Chair, and, if I believe there was still cause, seek Board Counsel's advice. When appropriate, we would also work with Pearson Board-focused partners to discuss behavior and review pertinent Board policy and potential next steps.

Certification

I, _____Tonya M.Faison__________________________, certify to the best of my knowledge and ability that the information I am providing to the North Carolina State Board of Education as a prospective board member for __New Connections______________ Charter School is true and correct in every respect.

Board Member's Signature

Signature		**Date**	4/22/24

**If you responded within the application that disciplinary action has been taken against any past or present professional licenses, provide a detailed response below outlining the disciplinary action and the license validity.* *Click or tap here to enter text.*

Tonya M. Faison

12562 Jessica Place, Charlotte, NC 28269
Cell phone: 919-222-2674 Personal email: faison827@gmail.com

Educational Philosophy

All students can learn and will learn when there is a relationship established between student and teacher. When the needs of the students are identified and kept as the focus for teaching and learning, students grow, and achievement levels are met. There must be a genuine partnership between home and school with a strong commitment from administration and staff to ensure that all students in the school reach their full potential.

Education

College/University	Dates	Degree
East Carolina University	2011-2013	Advanced Degree – Educational Leadership
East Carolina University	2004-2006	M.S. – Educational Leadership
East Carolina University	1999-2000	Teacher Education Licensure (Lateral-entry)

School Achievement

Charlotte Virtual Middle School, Principal, July 2021 – June 2022

Opened in August 2021 with seven teachers and 952 students (from across the district); Strategically created a master schedule to support student learning until more teachers were hired; Worked directly with district content specialists to support teachers with understanding and implementing the EL Curriculum and Open Up Curriculum; Developed PLCs that focused on delivering instruction using best practices in a virtual environment; Established a School Improvement Team to develop and focus on goals related to continuous school improvement; Developed virtual student clubs and lunchrooms to provide social time for students; EOG Proficiency Data (1/3 or more of students on each grade level were GLP in Reading); Retained 100% of staff and teachers for the 2022-2023 school year

James Martin Middle School, Principal, September 2014 – July 2021

Shifted focus from student behavior to student learning by implementing PLCs for content area to develop lesson plans, analyze data and review student work; Participated in the UVA Beacon Turnaround Initiative 2014-2016; Implemented New School Redesign Model; Implemented PLTW Engineering for Middle School Courses; Met Growth as a school 2014-2015; Met Growth as a school 2015-2016; EOC Math 1 Proficiency from 98.1% to 100%; EOC Math 1 Growth 11.9 Exceeded; Implemented the Strive for 5 Incentive program to address academics and behaviors; Implemented National Junior Honor Society; Decrease in the average number of student behavior incidents; Decrease in out-of-school and in-school suspensions

Hawthorne Academy of Health Science, Principal, July 2013 – September 2014

Transition school from alternative school to health science academy; Developed and maintained a partnership with Central Piedmont Community College; Implemented PLTW Health Science Curriculum; Implemented Common Core Assessments and Planning for teachers who were teaching EOC Test Areas; Established PLCs in content areas, cross curriculum, and health science to improve on teaching and learning; Increased overall EOC proficiency from 5.9% to 23% (Grade Level); 15% (Career-College Readiness); Decreased out-of-school suspensions from 159 in 2012-2013 to 70 in 2013-2014; Improved overall student attendance rate per grade level by implementing a competition with incentives; Graduation rate increased from 65.9% to 90.6% - biggest rate increase in the district during 2013-2014 school year; Implemented online credit recovery system using APEX Learning System

Goldsboro High School, Principal, July 2011- June 2013

Implemented a Cougar Enrichment Period (Remediation/Credit Recovery Time) to promote success in all classes with a focus on English I, Algebra I, Biology, and other core classes for graduation credit; All 9th grade students were assessed through RTI and placed in remediation classes during Cougar Enrichment to focus on improving reading and math levels; Overall ABC Composite Score improved 6.7 points from previous school year (2010-2011 63.1%; 2011- 2012 69.8%); Implemented Common Core Assessments and Planning for teachers who were teaching EOC Test Areas; Established PLCs in content areas, cross curriculum, and health science to improve on teaching and learning; All EOC tests scores along with the Graduation Rate were improved from 2010-2011 to the 2011-2012 school year

CTE Instructional Management Coordinator, Lead Teacher (District Office), July 2009 – June 2011

Spring Creek Elementary School, Assistant Principal, August 2007 – June 2009

Norwayne Middle School, Assistant Principal, August 2005 – June 2007

APPENDIX H

for

Nicholas D'Antonio

1. **Board Member Information Form**
2. **One-Page Resume**

Office of
CHARTER SCHOOLS
NC Department of Public Instruction

Charter School Board Member Information Form

Note: *To be completed individually by each proposed founding charter school board member. Please include a* ***one-page*** *resume with this form and sign by hand.*

Serving on a public charter school board is a position of public trust and as a board member of a North Carolina public charter school; you are responsible for ensuring the quality of the school's entire program, competent stewardship of public funds, and the school's fulfillment of its public obligations and all terms of its charter.

As part of the application for a new charter school, the State Board of Education requests that each prospective board member respond individually to this questionnaire. Where narrative responses are required, brief responses are sufficient.

The purpose of this questionnaire is twofold: 1) to give application reviewers a clearer introduction to the applicant team behind each school proposal in advance of the applicant interview, in order to be better prepared for the interview; and 2) to encourage board members to reflect individually as well as collectively on their common mission, purposes, and obligations at the earliest stage of school development.

School Information	
Name of charter school	North Carolina Connections Academy Charter School

Board Member's Information	
Board Members	Full name: Nicholas Bingham D'Antonio
	Home Address: 610 Scales Towne Court, Raleigh NC 27608
	Business Name & Address: N/A
	Telephone No.: 202.669.3736
	E-mail address: drnicholasdantonio@gmail.com

Board Member Application	
Have you previously served on a board of a school district, another charter school, a non-public school, or any non-profit corporation?	No: X Yes: ☐
Educational History	• BS in Business Administration – American University • Master of Business Administration – Washington State University • Ph.D. in Educational Leadership, Policy, and Human Development – North Carolina State University • Career Development Technician Registered Apprenticeship Certificate of Completion – U.S. Department of Labor • Certified Project Management Professional – Project Management Institute
Employment History	• Lockheed Martin Corporation • Amazon Web Services • Stand Together Foundation (Koch Industries) • American Institutes of Research (Maher and Maher) • Institute for American Apprenticeships • National Association of Manufacturers
How were you recruited to join this Board of Directors?	When it comes to joining the Board of Directors, my path was somewhat unique and deeply personal. I was fortunate enough to be guided by my dissertation chair, who not only mentored me through my academic endeavors but also recognized my potential to contribute meaningfully to the board.
Why do you wish to serve on the board of the proposed charter school?	I am eager to serve on the board of the proposed charter school because I am deeply committed to the expansion of career and technical education (CTE). I believe that CTE is essential for equipping students with the practical skills and knowledge necessary to succeed in various

	industries. Additionally, I support the charter movement as a means to innovate and diversify educational approaches. This opportunity aligns with my passion for extending work-based learning opportunities, which are crucial for preparing students to meet the demands of the workforce effectively.
What is your understanding of the appropriate role of a public charter school board member?	The role of a public charter school board member involves guiding the strategic direction and ensuring the academic and financial health of the school. Board members work collaboratively to set policies and oversee their implementation, while the School Leader, supported by the administrative team, manages daily operations.
Describe any previous experience you have that is relevant to serving on the charter school's board (e.g., other board service). If you have not had previous experience of this nature, explain why you can be an effective board member.	My previous experiences supporting school choice, particularly during my tenure at Koch Industries / Stand Together, equip me well for serving on the charter school's board. This role gave me invaluable insights into the operational and strategic elements necessary for a charter school's success. Additionally, my doctoral education in educational leadership has given me a deep understanding of the complexities and challenges of educational administration, particularly in career and technical education (CTE). This combination of hands-on experience and advanced academic preparation in relevant fields makes me a strong candidate to contribute effectively to the board's work in overseeing and guiding the school's mission and operation.
Describe the specific knowledge and experience that you would bring to the board.	I bring a wealth of specialized knowledge and experience to the board, particularly in Career and Technical Education (CTE) and apprenticeship programs. My professional background includes extensive work developing and implementing apprenticeship models that connect education with real-world industry demands, providing students with the practical skills necessary for career success. My connections within various industries are substantial. These relationships are vital for fostering partnerships that support students, not only through enhanced learning opportunities but also by opening pathways to employment. My academic expertise, underscored by a PhD in higher education leadership, directly applies to an educational institution's governance and strategic planning. This educational background equips me with a deep understanding of educational policy, leadership, and the organizational dynamics of schools, which are

	crucial for making informed decisions that drive academic success and institutional growth.

School Mission and Program

What is your understanding of the school's mission and guiding beliefs?	Our school's Mission and Vision Statements are: Mission- The School's mission is to help students meet performance standards and maximize their potential through an individualized learning program. The school's tailored approach prepares students of all abilities to succeed in school and life. Vision- The School will be a virtual learning leader delivering life-changing learning outcomes and experiences for North Carolina students in K-12, building the next generation of curious, skilled, career-ready citizens. The Board approved the school's Mission and Vision Statements at the first meeting to ensure that those were the driving principles guiding decisions from the beginning.
What is your understanding of the school's proposed educational program?	This new Connections Academy career-focused school model will serve students statewide as a remote charter academy. The school will serve students in grades K-12 across the state. The school will offer an award-winning, standards-aligned curriculum focusing on and supporting academic achievement for all students.
What do you believe to be the characteristics of a successful school?	Characteristics of a successful school include high student expectations by licensed, high-quality teaching, administrative and support staff, with strong community partnerships for student and family involvement.

How will you know that the school is succeeding (or not) in its mission?	Board members will receive regular updates on the school's academic and operational metrics nd be able to compare that data with the school's goals regularly. Assessing the school's progress against the agreed-upon goals will allow the board to determine success in all areas.

Governance	
Describe the role that the board will play in the school's operation.	While the Board will leave the day-to-day operations of the school to the School Leader and their leadership team, the Board will oversee the school's overall financial health, as well as set all policies and procedures that guide the operations.
How will you know if the school is successful at the end of the first year of operation?	Financial and operational success following the first year of operation can be measured against the school's ability to maintain the proposed budget within a reasonable variation. While state assessment data will not yet be available, many other benchmark assessment data will be available to the Board, and both student and teacher feedback, and student engagement and completion data are very useful in determining early success.
How will you know at the end of five years of the schools is successful?	At each Board meeting, the School Leader along with the Pearson Academic Support Partner will present the Monthly School Report and additional data reports. These updates will cover student metrics, demographics, and the general academic standing of the school. This information serves as a current overview of various performance areas, enabling the board to effectively fulfill their oversight duties.

What specific steps will the charter school board need to take to ensure that the school is successful?	To ensure the success of the charter school, the board will need to consistently oversee and evaluate key areas. This includes monitoring the School Leader's performance to ensure alignment with the school's objectives, closely examining academic metrics such as enrollment trends and student engagement, and overseeing financial health to ensure sustainability. Additionally, the board should regularly review compliance with established policies and remain proactive in addressing any emerging challenges. These steps are critical to maintaining high standards and achieving the school's educational goals.
How would you handle a situation in which you believe one or more members of the school's board were acting unethically or not in the best interests of the school?	In a situation where I suspect unethical behavior or actions not in the school's best interests by board members, I would first verify the facts discreetly to ensure my concerns are valid. I would escalate the matter to the entire board or a relevant ethics committee, if available, ensuring all discussions are documented and aligned with the board's governance policies. This method preserves the board's integrity and protects the school's mission.

Certification

I, **Nicholas Bingham D'Antonio,** certify to the best of my knowledge and ability that the information I am providing to the North Carolina State Board of Education as a prospective board member for North Carolina Connections Academy Charter School is true and correct in every respect.

Board Member's Signature

Signature	**Date** APRIL 16, 2024

**If you responded within the application that disciplinary action has been taken against any past or present professional licenses, provide a detailed response below outlining the disciplinary action and the license validity.* Click or tap here to enter text.

NICHOLAS B D'ANTONIO

CONTACT

202.669.3736
nicholasbdantonio@gmail.com
610 Scales Towne Court
Raleigh, NC 27608

EDUCATION

Degrees

North Carolina State University
Ph.D. Candidate – Workforce Development
Expected Completion: 2024

Washington State University
Master of Business Administration
Completed: 2021/ 3.95 GPA

American University
Bachelor of Business Administration
Completed: 2013

Certificates

Project Management Institute
Project Management Professional

Amazon Web Services
Certified Cloud Practitioner

US Department of Labor
Career Development Registered
Apprenticeship Completer

LMCO ACTIVITIES

Lockheed Martin PRIDE BRG
Corporate Pride Leadership Forum Co-Chair (2023 – 2025)

EO-PRIDE Co-Chair (2021-2022)

Mid-Level Leader Training
Completed: 2023

FELLOWSHIPS

Jobs For the Future
Talent of Tomorrow - 2012-2022 Fellow

ACT Foundation
Working Learner Fellow

INSTRUCTION

Washington State University
Section Instructor for Undergraduate School of Business

- Data Analysis and Visualization
- Operations Management
- Ethics, Teams, and Innovations

North Carolina State University
Lecturer for Graduate School of Education

- Workforce Development
- Career and Technical Education

RESEARCH

Association of Career and Technical Education Research
2023 Manuscript Accepted for Presentation

Council for the Study of Community College Research
2023 Manuscript Accepted for Presentation

ECMC Foundation
2023 Individual Grantee for Written Publication on Registered Apprenticeship

AWARDS

2023 Nexus Award
University Council for Workforce and Human Resource Education

PROFILE

Experienced program and project manager with 10 years of program management expertise, specializing in building and implementing workforce development, apprenticeship, and training solutions. Skills are cross-cutting, with an emphasis on complex, multi-layered projects with numerous stakeholders. Results oriented with a focus on communications, budget management, and on-time results delivery Seeking new opportunities to leverage program management skills in technology to drive the success of innovative projects and advance the workforce of tomorrow.

WORKEXPERIENCE

Lockheed Martin

Workforce Development Program Manager (L5) 2022 - 2023

- Managed a team of 7 direct reports and 8 dotted line reports responsible for workforce development, workforce planning, skills analysis, and upskilling programming for Lockheed Martin's 4,600 employee Enterprise Technology division.
- Led headcount planning, resource management planning, and skills development planning for critical skills areas across the enterprise technology domain.
- Successfully executed and led a multi-million SmartSourcing strategy to reduce acquisition and talent management costs across the 2022 and 2023 fiscal year. Oversaw a multi-million dollar workforce incentive portfolio to achieve cost avoidance and cost recovery through access to federal and state funding initiatives.
- Led the end-to-end development of a cutting-edge skill-assessment application, spearheading the journey from initial requirements to the polished final product. This initiative proved instrumental in evaluating over 300 individuals during the pilot phase, ultimately resulting in the expansion of assessment coverage to include an additional six critical skills.

Workforce Strategist (Contractor, IC5) 2019-2022

- Managed the corporation's $40 million STEM and Vocational Scholarship program, providing financial support to students attending two- and four-year institutions, with over 850 students benefiting to date.
- Led the Expanding Pathways initiative, a national strategic effort to expand Lockheed Martin's partnerships with two-year institutions and create new pathways for talent from community and technical colleges.
- Responsible for the Engineering Aide Hiring Initiative, resulting in the employment of over 200 new hires nationwide.
- Served as the workforce planning and apprenticeship solution navigator for all five business areas, supporting the assessment of skill needs and the development, implementation, and management of apprenticeship programs. Led business partners in building, implementing, and sustaining Registered Apprenticeship and other Talent Development solutions, resulting in the registration of 400 Lockheed Martin personnel as apprentices and training for over 750 personnel in 2019.
- Trained and supported Human Resource Business Partners, training managers, and functional leads on managing and delivering apprenticeship and apprenticeship-like training programs.

Amazon

Senior Digital Skills Program Manager 2020

- Initiated and led the AWS Digital Skills Program in the United States and Canada, developing public-private partnerships and government relationships to expand cloud training opportunities.
- Successfully joined six grant consortiums in the first three months, supporting the expansion of cloud non-credit certificate programs.

Koch Industries (Stand Together Foundation)

Director, Strategic Partnerships 2016 - 2019

- Led a team to create a strategy for sourcing, engaging, and funding workforce development non-profits, ensuring every investment aligned with our Earned Value Management approach.
- Managed a portfolio of $10 million in annual giving to community-based organizations focused on workforce development and career development, consistently monitoring Earned Value metrics to optimize resource allocation.
- Crafted investment recommendations, grant proposals, and executed partnership strategies for the deployment of financial and human capital, always keeping a keen eye on the Earned Value to assess the effectiveness of each initiative.

National Association of Manufacturers

Workforce Development Portfolio Manager 2011-2016

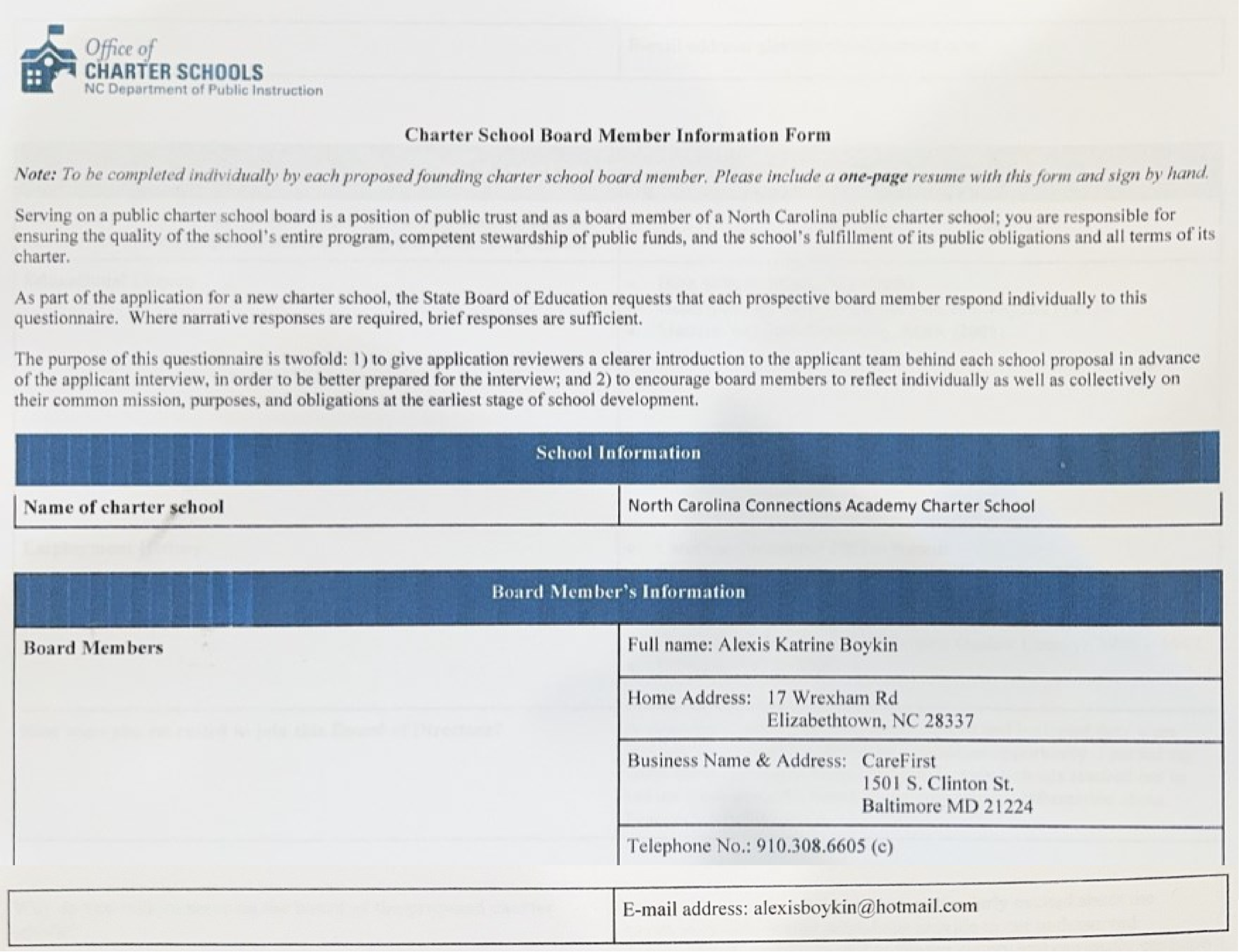
Led the largest youth recruitment program revenue growth by establishing 46 state partners, raising over $250,000 in network dues, and engaging over 600,000 students, 150,000 parents, and educators.
Created and delivered training to state partners and employers on establishing youth-serving workforce development programming.
Managed workforce development projects, including federal grants, contracts with community colleges, and partnerships with foundations.

APPENDIX H

for

Alexis Boykin

1. Board Member Information Form
2. One-Page Resume



Office of
CHARTER SCHOOLS
NC Department of Public Instruction

Charter School Board Member Information Form

Note: To be completed individually by each proposed founding charter school board member. Please include a ***one-page*** *resume with this form and sign by hand.*

Serving on a public charter school board is a position of public trust and as a board member of a North Carolina public charter school; you are responsible for ensuring the quality of the school's entire program, competent stewardship of public funds, and the school's fulfillment of its public obligations and all terms of its charter.

As part of the application for a new charter school, the State Board of Education requests that each prospective board member respond individually to this questionnaire. Where narrative responses are required, brief responses are sufficient.

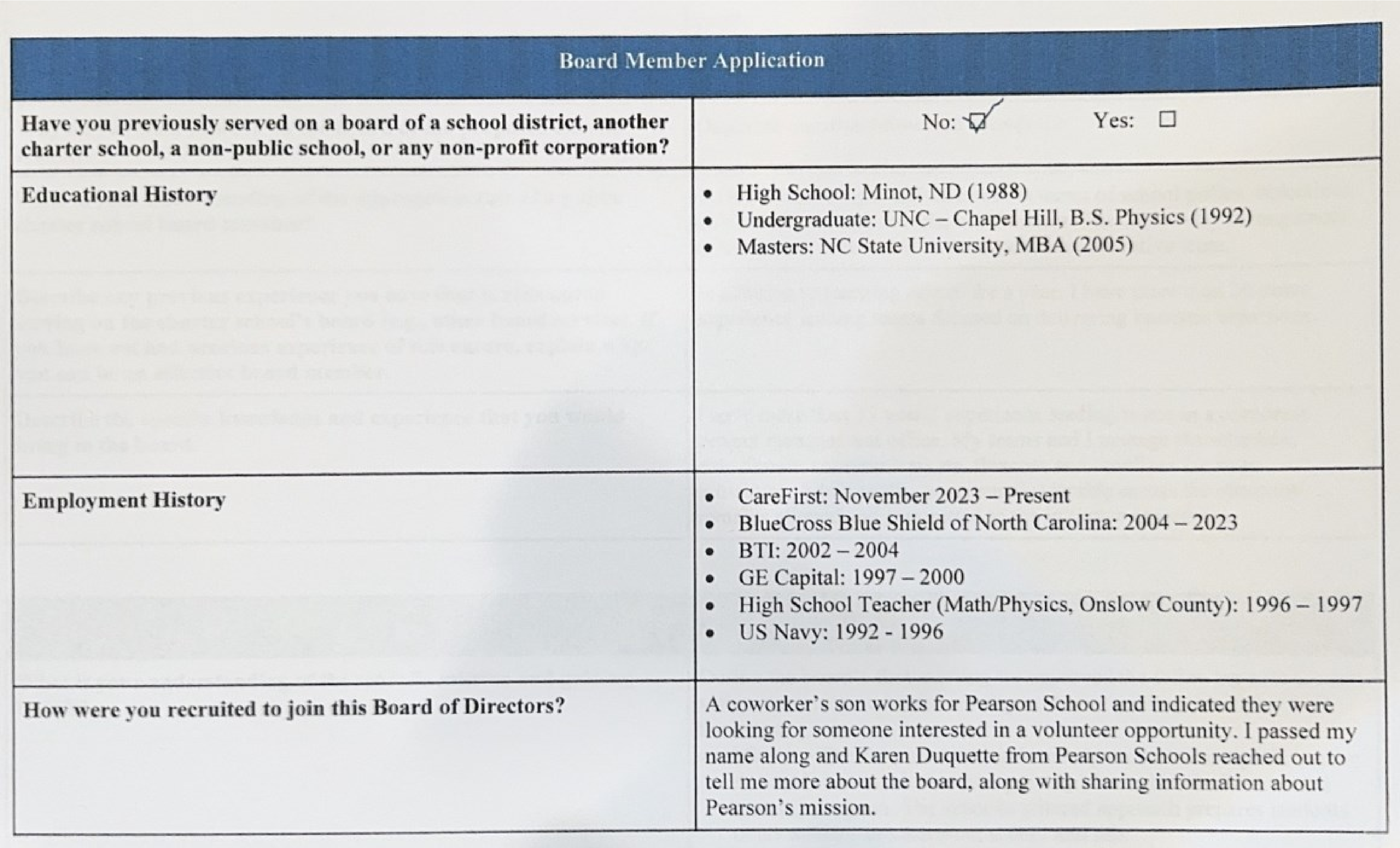
The purpose of this questionnaire is twofold: 1) to give application reviewers a clearer introduction to the applicant team behind each school proposal in advance of the applicant interview, in order to be better prepared for the interview; and 2) to encourage board members to reflect individually as well as collectively on their common mission, purposes, and obligations at the earliest stage of school development.

School Information

Name of charter school	North Carolina Connections Academy Charter School

Board Member's Information

Board Members	Full name: Alexis Katrine Boykin
	Home Address: 17 Wrexham Rd Elizabethtown, NC 28337
	Business Name & Address: CareFirst 1501 S. Clinton St. Baltimore MD 21224
	Telephone No.: 910.308.6605 (c)
	E-mail address: alexisboykin@hotmail.com



Board Member Application

Have you previously served on a board of a school district, another charter school, a non-public school, or any non-profit corporation?	No: ☑ Yes: ☐
Educational History	• High School: Minot, ND (1988) • Undergraduate: UNC – Chapel Hill, B.S. Physics (1992) • Masters: NC State University, MBA (2005)
Employment History	• CareFirst: November 2023 – Present • BlueCross Blue Shield of North Carolina: 2004 – 2023 • BTI: 2002 – 2004 • GE Capital: 1997 – 2000 • High School Teacher (Math/Physics, Onslow County): 1996 – 1997 • US Navy: 1992 - 1996
How were you recruited to join this Board of Directors?	A coworker's son works for Pearson School and indicated they were looking for someone interested in a volunteer opportunity. I passed my name along and Karen Duquette from Pearson Schools reached out to tell me more about the board, along with sharing information about Pearson's mission.

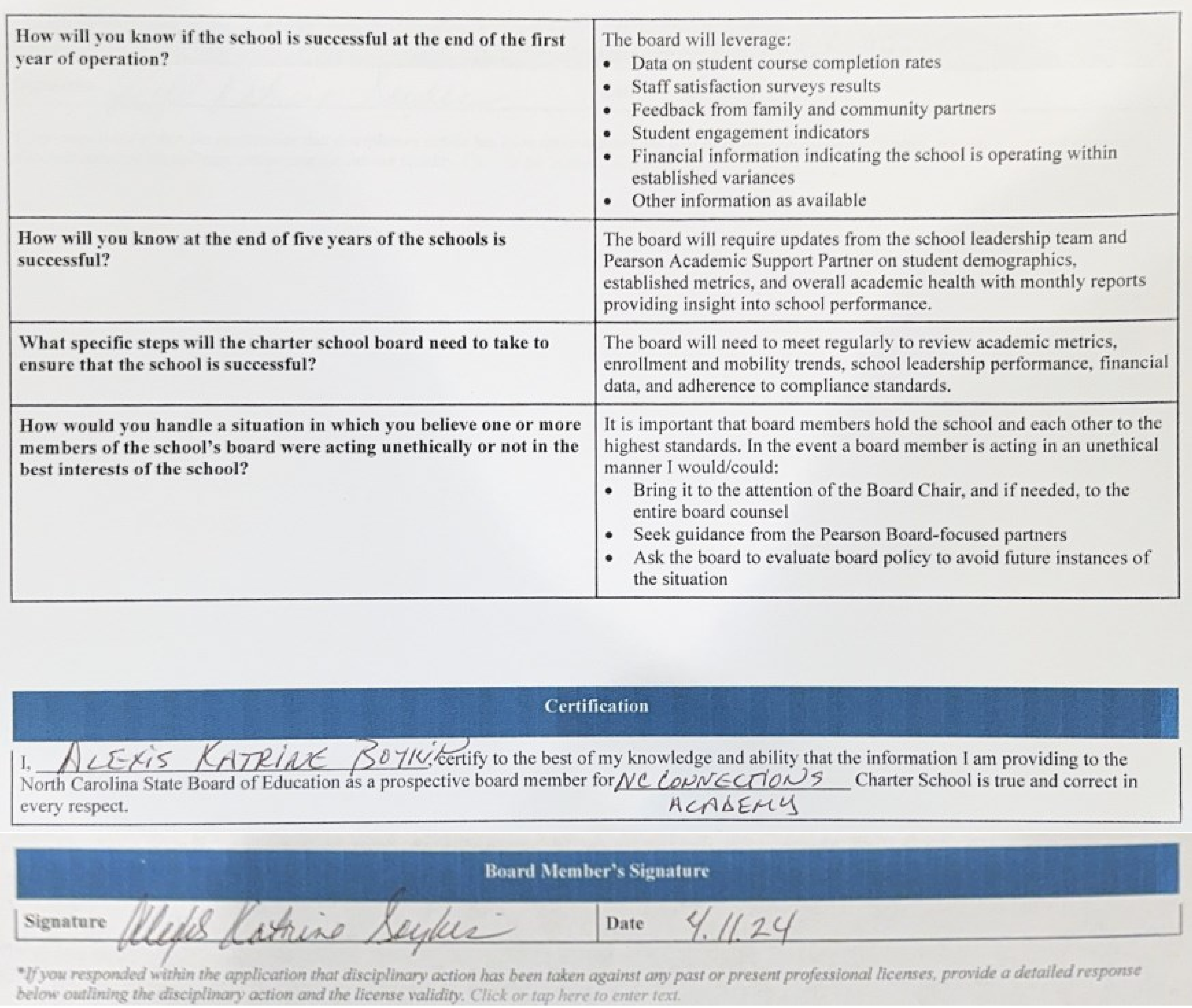
Why do you wish to serve on the board of the proposed charter school?	I support the overall mission but am particularly excited about the opportunities this charter school can provide to our underserved communities. I recently moved to Bladen county and can easily envision how a virtual charter school can help students in rural areas achieve their goals.
How were you recruited to join this Board of Directors?	Duplicate question (answered above)
Why do you wish to serve on the board of the proposed charter school?	Duplicate question (answered above)
What is your understanding of the appropriate role of a public charter school board member?	To provide oversight and direction in terms of school policy, objectives, curriculum, success criteria, and finances. The day-to-day management of the school will be left to the school administrative team.
Describe any previous experience you have that is relevant to serving on the charter school's board (e.g., other board service). If you have not had previous experience of this nature, explain why you can be an effective board member.	In addition to teaching school for a year, I have more than 20 years' experience leading teams focused on delivering business objectives.
Describe the specific knowledge and experience that you would bring to the board.	I have more than 13 years' experience leading teams in a corporate project management office. My teams and I manage the schedule, risks/issues, communications, finances and timelines for large initiatives. Additionally, we ensure leadership across the company remains aligned and committed to the initiative objectives.

School Mission and Program

What is your understanding of the school's mission and guiding beliefs?	During the board's first meeting we approved the following mission and vision statements to ensure we aligned to our guiding principles from the outset: • Mission- The School's mission is to help students meet performance standards and maximize their potential through an individualized learning program. The school's tailored approach prepares students of all abilities to succeed in school and life.

	- Vision- The School will be a virtual learning leader delivering life-changing learning outcomes and experiences for North Carolina students in K-12, building the next generation of curious, skilled, career-ready citizens.
What is your understanding of the school's proposed educational program?	The new NC Connections Academy charter school will: - Serve the needs of students grades K – 12 - Offer a career-focused curriculum that ensures students across the state are ready to entire the workforce - Provide a quality, full-time virtual option to meet the needs of students for whom a traditional school setting does not best meet their individual needs - Encourage students to learn at their own pace
What do you believe to be the characteristics of a successful school?	A successful school requires board and school leadership that: - Has a shared vision of success - Has goals focused on meeting the needs of NC students - Establishes strong partnerships with the community and families
How will you know that the school is succeeding (or not) in its mission?	The board will measure school performance through defined operational and academic metrics. Updated information will be provided at regularly defined intervals and action plans quickly established to ensure continued success in all areas.

Governance	
Describe the role that the board will play in the school's operation.	The board will oversee the school's overall financial health, along with setting policies and procedures that guide operations. The day-to-day leadership of the school will continue to reside with the established school leadership team.



How will you know if the school is successful at the end of the first year of operation?	The board will leverage: • Data on student course completion rates • Staff satisfaction surveys results • Feedback from family and community partners • Student engagement indicators • Financial information indicating the school is operating within established variances • Other information as available
How will you know at the end of five years of the schools is successful?	The board will require updates from the school leadership team and Pearson Academic Support Partner on student demographics, established metrics, and overall academic health with monthly reports providing insight into school performance.
What specific steps will the charter school board need to take to ensure that the school is successful?	The board will need to meet regularly to review academic metrics, enrollment and mobility trends, school leadership performance, financial data, and adherence to compliance standards.
How would you handle a situation in which you believe one or more members of the school's board were acting unethically or not in the best interests of the school?	It is important that board members hold the school and each other to the highest standards. In the event a board member is acting in an unethical manner I would/could: • Bring it to the attention of the Board Chair, and if needed, to the entire board counsel • Seek guidance from the Pearson Board-focused partners • Ask the board to evaluate board policy to avoid future instances of the situation

Certification

I, ALEXIS KATRINE BOYKIN, certify to the best of my knowledge and ability that the information I am providing to the North Carolina State Board of Education as a prospective board member for NC CONNECTIONS ACADEMY Charter School is true and correct in every respect.

Board Member's Signature

Signature Alexis Katrine Boykin	**Date** 4.11.24

If you responded within the application that disciplinary action has been taken against any past or present professional licenses, provide a detailed response below outlining the disciplinary action and the license validity. Click or tap here to enter text.

Alexis Boykin
17 Wrexham Place, Elizabethtown, NC 28337
Alexis.boykin@bcbsnc.com; 910-308-6605

Experienced in developing high-performing teams, creating a shared vision, and leading the execution of strategic, enterprise-wide initiatives. I effectively collaborate across the organization to ensure teams have what they need to be successful and proactively mitigate risks

Experience

Blue Cross 2004 – Present

Director Stakeholder Issue Management

- Lead talent evaluation and alignment
- Deliver Customer Success Issue Repository on issues from Tech Service, Jira, and Salesforce
- Stood up the new Customer Success Stakeholder Issue Management team

Director Business Advisory Services and Portfolio Delivery

- Led multiple teams of up to 14 people leaders,110 business analysts (BAs), project managers (PMs)
- Expanded the Portfolio Management function to include financial reporting and budget forecasts
- Developed leadership team; Led change management efforts associated with org. restructures

Senior Manager Project Management Office

- • Developed and led four teams of project managers focused on the delivery of complex, cross-functional portfolios with a combined enterprise budget of more than $65M
- Coached, mentored, and performance managed a team of delivery managers, team leads

Manager of Business Analysis

- Managed team of seven Business Systems Analysts and one Sr. Business Solutions Developer
- Recommended technology solutions

IT Manager

- Managed a team of six programmers and two contractors that developed business applications
- Oversaw software development with VBA, SQL Server, Oracle, PL/SQL, and UNIX technologies

BTI 2000 – 2004

IT Manager

- Managed a team of thirteen software programmers that developed company-wide applications designed to accurately bill customers, control costs, measure quality indicators

GE Capital 1997 – 2000

Sr. Application Developer

- Developed web and client server applications to support marketing, finance, and investment business functions

Jacksonville High School 1996 – 1997

Math & Physics Teacher

- Taught Algebra, Geometry, and Physics principals at 9th - 12th grade level
- Drafted and implemented curricula to test student knowledge and assess areas needing improvement

US Navy 1992 – 1996

Operations Support Manager and Operations Team Lead

Education

North Carolina State University: Master of Business Administration (M.B.A.), Finance Concentration
University of North Carolina at Chapel Hill: Bachelor's Degree, Physics

APPENDIX H

for

Marchelle Sutton

1. **Board Member Information Form**
2. **One-Page Resume**

Office of
CHARTER SCHOOLS
NC Department of Public Instruction

Charter School Board Member Information Form

Note: *To be completed individually by each proposed founding charter school board member. Please include a* ***one-page*** *resume with this form and sign by hand.*

Serving on a public charter school board is a position of public trust and as a board member of a North Carolina public charter school; you are responsible for ensuring the quality of the school's entire program, competent stewardship of public funds, and the school's fulfillment of its public obligations and all terms of its charter.

As part of the application for a new charter school, the State Board of Education requests that each prospective board member respond individually to this questionnaire. Where narrative responses are required, brief responses are sufficient.

The purpose of this questionnaire is twofold: 1) to give application reviewers a clearer introduction to the applicant team behind each school proposal in advance of the applicant interview, in order to be better prepared for the interview; and 2) to encourage board members to reflect individually as well as collectively on their common mission, purposes, and obligations at the earliest stage of school development.

School Information	
Name of charter school	North Carolina Connections Academy

Board Member's Information	
Board Members	Full name: Marchelle Sutton
	Home Address: 116 Kingston Circle Goldsboro NC 27530
	Business Name & Address: Eastern Wayne High School 1135 E New Hope Rd. Goldsboro NC 27534
	Telephone No.: (919)751-7120

	E-mail address: marchelleh67@gmail.com

Board Member Application	
Have you previously served on a board of a school district, another charter school, a non-public school, or any non-profit corporation?	No: X Yes: ☐
Educational History	East Carolina University, Greenville, North Carolina Masters of School Administration May 2003 Mount Olive College, Mt. Olive, North Carolina Bachelors of Science, Business Management, May 1991 Mount Olive College, Mt. Olive, North Carolina Associates of Science, Business Administration, May 1990
Employment History	Assistant Principal, Wayne County Public Schools July 2023-Present Eastern Wayne High School Oct. 2022-July 2023 Charles B. Aycock High School ACT, Account Executive, October 2015-August 2022 Education Consultant II North Carolina Department of Public Instruction, February 2011-October 2015 *Career Development Coordinator,* East Wake High School, August 2009-February 2011 *Special Populations Coordinator,* East Wake School of Engineering Systems & School of Integrated Technology, Wendell, NC August 2008-June 2009 *Assistant Principal,* Sept. 2006-June 2008, Wakefield High School, Raleigh, NC July 2005-Sept. 2006, Riverwood Middle School, Clayton, NC Oct. 2004-July 2006, Smithfield Selma High School, Smithfield, NC

	July 2002-Sept. 2004, Spring Creek High School, Seven Springs, NC
How were you recruited to join this Board of Directors?	I was contacted by a friend and former colleague about this opportunity.
Why do you wish to serve on the board of the proposed charter school?	Serving on the board for this new virtual charter school will allow me to use my experiences and skills from my twenty plus years of education. I see daily how a virtual opportunity such as Connections Academy will be a great option for students.
What is your understanding of the appropriate role of a public charter school board member?	Overseeing policy and school direction, student's academic success, and financial position of the school. Communication with the School Leader and his/her administrative team about day to day operations.
Describe any previous experience you have that is relevant to serving on the charter school's board (e.g., other board service). If you have not had previous experience of this nature, explain why you can be an effective board member.	My 23+ years of educational experience from classroom teacher, school level administrator, DPI consultant has afforded me a toolbox of skills and experiences to enable me to be an effective board member.
Describe the specific knowledge and experience that you would bring to the board.	My 23+ years of knowledge/experience in the educational arena, teacher, career development coordinator and consultant, school level administrator as well as my time in the private sector with ACT will bring diversity to the development of this new school model.

School Mission and Program

What is your understanding of the school's mission and guiding beliefs?	The school's mission is similar to all public and charter schools here in NC, to help students meet the performance standards set before them and prepare them for life after high school through this virtual setting. The vision is to provide virtual learning opportunity to students K-12 that will have produce life changing impact for the next generation of curious, skilled, career-ready citizens.

What is your understanding of the school's proposed educational program?	NC Connections Academy career-focused remote school model will serve students K-12 statewide Course offerings will be award-winning, standards aligned curriculum focusing on and supporting all students' academic goals.
What do you believe to be the characteristics of a successful school?	The characteristics of a successful school is **inclusive** of all stakeholders i.e school leadership, board members, students, staff and parents and **communicate** the vision, mission and goals that support student achievement.
How will you know that the school is succeeding (or not) in its mission?	Student data will tell the story of success. Analyzing shared data from school leadership, operations and comparing it to mission and vison will allow board members to determine the successfulness of all areas.

Governance	
Describe the role that the board will play in the school's operation.	The Board will act as the overseer and policy maker of the financial, fiscal health of the school. The day to day operations will be in the hands of the school administrative team.
How will you know if the school is successful at the end of the first year of operation?	Shared student data on promotion and completion of course work, teacher and staff survey data, parent engagement /participation results.
How will you know at the end of five years of the schools is successful?	Board members will be provided updates on students, and overall health of the school at each meeting. This will provide a snapshot of most areas for the board to maintain oversight.
What specific steps will the charter school board need to take to ensure that the school is successful?	Continuous monitoring school leadership, academic metrics, trends in enrollment and engagement.
How would you handle a situation in which you believe one or more members of the school's board were acting unethically or not in the best interests of the school?	If the issues were unethical, the Board Chair will be notified and seek Board Counsel's advice. When appropriate working with the Pearson Board focused partners to discuss behavior.

Certification

I, Marchelle Sutton, certify to the best of my knowledge and ability that the information I am providing to the North Carolina State Board of Education as a prospective board member for NC Connections Academy Charter School is true and correct in every respect.

Board Member's Signature

Signature	**Date** 4.19.24

**If you responded within the application that disciplinary action has been taken against any past or present professional licenses, provide a detailed response below outlining the disciplinary action and the license validity.* Click or tap here to enter text.

Marchelle Sutton
116 Kingston Circle, Goldsboro, NC 27530; 919-583-1148
Marchelles117@gmail.com

Education: Masters of School Administration, May 2003, East Carolina University, Greenville, North Carolina
Bachelor of Science, Business Management, May 1991, Mount Olive College, Mt. Olive, North Carolina

Experience:

Assistant Principal, Wayne County Public Schools; July 2023-Present Eastern Wayne High School; Oct. 2022-July 2023 Charles B. Aycock High School

- Implemented On To College ACT prep program for juniors, which increased avg. composite
- Analyzed ACT as well as EVAAS data and presented information to department heads and staff
- Served as Lead Administrator for CTE, Science, Social Studies Professional Learning Communities
- Monitored classroom performance of faculty in the CTE and arts performing arts departments
- Developed/Coordinated student and substitute teacher handbooks & Staff/Faculty Handbooks
- Served as Public Relations liaison between school, community; Assisted in creating School Improvement Plan

ACT, Account Executive, October 2015-August 2022

- Developed new business and maintain existing business of ACT's standard products and services to clients
- Developed and maintain relationships with the state education offices working to maintain and secure state contract

Education Consultant II, North Carolina Department of Public Instruction, February 2011-October 2015

- Led NC 115 school districts in collaboration with NC DPI Accountability division in implementation of ACT WorkKeys
- Led Career Development Coordinators, CTE Directors and other stake holders across North Carolina
- Trained and certified CTE teachers and school counselors for Career Development Facilitator certification
- Led team of Career Development Coordinators and School Counselors in development of CDC Evaluation instrument
- Program planning and oversight of state assessment of Essential Standards for Career Development courses
- Coordinator of NC Students @ Work middle school initiative with the NC Business Committee for Education
- Coordinated yearly regional and summer conference professional development for 250+ CDCs

Career Development Coordinator & Regional CDC Chair Mentor, East Wake High School, Aug 2009-Feb 2011

- Coordinated Career Development activities for all grade levels, with focus on 9th grade career planning
- Career Clusters training for all CTE teachers and School counselors; CTE Testing Coordinator; Mentor for teachers

East Wake School of Engineering Systems & School of Integrated Technology, Wendell, NC; Aug 2008-June 2009; *Special Populations Coordinator*

- Coordinated identification process for Special Populations students in School of Engineering & School of Integrated Tech
- Accessed needs of individual SP students; Assisted CTE teachers in developing strategies for student success

Assistant Principal, Sept. 2006-June 2008, Wakefield High School, Raleigh, NC; July 2005-Sept. 2006, Riverwood Middle School, Clayton, NC; Oct. 2004-July 2006, Smithfield Selma High School, Smithfield, NC; July 2002-Sept. 2004, Spring Creek High School, Seven Springs, NC

- Served as Lead Administrator for CTE and Earth Science Professional Learning Communities.
- Monitored classroom performance of faculty in the CTE and arts performing arts departments
- Developed/Coordinated student and substitute teacher handbooks & Staff/Faculty Handbooks

Certifications: Career Readiness Certification-Gold (May 2013); Career Development Facilitator Trainer (Dec. 2014); Career Development Job Coach (July 2013); Career Development Facilitator (Dec. 2011 & 1995)

Professional Organizations: National Career Development Association (2011-present); NC ACTE Professional Development Chair (July 2013); National Career Development Association (Aug. 2011); NC ACTE Guidance Division; Professional Development committee representative; NC College Tech Prep Grant Reader (2010); NC Drop Out Prevention Grant Reader (2009); Past member of Wake County Principal and Assistant Principal Association; Past Executive Board Secretary North Carolina Association for Career and Technical Education (2001-2007); Past President Goldsboro Charter Chapter American Business Women's Association (2004); Teaching Fellows Regional Interviewer

APPENDIX H

for

Alexandria Speller

1. **Board Member Information Form**
2. **One-Page Resume**

Office of
CHARTER SCHOOLS
NC Department of Public Instruction

Charter School Board Member Information Form

Note: To be completed individually by each proposed founding charter school board member. Please include ***a one-page resume*** *with this form and sign by hand.*

Serving on a public charter school board is a position of public trust and as a board member of a North Carolina public charter school; you are responsible for ensuring the quality of the school's entire program, competent stewardship of public funds, and the school's fulfillment of its public obligations and all terms of its charter.

As part of the application for a new charter school, the State Board of Education requests that each prospective board member respond individually to this questionnaire. Where narrative responses are required, brief responses are sufficient.

The purpose of this questionnaire is twofold: 1) to give application reviewers a clearer introduction to the applicant team behind each school proposal in advance of the applicant interview, in order to be better prepared for the interview; and 2) to encourage board members to reflect individually as well as collectively on their common mission, purposes, and obligations at the earliest stage of school development.

School Information	
Name of charter school	Connections Academy

Board Member's Information	
Board Members	Full name: Alexandria Speller
	Home Address: 25 Cackling Way Zebulon NC 27597
	Business Name & Address:
	Telephone No.: 919-637-2448
	E-mail address: Alexandria@pefnc.org

Board Member Application

Have you previously served on a board of a school district, another charter school, a non-public school, or any non-profit corporation?	No: ☒ Yes: ☐
Educational History	Bachelor of Art English Literature (2011) Master's in Education with a concentration in Special Education (2016)
Employment History	Shaw University - Career Advisor PEFNC – Community Engagement Coordinator Wake Prep Academy – Special Education Teacher ACI Learning - Regulatory Compliance and Enrollment Specialist Wake County Public School System - Special Education Teacher
How were you recruited to join this Board of Directors?	As a former special education teacher and lifelong advocate of education, I understand that education is not cookie cutter, and students learn differently. I was contacted by my mentor who recommended me to be a part of the establishment of the virtual charter.
Why do you wish to serve on the board of the proposed charter school?	I wish to serve on the board due to my background in education and workforce development. I wanted to be a part of this board as it will

	allow me the chance to ensure that students are receiving an equitable education.
How were you recruited to join this Board of Directors?	As a former special education teacher and lifelong advocate of education, I understand that education is not cookie cutter, and students learn differently. I was contacted by my mentor who recommended me to be a part of the establishment of the virtual charter.
Why do you wish to serve on the board of the proposed charter school?	I wish to serve on the board due to my background in education and workforce development. I wanted to be a part of this board as it will allow me the chance to ensure that students are receiving an equitable education.
What is your understanding of the appropriate role of a public charter school board member?	It is my understanding any member of the board should assist fully in the oversight of policy, curriculum, financial status, and equitable practices with the school.
Describe any previous experience you have that is relevant to serving on the charter school's board (e.g., other board service). If you have not had previous experience of this nature, explain why you can be an effective board member.	My background in education, both teaching and leadership as well as career development lead me to believe that I will be an effective member in this board. My experiences allow me to be fair, and equitable when it comes to decisions being made as it relates to children and their well-being.
Describe the specific knowledge and experience that you would bring to the board.	As a former classroom teacher and instructional coach I believe my experience in the classroom teaching as well as creating and presenting professional developments provides me the knowledge and expertise to contribute to the development and implementation of standards, professional development and curriculum for the charter school.

School Mission and Program	
What is your understanding of the school's mission and guiding beliefs?	**Our school's mission and vision statement were both created with our scholars at the forefront. We decided on these to ensure that they were the driving principals that guided all decisions from the conception to day one of attendance.**

What is your understanding of the **school's proposed educational program?**	This new Connections Academy career-focused schools will serve students across the state as a remote charter academy. This school will serve students K-12 and will offer an award-wining, standards- aligned curriculum that focuses on supporting academic achievement for all students.
What do you believe to be the **characteristics of a successful school?**	In order for a school to be successful, it starts with a strong core and leadership. This leadership consists of board members and administration that work together ensuring they are meetings goals that are beneficial to the student's success.
How will you know that the school is succeeding (or not) in its mission?	**Board members are to receive regular updated data from administration on the academic and operational standings of the school. This updated data will prove useful for the board as we work to determine areas of grows and glows within the school.**

Governance	
Describe the role that the board will play in the school's operation.	**Day-to-day operations will be handled by the appointed school administrative team. The board facilitate the oversite of the schools financials, as well as implement and track all policies and procedures that guide the operation.**
How will you know if the school is successful at the end of the first year of operation?	The school will continuously monitor the school level of success by receiving data on students course completion rate, staff satisfaction surveys, as well as feedback from the community. The collection of this data will not only show the academic standings, but also, the standing of the school through employees and families.
How will you know at the end of five years of the schools is successful?	At the adjournment of each board member meeting, the school leaders in addition to Pearsons Academic Support team will provide data on student metrics, demographics and academic standings from their monthly School Reports and other data collected through the year. This data will provide an updated snap-shot of the schools performance.
What specific steps will the charter school board need to take to ensure that the school is successful?	The board is dedicated to ensuring the school is successful and will continuously monitor leadership, finances and student academics.

How would you handle a situation in which you believe one or more members of the school's board were acting unethically or not in the best interests of the school?	**If I were to encounter a situation where I suspected unethical behavior or actions not aligned with the school's best interests by members of the board, I would approach it with careful consideration and a structured plan of action. Depending on the severity and urgency of the situation, I might opt for direct communication with the board member(s) involved. Engaging in a respectful and open dialogue, I would express my concerns and provide any evidence or documentation to support my claims. The goal would be to address the issue constructively and seek a resolution that prioritizes the best interests of the school and its stakeholders.**

Certification

I, __________Alexandria Speller_____________, certify to the best of my knowledge and ability that the information I am providing to the North Carolina State Board of Education as a prospective board member for _Connections Academy Virtual ___ Charter School is true and correct in every respect.

Board Member's Signature

Signature	**Date** 4-21-2024

*If you responded within the application that disciplinary action has been taken against any past or present professional licenses, provide a detailed response below outlining the disciplinary action and the license validity. Click or tap here to enter text.

Alexandria Speller-Ratcliff M.Ed

25 Cackling Way, Zebulon, NC 27597; 919-637-2448; ratcliff.spellera@gmail.com;
tinyurl.com/LinkedIn-ASpeller

EDUCATION

Grand Canyon University, Phoenix, AZ
Masters in Education, Special Education
November 2016
Bachelor of Arts in English Language and Literature
Elizabeth City State University

North Central University
Ed.D Educational Leadership
Expected Graduation: 2025

SKILLS

Data Analysis
Microsoft Office Products: Word, Excel, PowerPoint,
Expertise in Special Education Law, and Regulations
Leadership Training
Learning Management System

Project Management
Communication and collaboration
Professional Development Facilitation
Mentoring and Coaching
Salesforce Lightening

WORK EXPERIENCE

PARENT FOR EDUCATIONAL FREEDOM (NON-PROFIT): COMMUNITY ENGAGEMENT COORDINATOR

- Educate parents on School Choice in North Carolina. Assist parents with applying for School Choice Scholarship opportunities,
- Assists Director of Community Engagement in providing leadership and training to the Parent Liaison Team so they may serve the community as ambassadors of PEFNC, including the political impacts of the policies PEFNC supports.

Special Education Teacher | Department Chair, Shepard Middle School | June 2018- November 2022

- Lead training for beginning teachers in restorative practices for teacher expectations, improvement as well as student performance within the classroom.
- Reviewed and modified all training material prior to conducting training and implementing new procedures.
- Coached first year teachers with IEP writing, formal and informal assessment administration, report writing, and collaborative lesson planning.

Special Education Teacher, Southeast Raleigh Elementary, Raleigh, NC | August 2016 – June 2018

- Collaborated with general education teachers and administration to ensure the successful inclusion of students in the general education classroom.
- Attended various professional development seminars and training to stay current on best practices and policies in special education.
- Conducted training needs assessments to identify knowledge gaps and recommend appropriate training solutions for the classroom teachers.

Special Education Teacher | Department Chair, Bunn Middle School, Bunn North Carolina | June 2014 – July 2016

- Provided continuous guidance to various departments within the school for positive interactions with other teachers, students, families, and all stakeholders.
- Conducted professional developments on developing differentiated lesson plans for diverse learning environments during team PLC meetings (Professional Learning Community)
- Used data to provide intervention aides to teachers with the goal of increasing student test scores and achievement.

APPENDIX D

Yearly Academic Calendar

2026-2027

August '26

S	M	T	W	T	F	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30	31					

September '26

S	M	T	W	T	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30			

October '26

S	M	T	W	T	F	S
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

November '26

S	M	T	W	T	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30					

December '26

S	M	T	W	T	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		

January '27

S	M	T	W	T	F	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30
31						

Calendar of Events

8/12	First Day of School (Teachers)
8/24	First Day of School (Students)
9/7	Labor Day
11/11	Veteran's Day
11/25-11/27	Fall Break
12/23	First Semester End Date
12/24-1/1	Winter Break
1/4	Staff Work Day
1/5	Second Semester Start Date
1/18	Martin Luther King, Jr. Day
3/1-3/5	Connections Week
3/22-3/26	Spring Break
5/31	Memorial Day
6/11	Last Day of School (Students)
6/14	Last day of School (Teachers)

Legend	
🟦	No School (Staff and Students)
🟨	Staff Work Day
🟩	Semester Start/End Dates
Semester Dates	
S1	8/24/2026 - 12/23/2026 91 Days
S2	1/5/2027 - 6/11/2027 99 Days
Total School Days: 190	

February '27

S	M	T	W	T	F	S
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28						

March '27

S	M	T	W	T	F	S
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			

April '27

S	M	T	W	T	F	S
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	

May '27

S	M	T	W	T	F	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30	31					

June '27

S	M	T	W	T	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30			

July '27

S	M	T	W	T	F	S
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

School Calendar

Note: The School Status Legend below the calendar reflects the possible school statuses for each event. All events which show a status of School In Session indicates they are school days for students. All events which show any other status indicates they are NOT school days for students. Please refer to the legend to determine whether teachers and/or administrator staff are available for each event according to its status.

Event	School Status	Date
First Day of School (Students)	School and Office Open	August 24, 2026
Labor Day	School and Office Closed	September 7, 2026
Veterans' Day	School and Office Closed	November 11, 2026
Fall Break	School and Office Closed	November 25-27, 2026
First Semester End Date	School and Office Open	December 23, 2026
Winter Break	School and Office Closed	December 24, 2026 - January 1, 2027
Staff Work Day	Staff Work Day	January 4, 2027
Second Semester Start Date	School and Office Open	January 5, 2027
Martin Luther King, Jr. Day	School and Office Closed	January 18, 2027
Connections Week	School and Office Open	March 1-5, 2027
Spring Break	School Closed/Office Open	March 22-24, 2027
	School and Office Closed	March 25-26, 2027
Memorial Day	School and Office Closed	May 31, 2027
Last Day of School (Students)	School and Office Open	June 11, 2027

School Closed - Additional Administrator/12 Month Employee Days: *November 11, 2026; November 25, 2026; December 24, 2026; March 25, 2027; March 26, 2027*

School Status Legend:

School Closed/Office Open = Students and Teachers are not in school but Admin are on duty

School and Office Closed = No one is in school

School and Office Open = Everyone is in school

Staff Work Day = Students are not in school but Admin and Teachers are on duty

Teacher Calendar

Event	School Status	Date
First Day of School (Teachers)	Staff Work Day	August 12, 2026
First Day of School (Students)	School and Office Open	August 24, 2026
Labor Day	School and Office Closed	September 7, 2026
Veterans' Day	School and Office Closed	November 11, 2026
Fall Break	School and Office Closed	November 25-27, 2026
First Semester End Date	School and Office Open	December 23, 2026
First Semester Sections Close	NA	December 23, 2026
Winter Break	School and Office Closed	December 24, 2026 - January 1, 2027
Staff Work Day	Staff Work Day	January 4, 2027
Second Semester Sections Open	NA	January 5, 2027
Second Semester Start Date	School and Office Open	January 5, 2027
Martin Luther King, Jr. Day	School and Office Closed	January 18, 2027
Connections Week	School and Office Open	March 1-5, 2027
Spring Break	School Closed/Office Open	March 22-24, 2027
	School and Office Closed	March 25-26, 2027
Memorial Day	School and Office Closed	May 31, 2027
Last Day of School (Students)	School and Office Open	June 11, 2027
Last Day of School (Teachers)	Staff Work Day	June 14, 2027

School Closed - Additional Administrator/12 Month Employee Days: *November 11, 2026; November 25, 2026; December 24, 2026; March 25, 2027; March 26, 2027*

School Status Legend:

School Closed/Office Open = Students and Teachers are not in school but Admin are on duty

School and Office Closed = No one is in school

School and Office Open = Everyone is in school

Staff Work Day = Students are not in school but Admin and Teachers are on duty

ACORD®

CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY): 4/12/2024

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must have ADDITIONAL INSURED provisions or be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

PRODUCER
Marsh & McLennan Agency LLC
6160 Golden Hills Drive
Minneapolis MN 55416

CONTACT NAME: Morgan Johnson
PHONE (A/C, No, Ext):
FAX (A/C, No):
E-MAIL ADDRESS: morgan.johnson@marshmma.com

INSURED CONNEEDUCA
Connections Education, LLC
North Carolina Connections Academy
509 S Exeter St. Ste 202
Baltimore MD 21202

INSURER(S) AFFORDING COVERAGE	NAIC #
INSURER A : Philadelphia Indemnity Insurance Co.	18058
INSURER B :	
INSURER C :	
INSURER D :	
INSURER E :	
INSURER F :	

COVERAGES

CERTIFICATE NUMBER: 1432337553 **REVISION NUMBER:**

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR LTR	TYPE OF INSURANCE	ADDL INSD	SUBR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS	
A	☒ **COMMERCIAL GENERAL LIABILITY**			PHPK2574397	7/1/2023	7/1/2024	EACH OCCURRENCE	$ 1,000,000
	☐ ☐ CLAIMS-MADE ☒ OCCUR						DAMAGE TO RENTED PREMISES (Ea occurrence)	$ 1,000,000
	☐						MED EXP (Any one person)	$ 15,000
	☐						PERSONAL & ADV INJURY	$ 1,000,000
	GEN'L AGGREGATE LIMIT APPLIES PER:						GENERAL AGGREGATE	$ 2,000,000
	☒ POLICY ☐ PRO-JECT ☐ LOC						PRODUCTS - COMP/OP AGG	$ 2,000,000
	OTHER:							$
A	**AUTOMOBILE LIABILITY**			PHPK2574397	7/1/2023	7/1/2024	COMBINED SINGLE LIMIT (Ea accident)	$ 1,000,000
	☐ ANY AUTO						BODILY INJURY (Per person)	$
	☐ OWNED AUTOS ONLY ☒ SCHEDULED AUTOS						BODILY INJURY (Per accident)	$
	☒ HIRED AUTOS ONLY ☒ NON-OWNED AUTOS ONLY						PROPERTY DAMAGE (Per accident)	$
	☐ ☐							$
A	☒ **UMBRELLA LIAB** ☒ OCCUR			PHUB871754	7/1/2023	7/1/2024	EACH OCCURRENCE	$ 10,000,000
	☐ **EXCESS LIAB** ☐ CLAIMS-MADE						AGGREGATE	$ 10,000,000
	☐ DED ☒ RETENTION $ 10,000							$
	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY Y / N ANYPROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? ☐ **(Mandatory in NH)** If yes, describe under DESCRIPTION OF OPERATIONS below	**N / A**					☐ PER STATUTE ☐ OTH-ER	
							E.L. EACH ACCIDENT	$
							E.L. DISEASE - EA EMPLOYEE	$
							E.L. DISEASE - POLICY LIMIT	$
A	Educators Legal Liability			PHPK2574397	7/1/2023	7/1/2024	Limit Deductible	$1,000,000 $50,000

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (ACORD 101, Additional Remarks Schedule, may be attached if more space is required)

CERTIFICATE HOLDER

North Carolina Department of Public Instruction
301 N. Wilmington Street
Raleigh NC 27601

CANCELLATION

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.

AUTHORIZED REPRESENTATIVE

APPENDIX O

Start-Up Budget

North Carolina Connections Academy - Startup Budget

Revenue and Expense Statement

	Startup Budget	Budget Assumptions
Revenues		
Pearson Virtual Schools Start Up Grant	315,000	*See Pearson grant letter of support*
Total Revenue	**315,000**	
Expenses		
Compensation Expense		
Salaries - Administration	83,750	*Three months compensation for School Leader,*
Benefits - Administration	21,775	*Manager of Special Populations and Manager of*
Taxes - Administration	6,407	*Counseling. To be hired in advance of school year.*
Subtotal Administration Expense	111,932	
Total Compensation Expense	**111,932**	
Operating Expenses		
Facilities - rent, utilities, etc.	23,000	*Three months facilities expense*
Capital Expeditures	165,000	*Leasehold improvements/furniture/fixtures/equip*
Professional Services	15,000	*Legal services*
Total Operating Expenses	**203,000**	
Total Expense	**314,932**	
Net	**68**	
Beginning fund balance	**-**	
Ending fund balance	**68**	

APPENDIX M

Revenue Assurances

This appendix includes the following:

- Revenue Assurances from Pearson

Pearson

April 20, 2024

Ms. Marchelle Sutton, Board President
North Carolina Connections Academy

Ms. Alexis Boykin, Board Treasurer
North Carolina Connections Academy

Dear Ms. Sutton and Ms. Boykin,

I am writing this letter to confirm the commitment by Pearson Virtual Schools ("Pearson") to North Carolina Connections Academy ("the School") through the period ending June 30, 2026.

Pursuant to the Statement of Agreement between the School and Pearson, Pearson will cover any necessary expenses to successfully launch the School during the start-up period prior to the School's officially receiving its initial charter. That support will be known as the Pearson Startup Grant.

I would like to take this opportunity to confirm that Pearson will not request repayment of any issued credits or startup grant during this period. This protection is in addition to the annual deficit protection provided to the School as outlined in the Statement of Agreement. Pearson looks forward to our continued partnership and remains committed to the successful opening of the School.

Best Regards,

Alla Oriente

Alla Oriente
Vice President of Business Operations & Finance
Pearson Virtual Schools

APPENDIX B*

Curriculum Outline per Grade Span

***See also the 12 Excel files showing standards alignment.**

Language Arts 1

Language Arts 1 A/B

Course Instructional Time: 170 hours

Instructional Activities:
Throughout the course, students will have regular instructional contact with their teachers and with other students through a combination of phone calls, WebMail messages, synchronous learning sessions, message boards, discussion boards, teacher virtual office hours, face-to-face interaction, and the daily review of assignments via the electronic grade book.

Course Summary:

Throughout the this course, the student will master key foundational skills such as phonemic awareness, letter-sound correspondence, basic features of print, and decoding one and two-syllable, frequently-occurring words, both regularly and irregularly spelled. Through frequent practice, including Reading Writing Workshop, Literature Anthology, Leveled Readers, and Decodable Readers, the student will gain fluency in reading connected texts.

Stories are organized into themes such as "Getting to Know Us" and "Our Community." Examining literature through themes helps the student to make connections between texts and to connect reading topics to personal knowledge and interests. The student will explore varied literary genres including fiction, realistic fiction, nonfiction, biography, poetry, fantasy, and drama.

The student will respond to writing prompts on a variety of texts. As the student practices close-reading by reading and rereading a text, he will take notes and cite text evidence. After reading, the student will write briefly on what he recalls about the text in order to build writing fluency. Through the scaffolded instruction in writing about text in Shared Writing, the student will respond to a writing prompt, using sentence frames as needed. In Interactive Writing, the student analyzes a model response that includes the weekly writing trait before responding to a new prompt together. In Independent Writing, the student writes independently, applying close-reading skills and traits to his own writing.

Course Outline

Language Arts 1 A

1. **Course Overview**
    1. Lesson 1
2. **Getting to Know Us**
    1. At School Day 1

        - Identify and demonstrate the correct way to hold a book and where to find the title, author, and illustrator
        - Use pictures and words in a story to identify key details

- Identify and spell words with short a
- Identify rhyming words
- Recognize the correct way to hold a pencil when writing
- Recognize that a sentence is a complete thought
- Discuss what makes you special and what you do at school

At School Day 2

- Identify characteristics of realistic fiction
- Find key details in a story
- Read words with short a and read high-frequency words does, not, school, and what
- Identify and mark on handwriting lines the top, middle, and bottom lines
- Write a response using words from the story
- Distinguish between a phrase and a complete sentence
- Discuss the Independent Reading selection

At School Day 3

- Identify key ideas and details about the story
- Use the pictures of the story to apply the visualization strategy
- Demonstrate blending of words with short a
- Demonstrate pausing at punctuation marks
- Identify and trace vertical, horizontal, and curved lines
- Write a response using words from the story
- Demonstrate correct use of capital letters to start sentences

At School Day 4

- Categorize spelling words by ending spelling pattern
- Identify key ideas and details about the story
- Use the illustrations of the story to visualize
- Build words with short a
- Use inflectional ending -s
- Distinguish between a phrase and a complete sentence

At School Day 5

- Blend and build words with short a
- Define oral vocabulary
- Read high frequency words does, not, school, and what
- Make connections to a topic
- Complete sentences using key details from the story (integrate ideas)
- Demonstrate correct use of capital letters to start sentences
- Use speaking and listening strategies

Where I Live

Where I Live Day 1

- Demonstrate concepts of print, including the correct way to hold a book, where to find the title, author, and illustrator, and reading from left to right
- Use pictures and words in a story to identify key details
- Identify and spell words with short i
- Write a response using words from the story
- Use words in order when speaking
- Discuss what it's like where you live
- Find new words in the independent reading selection

Where I Live Day 2

- Identify characteristics of fantasy
- Identify key ideas and details the story
- Read words with short i
- Read high-frequency words: down, out, up, and very
- Identify and practice writing capital I and lowercase i
- Write a response using describing details
- Use words in order when speaking

Where I Live Day 3

- Identify key ideas and details about the story
- Use the words of the story to visualize
- Blend words with short i
- Demonstrate reading with emphasis of important words
- Identify and practice writing capital L and lowercase l
- Write a response using describing details
- Demonstrate correctly ending sentences with a period

Where I Live Day 4

- Categorize spelling words by ending spelling pattern
- Identify key ideas and details about a story
- Use the words of the story to visualize
- Build words with short i
- Isolate and pronounce final sounds of double consonants
- Use words in order when speaking

Where I Live Day 5

- Blend and build words with short i
- Demonstrate knowledge of oral vocabulary
- Read high-frequency words: down, out, up, and very
- Make connections to a topic
- Complete sentences using key details from the text
- Demonstrate correctly ending sentences with a period
- Use speaking and listening strategies

Our Pets

Our Pets Day 1

- Demonstrate how to track words as you read
- Use pictures and words in a story to identify key details
- Identify and spell words with l-blends
- Summarize the independent reading selection
- Write a narrative using a sequence of events
- Explain that a statement tells an idea
- Make connections to what was learned about pets

Our Pets Day 2

- Identify key ideas and details about the topic
- Identify characteristics of fantasy
- Read words with l-blends and read high-frequency words: be, come, good, and pull
- Identify and practice writing capital T and lowercase t
- Write a narrative using a sequence of events

- Explain that a statement tells an idea
- Make connections to what was learned about pets.

Our Pets Day 3

- Identify key ideas and details about a story
- Use the words and pictures to visualize what is happening in the story
- Blend words with l-blends
- Demonstrate pausing at punctuation marks
- Identify and practice writing capital T and lowercase t
- Write a narrative using a sequence of events
- Use capital letters to begin sentences and punctuation to end sentences

Our Pets Day 4

- Categorize spelling words by ending spelling pattern
- Read the story and make connections to a topic
- Use the words and pictures to visualize what is happening in the story
- Build words with l-blends
- Explain that a statement tells an idea
- Identify and differentiate between singular and plural nouns

Our Pets Day 5

- Blend and build words with l-blends
- Define oral vocabulary
- Read high-frequency words: be, come, good, and pull
- Make connections to a topic
- Complete sentences using key details from the text
- Demonstrate correct use of capital letters to begin sentences and punctuation to end sentences
- Use Speaking and Listening strategies

Let’s Be Friends

Let’s Be Friends Day 1

- Explain the purpose of labels in books
- Ask and answer questions while listening to and reading a story
- Identify and spell words with short o
- Identify and practice writing capital F and lowercase f
- Write about what children can do together
- Distinguish between questions and exclamations
- Make connections to what friends do together

Let’s Be Friends Day 2

- Identify characteristics of nonfiction texts
- Identify key ideas and details about the topic
- Read words with short o and read high-frequency words: fun, make, they, and too
- Identify and practice writing capital F and lowercase f
- Write about the different things that children do to have fun
- Distinguish between questions and exclamations
- Ask and answer questions about the text and images

Let’s Be Friends Day 3

- Identify key ideas and details about the topic
- Use details to understand the nonfiction genre

- Blend words with short o
- Demonstrate how to read repeated words
- Use text evidence to ask and answer questions
- Write about the different things that children do to have fun
- Write questions and exclamation sentences

Let's Be Friends Day 4

- Categorize spelling words by ending spelling patterns
- Identify key ideas and details about what friends do together
- Use photographs to understand the text
- Build words with short o
- Distinguish between questions and exclamations
- List words in alphabetical order

Let's Be Friends Day 5

- Blend and build words with short o
- Demonstrate knowledge of oral vocabulary
- Read high-frequency words: be, come, good, and pull
- Make connections to a topic
- Complete sentences using key details from “Friends”
- Write questions and exclamation sentences
- Use Speaking and Listening strategies

Let’s Move!

Let’s Move! Day 1

- Ask and answer questions while listening to and reading a story
- Use special text features to locate information in a text
- Identify key ideas and details
- Identify and spell words with r- and s-blends
- Write about how kids move
- Distinguish between a phrase and a complete sentence
- Discuss how your body moves and what it can do

Let’s Move! Day 2

- Identify characteristics of nonfiction
- Reread to learn about informational text
- Read words with r- and s-blends
- Read high-frequency words: jump, move, run, and two
- Identify and practice writing end marks
- Use the words first, next, and last to describe steps
- Ask and answer questions about the text and images

Let’s Move! Day 3

- Use the story words and photos to learn key details
- Use text evidence to ask and answer questions
- Blend words with r- and s-blends
- Demonstrate pausing at punctuation marks
- Identify and practice writing end marks
- Use the words first, next, and last to describe steps
- Review sentence capitalization and punctuation

Let’s Move Day 4

- Categorize spelling words by ending spelling pattern
- Define oral vocabulary
- Use diagrams to understand text
- Use text evidence to ask and answer questions
- Build and blend words with r-and s-blends
- Use possessive nouns correctly
- Select phrases to complete sentences

Let’s Move Day 5

- Categorize spelling words by ending spelling pattern
- Use diagrams to understand text
- Use text evidence to ask and answer questions
- Build words with r-and s-blends
- Review writing complete sentences
- Use Speaking and Listening strategies

Getting to Know Us: Unit Review

- Identify the sound spelling patterns of words with short vowel sounds (a and i) and beginning blends (l blends, o blends, and beginning r blends.)
- Predict, define, and accurately use academic vocabulary words using inflectional ending-s, double final consonants, plural nouns, alphabetical order, and possessives.Accurately identify and use high-frequency words and oral vocabulary
- Use the words and pictures in a nonfiction text to identify key details; Use the words and pictures in a story to identify key details about its characters, setting, and plot
- Use the words and pictures to visualize what is happening in a story; Reread to understand key details in a nonfiction text
- Identify and analyze features of realistic fiction, fantasy, and nonfiction texts
- Identify and use sentences, word order, statements, question and exclamation marks, and writing sentences
- Identify and apply correct sentence capitalization and punctuation and use of question and exclamation marks

Getting to Know Us: Unit Test

Jobs Around Town

Jobs Around Town Day 1

- Recognize ellipses and dashes in print and demonstrate long pauses while reading
- Use words and pictures to make and confirm predictions
- Identify and spell words with short e
- Identify and practice writing Ii, Ll, Tt, and Ff
- Explain that a noun names a person, place, or thing

•Discuss how jobs help the community Jobs Around Town Day 2

- Identify key characteristics of realistic fiction
- Read words with short e
- Read high-frequency words: again, help, new, there, use
- Describe character, setting and events in a story, using key details
- Identify and practice writing Ii, Ll, Tt, and Ff
- Write a topic sentence
- Identify nouns in sentences

Jobs Around Town Day 3

- Describe character, setting and events in a story, using key details
- Use details to understand characteristics of realistic fiction
- Blend words with short e
- Demonstrate intonation when reading exclamations and questions
- Identify and practice writing circles and part circles
- Write about a job that you would like to have
- Use commas in a series of three or more nouns

Jobs Around Town Day 4

- Categorize spelling words by ending spelling pattern
- Describe character, setting, and events in a story using key details
- Use details to understand characteristics of realistic fiction
- Build words with short e
- Identify words ending in -ed as past-tense words
- Identify and replace nouns in sentences

Jobs Around Town Day 5

- Blend and build words with short e
- Demonstrate knowledge of oral vocabulary
- Read high-frequency words: again, help, new, there, use
- Make connections to a topic
- Using evidence in the text, explain how the author used the character, setting, and events to tell the story
- Use commas in a series of three or more nouns
- Use Speaking and Listening strategies

Buildings All Around

Buildings All Around Day 1

- Recognize that quotation marks set off words that characters say
- Use the words and pictures to make and confirm predictions
- Find new words in the independent reading selection
- Identify and spell words with short u
- Write a response using words from the story and the order words first, next, and last
- Distinguish between singular and plural nouns
- Discuss buildings and what they are made of

Buildings All Around Day 2

- Identify characteristics of fantasy
- Describe character, setting, and events in a story using key details
- Read words with short u and read high-frequency words could, live, one, then, three
- Identify and practice writing circle strokes in letters
- Write a response using details from the story and a beginning sentence
- Create sentences with singular and plural nouns orally and in writing
- Discuss buildings and what they are made of

Buildings All Around Day 3

- Describe character, setting, and events in a story using key details
- Blend words with short u
- Demonstrate expression when reading words set in quotation marks
- Write a response using details from the story and a beginning sentence

- Explain that an apostrophe takes the place of the letter or letters left out when two words form a contraction

Buildings All Around Day 4

- Describe character, setting, and events in a story using key details
- Sort spelling words by ending spelling pattern
- Identify captions and explain why they are important
- Build words with short u
- Explain and apply knowledge of contractions
- Distinguish between singular and plural nouns

Buildings All Around Day 5

- Blend and build words with short u
- Demonstrate knowledge of oral vocabulary
- Read high-frequency words could, live, one, then, three
- Make connections to a topic by comparing stories
- Using evidence in the text, explain how the author used the character, setting, and events to tell the story
- Form contractions with apostrophe s (’s)
- Use Speaking and Listening strategies

A Community in Nature

A Community in Nature Day 1

- Recognize that sentences begin with a capital letter and end with a punctuation mark
- Reread to understand the story
- Identify and spell words with consonant blends
- Summarize the independent reading selection
- Write a response using details from the story and a beginning sentence
- Explain that a possessive noun shows that someone or something belongs to it
- Discuss different places that animals live

A Community in Nature Day 2

- Identify characteristics of nonfiction
- Identify the main topic and key details of the story
- Read words with consonant blends and read high-frequency words eat, no, of, under, and who
- Write a response using details from the story and a main idea
- Identify and practice writing capital O and lowercase o
- Recognize that an apostrophe -s (’s) is needed for possessive nouns
- Discuss how animals live together in a desert habitat

A Community in Nature Day 3

- Identify the main topic and key details of the story
- Blend words with consonant blends
- Demonstrate reading repeated words with rhythm
- Identify and practice writing capital O and lowercase o
- Begin the writing process by reviewing notes and planning to write
- Explain that a possessive noun has an apostophe s (’s)

A Community in Nature Day 4

- Sort spelling words by ending spelling pattern
- Build words with consonant blends

- Reread to understand key details
- Explain that words that end in -ing show something happening right now
- Begin the draft of independent writing
- Identify possessive nouns and describe how they are used

A Community in Nature Day 5

- Blend and build words with consonant blends
- Demonstrate knowledge of oral vocabulary
- Read high-frequency words eat, no, of, under, and who
- Make connections to a topic by comparing two stories
- Continue working on the independent writing draft
- Apply correct use of apostrophe -s for possessive nouns
- Use Speaking and Listening strategies

Let's Help

Let's Help Day 1

- Identify colored text in print and show that some sentences continue on to the next page
- Reread to understand the story
- Identify and spell words with consonants th, sh, -ng
- Find an important part of the independent reading selection
- Revise the draft of independent writing
- Identify common and proper nouns
- Discuss how people help out in the community

Let's Help Day 2

- Identify characteristics of fantasy
- Describe character, setting, and events in a story using key details
- Read words with consonants th, sh, and -ng
- Read the high-frequency words all, call, day, her, and want
- Identify and practice writing capital C and lowercase c
- Edit the draft of independent writing
- Describe the difference between common and proper nouns

Let's Help Day 3

- Describe character, setting, and events in a story using key details
- Blend words with consonants th, sh, and -ng
- Demonstrate reading important words with emphasis
- Reread to understand the story
- Identify and practice writing capital C and lowercase c
- Recognize that proper nouns begin with capital letters
- Present and publish independent writing

Let's Help Day 4

- Sort spelling words by consonant spelling patterns
- Describe character, setting, and events in a story using key details
- Build words with consonants th, sh, and -ng
- Demonstrate knowledge that closed syllables mean the vowel sound is usually short
- Reread to understand key details
- Distinguish between common and proper nouns

Let's Help Day 5

- Blend and build words with consonants th, sh, and -ng
- Demonstrate knowledge of oral vocabulary
- Read high-frequency words all, call, day, her, want
- Make connections to a topic by comparing stories
- Demonstrate capitalization of proper nouns
- Provide text evidence to support your opinion
- Use Speaking and Listening strategies

Follow the Map

Follow the Map Day 1

- Demonstrate reading sentences across pages in a book
- Reread to understand the story
- Identify and spell words with consonants ch, -tch, wh, and ph
- Make connections between your experiences and the people and events in your independent reading selection
- Write a response using details from the story and a beginning sentence
- Recognize irregular plural nouns
- Discuss how you find your way around

Follow the Map Day 2

- Identify characteristics of nonfiction
- Define the main topic as what the selection is about and find the main topic and key details
- Read words with consonants ch, -tch, wh, and ph
- Read the high-frequency words around, by, many, place, and walk
- Identify and practice writing capital D and lowercase d
- Reread notes and respond to the prompt with details from the story, using maps and photographs
- Identify and read irregular plural nouns

Follow the Map Day 3

- Define the main topic as what the selection is about and find the main topic and key details
- Blend words with consonants ch, -tch, wh, and ph
- Demonstrate reading repeated words with rhythm
- Reread to understand the text
- Identify and practice writing capital E and lowercase e
- Reread notes and respond to the prompt with details from the story, using maps and photographs
- Identify statements as beginning with a capital letter and ending with a period

Follow the Map Day 4

- Use text features to find key details in a text
- Build words with consonants ch, -tch, wh, and ph
- Read words with inflectional ending -es and explain that it means more than one
- Connect to Essential Question: How can you find your way around?
- Distinguish between regular plural nouns and irregular plural nouns
- Demonstrate knowledge of oral vocabulary

Follow the Map Day 5

- Blend and build words with consonants ch, -tch, wh, and ph

- Read high-frequency words around, by, many, place, and walk
- Identify the details the author gives us about the main topic
- Make connections to a topic by comparing texts
- Write responses to what and how questions, using details from the story
- Demonstrate correct use of statements with beginning capital letter and ending with a period
- Demonstrate knowledge of oral vocabulary

Our Community: Unit Review

- Identify the sound spelling patterns of words with short vowel sounds (e and u), end blends (st, nk, nd, nt, sk, mp), consonant blends (th, sh, -ng), and consonant digraphs (ch, -tch, wh, ph)
- Predict, define, and accurately use academic vocabulary words; Accurately identify and use high-frequency words, oral vocabulary, and Words to Know
- Read and write the following types of words: words with inflectional ending -ed, contractions with ‘s, inflectional ending -ing, closed syllables, and inflectional ending -es
- Use the words and pictures to identify main topic and key details, to identify key details about a story’s characters, setting, and plot, to make and confirm predictions
- Identify and analyze features of realistic fiction, fantasy, and nonfiction texts
- Identify and use statements and questions, commands and exclamations, subjects, predicates, and expanding and combining sentences and apply correct use of conventions of standard English grammar and usage
- Demonstrate fluency by reading a passage with accuracy and expression

Our Community: Unit Test

What Time Is It?

What Time Is It? Day 1

- Recognize that in poems, the first word in a line is capitalized even if it is not the beginning of a sentence
- Use the words and pictures to make and confirm predictions
- Identify and spell words with long a
- Identify and practice writing capital E and lowercase e
- Write a letter using correct punctuation
- Explain that an action word is called a verb
- Discuss how we measure time

What Time Is It? Day 2

- Identify characteristics of fantasy
- Define character, setting, and plot
- Read words with long a and read high-frequency words away, now, some, today, way, why
- Identify and practice writing Oo, Cc, Dd, Ee
- Write two more pages explaining what Nate does to get ready
- Identify verbs in sentences
- Discuss how we measure time, and discuss the independent reading selection

What Time Is It? Day 3

- Record what happens in the story at the beginning, middle, and the end (plot)
- Use the words and pictures to make and confirm predictions
- Blend words with long a

- Demonstrate rising the voice when reading a question
- Write two more pages explaining what Nate does to get ready
- Use commas in a series of three or more nouns

What Time Is It? Day 4

- Sort spelling words by the ending spelling pattern
- Use the text to find details about the characters, the setting, and the plot
- Connect to Essential Question: How do we measure time?
- Build words with long a
- Read words with contractions with not
- Define verbs and explain how they are used in sentences

What Time Is It? Day 5

- Blend and build words with long a
- Demonstrate knowledge of oral vocabulary
- Read high-frequency words away, now, some, today, way, and why
- Make connections to a topic by comparing stories
- Analyze text evidence by asking why and what questions about character, setting, and plot
- Use commas in a series of three or more nouns
- Use speaking and listening strategies

Watch It Grow!

Watch It Grow! Day 1

- Recognize that ellipses and commas mean the reader should pause when reading
- Use the words and pictures to make and confirm predictions
- Identify and spell words with long i
- Write a new page for the play
- Identify and practice writing letters previously learned
- Recognize that present-tense verbs tell about an action happening now
- Discuss how plants change as they grow

Watch It Grow! Day 2

- Identify characteristics of a play
- Define sequence
- Read words with long i and read high-frequency words green, grow, pretty, should, together, water
- Write more lines to the end of the play
- Identify and trace slanted lines
- Use present-tense verbs in sentences
- Discuss how plants change as they grow

Watch It Grow! Day 3

- Describe what happens in the story at the beginning, middle, and end (sequence)
- Use the words and pictures to make and confirm predictions
- Blend words with long i
- Demonstrate pausing when encountering a comma while reading
- Identify words and phrases that bring out feelings or draw on the senses
- Write more lines to the end of the play
- Recognize that titles of plays are underlined and all important words are capitalized

Watch It Grow! Day 4

- Record what happens in the story at the beginning, middle, and end (sequence)
- Use the words and pictures to understand key details in a story
- Build words with long i
- Reread to better understand the story
- Recognize that adding -s to a noun makes it a plural noun
- Sort spelling words by the ending spelling pattern
- Use present-tense verbs in sentences

Watch It Grow! Day 5

- Blend and build words with long i
- Demonstrate knowledge of oral vocabulary
- Read high-frequency words green, grow, pretty, should, together, and water
- Make connections to a topic by comparing two stories
- Analyze text evidence by asking how the author used the sequence of events to tell the plot of the story
- Demonstrate that titles of plays are underlined and all important words are capitalized
- Use speaking and listening strategies

Tales Over Time

Tales Over Time Day 1

- Recognize that quotation marks set off words that characters say in a story
- Use the words and pictures to make and confirm predictions
- Identify and spell words with soft c, soft g, and dge
- Summarize the independent reading selection
- Rewrite the ending of a story
- Define past- and future-tense verbs
- Discuss folktales

Tales Over Time Day 2

- Identify characteristics of folktale
- Define cause and effect
- Read words with soft c, soft g, and dge and read high frequency words: any, from, happy, once, so, upon
- Identify and practice writing capital A and lowercase a
- Rewrite the ending of a story
- Use past and future-tense verbs in sentences
- Discuss what a folktale is

Tales Over Time Day 3

- Predict what will happen as you read the story using words and pictures
- Identify causes and effects
- Blend words with soft c, soft g, and dge
- Demonstrate reading important words with emphasis
- Identify and practice writing capital V and lowercase v
- Begin the writing process by reviewing notes and planning to write (“The Gingerbread Man”)
- Use commas in a series of three or more nouns

Tales Over Time Day 4

- Compare poems by identifying rhyme and repetition
- Identify rhyme and repetition in the poem

- Identify words and phrases that bring rhythm and meaning in a poem
- Build words with soft c, soft g, and dge
- Demonstrate dropping the e and adding -ed and -ing to verbs
- Begin the draft of independent writing
- Use past- and future-tense verbs in sentences

Tales Over Time Day 5

- Blend and build words with soft c, soft g, and dge
- Read high-frequency words: any, from, happy, once, so, and upon
- Make connections to a topic by analyzing text
- Continue working on the independent writing draft
- Use commas in a series of three or more nouns
- Demonstrate knowledge of oral vocabulary
- Use speaking and listening strategies

Now and Then

Now and Then Day 1

- Read sentences across pages
- Reread to understand events and details in the story
- Identify and spell words with long o, long u, and long e
- Find an important part of the independent reading selection
- Revise the draft of independent writing
- Use verbs to express the present and past using is and are
- Discuss what life was like years ago

Now and Then Day 2

- Identify characteristics of nonfiction
- Use the text to compare and contrast the facts and details
- Read words with long o, long u, and long e, and read high-frequency words ago, boy, girl, now, old, and people
- Identify and practice writing capital Y and lowercase y
- Edit the draft of independent writing
- Identify is and are as verbs and use them correctly in sentences
- Discuss what was learned about life in the past

Now and Then Day 3

- Recognize connections between details in the text
- Reread to understand events and details in the story
- Blend words with long o, long u, and long e
- Demonstrate pausing when encountering commas, periods, and ellipses while reading
- Identify and practice writing capital Y and lowercase y
- Present and publish independent writing
- Demonstrate using commas in dates

Now and Then Day 4

- Recognize connections between details in the text
- Reread to understand events and details in the story
- Build words with long o, long u, and long e
- Explain the purpose of captions in books
- Demonstrate splitting words into discreet syllables
- Identify is and are as verbs and use them correctly in sentences

What Can Happen Over Time?

- Blend and build words with long o, long e, and long u
- Demonstrate knowledge of oral vocabulary
- Read high-frequency words: ago, boy, girl, now, old, and people
- Make connections to a topic by comparing similarities and differences in two texts
- Analyze text evidence by asking "why" and "what" questions about how ideas and events in the text are alike and different
- Demonstrate using commas in dates
- Use Speaking and Listening strategies

From Farm to Table

From Farm to Table Day 1

- Recognize that words with different colors, boldface, or different sizes are important words
- Reread to understand events and details in the story
- Identify and spell words with the /ů/ sound
- Make connections between experiences and the people and events in an independent reading selection
- Write a response to the text using evidence from the story
- Read contractions with not
- Discuss the food we eat and where it comes from

From Farm to Table Day 2

- Identify characteristics of nonfiction
- Use the text to make connections between two pieces of information
- Read words with the /ů/ sound and read high-frequency words: after, buy, done, every, soon, work
- Identify and practice writing capital W and lowercase w
- Use evidence from the text to support opinion writing
- Identify parts of contractions with not
- Discuss what was learned about where food comes from in the selection

From Farm to Table Day 3

- Reread to understand text
- Identify what happens first, next, then, and last
- Blend words with the /ů/ sound
- Demonstrate reading with emphasis of important words
- Identify and practice writing capital N and lowercase n
- Use evidence from the text to support opinion writing
- Identify where the apostrophe should go in a contraction with not

From Farm to Table Day 4

- Reread to understand text and information in the chart
- Identify the title and headings of the chart
- Demonstrate knowledge of oral vocabulary
- Build words with /ů/
- Demonstrate adding -ed and -ing to words
- Connect to the Essential Question: How do we get our food?
- Demonstrate correct use of contractions with not

From Farm to Table Day 5

- Blend and build words with /ů/
- Demonstrate knowledge of oral vocabulary
- Read high-frequency words : after, buy, done, every, soon, work
- Make connections to a topic by comparing texts
- Analyze connections and use of sequence in text
- Identify where the apostrophe should go in a contraction with not
- Use Speaking and Listening strategies

Changes Over Time: Unit Review

- Identify the sound-spelling patterns of words with long vowel sounds (a, i, o, and u), soft c, g, and dge, and the medial u sound (/u/oo, uo)
- Predict, define, and accurately use academic vocabulary words; Accurately identify and use high-frequency words and oral vocabulary; Read and write the following types of words: contractions with not, plurals, inflectional endings -ed and- ing, and CVCe
- Use the words and pictures in a story to identify key details about its characters, setting, and plot; Describe what happens in the story at the beginning, middle, and end; Identify causes and effects; Use the text to compare and contrast the facts
- Use the words and pictures to make and confirm predictions about a story; Reread to understand key details in a story and a nonfiction text
- Identify and analyze features of fantasy, play, folktale, and nonfiction texts
- Identify and use verbs, present-tense verbs, past- and future- tense verbs, is and are, and contractions with not
- Identify and apply correct use of commas in a series, capitalization and underlining titles of plays, commas in dates, and apostrophes in contractions

Change Over Time: Unit Test

Language Arts 1 B

Course Summary: Throughout the this course, the student will master key foundational skills such as phonemic awareness, letter-sound correspondence, basic features of print, and decoding one and two-syllable, frequently-occurring words, both regularly and irregularly spelled. Through frequent practice, including Reading Writing Workshop, Literature Anthology, Leveled Readers, and Decodable Readers, the student will gain fluency in reading connected texts.

Stories are organized into themes such as "Getting to Know Us" and "Our Community." Examining literature through themes helps the student to make connections between texts and to connect reading topics to personal knowledge and interests. The student will explore varied literary genres including fiction, realistic fiction, nonfiction, biography, poetry, fantasy, and drama.

The student will respond to writing prompts on a variety of texts. As the student practices close-reading by reading and rereading a text, he will take notes and cite text evidence. After reading, the student will write briefly on what he recalls about the text in order to build writing fluency. Through the scaffolded instruction in writing about text in Shared Writing, the student will respond to a writing prompt, using sentence frames as needed. In Interactive Writing, the student analyzes a model response that includes the weekly writing trait before responding to a new prompt together. In Independent Writing, the student writes independently, applying close-reading skills and traits to his own writing.

1. **Language Arts Course Overview**
    1. Get Ready for Language Arts!
2. **Animal Features**
    1. Animal Features Day 1

        - Ask and answer questions about a folktale while listening to and reading a story
        - Identify and create rhyming long a words
        - Identify and spell words with long a
        - Identify whether was or were should be used to complete sentences
        - Identify and practice writing capital N and lowercase n
        - Discuss how animals' bodies help them

Animal Features Day 2

- Identify characteristics of folktale
- Reread to find information about the characters and major events in a story
- Define sequence and describe the events of the story
- Read words with long a and high-frequency words about, animal, carry, eight, give, our
- Explain when to use was and were in sentences
- Identify and practice writing Aa, Vv, Yy, Ww, and Nn
- Use pictures to retell the story in your own words

Animal Features Day 3

- Ask and answer questions while reading to understand text
- Identify and blend words with long a
- Find and speak first, middle, and final sounds in spoken words
- Demonstrate raising the voice when reading a question
- Identify and practice writing Aa, Vv, Yy, Ww, and Nn
- Write what happened using words showing order of events
- Identify where the apostrophe should go in a contraction

Animal Features Day 4

- Sort spelling words by long a spelling pattern
- Reread to find information about the characters and major events in a story
- Ask and answer questions while reading to understand text
- Use text evidence to identify causes and effects
- Build words with long a
- Practice putting words in alphabetical order
- Create sentences using was and were

Animal Features Day 5

- Blend and build words with long a
- Demonstrate knowledge of oral vocabulary
- Read high-frequency words about, animal, carry, eight, give, and our
- Make connections to a topic by comparing stories
- Analyze text evidence by asking how, why, and what questions about the story
- Identify where the apostrophe should go in a contraction
- Use speaking and listening strategies

Animals Together

Animals Together Day 1

- Ask and answer questions while listening to and reading a story
- Find new words in the independent reading selection
- Identify and spell words with long e
- Respond to the prompt: Why do fish swim in schools?
- Identify and practice writing time-order words: first, next, last
- Identify whether has or have should be used to complete sentences
- Discuss how different animals work together

Animals Together Day 2

- Identify characteristics of nonfiction
- Identify the main topic and key details of the story
- Read words with long e
- Read high-frequency words: because, blue, into, or, other, small
- Respond to the prompt: in your opinion, what are some good and bad things about being a little fish?
- Identify and practice writing time-order words: first, next, last
- Explain when to use has and have in sentences

Animals Together Day 3

- Use text evidence to compare and contrast ideas to understand the story
- Identify key ideas and details about how animals help each other
- Blend words with long e
- Demonstrate pausing when encountering commas and periods while reading
- Respond to the prompt: in your opinion, what are some good and bad things about being a little fish?
- Practice writing with spacing between letters and words
- Demonstrate correct capitalization of sentence beginnings and proper nouns and correct end punctuation

Animals Together Day 4

- Sort spelling words by long e spelling pattern
- Ask and answer questions while reading to understand text
- Identify key ideas and details about how animals help each other
- Build words with long e
- Identify prefixes re-, un-, and pre- in words, using the words in sentences
- Create sentences using has and have

Animals Together Day 5

- Blend and build words with long e
- Demonstrate knowledge of oral vocabulary
- Read high-frequency words: because, blue, into, or, other, small

- Make connections to a topic
- Analyze the text evidence by asking How and Why questions about the main idea and details
- Demonstrate correct capitalization of sentence beginnings and proper nouns and correct end punctuation
- Use Speaking and Listening strategies

In the Wild

In the Wild Day 1

- Ask and answer questions while listening to and reading a story
- Summarize the independent reading selection
- Identify and spell words with long o
- Respond to prompt: What do the animals eat?
- Identify and practice writing capital G and lowercase g
- Identify whether go, went, do, or did should be used to complete sentences
- Discuss what animals need to survive in the wild

In the Wild Day 2

- Identify characteristics of nonfiction
- Define main idea and key details
- Read words with long o and read high-frequency words: find, food, more, over, start, and warm
- Respond to the prompt: How do animals use their body parts to help them find food?
- Identify and practice writing capital G and lowercase g
- Explain when to use go and do in sentences
- Discuss responses to questions about "Animals in Winter"

In the Wild Day 3

- Ask and answer questions while listening to and reading a story
- Identify key ideas and details about how animals survive in nature
- Blend words with long o
- Demonstrate emphasis of patterns when encountering similar sentences while reading
- Identify and practice writing capital P and lowercase p
- Demonstrate capitalizing proper nouns

In the Wild Day 4

- Identify main idea and key details while reading
- Reread to find main idea and key details
- Identify sensory words in the poem
- Demonstrate where to divide open syllables
- Build and sort words with long o
- Define words by category
- Create sentences using go and do

In the Wild Day 5

- Blend and build words with long o
- Demonstrate knowledge of oral vocabulary
- Read high-frequency words: find, food, more, over, start, and warm
- Make connections to a topic by comparing stories
- Analyze the text evidence by asking How and Why questions about the main idea and details

- Demonstrate capitalizing proper nouns
- Use speaking and listening strategies

Insects!

Insects! Day 1

- Visualize while listening to and reading a story
- Identify and spell words with long i
- Find an important part of the independent reading selection
- Respond to the prompt: Why didn't the bugs recognize Caterpillar? How do you know?
- Identify and practice writing capital P and lowercase p
- Define the words see and saw (present and past) and use them in sentences
- Discuss what insects you know about. How are they alike and different?

Insects! Day 2

- Identify characteristics of fantasy
- Define point of view
- Read words with long i and read high-frequency words: caught, flew, know, laugh, listen, and were
- Respond to the prompt: How do Caterpillar’s feelings change from the beginning to the end of the story?
- Identify and practice writing capital S and lowercase s
- Use see and saw in sentences
- Discuss what insects you know about. How are they alike and different?

Insects! Day 3

- Visualize while reading to understand the text
- Use what characters say to understand point of view
- Blend words with long i
- Demonstrate pausing when encountering commas while reading
- Respond to the prompt: How do Caterpillar's feelings change from the beginning to the end of the story?
- Identify titles of books

Insects! Day 4

- Identify key ideas and details about how insects are alike and different
- Identify causes and effects using text evidence
- Visualize while reading to understand the text
- Blend words with long i
- Practice changing y to -ies, -ied and adding -ing to words that end in -y
- Distinguish when to use see or saw in sentences
- Use context clues to determine the meaning of new words

Insects! Day 5

- Blend and build words with long i
- Demonstrate knowledge of oral vocabulary
- Read high-frequency words: caught, flew, know, laugh, listen, and were
- Make connections to a topic
- Analyze text evidence by asking questions about the characters, setting, and point of view
- Demonstrate underlining titles of books
- Use speaking and listening strategies

Working with Animals

Working with Animals Day 1

- Visualize while listening to and reading a story
- Identify and spell words with y and ey
- Identify key ideas and details about a story
- Make connections between your experiences and the people and events in your independent reading selection
- Respond to the prompt: How do guide dogs help people?
- Identify adverbs in sentences that tell when
- Discuss different ways people work with animals

Working with Animals Day 2

- Identify characteristics of nonfiction
- Use the illustrations and details in the text to Identify key ideas
- Read words with y and ey, and read high-frequency words: found, hard, near, woman, would, and write
- Use text evidence to respond to the prompt: What should a guide dog do well after being trained?
- Identify and practice writing capital M and lowercase m
- Identify adverbs that tell when in sentences
- Discuss responses to questions about “Ming’s Teacher”

Working with Animals Day 3

- Identify the main topic and retell key details of a text
- Identify the time order, or sequence of events, in the story
- Blend words with y and ey
- Demonstrate moving your voice up and down while reading
- Use text evidence to respond to the prompt: What should a guide dog do well after being trained?
- Identify and practice writing capital H and lowercase h
- Use commas in a series of three or more words

Working with Animals Day 4

- Sort spelling words by long e spelling pattern
- Identify the main topic and retell key details of a text
- Build words with y and ey
- Define compound words as a word made up of two smaller words
- Orally generate sentences with adverbs that tell when

Working with Animals Day 5

- Blend and build words with y and ey
- Demonstrate knowledge of oral vocabulary
- Read high-frequency words: found, hard, near, woman, would, and write
- Using the evidence in the text, make connections by thinking about how the author used sequence to write about the topic
- Use commas in a series of three or more words
- Use Speaking and Listening strategies

Animals Everywhere: Unit Review

- Identify the sound-spelling patterns of words with long vowels a, e, i, o, and final long e spelled y and ey

- Predict, define, and accurately use academic vocabulary words using prefixes, context clues, word categories, compound words, inflectional endings, and open syllables; Accurately identify and use high-frequency words and oral vocabulary
- Use the words and pictures in a nonfiction text to identify key details; Use the words and pictures in a story to identify key details about its characters, setting, and plot
- Identify main ideas and key details as well as sequence in nonfiction text; Identify point of view and find the sequence of a story
- Identify and analyze features of nonfiction, fantasy, folktales, and poetry
- Identify and use irregular verbs (was, were, has, have, go, do, see, saw) and adverbs that tell when in sentences
- Identify and apply correct capitalization, punctuation, use of apostrophes, and use of commas in a series; Identify and apply correct capitalization in book titles

Animals Everywhere: Unit Test

See It, Sort It

See It, Sort It Day 1

- Build background by talking about what you hear and see every day
- Use the words and pictures to make and confirm predictions
- Identify and spell words with ar
- Find the meaning of unknown words using context clues
- Identify and practice writing capital H and lowercase h
- Read sentences and identify the conjunctions
- Discuss how we classify and categorize things

See It, Sort It Day 2

- Identify characteristics of fantasy
- Identify point of view by using the text and illustrations to understand how a character thinks and feels
- Read words with ar and read high frequency words: four, large, none, only, put, round
- Use text evidence to respond to the prompt: Did each of the animals choose the right hat?
- Identify and practice writing capital K and lowercase k
- Use conjunctions and, but, and or to join sentences
- Discuss responses to questions about "Goldilocks" and discuss the independent reading selection.

See It, Sort It Day 3

- Conclude that what characters say helps show their point of view
- Identify key ideas and details about how we see and sort things
- Blend words with ar
- Demonstrate pausing when encountering commas while reading
- Use text evidence to respond to the prompt: Did each of the animals choose the right hat?
- Identify and practice writing capital K and lowercase k
- Define and identify proper nouns

See It, Sort It Day 4

- Sort spelling words by ending spelling pattern -art, -arn, and -arm
- Identify key ideas and details about a topic
- Complete a point of view chart using text evidence

- Build words with ar
- Make and confirm predictions while reading to understand the text
- Match singular words with their plurals (irregular plurals)
- Create sentences using conjunctions

See It, Sort It Day 5

- Blend and build words with ar
- Demonstrate knowledge of oral vocabulary
- Read high frequency words: four, large, none, only, put, round
- Make connections to a topic
- Analyze text evidence by asking what clues told the point of view of each character
- Demonstrate capitalizing proper nouns
- Use Speaking and Listening strategies

Up in the Sky

Up in the Sky Day 1

- Use the words and pictures to make and confirm predictions
- Identify and spell words with er, ir, ur, and or
- Identify key ideas and details
- Find new words in the independent reading selection
- Using the text and illustrations, respond to the prompt: What did Fern do in "A Bird Named Fern"?
- Explain that an adjective is a word that describes a noun
- Discuss different objects seen in the sky, from birds to stars

Up in the Sky Day 2

- Identify characteristics of fantasy
- Define sequence and describe the events of the story
- Read words with er, ir, ur, and or, and read high-frequency words another, climb, full, great, poor, and through
- Using text evidence and making inferences, respond to the prompt: How does the author show that Fern is curious?
- Identify and practice writing capital R and lowercase r
- Identify adjectives in sentences
- Discuss responses to questions about "Why the Sun and Moon Are In the Sky"

Up in the Sky Day 3

- Identify causes and effects using text evidence
- Blend words with er, ir, ur, and or
- Demonstrate reading sentences with exclamation marks with enthusiasm
- Using text evidence and making inferences, respond to the prompt: How does the author show that Fern is curious?
- Identify and practice writing Gg, Pp, Ss, Mm, Hh, Kk, Rr
- Discuss responses to questions about "Kitten's First Full Moon"
- Use capitalization and end punctuation in sentences

Up in the Sky Day 4

- Sort spelling words by ending spelling patterns er, ir, ur, or no /er/ pattern
- Build words with er, ir, ur, and or
- Make and confirm predictions while reading to understand the text
- Identify causes and effects using text evidence

- Demonstrate adding -er to nouns to make new words
- Create sentences using adjectives

Up in the Sky Day 5

- Blend and build words with er, ir, ur, and or
- Demonstrate knowledge of oral vocabulary
- Read high-frequency words another, climb, full, great, poor, and through
- Make connections to a topic
- Analyze text evidence by asking How and Why questions about cause and effect
- Use capitalization and end punctuation in sentences
- Use speaking and listening strategies

Great Inventions

Great Inventions Day 1

- Ask and answer questions while listening to and reading a story
- Summarize the independent reading selection
- Identify and spell words with or, ore, and oar
- Respond to the prompt: What does Tomotaka Takahshi do?
- Identify and practice writing Gg, Pp, Ss, Mm, Hh, Kk, and Rr
- Explain that we add -er and -est to most adjectives to compare people, places, or things
- Discuss inventors and the inventions they made

Great Inventions Day 2

- Reread to find a problem in the story and identify the solution
- Define problem and solution
- Read words with or, ore, and oar, and read high-frequency words began, better, guess, learn, right, and sure
- Identify characteristics of a biography
- Use text evidence to respond to the prompt: What can you tell about what makes a good inventor?
- Practice tracing and writing sentences
- Identify adjectives in sentences

Great Inventions Day 3

- Reread to identify the sequence of events using text evidence
- Ask and answer questions to understand the text
- Blend words with or, ore, and oar
- Demonstrate pausing when encountering commas and periods while reading
- Begin the writing process by reviewing notes and planning to write
- Practice writing with spacing between letters and words
- Demonstrate capitalizing days of the week, holidays, and months

Great Inventions Day 4

- Sort spelling words by ending spelling pattern or, ore, and oar pattern
- With guidance, read, and reread a poem
- Define alliteration
- Build words with or, ore, and oar
- Write title and place names using abbreviations
- Begin the draft of independent writing
- Choose correct adjectives in sentences

Great Inventions Day 5

- Blend and build words with or, ore, and oar
- Demonstrate knowledge of oral vocabulary
- Read high-frequency words began, better, guess, learn, right, and sure
- Make connections to a topic by comparing stories
- Continue working on the independent writing draft
- Demonstrate capitalizing days of the week, holidays and months
- Analyze the text evidence by asking What and How questions about the problem and solution

Sounds All Around

Sounds All Around Day 1

- Ask and answer questions while listening to and reading a story
- Identify and spell words with ou and ow
- Edit the independent writing draft
- Identify and practice writing capital X and lowercase x
- Identify a and an as special adjectives called articles
- Discuss different sounds around and how they are made

Sounds All Around Day 2

- Reread to find a problem in the story and identify the solution
- Ask and answer questions to understand the text
- Read words with ou and ow, and read high-frequency words color, early, instead, nothing, oh, and though
- Identify characteristics of realistic fiction
- Edit the draft of independent writing
- Identify and practice writing capital X and lowercase x
- Identify this and that as special adjectives and when to use them

Sounds All Around Day 3

- Use the text and illustrations to understand how the characters think and feel about the story event
- Ask and answer questions to understand the text
- Blend words with ou and ow
- Demonstrate reading repeated phrases with emphasis while reading
- Present independent writing
- Demonstrate capitalizing important words in a book title and underlining the title
- Use Speaking and Listening strategies

Sounds All Around Day 4

- Sort spelling words by spelling patterns ou, ow, or no /ou/ pattern
- Identify the problem the main character faces
- Understand how point of view can help you know the characters
- Build words with ou and ow
- Construct comparing words ending with -er and -est and write one sentence for each word
- Complete sentences using a, an, this, and that

Sounds All Around Day 5

- Blend and build words with ou and ow
- Demonstrate knowledge of oral vocabulary
- Read high frequency words: color, early, instead, nothing, oh, and though

- Make connections to a topic by comparing texts
- Demonstrate capitalizing important words in a book title and underlining the title
- Analyze the text evidence by asking how the author used problem and solution in the story
- Use Speaking and Listening strategies

Build It!

Build It! Day 1

- Ask and answer questions while listening to and reading a story
- Identify and spell words with oi and oy
- Respond to the prompt: What steps does it take to build a ship?
- Identify and practice writing capital U and lowercase u
- Define prepositions
- Find the meaning of unknown words
- Discuss different structures and how they are built

Build It! Day 2

- Identify cause and effect while reading
- Ask and answer questions to understand the text
- Read words with oi and oy and read high-frequency words above, build, fall, knew, money, and toward
- Identify characteristics of nonfiction
- Respond to the prompt: What do you think is the least important step in building a ship? Why?
- Identify and practice writing capital Q and lowercase q
- Identify prepositions and prepositional phrases in sentences

Build It! Day 3

- Use the text and photographs to identify the main idea and details to understand the text
- Ask and answer questions to understand the text
- Blend words with oi and oy
- Demonstrate pausing when encountering commas and raising your voice when encountering exclamation marks while reading
- Identify and practice writing capital Q and lowercase q
- Explain that name titles are abbreviations
- Use speaking and listening strategies

Build It! Day 4

- Sort spelling words by spelling pattern oi and oy
- Demonstrate knowledge of oral vocabulary
- Identify captions and what they tell
- Identify the key details of the text
- Build words with oi and oy
- Demonstrate dividing two-syllable words
- Identify prepositions and prepositional phrases in sentences

Build It! Day 5

- Sort spelling words by spelling pattern oi, oy, or no /oy/ pattern
- Identify the key details of the text
- Blend and build words with oi and oy

- Make connections to a topic
- Identify name title abbreviations
- Use speaking and listening strategies
- Analyze the text evidence by asking how and why questions about the main idea and details

Figure It Out: Unit Review

- Identify the sound spelling patterns of words with r-controlled vowels, and diphthongs (ou, ow, oi and oy)
- Predict, define, and accurately use academic vocabulary words using context clues, inflectional endings (-er and -est), irregular plurals, and abbreviations; Accurately identify and use high-frequency words and oral vocabulary
- Use the words and pictures in a nonfiction text to identify key details; Use the words and pictures in a story to identify key details about its characters, setting, and plot
- Identify cause and effect as well as problem and solution in nonfiction text; Identify cause and effect as well as problem and solution and point of view in a story
- Identify and analyze features of nonfiction, biographies, fantasy, realistic fiction, and poetry
- Identify and use words that join, adjectives, adjectives that compare, and prepositions and prepositional phrases in sentences
- Identify and apply correct capitalization and punctuation; Identify and apply correct capitalization and punctuation in book titles and name titles

Figure It Out: Unit Test

Taking Action

Taking Action Day 1

- Reread to understand events and details in the story
- Identify and spell words with digraphs with the /oo/ sound
- Identify and practice writing capital Q and lowercase q
- Recognize that pronouns stand for a person, place, thing, or idea
- Find the meaning of unknown words
- Discuss ways people can work together to make things better
- Ask questions to find answers about topic being discussed

Taking Action Day 2

- Identify the characteristics of fantasy
- Define theme
- Read words with digraphs with the /oo/ sound and read high-frequency words answer, brought, busy, door, enough, and eyes
- Respond to the prompt: How did the writing tools persuade Lucy to use them again?
- Identify and practice writing number words and numerals for 1–5
- Demonstrate selecting the correct pronouns in sentences
- Discuss responses to questions about “The Cat’s Bell”

Taking Action Day 3

- Reread to understand events and details in the story
- Identify what the characters say and do to find the theme
- Blend words with digraphs with the /oo/ sound
- Demonstrate reading dialogue with expression to show how characters feel

- Respond to the prompt: Write a letter from the writing tools to Lucy explaining in words what they explained to her in the drawing
- Identify and practice writing number words and numerals for 6–10
- Demonstrate using capital I when writing

Taking Action Day 4

- Sort spelling words by sound spelling (oo, u_e, ew, ue, ui, and ou)
- Reread to understand events and details in the story
- Analyze text evidence and illustrations to discover the theme of the story
- Build words with digraphs with the /oo/ sound
- Use synonyms to replace words in sentences
- Demonstrate adding suffixes -less and -ful to words
- Complete sentences choosing the correct pronouns

Taking Action Day 5

- Blend and build words with digraphs with the /oo/ sound
- Demonstrate knowledge of oral vocabulary
- Read high-frequency words answer, brought, busy, door, enough, and eyes
- Make connections to a topic by comparing stories
- Analyze text evidence by asking how and why questions about theme
- Demonstrate using capital I when writing
- Use speaking and listening strategies

My Team

My Team Day 1

- Reread to understand events and details in the story
- Identify and spell words with digraphs: a, aw, au, augh, and al
- As you read the story, identify key ideas and details about people who help
- Respond to the prompt: What are some different kinds of helpers?
- Identify and practice writing number words and numerals 1–10
- Identify these possessive pronouns: mine, yours, hers, ours, and theirs
- Discuss the people in your life that help you

My Team Day 2

- Identify characteristics of nonfiction
- Define author's purpose
- Read words with digraphs: a, aw, au, augh, and al, and read high-frequency words: brother, father, friend, love, mother, and picture
- Respond to the prompt: Write about a group of helpers in your community
- Identify and practice writing number words and numerals 1–10
- Use possessive pronouns
- Use Speaking and Listening strategies

My Team Day 3

- Using text evidence, identify a problem and the solution in the story
- Reread to understand events and details in the story
- Blend words with digraphs: a, aw, au, augh, and al
- Demonstrate raising the voice when reading a question
- Find the meaning of unknown words while reading
- Recognize that months, days, and holidays are proper nouns and should be capitalized
- Identify and practice writing Xx, Uu, and Qq

My Team Day 4

- Sort spelling words by spellings au and aw
- Reread to understand events and details in the story
- Identify details that tell the author's purpose
- Build words with digraphs: a, aw, au, augh, and al
- Decode two-syllable words by breaking them into syllables
- Create sentences using your, its, our, their, and mine

My Team Day 5

- Blend and build words with au and aw
- Demonstrate knowledge of oral vocabulary
- Read high-frequency words: brother, father, friend, love, mother, and picture
- Make connections to a topic by comparing stories
- Analyze the text evidence by asking What and How questions about author’s purpose
- Demonstrate capitalization of months, days, and holidays
- Use Speaking and Listening strategies

Weather Together

Weather Together Day 1

- Visualize while listening to and reading a story
- Identify and spell words with wr, kn, and gn
- Recognize and read regularly and irregularly spelled words in a story
- Respond to the prompt: What happened in “Wrapped in Ice”?
- Identify and practice writing Xx, Uu, and Qq
- Explain what the pronouns anyone and everyone stand for
- Discuss different kinds of weather and how it affects our lives

Weather Together Day 2

- Define and identify cause and effect
- Read words with wr, kn, and gn and read high-frequency words been, children, month, question, their, and year
- Identify characteristics of realistic fiction
- Respond to the prompt: How do the people in the town react to the weather in “Wrapped in Ice”?
- Identify and practice tracing and writing sentences in a story
- Explain what the pronouns nobody, somebody, and anybody stand for
- Ask and answer question about key details in a text read aloud

Weather Together Day 3

- Blend words with wr, kn, and gn
- Visualize while reading to understand the story
- Use text evidence to identify causes and effects
- Demonstrate reading sentences with exclamation marks with enthusiasm
- Begin the writing process by reviewing notes and planning to write
- Identify correct writing and evaluate one’s own writing
- Use commas in dates and in letter writing

Weather Together Day 4

- Sort spelling words by the silent letter pattern
- Reread and visualize using the words and pictures
- Explain the purpose of headings in nonfiction texts

- Build words with wr, kn, and gn
- Define compound words
- Begin the draft of independent writing
- Write sentences using anyone, nothing, and anybody

Weather Together Day 5

- Blend and build words with wr, kn, and gn
- Demonstrate knowledge of oral vocabulary
- Read the high-frequency words been, children, month, question, their, and year
- Make connections to a topic
- Continue working on the independent writing draft
- Use commas in dates and in letter writing
- Use speaking and listening strategies

Sharing Traditions

Sharing Traditions Day 1

- Use pictures and words to find details while listening to a story
- Identify and spell words with three-letter blends: scr, spl, spr, str, thr, and shr
- Edit the independent writing draft
- Identify and practice writing capital B and lowercase b
- Identify when to use I and me in sentences
- Discuss traditions that people follow and pass down

Sharing Traditions Day 2

- Define theme
- Read words with three-letter blends: scr, spl, spr, thr, and shr, and read high frequency words: before, front, heard, push, tomorrow, and your
- Identify characteristics of realistic fiction
- Edit the draft of independent writing
- Identify and practice writing capital Z and lowercase z
- Complete sentences with the correct pronouns, I or me
- Discuss traditions that people follow and pass down

Sharing Traditions Day 3

- Blend words with three-letter blends: scr, spl, spr, thr, and shr
- Use pictures and words while reading to understand the story
- Use text evidence to identify clues to determine theme
- Demonstrate pausing when encountering commas while reading
- Present independent writing
- Identify and practice writing capital J and lowercase j
- Use commas in dates and after the greeting and closing in a letter

Sharing Traditions Day 4

- Sort spelling words by the three-letter-blend spelling pattern
- Reread and apply the strategy visualize using the words and pictures
- Read words with inflectional endings
- Build words with str, spr, spl, scr, and thr
- Use what you know about the meaning of words to predict the meaning of compound words
- Complete sentences with the correct pronouns, I or me

Sharing Traditions Day 5

- Blend and build words with three-letter-blends: scr, spl, spr, thr and shr
- Demonstrate knowledge of oral vocabulary
- Read high frequency words: before, front, heard, push, tomorrow, and your
- Make connections to a topic by comparing texts
- Use commas in dates and after the greeting and closing in a letter
- Use speaking and listening strategies
- Analyze the text evidence by asking how the author used theme in the story

Celebrate America!

Celebrate America Day 1

- Reread to understand events and details in the story
- Identify and spell words with air, are, and ear
- Respond to the prompt: What are the different ways the harvest is celebrated?
- Identify and practice writing Bb, Zz, and Jj
- Explain the purpose of an adverb in a sentence
- Discuss holidays and how we celebrate them

Celebrate America Day 2

- Define author's purpose
- Read words with air, are, and ear and read high frequency words: favorite, few, gone, surprise, wonder, and young
- Identify characteristics of nonfiction
- Respond to the prompt: Do you think it is important or not important to give thanks for a harvest? Why?
- Select and write favorite words
- Identify adverbs in sentences
- Discuss responses to questions about "Celebrate the Flag"

Celebrate America Day 3

- Use text evidence to identify causes and effects in the story
- Reread to understand events and details in the story
- Blend words with air, are, and ear
- Demonstrate pausing when encountering commas and periods while reading
- Respond to the prompt: Do you think it is important or not important to give thanks for a harvest? Why?
- Select and write favorite words
- Demonstrate using name title abbreviations (Mr., Mrs., Ms., Dr.)

Celebrate America Day 4

- Sort spelling words by the ending spelling pattern
- Analyze key details to answer questions about what our nation was like then and now
- Build words with air, are, and ear
- Find the meaning of metaphors in sentences
- Analyze the maps to find differences
- Decode two-syllable words by breaking them into syllables
- Create sentences using adverbs

Celebrate America Day 5

- Blend and build words with air, are, and ear
- Demonstrate knowledge of oral vocabulary
- Read high frequency words: favorite, few, gone, surprise, wonder, and young

- Make connections to a topic by comparing stories
- Analyze text evidence by asking "why" and "what" questions about the author’s purpose
- Demonstrate using name title abbreviations (Mr., Mrs., Ms., Dr.)
- Use Speaking and Listening strategies

Together We Can! Unit Review

- Identify the sound-spelling patterns of words with silent letters (wr, kn, and gn), three-letter consonant blends, r-controlled vowels (are, ear and air), and variant vowels
- Predict, define, and accurately use academic vocabulary words using synonyms, antonyms, similes, and metaphors; Analyze words using suffixes, syllables, compound words, and inflectional endings; Accurately identify and use high-frequency words
- Use the words and pictures in a nonfiction text to identify key details; Use the words and pictures in a story to identify key details about its characters, setting, and plot
- Identify author’s purpose in nonfiction text; Identify the causes and effects and theme of a story
- Identify and analyze features of fantasy, nonfiction, realistic fiction, how-to, and poetry
- Identify and use pronouns, possessive pronouns, special pronouns, and adverbs that tell how in sentences
- Identify and apply correct capitalization; Identify and apply correct capitalization and punctuation in name titles, dates, and letters

Together We Can! Unit Test

Social Studies 6

Social Studies 6

Course Instructional Time: 170 hours

Instructional Activities:
Throughout the course, students will have regular instructional contact with their teachers and with other students through a combination of phone calls, WebMail messages, synchronous learning sessions, message boards, discussion boards, teacher virtual office hours, face-to-face interaction, and the daily review of assignments via the electronic grade book.

Semester A Summary:
This course offers a broad survey of world history from the beginnings of civilization to the earliest river valley civilizations in Africa and Asia. It also includes a study of early cultures in the Americas. The course examines world political, economic, geographic, and social history from a hybrid regional and chronological point of view. Throughout the course, the student will make connections between geography, politics, and economics, and their impact on world events and the human progress. The student will enhance his social studies skills by completing activities that teach analysis of primary and secondary sources, reading graphs and maps, organizing information, and more. Lessons are designed to develop the student's ability to read, question, analyze, interpret, and evaluate different forms of information. Pearson's MyWorld Interactive World History provides the basis for instruction.

Semester A Outline

- **Constitution Day (L)**
    - Understand the importance and meaning of the Declaration of Independence
    - Understand and recite the beginning of the Declaration of Independence
    - Understand the importance and meaning of the U.S. Constitution and the Bill of Rights

1. **Course Overview**
    1. Middle School World History and Geography
2. **Origins of Civilization**
    1. The Distant Past
        - Identify ways that scientists study early humans
        - Locate the region where the earliest humans lived
        - Describe what life was like for the earliest humans
    2. Humans Spread Out
        - Identify the first modern humans
        - Identify the likely route of early human migration
        - Describe how early humans adapted to their environments
    3. Developing Complex Cultures
        - Identify the culture of Stone Age humans

      - Identify what changed with the Neolithic Agricultural Revolution
      - Identify the changes that resulted from domestication
   4. New Ways of Life
      - Identify the costs and benefits of farming for early humans
      - Define how farming changed human culture
      - Trace and analyze the development of early cities
   5. The Rise of Civilizations
      - Identify and describe the social classes of early civilizations
      - Identify the importance of job specialization and resource management in the development of early civilizations
      - Locate early river valley civilizations and identify how availability of resources shaped their development
      - Identify and describe the role of agriculture in the development of early civilizations
      - Identify the features of the earliest civilizations
   6. Origins of Civilization Unit Review
      - Identify and describe prehistoric social structures
      - Identify the resources and skills early humans depended upon for survival
      - Identify and describe the relationship of early humans to their environment
      - Identify and analyze archaeological artifacts associated with prehistoric peoples
   7. Origins of Civilization Unit Test
      - Identify and describe prehistoric social structures
      - Identify the resources and skills early humans depended upon for survival
      - Identify and describe the relationship of early humans to their environment
      - Identify and analyze archaeological artifacts associated with prehistoric peoples
3. **Origins of Civilization Discussion**
   1. Origins of Civilization Discussion
      - Evaluate the factors that contributed to the rise of civilization
4. **Mesopotamia**
   1. Civilization Emerges in Mesopotamia
      - Identify and describe the relationship between government and religion in ancient Sumeria
      - Identify and describe the characteristics of Sumerian society
      - Identify the climate and geography of Mesopotamia
      - Identify the causes and effects of technological advancements
   2. The First Empires
      - Identify the conditions that allowed the first Mesopotamian empire to form
      - Identify how the Akkadians and Babylonians ruled large empires
      - Describe the significance of Hammurabi's Code
      - Describe life in the Babylonian Empire
   3. The Assyrian and Persian Empires

        - Describe how the Assyrians controlled a large empire
        - Identify important characteristics of Persia's government and religion
        - Identify what ancient Mesopotamian art reveals about daily life
    4. The Phoenicians
        - Describe how the geography of Phoenicia influenced their development and economy
        - Identify the importance of the sea to Phoenicia
        - Identify reasons for the collapse of the Phoenician Empire
        - Identify the cultural legacy of Phoenicia
    5. Origins of Judaism
        - Compare the early Israelites to other peoples in the Fertile Crescent
        - Identify the importance of the Torah to Judaism
        - Identify critical events in Jewish history
        - Identify the role of the ten commandments in Judaism
    6. Beliefs of Judaism
        - Identify the three parts of the Hebrew Bible
        - Identify how the Talmud shows the Jewish religion values learning
        - Identify important teachings of Judaism
    7. Early History of the Jewish People
        - Identify important events during the time of the judges and the kingdom of Israel
        - Identify the extent of the Jewish Diaspora
        - Identify and analyze the effect of the Diaspora
        - Identify how Judaism influences modern society
    8. Mesopotamia Unit Review
        - Identify the characteristics of ancient Mesopotamian civilizations
        - Identify and describe how trade spread Phoenician culture throughout the Mediterranean Sea
        - Identify the climate and geography of Mesopotamia
        - Identify the origins of the Abrahamic religions
    9. Mesopotamia Unit Test
        - Identify the characteristics of ancient Mesopotamian civilizations
        - Identify and describe how trade spread Phoenician culture throughout the Mediterranean Sea
        - Identify the climate and geography of Mesopotamia
        - Identify the origins of the Abrahamic religions
5. **Ancient Egypt and Kush**
    1. Egypt Under the Pharaohs
        - Identify how the Nile River supported civilization
        - Differentiate between the social classes of ancient Egyptian society
        - Identify and describe what role religion played in the lives of ancient Egyptians
        - Identify accomplishments of the great ancient Egyptian rulers

2. Achievements of Egyptian Civilization
    - Identify the writing inventions and cultural developments of the ancient Egyptians
    - Describe why and how the ancient Egyptians built the pyramids
    - Identify the scientific and technical achievements of the ancient Egyptians
3. Egypt and Kush
    - Identify materials traded between Egypt and Kush
    - Explain the impact that geography had on Kush
    - Describe how the relationship between Egypt and Kush changed over time
    - Identify the achievements of the Kushites
4. Ancient Egypt and Kush Unit Review
    - Identify and describe the role of the pharaoh in the government of ancient Egypt
    - Identify major Egyptian cultural and scientific achievements
    - Identify and describe the importance of the Nile River to ancient Egyptian culture
    - Identify ancient Egypt's cultural and political power
    - Compare and contrast the civilizations of ancient Egypt and Kush
5. Ancient Egypt and Kush Unit Test
    - Identify and describe the role of the pharaoh in the government of ancient Egypt
    - Identify major ancient Egyptian cultural and scientific achievements
    - Identify and describe the importance of the Nile River to ancient Egyptian culture
    - Identify ancient Egypt's cultural and political power
    - Compare and contrast the civilizations of ancient Egypt and Kush

6. **Early Civilizations of India**
    1. The Indus Valley Civilization
        - Describe the geography and climate of the Indian subcontinent
        - Identify the achievements of early Indus Valley civilizations
        - Identify which aspects of Indus Valley civilizations remain a mystery
    2. India's Vedic Age
        - Identify the history of the Indo-Aryans
        - Identify the significance of the Vedas
        - Describe the Indian caste system
    3. Origins and Beliefs of Hinduism
        - Identify the texts that are important to Hinduism
        - Explain Hindu core and basic beliefs
        - Identify the factors that helped Hinduism's growth
    4. Origins and Beliefs of Buddhism
        - Identify key events in the life of the Buddha
        - Summarize the basic teachings of Buddhism and Jainism
        - Identify how Buddhism spread and developed

5. The Maurya Empire Begins
    - Identify how Chandragupta Maurya united India
    - Identify how Chandragupta Maurya faced the problems of ruling a large empire
6. Asoka's Rule
    - Identify how Asoka changed after the Battle of Kalinga
    - Identify Asoka's achievements and their effects on India
7. The Gupta Empire
    - Identify how the Gupta empire grew and ruled
    - Describe Gupta culture
    - Identify advancements made in math and science during the Gupta empire
8. Early Civilizations of India Unit Review
    - Identify and describe the social castes and associated social roles in ancient India
    - Identify the economic factors that spurred ancient Indian mathematical advancements
    - Identify how geography influenced the development of civilizations on the Indian subcontinent
    - Identify and describe the core beliefs of Hinduism and Buddhism
    - Compare and contrast the teachings of Hinduism and Buddhism
9. Early Civilizations of India Unit Test
    - Identify and describe the social castes and associated social roles in ancient India
    - Identify the economic factors that spurred ancient Indian mathematical advancements
    - Identify how geography influenced the development of civilizations on the Indian subcontinent
    - Identify and describe the core beliefs of Hinduism and Buddhism
    - Compare and contrast the teachings of Hinduism and Buddhism

7. **River Valley Civilizations Portfolio**
    1. River Valley Civilizations Portfolio
        - Compare and contrast two ancient river civilizations
8. **Early Civilizations of China**
    1. The Huang River Valley
        - Identify how the geography of China impacted settlement
        - Identify the achievements of the Shang dynasty
    2. The Zhou Dynasty
        - Identify how the Zhou rose to power and ruled
        - Identify the structure and achievements of Zhou society
        - Identify how the Mandate of Heaven functioned in Chinese government
    3. Chinese Belief Systems
        - Identify and describe the spiritual traditions followed by the ancient Chinese
        - Identify the main idea of Confucianism and the five Confucian relationships
        - Identify the beliefs of Daoism

4. The Unification of China
    - Identify how Shi Huangdi defended the empire
    - Identify how Shi Huangdi standardized aspects of Chinese daily life
    - Identify and describe how Legalism both helped and hurt the empire
5. The Han Dynasty Expands
    - Describe how the Han government was organized
    - Identify how the civil service benefitted the Han dynasty
    - Identify the significance of the growth and establishment of the Silk Road
6. Han Society and Achievements
    - Describe Han society
    - Identify the reasons China prospered economically under the Han dynasty
    - Identify Han cultural and technological achievements
7. Early Civilizations of China Unit Review
    - Analyze the dynastic monarchic cycle of China
    - Identify Chinese innovations that spread to other civilizations
    - Identify how the geography of China affected its development
    - Identify and describe the core beliefs of Chinese religious philosophies
    - Compare and contrast ancient Chinese religious philosophies
8. Early Civilizations of China Unit Test
    - Analyze the dynastic monarchic cycle of China
    - Identify Chinese innovations that spread to other civilizations
    - Identify how the geography of China affected its development
    - Identify and describe the core beliefs of Chinese religious philosophies
    - Compare and contrast ancient Chinese religious philosophies

9. **Civilizations of the Americas**
    1. The Maya
        - Identify the ways in which the diverse environments of the Americas affected Mayan culture
        - Identify key characteristics of Olmec and Mayan cultures
        - Identify and describe the major achievements of the Maya
    2. The Aztecs
        - Identify and describe the roles that the environment played in the development of the Aztec empire
        - Identify the Aztec class structure
        - Identify key characteristics of Aztec culture
        - Identify the relationship between religion and warfare in Aztec society
        - Identify and describe the major achievements of the Aztecs
    3. The Incas
        - Identify the ways in which the environment of the Andes affected Incan culture and development

        - Identify and describe the methods used by the Incan empire to expand its rule over land and people
        - Identify key characteristics of Incan culture
        - Identify the achievements of the Incans in architecture, arts and crafts, and science
        - Identify the Incan class structure
    4. North American Cultures
        - Identify ways in which the environment and climate affected the culture of various Native American civilizations
        - Identify the earliest known North American inhabitants and characteristics of their cultures
        - Compare and contrast arctic and subarctic cultures
        - Compare and contrast the types of housing in which various North American people lived
    5. Civilizations of the Americas Unit Review
        - Identify and describe the major civilizations that developed in North, Central, and South America
        - Identify scientific and technological advancements that developed in the Americas and compare them to similar advancements that developed elsewhere
        - Identify and describe how American cultures modified or adapted to their environment
        - Identify and describe the rise and fall of various Native American civilizations
    6. Civilizations of the Americas Unit Test
        - Identify and describe the major civilizations that developed in North, Central, and South America
        - Identify scientific and technological advancements that developed in the Americas and compare them to similar advancements that developed elsewhere
        - Identify and describe how American cultures modified or adapted to their environment
        - Identify and describe the rise and fall of various Native American civilizations

Semester B Summary:
This course offers a broad survey of world history from classical Greece and Rome to Feudalism in Europe and the Enlightenment. The course examines world political, economic, geographic, and social history from a hybrid regional and chronological point of view. Throughout the course, the student will make connections between geography, politics, and economics, and their impact on world events and the human progress. The student will enhance his social studies skills by completing activities that teach analysis of primary and secondary sources, reading graphs and maps, organizing information, and more. Lessons are designed to develop the student's ability to read, question, analyze, interpret, and evaluate different forms of information. Pearson's MyWorld Interactive World History provides the basis for instruction.

Semester B Outline

- **Constitution Day (L)**
    - Understand the importance and meaning of the Declaration of Independence
    - Understand and recite the beginning of the Declaration of Independence
    - Understand the importance and meaning of the U.S. Constitution and the Bill of Rights

1. **Course Overview**
    1. Middle School World History and Geography

2. **Ancient Greece**
    1. The Early Years of Greek Civilization
        - Identify the influence of geography on the development of ancient Greek city-states
        - Identify the influence of the Minoans and Mycenaeans on the early Greeks
    2. Democracy in Athens
        - Identify the key components of democracy and its evolution in ancient Athens
        - Compare and contrast American democracy to Athenian democracy
    3. Oligarchy in Sparta
        - Identify the components of Spartan life
        - Contrast life in Sparta and Athens
        - Identify the components of Spartan government
    4. Ancient Greek Society and Economic Expansion
        - Identify the ways the ancient Greeks obtained needed resources
        - Identify the different social divisions in ancient Greek society
        - Identify goods that were traded throughout the ancient Greek world
    5. Warfare in Ancient Greece
        - Identify the major events of the Persian Wars
        - Identify the causes and effects of the Peloponnesian War
    6. Ancient Greek Beliefs and Arts
        - Identify the characteristics of ancient Greek religious beliefs
        - Identify the ways that ancient Greek beliefs and arts influence life today
        - Identify characteristics of ancient Greek arts and architecture
    7. Ancient Greek Learning
        - Identify the contributions of Greek philosophers, historians, mathematicians, and scientists
        - Identify the promise made by doctors in the Hippocratic oath
    8. Alexander and the Hellenistic World
        - Identify the impact Alexander the Great had on the world
        - Identify events of Alexander the Great's life
    9. Ancient Greece Unit Review
        - Identify and describe ancient Greek forms of government, including Athenian democracy
        - Identify how Greek architecture was both functional and artistic
        - Describe the influence of Greek culture on the Eurasian region at the time
        - Identify the contributions of notable Greeks to thought, science, art, and culture
    10. Ancient Greece Unit Test
        - Identify and describe ancient Greek forms of government, including Athenian democracy
        - Identify how Greek architecture was both functional and artistic
        - Describe the influence of Greek culture on the Eurasian region at the time
        - Identify the contributions of notable Greeks to thought, science, art, and culture

3. **The Roman Republic**
    1. The Roman Republic Rises
        - Identify the geographic factors that helped the Roman republic to flourish
        - Describe the influence other cultures had on the development of the Roman republic
        - Identify the reasons why Rome became a republic
        - Identify the ways the Roman republic was able to expand
    2. Government of the Republic
        - Identify the reasons why power was divided among different groups in the Roman republic
        - Identify the rights and responsibilities of Roman citizens
        - Identify the roles of each branch of the Roman republic’s government
        - Compare and contrast government in the Roman republic with government in the United States
    3. Society in the Roman Republic
        - Identify the roles of men and women in Roman society
        - Identify the reasons why Romans tried to please their gods
        - Contrast the lives of the wealthy, the free poor, and the slaves in Roman society
    4. The Republic Struggles
        - Identify the factors that led the Roman republic to crumble
        - Identify the characteristics of Julius Caesar’s rule
        - Identify the characteristics of Augustus Caesar’s rule
    5. The Roman Republic Unit Review
        - Identify and describe the traits of Roman democracy
        - Compare and contrast Greek and Roman democracy
        - Identify and describe the role of trade in advancing Rome from local republic to empire
        - Identify the influence of geography on Roman history and culture
        - Identify and distinguish between fact and fiction in describing the beginnings of Rome
    6. The Roman Republic Unit Test
        - Identify and describe the traits of Roman democracy
        - Compare and contrast Greek and Roman democracy
        - Identify and describe the role of trade in advancing Rome from local republic to empire
        - Identify the influence of geography on Roman history and culture
        - Identify and distinguish between fact and fiction in describing the beginnings of Rome
4. **The Roman Republic Discussion**
    1. The Roman Republic Discussion
        - Evaluate the lasting influence of the Roman republic
5. **The Roman and Byzantine Empires**
    1. The Roman Empire Begins
        - Identify Rome's greatest engineering achievements

    - Identify important Roman emperors and their accomplishments
    - Identify and describe causes and effects of expanded trade throughout the Roman empire
2. Origins of Christianity
    - Identify and describe the teachings of Jesus
    - Identify the reasons why Christianity developed as a religion
    - Identify the reasons for the rapid growth of Christianity
    - Identify and describe the Roman government's stance on Christianity
3. Beliefs of Christianity
    - Identify and describe the holy writings of the Christian religion
    - Identify and summarize the core Christian beliefs
    - Identify and describe the practice of Christianity today
    - Compare and contrast Judaism and Christianity
4. Roman Culture and Its Legacy
    - Explain how Rome was a site of encounter and how that affected the culture and economy of the region
    - Identify and describe Roman achievements in science, medicine, technology, art, and philosophy
    - Identify and explain how Roman government influenced the governments of many modern countries
    - Identify popular means of entertainment in the Roman empire
5. The Decline of the Roman Empire
    - Identify and describe the various challenges to protecting the Roman empire from invasion
    - Identify the origins of foreign invaders that attacked the Roman empire
    - Identify and describe the effects of the Imperial Crisis on the Roman empire
    - Identify the factors that led to the fall of Rome
6. The Byzantine Empire Rises
    - Compare and contrast the Roman and Byzantine empires
    - Identify the factors that led to the decline of the Byzantine empire
    - Identify areas that at one point were part of the Byzantine empire
    - Identify the influences the Byzantine empire had on early Russia
7. Byzantine Religion and Culture
    - Identify and describe the factors that led to the division of the Christian church
    - Compare and contrast the Roman Catholic Church to Eastern Orthodox Church
    - Identify ways Byzantine culture was unique
8. The Roman and Byzantine Empires Unit Review
    - Identify and describe the relationship of the Roman empire to civilizations it conquered
    - Identify and describe how Rome benefitted from trade and the exchange of ideas within its empire
    - Identify and describe the origins, beliefs, and spread of Christianity

        - Identify and describe the contributions of Romans and other ancient civilizations to thought, science, art, religion, and culture
        - Identify and describe the development of the Byzantine empire and its legacy
    9. The Roman and Byzantine Empires Unit Test
        - Identify and describe the relationship of the Roman empire to civilizations it conquered
        - Identify and describe how Rome benefitted from trade and the exchange of ideas within its empire
        - Identify and describe the origins, beliefs, and spread of Christianity
        - Identify and describe the contributions of Romans and other ancient civilizations to thought, science, art, religion, and culture
        - Identify and describe the development of the Byzantine empire and its legacy

6. **Ancient Civilizations Portfolio**
    1. Ancient Civilizations Portfolio
        - Compare and contrast the ancient Greek and Roman civilizations
7. **Feudal Europe**
    1. The Early and Middle Ages in Europe
        - Predict how the geography of Europe affected settlement patterns
        - Identify the new kingdoms that formed in Europe from the 300s to the 700s
        - Identify the results of Charlemagne's rule
    2. Christianity Spreads
        - Identify the factors that caused Christianity to spread in Europe
        - Identify the purposes of monasteries and convents
        - Identify and describe the power of the medieval Catholic Church
    3. Feudalism and the Manor Economy
        - Contrast the invasions of Europe between 800 and 1000
        - Identify the elements of feudal society and how it provided protection
        - Classify individual roles on medieval manors
    4. Revival of Towns and Trade
        - Identify and describe how improvements in agriculture affected medieval Christendom
        - Identify why trade revived during the Middle Ages
        - Predict what led to the growth of towns during the Middle Ages
    5. The Church and Medieval Culture
        - Identify how the Christian community had changed by the 1200s
        - Identify how the Church shaped medieval culture
        - Identify why education expanded during the High Middle Ages
    6. Conflicts Between Popes and Monarchs
        - Compare the empire of Otto the Great with the state of the region before his rule
        - Identify why Pope Gregory and Henry IV came into conflict
        - Identify why power shifted to the monarch in France in the Middle Ages

7. England Takes Shape
    - Identify how the land known as England became unified
    - Predict how the conflict between church and state affected England in the 1100s
    - Identify why the power of English kings was limited in the 1200s
8. The Crusades
    - Identify why Europeans led the First Crusade
    - Categorize later crusades
    - Identify why Crusaders targeted people who held beliefs other than their own
    - Predict the effects of the Crusades
9. The Reconquista
    - Identify and describe the Muslim dynasty that controlled Spain from the 700s to the early 1000s
    - Identify and describe the Reconquista
10. The Decline of Medieval Society
    - Identify the causes of famine in Europe during the 1300s
    - Identify and analyze the Hundred Years' War and new weaponry used
    - Identify and explain the Black Death and its effects
11. Feudal Europe Unit Review
    - Identify the characteristics of feudalism and manorialism
    - Identify and analyze the impact of the Crusades on European culture and trade
    - Identify and describe the expanding influence of Christianity and Islam over time on a world map
    - Identify and evaluate the impact of the bubonic plague on Europe and the world
12. Feudal Europe Unit Test
    - Identify the characteristics of feudalism and manorialism
    - Identify and analyze the impact of the Crusades on European culture and trade
    - Identify and describe the expanding influence of Christianity and Islam over time on a world map
    - Identify and evaluate the impact of the bubonic plague on Europe and the world

8. **Absolutism and Enlightenment**
    1. Absolute Monarchy in Spain and France
        - Identify how Spanish power increased under Charles V and Philip II
        - Identify why 1550 to 1650 is called Spain's golden age
        - Contrast the rule of France by Henry IV with that of Cardinal Richelieu
        - Identify how a belief in the divine right of kings affected French rule
        - Identify and describe the support that Louis XIV gave to the arts
    2. Absolutism in Russia and Central Europe
        - Identify how Peter the Great reformed Russia
        - Compare expansion of Russia under Peter the Great and Catherine the Great

- Compare the leadership of Austria and Prussia in the 1700s

3. Rise of Parliament in England
    - Contrast the rule of the Tudors with that of James I and Charles I
    - Identify the causes and effects of the English Civil War
    - Identify how English government changed during the Glorious Revolution
4. The Enlightenment
    - Identify the reasons for the development of the Enlightenment
    - Identify and describe how political ideas changed as a result of the Enlightenment
    - Identify and describe Enlightenment thinkers' ideas about social and economic systems
    - Identify and describe how Enlightenment ideas influenced American leaders
5. Absolutism and Enlightenment Unit Review
    - Identify and describe how Enlightenment thought changed European culture and government
    - Identify the differences between mercantilism and free market economies
    - Identify and describe the impact of absolute monarchs on their nation's cultures and governments
    - Identify nations in Europe that rose to prominence and declined during the 1600s and 1700s
6. Absolutism and Enlightenment Unit Test
    - Identify and describe how Enlightenment thought changed European culture and government
    - Identify the differences between mercantilism and free market economies
    - Identify and describe the impact of absolute monarchs on their nation's cultures and governments
    - Identify nations in Europe that rose to prominence and declined during the 1600s and 1700s

Chemistry

Pearson

Chemistry A/B

Course Instructional Time: 170 hours

Instructional Activities:
Throughout the course, students will have regular instructional contact with their teachers and with other students through a combination of phone calls, WebMail messages, synchronous learning sessions, message boards, discussion boards, teacher virtual office hours, face-to-face interaction, and the daily review of assignments via the electronic grade book.

Semester A Summary: In this first of two courses that comprise Chemistry, the student will explore the fundamental concepts of chemistry, while engaging in hands-on and virtual lab experiments, and interdisciplinary problem-solving activities.

The student will build on prior knowledge to learn how to model the structure of an atom, analyze the periodic table of elements, identify simple chemical reactions and investigate particulate electrical forces. The course provides many opportunities for the student to apply these concepts to real-world situations.

Semester A Outline

1. **Course Overview**
    1. Course Overview
2. **Introduction to Chemistry**
    1. Introduction to Chemistry
    2. Physical vs. Chemical Change
        - In this section, you will learn how to identify the physical and chemical properties of different substances. This will ultimately help you figure out if a physical or chemical change has occurred.
        - In this section, you will learn how to tell if something is a pure substance or a mixture.
    3. Mixtures
        - In this section, you will learn how to identify physical and chemical properties of different substances. This will ultimately help you figure out if a physical or chemical change has occurred and how to separate the components.
    4. Atomic Composition
        - In this lesson, you will explore this law in detail using a PhET® simulation titled Build an Atom, which can be accessed by clicking the image below.
    5. Atomic Composition of Molecules
        - In this section, you will use a model to describe the atomic composition of simple molecules and extended structures.
        - In this lesson you will explore this theory in detail using a PhET® simulation titled Molecule Shapes that can be accessed by clicking the image below.

7.Introduction to Chemistry Unit Test3.**The Periodic Table**

1. The Periodic Table Introduction

2. Atomic Number

- In this section, you will use information embedded in the structure of the periodic table to help you predict the relative properties of elements.

3.Stable Ions

- In this section, you will discover more information embedded in the structure of the periodic table regarding each atom's protons, neutrons, and electrons.

4.Valence Electrons 1

- In this section, you will describe electrons in the outermost energy level of atoms in the periodic table that are helpful in making predictions.

5. Protons and Isotopes

- In this section, you will identify the components of the periodic table, including the number of protons in an element, that are useful for making predictions.
- In this lesson you will explore this tendency in detail using a PhET® simulation titled Isotopes and Atomic Mass, which can be accessed by clicking the image below.

6.Historical Understandings

- In this section, you will examine historical experiments that led scientists to determine the structure of the atom and analyze the patterns in the periodic table.
- In this lesson you will explore Rutherford scattering in detail using a PhET® simulation titled Rutherford Scattering, which can be accessed by clicking in the image below.

7.Element Groupings

- In this section, you will describe how the arrangement of the main groups of the periodic table reflects the pattern of the outermost electrons.

8.Element Arrangement

- In this section, you will describe how the number of protons in an atom of an element is related to the element’s position on the periodic table.

9.Reactivity

- In this section, you will use the periodic table to predict the reactivity of atoms based on their outermost electrons.

10.Bonds

- In this section, you will use the periodic table to predict the number and types of chemical bonds that atoms of elements can form.

11.Ions

- In this section, you will examine the periodic table further and use energy level diagrams to predict the number and charges of stable ions that might form from specific atoms in the table.

12. The Periodic Table Apply

13. The Periodic Table Review

14. The Periodic Table Unit Test

4. **Particulate Electrical Forces**
    1. Particulate Electrical Forces Introduction
    2. Electrical Bonding Investigation
        - In this section, you will describe the relationship between electrical forces and measurable properties of a substance, such as melting point, boiling point, vapor pressure, and surface tension.
    3. Electrical Bonding Investigation Plan
        - In this section, you will plan an investigation to provide data to use as evidence supporting an inference about the electrical forces between particles in substances.
    4. Electrical Bonding Investigation Data
        - In this section, you will give reasons for choosing substances to compare and describe the composition of the substances at the atomic molecular level.
    5. Electrical Bonding Investigation Evidence
        - In this section, you will describe the data, number of trials, experimental setup, and equipment needed to perform an investigation of properties affected by particulate molecular forces.
    6. Electrical Bonding Particle Spacing
        - In this lesson you will learn that when substances undergo a phase transition, the molecules themselves remain intact but the spaces between them change.
    7. Electrical Bonding and Kinetic Energy
        - In this section, you will learn that when thermal energy is added to a substance, it causes an increase in the kinetic energy of the particles in that substance. This increased kinetic energy makes it more difficult for the attractive electrical forces to keep the particles close together.
    8. Electrical Bonding Molecular Level
        - In this section, you will learn to draw a more explicit connection between what happens at the microscopic scale during a phase change and what happens on the macroscopic scale.
    9. Electrical Bonding: Multiple Scales
        - In this section, you will understand how a causal relationship between microscopic phenomena and macroscopic phenomena is established.
    10. Electrical Bonding Investigation: Refining
        - In this lesson, you will refine the design of experiments by evaluating the results of an initial investigation.
    11. Electrical Forces Portfolio 1
        - In this lesson, you will learn how to ask questions to compare bulk properties of different substances to infer the strength of electrical forces between molecules in each substance.
        - In this lesson, you will learn how to plan an investigation for comparing the relative strength of electrical forces between molecules in two different substances by making measurements of bulk properties.
    12. Electrical Forces Portfolio 2
        - In this lesson, you will conduct your investigation, record data, and identify and eliminate sources of error while gathering evidence to infer the strength of electrical forces between particles.
    13. Electrical Forces Portfolio 3

  - In this lesson, you will evaluate your investigation comparing the structure of substances and the strength of electrical forces between particles to learn how scientific results are interpreted within the scientific community.
14. Particulate Electrical Forces Apply
15. Particulate Electrical Forces Review
16. Particulate Electrical Forces Unit Test

5. **Simple Chemical Reactions**
   1. Simple Chemical Reactions Introduction
   2. Patterns of Properties
      - In this section, you will use knowledge of the periodic table, patterns of chemical properties, and understanding of electron energy levels to better understand chemical reactions.
   3. Balance of Atoms
      - In this section, you will explain the fact that the total number of atoms of each element is the same in the reactants and the products of a chemical reaction.
      - In this lesson you will explore reactions in detail using a PhET® simulation titled Reactants, Products and Leftovers, which can be accessed by clicking the image below.
   4. Covalent and Ionic Bonding
      - In this section, you will use valence electron states and electronegativity to explain a simple chemical reaction, including the numbers and types of bonds that each atom forms.
   5. Valence Electrons
      - In this section, you will explain how the outcome of a simple chemical reaction is based on the valence electron state of the atoms involved and their position in the periodic table.
   6. Patterns of Attraction
      - In this section, you will construct an explanation of how patterns of attraction between atoms can allow the prediction of the type of reaction that occurs.
   7. Composition and Formulas
      - In this section, you will learn how to determine percent compositions, empirical formulas, and molecular formulas.
      - In this section, you will predict the chemical formulas for simple ionic and molecular compounds.
   8. Chemical Equations
      - In this section, you will identify and describe the valence electrons and chemical formulas of the reactants and products of chemical reactions.
   9. Balanced Reactions
      - In this section, you will explain a chemical reaction by identifying that both the number and types of atoms are present before and after the reaction.
      - In this lesson you will practice balancing equations using a PhET® simulation titled Balancing Chemical Equations, which can be accessed by clicking the image below.
   10. Bonding of Atoms in Reactions
       - In this section, you will identify the number and types of bonds in reactants and products of chemical reactions.

11. Types of Reactions
    - In this section, you will describe the characteristics of redox, acid-base, synthesis, and single- and double-replacement chemical reactions.
    - In this section, you will use models to predict the products of chemical reactions.
    - In this section, you will learn how to classify chemical reactions as combustion reactions.
12. Chemical Reaction Predictions
    - In this section, you will explain, using evidence-based reasoning, how the patterns of valence electrons and electronegativity of elements are used to predict the number and types of bonds each element forms and that these patterns operate the same today as in the past and as they will in the future.
13. Macroscopic Patterns of Reactivity
    - In this section, you will describe how observable patterns of reactivity of elements in the periodic table are caused by patterns of valence electrons and electronegativities.
14. Explaining Reactions
    - In this section, you will construct a revised or expanded explanation about the outcome of a chemical reaction and use evidence to justify the revision.
15. Simple Chemical Reactions Apply
16. Simple Chemical Reactions Review
17. Simple Chemical Reactions Unit Test

6. Energy In Chemical Reactions I

1. Energy In Chemical Reactions I Intro
2. Total Bond Energy
    - In this section, you will develop a model to illustrate that the release or absorption of energy from a chemical reaction depends upon the changes in total bond energy.
3. The Reaction System
    - In this section, you will develop a model of a chemical reaction system that identifies the chemical reaction, the system, and the surroundings.
4. Broken Bonds
    - Create a model of a chemical reaction system illustrating the substances present at the beginning and end of a specific reaction, as well as the events that take place during the reaction that result in the transformation.
5. Forming Bonds
    - In this section, you will develop a model of a chemical reaction system that identifies the bonds that are formed during the reaction.
6. Energy Transfer 1
    - In this section, you will develop a model of a chemical reaction system that identifies the energy transfer between the system and its components or the system and its surroundings.
7. Potential and Kinetic Energy
    - In this section, you will analyze the transformation between potential and kinetic energies and the interface between a system and its surroundings.

8. Relative Potential Energy 1
    - In this section, you will develop a model of a chemical reaction system that describes the relative potential energies of the reactants and the products.
9. Energy In Chemical Reactions I Apply
10. Energy In Chemical Reactions I Review
11. Energy in Chemical Reactions I Unit Test

7. Reaction Rates

1. Reaction Rates Portfolio Day 1
    - In this section, you will use evidence to explain the effects of changing the temperature or concentration of chemical reaction rates, including the idea that as the kinetic energy of colliding particles increases and the number of collisions increases, the reaction rate increases.
    - In this section, you will evaluate evidence to explain how increasing the concentration of reactants causes an increase in the rate of a chemical reaction.
2. Reaction Rates Portfolio Day 2
    - In this section, you will evaluate evidence to explain how increasing the temperature of reactants causes an increase in the rate of a chemical reaction.
3. Reaction Rates Portfolio Day 3
    - In this section, you will describe how changing the concentration or temperature of reactants affects the rate of a chemical reaction.

8. Chemistry A Semester Review and Exam

1. Chemistry A Semester Review
2. Chemistry A Semester Exam

Semester B Summary: In this second of two courses that comprise Chemistry, the student will explore the fundamental concepts of chemistry, while engaging in hands-on and virtual lab experiments, and interdisciplinary problem-solving activities.

The student will build on prior knowledge to learn about how energy is transformed in chemical reactions, construct explanations of how energy and matter are related, apply the conversation of mass to calculate and compare quantities of substances in reactions, and develop models of nuclear processes.

Semester B Outline

1. **Course Overview**
    1. Chemistry B Course Overview
2. **Conservation of Mass**
    1. Conservation of Mass Introduction
    2. Balanced Chemical Equations
        - In this section, you will see how a chemical reaction is represented mathematically to indicate that the mass, or number of atoms, is conserved during a chemical reaction.
    3. Claiming Conservation

- In this section, you will support the claim that the number of atoms of elements in a reaction, and, therefore, the mass of those elements, does not change when reactants are converted to products.

4. Mathematical Representations
    - In this section, you will examine mathematical representations of a chemical equation to support the claim that atoms, and thus mass, are conserved during chemical reactions.
5. Use the Mole
    - In this section, you will convert between moles and grams.
6. Reactants vs. Products
    - In this section, you will predict relative numbers of atoms in reactants versus products for chemical reactions.
7. Calculating Mass
    - In this section, you will calculate the unknown masses of parts of a chemical reaction using the known mass of one part of that reaction.
8. Specific Mass Conversions
    - In this section, you will describe how mathematical representations support a claim that atoms, and therefore mass, are conserved during a chemical reaction.
9. Mass and Atoms
    - In this section, you will convert the mass of a substance from the macroscopic to the atomic scale using moles and Avogadro's number.
10. Conservation of Mass Apply
11. Conservation of Mass Review
12. Conservation of Mass Unit Test

3. **Solutions, Acids, and Bases**
    1. Solutions, Acids, and Bases Introduction
    2. Solutes and Solvents
        - In this section, you will use models to explain how solutes dissolve in solvents.
        - In this section, you will explore how temperature and pressure affect the solubility of different solutes.
        - In this lesson you will explore concentration in detail using the PhET® simulation, "Concentration," which you will find by clicking the image below.
    3. Ions in Polar Solvents
        - In this section, you will construct a model that shows how ionic substances dissolve in polar solvents.
    4. Solutions, Acids and Bases Portfolio 1
        - In this section, you'll observe and ask questions about the conductivity of a solution.
    5. Solutions, Acids and Bases Portfolio 2
        - In this section, you will design and explain the concepts behind an experiment to predict the conductivity of different solutions.
        - In this section, you will carry out the experiment that you designed to test the conductivity of

various solutions.

6. Solutions, Acids and Bases Portfolio 3
    - In this section, you will evaluate and conclude your investigation by explaining the data as evidence of the conductivity of common ionic and covalent substances in solution.
7. Ph, Acids and Bases
    - In this section, you will use the concept of pH as a model to predict the relative properties of strong, weak, concentrated, and dilute acids and bases.
    - In this section, you will comment on the strengths of two acids or two bases with similar composition.
    - In this lesson you will explore pH in detail using a PhET® simulation, “pH Scale,” which you will find here.
8. Acid Base Solutions
    - In this lesson you will explore acids and bases in detail using a PhET® simulation, “Acid-Base Solutions,” which you will find here.
    - In this lesson you will explore acids in detail using a PhET® simulation, “Acid-Base Solutions,” which you will find here.
    - In this lesson you will explore bases in detail using a PhET® simulation,“ Acid-Base Solutions,” which you will find here.
9. Solutions, Acids, and Bases Apply
10. Solutions, Acids, and Bases Review
11. Solutions, Acids, and Bases Unit Test

4. **Chemical Reaction Systems**
    1. Chemical Reaction Systems Introduction
    2. Concentrations at Equilibrium
        - In this section, you will describe changes in a chemical reaction system that will affect the concentrations of a chemical species at equilibrium.
    3. Changing One Component
        - In this section, you will use Le Chatelier’s principle to explain how product quantities in a chemical reaction system change when any of the components change.
    4. Changing Reaction Rates
        - In this section, you will discover how Le Chatelier’s principle can be used to predict the impacts on a chemical reaction of changes in temperature, pressure, or concentration leading to a return to dynamic equilibrium.
    5. Equilibrium and Stability
        - In this section, you will explore how a reaction at equilibrium changes at the molecular level when it seems to be stable and unchanging at the macroscopic level.
    6. Chemical Technology
        - In this section, you will use information to explain how the use of chemistry-related technologies has had positive and negative implications.
    7. Forces and Function

In this section, you will describe the attractive and repulsive forces that determine how a material will function.

8. Designing a Chemical System
   - In this section, you will describe criteria and constraints to refine a design for a chemical system.
9. Evaluating Design
   - In this section, you will evaluate refinements to the design of a chemical system based on criteria and constraints.
10. Using Organic Compounds
    - In this section, you will evaluate the design and function of products and processes that meet specific needs in relation to the molecular structures and functional groups of organic compounds.
11. Refining Design
    - In this section, you will refine a designed system by making tradeoffs to optimize the system to increase the amount of product, and provide reasoning for the design decision.
12. Chemical Reaction Systems Apply
13. Chemical Reaction Systems Review
14. Chemical Reaction Systems Unit Test

5. **Gases**
   1. Gases Introduction
   2. Gases Under Pressure
      - In this section, you will describe the relationships among pressure, temperature, and volume of an enclosed gas when only the amount of gas is constant.
      - In this lesson you will explore this law in detail using a PhET® simulation titled Gases Intro, which can be accessed by clicking the image below.
      - In this section, you will determine molar quantities using computational thinking based on the ideal gas law.
   3. Gases Portfolio Day 1
      - In this section, you will ask questions about the behavior of ideal gases.
   4. Gases Portfolio Day 2
      - In this section, you will design an investigation to explain the behavior of ideal gases.
      - In this section, you will examine design and implementation of investigations to explain the behavior of ideal gases.
   5. Gases Portfolio Day 3
      - In this section, you will evaluate and conclude investigations to explain the behavior of ideal gases.
   6. Gases Apply
   7. Gases Review
   8. Gases Unit Test
6. **Nuclear Processes**

    1. Nuclear Processes Introduction
    2. Energy Release
        - In this section, you will describe parts of a model that shows the composition of the nucleus of the atom.
    3. Modeling Nuclear Processes
        - In this section, you will develop models that show the relationships between components that underlie several nuclear processes.
    4. Modeling Fusion
        - In this section, you will develop a model that shows a process called nuclear fusion in which two nuclei merge to form a single, larger nucleus.
    5. Modeling Fission
        - In this section, you will develop a model that shows a process called nuclear fission in which a nucleus splits into two or more parts.
    6. Radioactive Decay Energy
        - In this section, you will develop models of radioactive decay that show the differences in the types of energy and/or particles released.
    7. Alpha Particle Emission
        - In this section, you will develop a radioactive decay model that classifies alpha decay as a type of nuclear fission and beta and gamma decays as not nuclear fission.
    8. Nuclear Processes Apply
    9. Nuclear Processes Review
    10. Nuclear Processes Unit Test
7. **Chemistry B Semester Review and Exam**
    1. Chemistry B Semester Review
    2. Chemistry B Semester Exam

NC Standards for K-12 Science, Chemistry (2023) Science: Chemistry	Chemistry A/B	
	Unit Name	Lesson Name
Chemistry		
Matter and its Interactions		
PS.Chm.1 Analyze the structure of atoms and isotopes.		
PS.Chm.1.1 Use models to explain how the scientific understanding of atomic structure has evolved.	Introduction to Chemistry	• Atomic Composition of Molecules
PS.Chm.1.2 Use models to compare nuclear reactions including alpha decay, beta decay and gamma decay; nuclear fusion and nuclear fission.	Nuclear Processes	• Modeling Nuclear Processes
PS.Chm.1.3 Use models to explain how electrons are distributed in atoms.	Introduction to Chemistry	• Atomic Composition of Molecules
PS.Chm.2 Understand the physical and chemical properties of atoms based on their position in the Periodic Table.		
PS.Chm.2.1 Use the Periodic Table as a model to predict the relative properties of elements based on the pattern of valence electrons in the outermost energy levels of atoms.	The Periodic Table	• Valence Electrons 1
PS.Chm.2.2 Construct an explanation to infer the atomic size, reactivity, electronegativity, and ionization energy of an element based on its position in the Periodic Table.	The Periodic Table	• Reactivity • The Periodic Table Apply
PS.Chm.3 Understand the bonding that occurs in simple compounds in terms of bond type, strength, and properties.		
PS.Chm.3.1 Analyze and interpret data to explain the mechanisms and properties of the two main types of intramolecular (ionic and covalent) bonds.	The Periodic Table	• Bonds
PS.Chm.3.2 Construct an explanation to summarize the influences intermolecular forces have on the properties of chemical compounds.	Simple Chemical Reactions	• Bonding of Atoms in Reactions
PS.Chm.3.3 Use models to predict chemical names and formulas including ionic (binary & ternary), acidic, and binary covalent compounds.	Solutions, Acids, and Bases	• Ions in Polar Solvents
PS.Chm.4 Analyze chemical reactions in terms of quantities, product formation, and energy.		
PS.Chm.4.1 Use models to explain the exothermic or endothermic nature of chemical changes.	Incorporate and assign an activity to use models to explain the exothermic or endothermic nature of chemical changes.	
PS.Chm.4.2 Carry out investigations to predict the outcome of simple chemical reactions that obey the Law of Conservation of Mass.	Incorporate and assign an activity to carry out investigations to predict the outcome of simple chemical reactions that obey the Law of Conservation of Mass.	

PS.Chm.4.3 Use mathematics and computational thinking to analyze quantitatively the composition of a substance (empirical formula, molecular formula, percent composition, and mole conversions).	Incorporate and assign an activity to use mathematics and computational thinking to analyze quantitatively the composition of a substance (empirical formula, molecular formula, percent composition, and mole conversions).	
PS.Chm.4.4 Use mathematics and computational thinking to apply the mole concept in the stoichiometric relationships inherent in chemical reactions.	Simple Chemical Reactions	• Explaining Reactions
PS.Chm.5 Understand the factors affecting rate of reaction and chemical equilibrium.		
PS.Chm.5.1 Carry out investigations to explain the effects of temperature, surface area, stirring, the concentration of reactants, and the presence of catalysts on the rate of chemical reactions according to Collision Theory.	Incorporate and assign an activity to carry out investigations to explain the effects of temperature, surface area, stirring, the concentration of reactants, and the presence of catalysts on the rate of chemical reactions according to Collision Theory.	
PS.Chm.5.2 Analyze and interpret data to predict how stressors on a reaction (concentration, temperature, pressure) would shift equilibrium.	Incorporate and assign an activity to analyze and interpret data to predict how stressors on a reaction (concentration, temperature, pressure) would shift equilibrium.	
PS.Chm.6 Understand solutions and the solution process.		
PS.Chm.6.1 Carry out investigations to summarize the factors that affect the formation and properties of solutions.	Solutions, Acids, and Bases	• Solutions, Acids, and Bases Introduction
PS.Chm.6.2 Use models to explain the quantitative nature of a solution (molarity, dilution, titration).	Incorporate and assign an activity to use models to explain the quantitative nature of a solution (molarity, dilution, titration).	
PS.Chm.6.3 Carry out investigations to compare properties and behaviors (qualitative and quantitative) of acids and bases.	Solutions, Acids, and Bases	• Acid Base Solutions
Energy		
PS.Chm.7 Understand the relationship among pressure, temperature, volume, and phase.		
PS.Chm.7.1 Use models to explain how changes in energy affect the arrangement and movement of the particles in solids, liquids, and gases, as well as the relative strengths of their intermolecular forces.	Energy In Chemical Reactions I	• Total Bond Energy • Potential and Kinetic Energy
PS.Chm.7.2 Use mathematics and computational thinking to execute simple calorimetric calculations based on the Law of Conservation of Energy.	Energy In Chemical Reactions I	• Potential and Kinetic Energy
PS.Chm.7.3 Use mathematics and computational thinking to explain the relationships among pressure, temperature, volume, and quantity of gas, both qualitatively and quantitatively.	Gases	• Gases Under Pressure

NC Standards for English Language Arts (2017)
English: Grade 10

Reading Standards for Literature

Key Ideas and Evidence

RL.9-10.1 Cite strong and thorough textual evidence to support analysis of what the text says explicitly as well as inferences drawn from the text.

RL.9-10.2 Determine a theme of a text and analyze in detail its development over the course of the text, including how it emerges and is shaped and refined by specific details; provide an objective summary of the text.

RL.9-10.3 Analyze how complex characters develop over the course of a text, interact with other characters, and advance the plot or develop the theme.

Craft and Structure

RL.9-10.4 Determine the meaning of words and phrases as they are used in the text; analyze the cumulative impact of specific word choices on meaning andtone.

RL.9-10.5 Analyze how an author’s choices concerning how to structure a text, order events within it, and manipulate time create effects such as mystery, tension, or surprise.

RL.9-10.6 Analyze a particular perspective or cultural experience reflected in a work of literature from outside the United States, drawing on a wide reading ofworld literature.

Integration of Ideas and Analysis

RL.9-10.7 Analyze the representation of a subject or a key scene in two different artistic mediums, including what is emphasized or absent in each treatment.

RL.9-10.8 Not applicable to literature.

RL.9-10.9 Analyze how an author adopts or adapts source material in a specific work.

Range of Reading and Level of Complexity

RL.9-10.10 By the end of grade 10, read and understand literature at the high end of the 9-10 text complexity band proficiently and independently for sustained periods of time. Connect prior knowledge and experiences to text.

Reading Standards for Informational Text

Key Ideas and Evidence

RI.9-10.1 Cite strong and thorough textual evidence to support analysis of what the text says explicitly as well as inferences drawn from the text.

RI.9-10.2 Determine a central idea of a text and analyze its development over the course of the text, including how it emerges and is shaped and refined by specific details; provide an objective summary of the text.

RI.9-10.3 Analyze how the author unfolds an analysis or series of ideas or events including the order in which the points are made, how they are introduced and developed, and the connections that are drawn between them.

Craft and Structure

RI.9-10.4 Determine the meaning of words and phrases as they are used in a text; analyze the cumulative impact of specific word choices on meaning and tone.
RI.9-10.5 Analyze how an author’s ideas or claims are developed and refined by particular sentences, paragraphs, or larger portions of a text.
RI.9-10.6 Determine an author’s point of view or purpose in a text and analyze how an author uses rhetoric to advance that point of view or purpose.
Integration of Ideas and Analysis
RI.9-10.7 Analyze various accounts of a subject told in different mediums, determining which details are emphasized in each account.
RI.9-10.8 Delineate and evaluate the argument and specific claims in a text, assessing whether the reasoning is valid and the evidence is relevant and sufficient; identify false statements and fallacious reasoning.

RI.9-10.9 Analyze influential documents of historical and literary significance, including how they address related themes and concepts.

Range of Reading and Level of Complexity
RI.9-10.10 By the end of grade 10, read and understand informational texts at the high end of the 9-10 text complexity band proficiently and independently for sustained periods of time. Connect prior knowledge and experiences to text.
Writing Standards
Text Types, Purposes, and Publishing
W.9-10.1 Write arguments to support claims in an analysis of substantive topics or texts, using valid reasoning and relevant and sufficient evidence.
a. Organize information and ideas around a topic to plan and prepare to write.
b. Introduce precise claim(s), distinguish the claim(s) from alternate or opposing claims, and create an organization that establishes clear relationships among claim(s), counterclaims, reasons, and evidence.
c. Develop claim(s) and counterclaims fairly, supplying evidence for each while pointing out the strengths and limitations of both in a manner that anticipates the audience’s knowledge level and concerns.
d. Use words, phrases, and clauses to link the major sections of the text, create cohesion, and clarify the relationships between claim(s) and reasons, between reasons and evidence, and between claim(s) and counterclaims.
e. Establish and maintain a formal style and objective tone while attending to the norms and conventions of the discipline in which they are writing.

f. Provide a concluding statement or section that follows from and supports the argument presented.
g. Develop and strengthen writing as needed by revising, editing, rewriting, or trying a new approach, focusing on addressing what is most significant for a specific purpose and audience.
W.9-10.2 Write informative/explanatory texts to examine and convey complex ideas, concepts, and information clearly and accurately through the effective selection, organization, and analysis of content.
a. Organize information and ideas around a topic to plan and prepare to write.
b. Introduce a topic; organize complex ideas, concepts, and information to make important connections and distinctions; include formatting, graphics, and multimedia when useful to aiding comprehension.
c. Develop the topic with well-chosen, relevant, and sufficient facts, extended definitions, concrete details, quotations, or other information and examples appropriate to the audience’s knowledge of the topic.
d. Use appropriate and varied transitions to link the major sections of the text, create cohesion, and clarify the relationships among complex ideasand concepts.
e. Use precise language and domain-specific vocabulary to manage the complexity of the topic.
f. Establish and maintain a formal style and objective tone while attending to the norms and conventions of the discipline in which they are writing.
g. Provide a concluding statement or section that follows from and supports the information or explanation presented.
h. Develop and strengthen writing as needed by revising, editing, rewriting, or trying a new approach, focusing on addressing what is most significant for a specific purpose and audience.
W.9-10.3 Write narratives to develop real or imagined experiences or events using effective technique, well-chosen details, and well-structured event sequences.
a. Organize information and ideas around a topic to plan and prepare to write.
b. Engage and orient the reader by setting out a problem, situation, or observation, establishing one or multiple point(s) of view, and introducing a narrator and/or characters; create a smooth progression of experiences or events.
c. Use narrative techniques, such as dialogue, pacing, description, reflection, and multiple plot lines, to develop experiences, events, and/or characters.

d. Use a variety of techniques to sequence events so that they build on one another to create a coherent whole.
e. Use precise words and phrases, telling details, and sensory language to convey a vivid picture of the experiences, events, setting, and/orcharacters.
f. Provide a conclusion that follows from and reflects on what is experienced, observed, or resolved over the course of the narrative.
g. Develop and strengthen writing as needed by revising, editing, rewriting, or trying a new approach, focusing on addressing what is most significant for a specific purpose and audience.
Research
W.9-10.4 Use digital tools and resources to produce, publish, and update individual or shared writing products, taking advantage of technology’s capacity to link to other information and to display information flexibly and dynamically.
W.9-10.5 Conduct short as well as more sustained research projects to answer a question (including a self-generated question) or solve a problem; narrow or broaden the inquiry when appropriate; synthesize multiple sources on the subject, demonstrating understanding of the subject under investigation.
W.9-10.6 Gather relevant information from multiple authoritative print and digital sources, using advanced searches effectively; assess the usefulness of each source in answering the research question; integrate information into the text selectively to maintain the flow of ideas, avoiding plagiarism and following a standard format for citation.
Speaking and Listening Standards
Collaboration and Communication
SL.9-10.1 Initiate and participate effectively in a range of collaborative discussions (one-on-one, in groups, and teacher-led) with diverse partners on grades
a. Come to discussions prepared, having read and researched material under study; explicitly draw on that preparation by referring to evidence from texts and other research on the topic or issue to stimulate a thoughtful, well-reasoned exchange of ideas.
b. Work with peers to set rules for collegial discussions and decision-making, clear goals and deadlines, and individual roles as needed.
c. Propel conversations by posing and responding to questions that relate the current discussion to broader themes or larger ideas; actively incorporate others into the discussion; and clarify, verify, or challenge ideas and conclusions.
d. Respond thoughtfully to diverse perspectives, summarize points of agreement and disagreement, and, when warranted, qualify or justify their own views and understanding and make new connections in light of the evidence and reasoning presented.
SL.9-10.2 Integrate multiple sources of information presented in diverse media or formats, evaluating the credibility and accuracy of each source.

SL.9-10.3 Evaluate a speaker’s point of view, reasoning, and use of evidence and rhetoric, identifying any fallacious reasoning or exaggerated or distorted evidence.
Presentation of Knowledge and Ideas
SL.9-10.4 Present information, findings, and supporting evidence clearly, concisely, and logically such that listeners can follow the line of reasoning and the organization, development, substance, and style are appropriate to purpose, audience, and task.
SL.9-10.5 Make strategic use of digital media in presentations to enhance understanding of findings, reasoning, and evidence and to add interest.
Language Standards
Conventions of Standard English
L.9-10.1 Demonstrate command of the conventions of standard English grammar and usage when writing or speaking; demonstrate proficiency within the 9-12 grammar continuum. (See Language Standards – Grammar Continuum page 7.)
L.9-10.2 Demonstrate command of the conventions of standard English capitalization, punctuation, and spelling when writing; demonstrate proficiency within the 9-12 conventions continuum. (See Language Standards – Conventions Continuum page 10.)
Knowledge of Language
L.9-10.3 Apply knowledge of language to understand how language functions in different contexts, to make effective choices for meaning or style, and to comprehend more fully when reading or listening.
a. Write and edit work so that it conforms to the guidelines in a style manual appropriate for the discipline and writing type.
b. Use parallel structure.
Vocabulary Acquisition and Use
L.9-10.4 Determine and/or clarify the meaning of unknown and multiple-meaning words and phrases based on grades 9–10 reading and content, choosing flexibly from a range of strategies: context clues, word parts, word relationships, and reference materials.
L.9-10.5 Demonstrate understanding of figurative language and nuances in word meanings.
a. Interpret figures of speech in context and analyze their role in the text based on grades 9-10 reading and content.
b. Analyze nuances in the meaning of words with similar denotations.

L.9-10.6 Acquire and use accurately general academic and domain-specific words and phrases, sufficient for reading, writing, speaking, and listening at the college and career readiness level; demonstrate independence in developing vocabulary knowledge when considering a word or phrase important to comprehension or expression.

English 10 A/B	
Unit Name	**Lesson Name**
Studying Literary Text	• Literary Text Evidence • Studying Literary Text Apply
Studying Literary Text	• Theme • Summarizing Literary Text • Studying Literary Text Apply
Studying Literary Text	• Character Development • Studying Literary Text Apply
Studying Literary Text	• Literary Word Choice • Studying Literary Text Apply
Studying Literary Text	• Studying Plot • Studying Literary Text Apply
Analyzing Literary Text	• Cultural Context • Analyzing Literary Text Apply
Analyzing Literary Text	• Two Media • Analyzing Literary Text Apply
Analyzing Literary Text	• Source Material • Analyzing Literary Text Apply
Analyzing Literary Text	• Analyzing Literary Text Apply Extend Analyzing Literary Text: Analyzing Literary Text Apply to connect prior experiences to text.
Studying Informational Text	• Informational Text Evidence • Studying Informational Text Apply
Studying Informational Text	• Central Ideas • Summarizing Informational Text
Studying Informational Text	• Summarizing Informational Text • Studying Informational Text Apply

Studying Informational Text	• Informational Text Word Choice • Studying Informational Text Apply
Studying Informational Text	• Developing Ideas • Studying Informational Text Apply
Analyzing Literary Text	• Rhetoric • Information Text Point of View • Analyzing Informational Text Apply
Analyzing Informational Text	• Multiple Accounts • Analyzing Informational Text Apply
Analyzing Informational Text	• Argument in Text • Reasoning • Analyzing Informational Text Apply
Analyzing Informational Text	• U.S. Seminal Documents • European Seminal Documents • Analyzing Informational Text Apply
Analyzing Informational Text	• Analyzing Informational Text Apply Extend Analyzing Informational Text: Analyzing Informational Text Apply to connect prior experiences to text.
Writing Argumentative Text	• Writing Argumentative Text Portfolio 1
Writing Argumentative Text	• Introducing an Argument • Organization • Style • Writing Argumentative Text Apply • Writing Argumentative Text Portfolio 2
Writing Argumentative Text	• Criteria • Development • Writing Argumentative Text Portfolio 2
Writing Argumentative Text	• Writing Argumentative Text Portfolio 2
Writing Argumentative Text	• Development • Writing Argumentative Text Portfolio 2

Writing Argumentative Text	• Conclusion • Writing Argumentative Text Portfolio 2
Writing Argumentative Text	• Writing Argumentative Text Portfolio 3
Book Review	• Book Review Portfolio 3
Writing Explanatory Text	• Organizing Explanatory Text • Writing Explanatory Text Portfolio 1
Writing Explanatory Text	• Format and Style • Writing Explanatory Text Portfolio 2 Extend Writing Explanatory Text: Format and Style to include formatting, graphics, and multimedia when useful to aiding comprehension.
Writing Explanatory Text	• Developing the Topic • Writing Explanatory Text Portfolio 2 Extend Writing Explanatory Text: Format and Style to include extended definitions and concrete details.
Writing Explanatory Text	• Connections and Transitions • Writing Explanatory Text Portfolio 2
Writing Explanatory Text	• Format and Style • Writing Explanatory Text Portfolio 2
Writing Explanatory Text	• Format and Style • Writing Explanatory Text Portfolio 2
Writing Explanatory Text	• Informational Text Conclusions • Writing Explanatory Text Portfolio 3
Writing Explanatory Text	• Writing Explanatory Text Portfolio 3
Writing Narrative Text	• Writing Narrative Text Portfolio 1
Writing Narrative Text	• Beginning a Narrative • Plot in a Narrative • Writing Narrative Text Portfolio 1 • Writing Narrative Text Portfolio 2
Writing Narrative Text	• Writing Narrative Text Portfolio 1

Writing Narrative Text	• Plot in a Narrative • Writing Narrative Text Portfolio 1 • Writing Narrative Text Portfolio 2
Writing Narrative Text	• Language • Writing Narrative Text Portfolio 2
Writing Narrative Text	• Writing Narrative Text Portfolio 3
Writing Narrative Text	• Writing Narrative Text Portfolio 3
Writing Argumentative Text	• Writing Argumentative Text Portfolio 3
Research and Presentation	• Research Portfolio 1 • Research Portfolio 2
Research and Presentation	• Topic • Compiling Research • Research Portfolio 1 • Research Portfolio 2
Research and Presentation	• Sources • Compiling Research • Research Portfolio 1 • Research Portfolio 2
Discussion and Debate (A)	• Discussion Participation
Discussion and Debate (A)	• Discussions • Discussion Participation
Discussion and Debate (A)	• Civil Discourse • Discussion Participation Extend Discussion and Debate (A): Discussion Participation to actively incorporate others into the discussion.
Discussion and Debate (A)	• Civil Discourse • Discussion Conclusions • Discussion Participation
Research and Presentation	• Sources • Presenting • Research Portfolio 1 • Research Portfolio 2

Research and Presentation	• Critiquing Presentations Extend Research and Presentation: Critiquing Presentations to identify any fallacious reasoning or exaggerated or distorted evidence.
Research and Presentation	• Presenting • Research Portfolio 2 • Research Portfolio 3
Research and Presentation	• Research Portfolio 2
Book Review	• Book Review Portfolio 3
Book Review	• Book Review Portfolio 3
Writing Argumentative Text	• Writing Argumentative Text Portfolio 2 • Writing Argumentative Text Portfolio 3
Research and Presentation	• Presenting • Research and Presentation Portfolio 2
Research and Presentation	• Presenting • Research Portfolio 2
Analyzing Informational Text	• Word Meanings
Book Review	• Book Review Portfolio 3
Language and Style	• Figures of Speech • Language and Style Apply
Language and Style	• Mood and Sensory Language

Analyzing Informational Text	• Text Structures Extend Analyzing Informational Text: Text Structures to demonstrate independence in developing vocabulary knowledge when considering a word or phrase important to comprehension or expression.
Research and Presentation	• Research and Presentation Portfolio 2
Book Review	• Book Review Portfolio 3

NC Standards for English Language Arts (2017)
Language Arts: Grade 5

Reading Standards for Literature

Key Ideas and Evidence

RL.5.1 Quote accurately from a text when explaining what the text says explicitly and when drawing inferences from the text.

RL.5.2 Determine a theme of a story, drama, or poem from details in the text, including how characters in a story or drama respond to challenges or how the speaker in a poem reflects upon a topic; summarize the text.

RL.5.3 Compare and contrast two or more characters, settings, or events in a story or drama, drawing on specific details in the text.

Craft and Structure

RL.5.4 Determine the meaning of words and phrases as they are used in a text, recognizing specific word choices that contribute to meaning and tone.

RL.5.5 Explain how chapters, scenes, or stanzas provide the overall structure of a particular story, drama, or poem.

RL.5.6 Describe how a narrator’s or speaker’s point of view influences how events are described.

Integration of Ideas and Analysis

RL.5.7 Analyze how visual and multimedia elements contribute to the meaning, tone, or aesthetics of a text.

RL.5.8 Not applicable to literature.

RL.5.9 Compare and contrast stories in the same genre on their approaches to similar themes and topics.

Range of Reading and Level of Complexity

RL.5.10 By the end of grade 5, read and understand literature at the high end of the 4-5 text complexity band proficiently and independently for sustained periods of time. Connect prior knowledge and experiences to text.

Reading Standards for Informational Text

Key Ideas and Evidence

RI.5.1 Quote accurately from a text when explaining what the text says explicitly and when drawing inferences from the text.

RI.5.2 Determine two or more main ideas of a text and explain how they are supported by key details;

summarize the text.
RI.5.3 Explain the relationships or interactions between two or more individuals, events, ideas, or concepts in a historical, scientific, or technical text basedon specific information in the text.
Craft and Structure
RI.5.4 Determine the meaning of general academic and domain-specific words and phrases in a text relevant to a grade 5 topic or subject area.
RI.5.5 Compare and contrast the overall structure of events, ideas, concepts, or information in two or more texts.
RI.5.6 Analyze multiple accounts of the same event or topic, noting important similarities and differences in the point of view they represent.
Integration of Ideas and Analysis
RI.5.7 Draw on information from multiple print or digital sources, demonstrating the ability to locate an answer to a question or to solve a problem efficiently.
RI.5.8 Explain how an author uses reasons and evidence to support particular points in a text, identifying which reasons and evidence support which point(s).
RI.5.9 Integrate information from several texts on the same topic in order to write or speak about the subject knowledgeably.
Range of Reading and Level of Complexity
RI.5.10 By the end of grade 5, read and understand informational texts at the high end of the 4-5 text complexity band proficiently and independently for sustained periods of time. Connect prior knowledge and experiences to text.
Reading Standards for Foundational Skills
Handwriting
RF.5.2 Create readable documents through legible handwriting (cursive).
Phonics and Word Recognition
RF.5.4 Know and apply grade-level phonics and word analysis skills in decoding words.
a. Use combined knowledge of all letter-sound correspondences, syllabication patterns, and morphology to read accurately unfamiliar multisyllabic words in context and out of context.
Fluency
RF.5.5 Read with sufficient accuracy and fluency to support comprehension.

a. Read on-level text with purpose and understanding.
b. Read on-level prose and poetry orally with accuracy, appropriate rate, and expression on successive readings.
c. Use context to confirm or self-correct word recognition and understanding, rereading as necessary.
Writing Standards
Text Types, Purposes, and Publishing
W.5.1 Write opinion pieces on topics or texts, supporting a point of view with reasons and information.
a. Organize information and ideas around a topic to plan and prepare to write.
b. Introduce a topic or text clearly, state an opinion, and create an organizational structure in which ideas are logically grouped to support the writer's purpose.
c. Provide logically ordered reasons that are supported by facts and details.
d. Link opinion and reasons using words, phrases, and clauses.
e. Provide a concluding statement or section related to the opinion presented.
f. With guidance and support from peers and adults, develop and strengthen writing as needed by revising, editing, rewriting, or trying a new approach, with consideration to task, purpose, and audience.
W.5.2 Write informative /explanatory texts to examine a topic and convey ideas and information clearly.
a. Organize information and ideas around a topic to plan and prepare to write.
b. Introduce a topic clearly, provide a general observation and focus, and group related information logically; include formatting, illustrations, and multimedia when useful to aiding comprehension.
c. Develop the topic with facts, definitions, concrete details, quotations, or other information and examples related to the topic.
d. Link ideas within and across categories of information using words, phrases, and clauses.
e. Use precise language and domain-specific vocabulary to inform about or explain the topic.
f. Provide a concluding statement or section related to the information or explanation presented.
g. With guidance and support from peers and adults, develop and strengthen writing as needed by

revising, editing, rewriting, or trying a new approach, with consideration to task, purpose, and audience.
W.5.3 Write narratives to develop real or imagined experiences or events using effective technique, descriptive details, and clear event sequences.
a. Organize information and ideas around a topic to plan and prepare to write.
b. Orient the reader by establishing a situation and introducing a narrator and/or characters; organize an event sequence that unfolds naturally.
c. Use narrative techniques, such as dialogue, description, and pacing to develop experiences and events or show the responses of characters to situations.
d. Use a variety of transitional words, phrases, and clauses to manage the sequence of events.
e. Use concrete words and phrases and sensory details to convey experiences and events precisely.
f. Provide a conclusion that follows from the narrated experiences or events.
g. With guidance and support from peers and adults, develop and strengthen writing as needed by revising, editing, rewriting, or trying a new approach, with consideration to task, purpose, and audience.
W.5.4 With some guidance and support from adults, use digital tools and resources to produce and publish writing as well as to interact and collaborate with others; demonstrate sufficient command of word processing skills.
Research
W.5.5 Conduct short research projects that use several sources to build knowledge through investigation of different aspects of a topic.
W.5.6 Recall relevant information from experiences or gather relevant information from print and digital sources; summarize or paraphrase information in notes and finished work and provide a list of sources.
Speaking and Listening Standards
Collaboration and Communication
SL.5.1 Engage effectively in a range of collaborative discussions (one-on-one, in groups, and teacher-led) with diverse partners on grade 5 topics and texts, building on others' ideas and expressing their own clearly.
a. Come to discussions prepared, having read or studied required material; explicitly draw on that preparation and other information known about the topic to explore ideas under discussion.
b. Follow agreed-upon rules for discussions and carry out assigned roles.

c. Pose and respond to specific questions by making comments that contribute to the discussion and elaborate on the remarks of others.

d. Review the key ideas expressed and draw conclusions in light of information and knowledge gained from the discussions.

SL.5.2 Summarize a written text read aloud or information presented in diverse media and formats, including visually, quantitatively, and orally.

SL.5.3 Summarize the points a speaker makes and explain how each claim is supported by reasons and evidence.

Presentation of Knowledge and Ideas

SL.5.4 Report on a topic or text or present an opinion, sequencing ideas logically and using appropriate facts and relevant, descriptive details to support main ideas or themes; adapt speech to a variety of contexts and tasks.

SL.5.5 Include multimedia components and visual displays in presentations when appropriate to enhance the development of main ideas or themes.

Language Standards

Conventions of Standard English

L.5.1 Demonstrate command of the conventions of standard English grammar and usage when writing or speaking; demonstrate proficiency within the 4-5 grammar continuum.

L.5.2 Demonstrate command of the conventions of standard English capitalization, punctuation, and spelling when writing; demonstrate proficiency within the 4-5 conventions continuum.

Knowledge of Language

L.5.3 Use knowledge of language and its conventions when writing, speaking, reading, or listening.

a. Expand, combine, and reduce sentences for meaning, reader/listener interest, and style.

b. Compare and contrast the varieties of English used in stories, dramas, or poems.

Vocabulary Acquisition and Use

L.5.4 Determine and/or clarify the meaning of unknown and multiple-meaning words and phrases

based on grade 5 reading and content, choosing flexibly from a range of strategies: context clues, word parts, word relationships, and reference materials.
L.5.5 Demonstrate understanding of figurative language and nuances in word meanings.
a. Interpret figurative language, including similes and metaphors, in context.
b. Recognize and explain the meaning of common idioms, adages, and proverbs.
L.5.6 Acquire and use accurately grade-appropriate general academic and domain-specific words and phrases, including those that signal contrast, addition, and other logical relationships.
Language Standards – Grammar Continuum
Subject/Verb Agreement
Continue to ensure subject/verb agreement
Nouns
Use abstract nouns (such as courage)
Continue to use regular and irregular plural nouns
Verbs
Form and use progressive verb tenses
Use modal auxiliaries (such as may or must)
Continue to form and use the perfect verb tenses

Convey sense of various times, sequences, states, and conditions
Recognize and correct inappropriate shifts in verb tense
Adjectives
Form and use comparative and superlative adjectives and accurately choose which to use – adjective or adverb
Order adjectives within sentences according to conventional patterns
Conjunctions
Continue to use coordinating and subordinating conjunctions
Use correlative conjunctions (such as either/or)
Adverbs
Form and use comparative and superlative adverbs
Use relative adverbs
Sentences
Produce complete sentences, while recognizing and correcting inappropriate fragments and run-on sentences
Produce, expand, and rearrange simple, compound, and complex sentences
Prepositions
Form and use prepositional phrases
Pronouns

Ensure pronoun-antecedent agreement
Use relative pronouns
Commonly Confused Words
Correctly use frequently confused words (such as to, two, too)
Interjections
Continue to use interjections
Phrases and Clauses
Explain the function of phrases and clauses
Recognize independent and dependent phrases and clauses
Language Standards – Conventions Continuum
Capitalization
Capitalize appropriate words in titles
Continue to use correct capitalization
Punctuation
Use punctuation to separate items in a series
Continue to use commas in addresses
Continue to use commas in dialogue
Continue to use quotation marks in dialogue
Use a comma before a coordinating conjunction in a compound sentence
Use commas and quotations to mark direct speech and quotations from a text
Use a comma to separate an introductory element from the rest of a sentence
Use a comma to set off the words yes and no
Use a comma to set off a tag question from the rest of the sentence
Use a comma to indicate a direct address
Use underlining, quotation marks, or italics to indicate titles of works

Spelling
Continue to use conventional spelling for high frequency words and other studied words
Continue to use conventional spelling for adding suffixes to base words
Continue to use spelling patterns and generalizations when writing words
Spell grade-appropriate words correctly
References
Continue to consult reference materials as needed to check and correct spellings

Language Arts 5 A/B

Unit Name	Lesson Name
Good Leaders	• Good Leaders: Fluency
Open Minds	• Open Minds: Speak/Listen • Open Minds: Fluency
Say it With Poetry	• Say it With Poetry: Speak/Listen
Family Relationships	• Family Relationships: Comprehension
Characters and Their Values	• Characters and Values: Fluency
Plays Can Tell a Message	• Plays Can Tell a Message: Comprehension • Plays Can Tell a Message: Fluency
Funny and Inspiring	• Funny and Inspiring: Synthesize
Say it With Poetry	• Say it With Poetry: Comprehension • Say it With Poetry: Fluency
Believe in Yourself	• Believe in Yourself: Speak/Listen • Believe in Yourself: Fluency
Characters and Their Values	• Characters and Values: Speak/Listen • Characters and Values: Fluency
Follow Your Heart	• Follow Your Heart: Speak/Listen
Reactions Show Character	• Reactions and Character: Genre • Reactions and Character: Comprehension
Say it With Poetry	• Say it With Poetry: Comprehension • Say it With Poetry: Fluency
Plays Can Tell a Message	• Plays Can Tell a Message: Genre • Plays Can Tell a Message: Fluency
Believe in Yourself	• Believe in Yourself: Comprehension • Believe in Yourself: Fluency
Stronger Together	• Stronger Together: Speak/Listen
Showing the World: Synthesize	• Showing the World: Synthesize
Influencers Making a Difference	• Making a Difference: Speak/Listen

Branches of Government	• Branches of Government: Genre
Starting a New Life	• Starting a New Life: Comprehension • Starting a New Life: Fluency
Rights and Freedoms	• Rights and Freedoms: Comprehension
Justice for All	• Justice for All: Comprehension
Information in Social Media	• Social Media: Fluency
Learning from Our Ancestors	• Learning from Our Ancestors: Speak/Listen • Learning from Our Ancestors: Fluency
Branches of Government	• Branches of Government: Fluency
Protecting Data	• Protecting Data: Fluency • Protecting Data: Synthesize
Get Ready to Vote	• Get Ready to Vote: Fluency
Stronger Together	• Stronger Together: Comprehension • Stronger Together: Fluency
Protecting Data	• Protecting Data: Comprehension • Protecting Data: Fluency
Starting a New Life	• Starting a New Life: Comprehension • Starting a New Life: Fluency
Branches of Government	• Branches of Government: Comprehension
Shared Interests	• Shared Interests: Genre
Characters and Their Values	• Characters and Values: Comprehension
Follow Your Heart	• Follow Your Heart: Write
Get Ready to Vote	• Get Ready to Vote: Genre • Get Ready to Vote: Comprehension
Characters and Their Values	• Characters and Their Values: Comprehension
Say it With Poetry	• Say it With Poetry: Comprehension • Say it With Poetry: Speak/Listen

Robot Helpers	• Robot Helpers: Fluency
Robot Helpers	• Robot Helpers: Fluency
Say it With Poetry	• Say it With Poetry: Comprehension • Say it With Poetry: Speak/Listen • Say it With Poetry: Fluency
Family Relationships	• Family Relationships: Comprehension
Robot Helpers	• Robot Helpers: Comprehension
Believe in Yourself	• Believe in Yourself: Comprehension
Believe in Yourself	• Believe in Yourself: Comprehension • Believe in Yourself: Speak/Listen • Believe in Yourself: Fluency
Dare to Dream	• Dare to Dream: Genre • Dare to Dream: Comprehension
Dare to Dream	• Dare to Dream: Speak/Listen
Dare to Dream	• Dare to Dream: Fluency
Dare to Dream	• Dare to Dream: Genre
Follow Your Heart	• Follow Your Heart: Genre • Follow Your Heart: Comprehension • Follow Your Heart: Speak/Listen
What Makes You Unique?	• What Makes You Unique?: Comprehension
What Makes You Unique?	• What Makes You Unique?: Comprehension • What Makes You Unique?: Speak/Listen • What Makes You Unique?: Synthesize
Justice for All	• Justice for All: Genre • Justice for All: Comprehension
What Makes You Unique?	• What Makes You Unique?: Speak/Listen
Protecting Data	• Protecting Data: Comprehension
Protecting Data	• Protecting Data: Genre
What Makes You Unique?	• What Makes You Unique?: Fluency
Protecting Data	• Protecting Data: Fluency
Protecting Data	• Protecting Data: Speak/Listen • Protecting Data: Synthesize

Robot Helpers	• Robot Helpers: Genre • Robot Helpers: Comprehension • Robot Helpers: Speak/Listen
Characters Who Are Kind	• Kind Characters: Comprehension
Characters Who Are Kind	• Kind Characters: Comprehension • Kind Characters: Speak/Listen
Characters Who Are Kind	• Kind Characters: Speak/Listen • Kind Characters: Synthesize
Family Values	• Family Values: Comprehension • Family Values: Speak/Listen
Reactions Show Character	• Reactions and Character: Comprehension • Reactions and Characters: Speak/Listen
Family Values	• Family Values: Comprehension • Family Values: Speak/Listen
Family Values	• Family Values: Fluency
Reactions Show Character	• Reactions and Character: Genre • Reactions and Character: Speak/Listen • Reactions and Character: Fluency
Family Values	• Family Values: Synthesize
Reactions Show Character	• Reactions and Character: Speak/Listen • Reactions and Character: Fluency • Reactions and Character: Write
Branches of Government	• Branches of Government: Comprehension • Branches of Government: Speak/Listen • Branches of Government: Fluency
Branches of Government	• Branches of Government: Fluency
Justice for All	• Justice for All: Speak/Listen • Justice for All: Fluency
Call to Action	• Call to Action: Speak/Listen • Call to Action: Fluency • Call to Action: Fluency Discussion
Immigrant Stories	• Immigrant Stories: Speak/Listen
Call to Action	• Call to Action: Fluency

Don't Give Up!	• Don't Give Up!: Speak/Listen
Good Leaders	• Good Leaders: Fluency
Robot Helpers	• Robot Helpers: Speak/Listen
Plays Can Tell a Message	• Plays Can Tell a Message: Synthesize
Don't Give Up!	• Don't Give Up!: Speak/Listen
Open Minds	• Open Minds: Speak/Listen
Influencers Making a Difference	• Influencers Making a Difference: Fluency
Family Values	• Family Values: Speak/Listen
Reactions Show Character	• Reactions Show Character: Speak/Listen
Information in Social Media	• Social Media: Speak/Listen
Justice for All	• Justice for All: Speak/Listen
Justice for All	• Justice for All: Comprehension • Justice for All: Speak/Listen
Reactions Show Character	• Reactions and Character: Fluency
Robot Helpers	• Robot Helpers: Comprehension
Justice for All	• Justice for All: Fluency
Reactions Show Character	• Reactions and Character: Fluency
Robot Helpers	• Robot Helpers: Comprehension
Justice for All	• Justice for All: Fluency
What Makes You Unique?	• What Makes You Unique?: Genre • What Makes You Unique?: Comprehension • What Makes You Unique?: Fluency
Protecting Data	• Protecting Data: Genre • Protecting Data: Comprehension • Protecting Data: Fluency
Information in Social Media	• Social Media: Genre • Social Media: Comprehension • Social Media: Speak/Listen
Characters Who Are Kind	• Kind Characters: Comprehension
Plays Can Tell a Message	• Plays Can Tell a Message: Speak/Listen
Family Relationships	• Family Relationships: Genre • Family Relationships: Comprehension

Reactions Show Character	• Reactions and Character: Fluency
Showing the World	• Showing the World: Comprehension
Call to Action	• Call to Action: Comprehension
Characters Who Are Kind	• Kind Characters: Comprehension • Kind Characters: Speak/Listen • Kind Characters: Fluency • Kind Characters: Synthesize
Family Values	• Family Values: Genre • Family Values: Comprehension • Family Values: Speak/Listen • Family Values: Fluency • Family Values: Synthesize
Characters and Their Values	• Characters and Values: Genre • Characters and Values: Comprehension • Characters and Values: Speak/Listen
Get Ready to Vote	• Get Ready to Vote: Genre • Get Ready to Vote: Comprehension • Get Ready to Vote: Speak/Listen
Starting a New Life	• Starting a New Life: Genre • Starting a New Life: Comprehension
Incorporate and assign an activity to use abstract nouns.	
Get Ready to Vote	• Get Ready to Vote: Genre • Get Ready to Vote: Comprehension • Get Ready to Vote: Fluency
Justice for All: Fluency	• Justice for All: Fluency
Unearthing the Past	• Unearthing the Past: Genre • Unearthing the Past: Comprehension
Unearthing the Past	• Unearthing the Past: Genre • Unearthing the Past: Comprehension • Unearthing the Past: Speak/Listen
Unearthing the Past	• Unearthing the Past: Genre • Unearthing the Past: Comprehension
Unearthing the Past	• Unearthing the Past: Genre • Unearthing the Past: Comprehension • Unearthing the Past: Speak/Listen

Learning from Our Ancestors	• Learning from Our Ancestors: Genre • Learning from Our Ancestors: Comprehension • Learning from Our Ancestors: Speak/Listen
Immigrant Stories	• Immigrant Stories: Genre • Immigrant Stories: Comprehension • Immigrant Stories: Speak/Listen
Incorporate and assign an activity to form and use comparative and superlative adjectives and accurately choose which to use – adjective or adverb.	
Incorporate and assign an activity to order adjectives within sentences according to conventional patterns.	
Believe in Yourself	• Believe in Yourself: Genre • Believe in Yourself: Fluency
Starting a New Life	• Starting a New Life: Comprehension
Believe in Yourself	• Believe in Yourself: Fluency
Don't Give Up!	• Don't Give Up!: Speak/Listen
Incorporate and assign an activity to form and use comparative and superlative adverbs.	
Protecting Data	• Protecting the Data: Genre
Robot Helpers	• Robot Helpers: Genre • Robot Helpers: Comprehension
Information in Social Media	• Social Media: Genre
Robot Helpers	• Robot Helpers: Comprehension
What Makes You Unique?	• What Makes You Unique?: Genre • What Makes You Unique?: Comprehension • What Makes You Unique?: Fluency
Protecting Data	• Protecting Data: Fluency
Robot Helpers	• Robot Helpers: Comprehension
Starting a New Life	• Starting a New Life: Comprehension
Believe in Yourself	• Believe in Yourself: Comprehension • Believe in Yourself: Fluency

Starting a New Life	• Starting a New Life: Speak/Listen
Protecting Data	• Protecting the Data: Genre • Protecting the Data: Fluency
Robot Helpers	• Robot Helpers: Genre • Robot Helpers: Comprehension
Reactions Show Character	• Reactions and Character: Fluency
Don't Give Up!	• Don't Give Up!: Genre
Dare to Dream	• Dare to Dream: Genre • Dare to Dream: Comprehension • Dare to Dream: Fluency
Reactions Show Character	• Reactions and Character: Comprehension
Reactions Show Character	• Reactions and Character: Comprehension
Justice for All	• Justice for All: Fluency
Justice for All	• Justice for All: Fluency
Showing the World	• Showing the World: Genre • Showing the World: Comprehension • Showing the World: Speak/Listen
Call to Action	• Call to Action: Comprehension • Call to Action: Speak/Listen
Call to Action	• Call to Action: Comprehension
Call to Action	• Call to Action: Comprehension
Starting a New Life	• Starting a New Life: Comprehension
Good Leaders	• Good Leaders: Fluency
Showing the World	• Showing the World: Synthesize
Call to Action	• Call to Action: Comprehension
Call to Action	• Call to Action: Genre
Call to Action	• Call to Action: Comprehension
Call to Action	• Call to Action: Comprehension
Call to Action	• Call to Action: Comprehension • Call to Action: Speak/Listen
Stronger Together	• Stronger Together: Genre • Stronger Together: Comprehension • Stronger Together: Speak/Listen

Influencers Making a Difference	• Making a Difference: Genre • Making a Difference: Speak/Listen
Characters and Their Values	• Characters and Values: Comprehension
Reactions Show Character	• Reactions and Characters: Fluency
Don't Give Up!	• Don't Give Up!: Genre
Unearthing the Past	• Unearthing the Past: Genre • Unearthing the Past: Comprehension • Unearthing the Past: Fluency
Good Leaders	• Good Leaders: Fluency
Say it With Poetry	• Say it With Poetry: Fluency
Characters and Their Values	• Characters and Values: Comprehension
Reactions Show Character	• Reactions and Characters: Fluency
Don't Give Up!	• Don't Give Up!: Genre
Characters and Their Values	• Characters and Values: Comprehension
Reactions Show Character	• Reactions and Characters: Fluency

NC Standards for English Language Arts (2017)
Language Arts: Grade 7

Reading Standards for Literature

Key Ideas and Evidence

RL.7.1 Cite several pieces of textual evidence to support analysis of what the text says explicitly as well as inferences drawn from the text.

RL.7.2 Determine a theme of a text and analyze its development over the course of the text; provide an objective summary of the text.

RL.7.3 Analyze how particular elements of a story or drama interact.

Craft and Structure

RL.7.4 Determine the meaning of words and phrases as they are used in a text; analyze the impact of rhymes and repetitions of sounds on meaning and tone in a specific line or section of a literary work.

RL.7.5 Analyze how a drama’s or poem’s (or other literary genre’s) form or structure contributes to its meaning.

RL.7.6 Analyze how an author develops and contrasts the perspectives of different characters in a text.

Integration of Ideas and Analysis

RL.7.7 Compare and contrast a written story, drama, or poem to its audio, filmed, staged, or multimedia version, analyzing the effects of techniques unique to each medium.

RL.7.8 Not applicable to literature.

RL.7.9 Compare and contrast a fictional portrayal of a time, place, or character and a historical account of the same period as a means of understanding how authors of fiction use or alter history.

Range of Reading and Level of Complexity

RL.7.10 By the end of grade 7, read and understand literature within the 6-8 text complexity band proficiently and independently for sustained periods of time. Connect prior knowledge and experiences to text.

Reading Standards for Informational Text

Key Ideas and Evidence

RI.7.1 Cite several pieces of textual evidence to support analysis of what the text says explicitly as well as inferences drawn from the text.

RI.7.2 Determine two or more central ideas in a text and analyze their development over the course of the text; provide an objective summary of the text.

RI.7.3 Analyze the interactions between individuals, events, and ideas in a text.

Craft and Structure
RI.7.4 Determine the meaning of words and phrases as they are used in a text; analyze the impact of a specific word choice on meaning and tone.
RI.7.5 Analyze the structure an author uses to organize a text, including how the major sections contribute to the whole and to the development of the ideas.
RI.7.6 Determine an author's point of view or purpose in a text and analyze how the author distinguishes his or her position from that of others.
Integration of Ideas and Analysis
RI.7.7 Compare and contrast a text to an audio, video, or multimedia version of the text, analyzing each medium's portrayal of the subject.
RI.7.8 Trace and evaluate the argument and specific claims in a text, assessing whether the reasoning is sound and the evidence is relevant and sufficient to support the claims.
RI.7.9 Analyze how two or more authors writing about the same topic shape their presentations of key information by emphasizing different evidence or advancing different interpretations of facts.
Range of Reading and Level of Complexity
RI.7.10 By the end of grade 7, read and understand informational texts within the 6-8 text complexity band proficiently and independently for sustained periods of time. Connect prior knowledge and experiences to text.
Writing Standards
Text Types, Purposes, and Publishing
W.7.1 Write arguments to support claims with clear reasons and relevant evidence.
a. Organize information and ideas around a topic to plan and prepare to write.
b. Introduce claim(s), acknowledge alternate or opposing claims, and organize the reasons and evidence logically.
c. Support claim(s) with logical reasoning and relevant evidence, using accurate, credible sources and demonstrating an understanding of the topic or text.
d. Use words, phrases, and clauses to create cohesion and clarify the relationships among claim(s), reasons, and evidence.
e. Establish and maintain a formal style.
f. Provide a concluding statement or section that follows from and supports the argument presented.

g. With some guidance and support from peers and adults, develop and strengthen writing as needed by revising, editing, rewriting, or trying a new approach, focusing on how well purpose and audience have been addressed.
W.7.2 Write informative/explanatory texts to examine a topic and convey ideas, concepts, and information through the selection, organization, and analysisof relevant content.
a. Organize information and ideas around a topic to plan and prepare to write.
b. Introduce a topic clearly, previewing what is to follow; organize ideas, concepts, and information, using strategies such as definition, classification, comparison/contrast, and cause/effect; include formatting, graphics, and multimedia when useful to aiding comprehension.
c. Develop the topic with relevant facts, definitions, concrete details, quotations, or other information and examples.
d. Use appropriate transitions to create cohesion and clarify the relationships among ideas and concepts.
e. Use precise language and domain-specific vocabulary to inform about or explain the topic.
f. Establish and maintain a formal style.
g. Provide a concluding statement or section that follows from and supports the information or explanation presented.
h. With some guidance and support from peers and adults, develop and strengthen writing as needed by revising, editing, rewriting, or trying a new approach, focusing on how well purpose and audience have been addressed.
W.7.3 Write narratives to develop real or imagined experiences or events using effective technique, relevant descriptive details, and well-structured event sequences.
a. Organize information and ideas around a topic to plan and prepare to write.
b. Engage and orient the reader by establishing a context and point of view and introducing a narrator and/or characters; organize an event sequence that unfolds naturally and logically.
c. Use narrative techniques, such as dialogue, pacing, and description, to develop experiences, events, and/or characters.
d. Use a variety of transition words, phrases, and clauses to convey sequence and signal shifts from one time frame or setting to another.
e. Use precise words and phrases, relevant descriptive details, and sensory language to capture the action and convey experiences and events.
f. Provide a conclusion that follows from and reflects on the narrated experiences or events.

g. With some guidance and support from peers and adults, develop and strengthen writing as needed by revising, editing, rewriting, or trying a new approach, focusing on how well purpose and audience have been addressed.
W.7.4 Use digital tools and resources to produce and publish writing, link to and cite sources, and to interact and collaborate with others.
Research
W.7.5 Conduct short research projects to answer a question, drawing on several sources and generating additional related, focused questions for further research and investigation.
W.7.6 Gather relevant information from multiple print and digital sources, using search terms effectively; assess the credibility and accuracy of each source; and quote or paraphrase the data and conclusions of others while avoiding plagiarism and following a standard format for citation.
Speaking and Listening Standards
Collaboration and Communication
SL.7.1 Engage effectively in a range of collaborative discussions (one on one, in groups, and teacher-led) with diverse partners on grade 7 topics, texts, and issues, building on others' ideas and expressing their own clearly.
a. Come to discussions prepared, having read or researched material under study; explicitly draw on that preparation by referring to evidence on the topic, text, or issue to probe and reflect on ideas under discussion.
b. Follow rules for collegial discussions, track progress toward specific goals and deadlines, and define individual roles as needed.
c. Pose questions that elicit elaboration and respond to others' questions and comments with relevant observations and ideas that bring the discussion back on topic as needed.
d. Acknowledge new information expressed by others and, when warranted, modify their own views.
SL.7.2 Analyze the main ideas and supporting details presented in diverse media and formats and explain how the ideas clarify a topic, text, or issue under study.
SL.7.3 Delineate a speaker's argument and specific claims, evaluating the soundness of the reasoning and the relevance and sufficiency of the evidence.
Presentation of Knowledge and Ideas
SL.7.4 Present claims and findings, emphasizing salient points in a focused, coherent manner with pertinent descriptions, facts, details, and examples; adapt speech to a variety of contexts and tasks.

SL.7.5 Include multimedia components and visual displays in presentations to clarify claims and findings and emphasize salient points.
Language Standards
Conventions of Standard English
L.7.1 Demonstrate command of the conventions of standard English grammar and usage when writing or speaking; demonstrate proficiency within the 6-8 grammar continuum.
L.7.2 Demonstrate command of the conventions of standard English capitalization, punctuation, and spelling when writing; demonstrate proficiency within the 6-8 conventions continuum.
Knowledge of Language
L.7.3 Use knowledge of language and its conventions when writing, speaking, reading, or listening.
a. Choose language that expresses ideas precisely and concisely, recognizing and eliminating wordiness and redundancy.
Vocabulary Acquisition and Use
L.7.4 Determine and/or clarify the meaning of unknown and multiple-meaning words and phrases based on grade 7 reading and content, choosing flexibly from a range of strategies: context clues, word parts, word relationships, and reference materials.
L.7.5 Demonstrate understanding of figurative language and nuances in word meanings.
a. Interpret figures of speech in context based on grade 7 reading and content.
b. Distinguish among the connotations of words with similar denotations.
L.7.6 Acquire and use accurately grade-appropriate general academic and domain-specific words and phrases; develop vocabulary knowledge when considering a word or phrase important to comprehension or expression.
Language Standards – Grammar Continuum
Subject/Verb Agreement
Continue to ensure subject/verb agreement
Verbs
Explain the function of verbals (such as gerunds or participles)
Form and use verbs in active & passive voice

Form and use indicative, imperative, interrogative, conditional moods
Recognize and correct inappropriate shifts in voice and mood
Form and use transitive/intransitive verbs
Adjectives
Form and use compound adjectives
Adverbs
Use adverbs that modify adjectives
Use adverbs that modify adverbs
Sentences
Continue to produce complete sentences, while recognizing and correcting inappropriate fragments and run-on sentences
Choose among simple, compound, complex, and compound-complex sentences to signal differing relationships among ideas
Pronouns
Ensure that pronouns are in the proper case (subjective, objective, possessive)
Use intensive pronouns
Recognize and correct inappropriate shifts in pronoun number and person
Recognize and correct vague pronouns
Continue to ensure pronoun-antecedent agreement
Recognize and apply the nominative case and objective case
Commonly Confused Words
Continue to correctly use frequently confused words
Phrases and Clauses

Explain the function of phrases and clauses in general and their function in specific sentences
Place phrases and clauses within a sentence and recognize/correct misplaced and dangling modifiers
Form and use indirect/direct objects
Usage
Recognize variations from standard English in their own and others’ writing and speaking
Identify and use strategies to improve expression in conventional language
Language Standards – Conventions Continuum
Punctuation
Use punctuation to set off nonrestrictive/parenthetical elements
Use a comma to separate coordinate adjectives
Use punctuation to indicate a pause or break
Use an ellipsis to indicate an omission
Use a semicolon to link two or more closely related independent clauses
Use a colon to introduce a list or quotation
Apply hyphen conventions
Spelling
Consistently apply conventional rules to spell words correctly
References
Continue to consult reference materials as needed to check and correct spellings

Language Arts 7 A/B

Unit Name	Lesson Name
Reading Literary Text	• Inferential and Explicit Evidence • Reading Literary Text Apply
Reading Literary Text	• Central Idea or Theme • Summarizing Literary Text
Reading Literary Text	• Interactions of Story Elements • Reading Literary Text Apply
Analyzing Literary Text	• Analyzing Literary Text Portfolio 2
Reading Literary Text	• Figurative and Connotative Meaning • Rhyme and Alliteration • Reading Literary Text Apply
Analyzing Literary Text	• Drama Form and Structure • Poem Form and Structure
Language and Style	• Stylistic Techniques • Language and Style Apply
Analyzing Literary Text	• Analyzing Literary Text Portfolio 1 • Analyzing Literary Text Apply
Analyzing Literary Text	• Comparing Text and Media
Novel Study 5	• Novel Study 5
Novel Study 2	• Novel Study 2
Novel Study 4	• Novel Study 4
Novel Study 5	• Novel Study 5
Novel Study 6	• Novel Study 6
Reading Informational Text	• Identifying Evidence • Providing Evidence • Supporting Inferences
Reading Informational Text	• Two or More Central Ideas • Analyzing Central Ideas • Summarizing Text
Reading Informational Text	• Analyzing Interactions

Reading Informational Text	• Meaning and Word Choice
Reading Informational Text	• Analyzing Interactions
Analyzing Informational Text	• Analyzing Info Text Portfolio 1 • Analyzing Info Text Portfolio 3
Analyzing Informational Text	• Analyzing Info Text Portfolio 2 • Analyzing Info Text Portfolio 3
Analyzing Informational Text	• Comparing Print and Media
Analyzing Informational Text	• Tracing an Argument • Assessing Reasoning • Evaluating Evidence
Analyzing Informational Text	• Emphasizing Different Evidence • Interpreting Facts • Analyzing Informational Text Apply
Reading Informational Text	• Two or More Central Ideas • Summarizing Text • Reading Informational Text Apply Extend Reading Informational Text: Reading Informational Text Apply to connect prior knowledge and experiences to text.
Writing an Argument	• Organizing Reasons and Evidence • Writing an Argument: Portfolio 1
Writing an Argument	• Developing Claims • Opposing Claims • Organizing Reasons and Evidence
Writing an Argument	• Organizing Reasons and Evidence • Identifying Credible Sources • Claims, Reasons, and Evidence • Writing an Argument: Portfolio 1
Writing an Argument	• Cohesion
Writing an Argument	• Concluding an Argument
Writing an Argument	• Concluding an Argument

Writing an Argument	• Writing an Argument: Portfolio 1 • Writing an Argument: Portfolio 2 • Writing an Argument: Portfolio 3 Extend Writing an Argument: Writing an Argument: Portfolio 3 to include guidance and support from peers.
Writing Informative Text	• Writing Informative Text Portfolio 1
Writing Informative Text	• Writing an Introduction • Organizing Informational Text • Adding Graphics and Multimedia
Writing Informative Text	• Developing a Topic
Writing Informative Text	• Using Transitions • Writing Informative Text Portfolio 2
Writing Informative Text	• Using Precise and Formal Language • Writing Informative Text Portfolio 2
Writing Informative Text	• Using Precise and Formal Language
Writing Informative Text	• Writing an Effective Conclusion
Writing Informative Text	• Writing Informative Text Portfolio 1 • Writing Informative Text Portfolio 2 • Writing Informative Text Portfolio 3 Extend Writing Informative Text: Writing Informative Text Portfolio 3 to include guidance and support from peers.
Writing a Narrative	• Writing a Narrative Portfolio 1
Writing a Narrative	• Introducing a Narrative • Sequencing and Transitions
Writing a Narrative	• Using Dialogue • Pacing and Description • Description and Sensory Language
Writing a Narrative	• Sequencing and Transitions • Writing a Narrative Portfolio 2
Writing a Narrative	• Pacing and Description • Description and Sensory Language
Writing a Narrative	• Writing a Conclusion

Writing a Narrative	• Writing a Narrative Portfolio 1 • Writing a Narrative Portfolio 2 • Writing a Narrative Portfolio 3 Extend Writing a Narrative: Writing a Narrative Portfolio 3 to include guidance and support from peers.
Writing Informative Text	• Writing Informative Text Portfolio 3
Writing a Narrative	• Writing a Narrative Portfolio 3
Speaking and Listening	• Discussion Evidence • Speaking and Listening Apply
Research and Presentation	• Conducting Research Extend Research and Presentation: Conducting Research to generate additional related, focused questions for further research and investigation.
Research and Presentation	• Search Terms • Research Sources • Avoiding Plagiarism
Speaking and Listening	• Discussion Evidence • Discussion Protocols • Speaking and Listening Apply
Speaking and Listening	• Discussion Protocols
Speaking and Listening	• Discussion Protocols
Speaking and Listening	• Discussion Evidence • Discussion Protocols
Analyzing Informational Text	• Comparing Print and Media
Research and Presentation	• Clarifying the Topic
Research and Presentation	• Sound Reasoning • Evidence
Research and Presentation	• Research and Presentation Portfolio 1

Research and Presentation	• Research and Presentation Portfolio 2
Writing a Narrative	• Writing a Narrative Portfolio 2
Research and Presentation	• Research and Presentation Portfolio 2
Writing Informative Text	• Writing Informative Text Portfolio 2
Writing a Narrative	• Writing a Narrative Portfolio 2
Writing Informative Text	• Using Precise and Formal Language • Writing Informative Text Portfolio 1
Research and Presentation	• Research and Presentation Portfolio 2
Building Vocabulary	• Using Context Clues • Using Affixes and Roots • Using Reference Materials
Language and Style	• Synonyms and Antonyms • Analogies
Reading Literary Text	• Figurative and Connotative Meaning
Language and Style	• Allusions and Figures of Speech
Reading Literary Text	• Figurative and Connotative Meaning
Language and Style	• Connotations vs. Denotations
Writing Informative Text	• Using Precise and Formal Language
Building Vocabulary	• Using Reference Materials • Building Vocabulary Apply
Grammar and Punctuation	• Subject and Verb Agreement • Grammar and Punctuation Apply
Incorporate and assign an activity to explain the function of verbals (such as gerunds or participles).	
Research and Presentation	• Research and Presentation Portfolio 2

Incorporate and assign an activity to form and use indicative, imperative, interrogative, conditional moods	
Research and Presentation	• Research and Presentation Portfolio 2 Extend Research and Presentation: Research and Presentation Portfolio 2 to recognize and correct shifts in mood
Incorporate and assign an activity to form and use transitive/intransitive verbs.	
Grammar and Punctuation	• Adjectives and Adverbs • Grammar and Punctuation Apply
Grammar and Punctuation	• Adjectives and Adverbs • Grammar and Punctuation Apply
Grammar and Punctuation	• Adjectives and Adverbs
Writing Informative Text	• Writing Informative Text Portfolio 2
Grammar and Punctuation II	• Sentence Structure Signals • Choosing Sentence Structure • Grammar and Punctuation II Apply
Grammar and Punctuation	• Using Pronouns
Incorporate and assign an activity Grammar and Punctuation: Using Pronouns to use intensive pronouns.	
Grammar and Punctuation	• Using Pronouns
Grammar and Punctuation II	• More Phrases and Clauses
Incorporate and assign an activity in Grammar and Punctuation: Using Pronouns to recognize and correct vague pronouns.	
Grammar and Punctuation	• Using Pronouns
Incorporate and assign an activity in Grammar and Punctuation: Using Pronouns to recognize and apply the nominative case and objective case.	
Writing an Argument	• Writing an Argument: Portfolio 2

Grammar and Punctuation II	• Phrases and Clauses
Grammar and Punctuation II	• More Phrases and Clauses
Grammar and Punctuation	• Direct and Indirect Objects • Grammar and Punctuation Apply
Writing Informative Text	• Writing Informative Text Portfolio 2
Novel Study 6	• Novel Study 6
Research and Presentation	• Sound Reasoning Extend Research and Presentation: Sound Reasoning to recognize variations from standard English in others' writing.
Language and Style	• Language and Style Apply
Grammar and Punctuation II	• Grammar and Punctuation II Apply
Grammar and Punctuation	• Using Correct Punctuation • Grammar and Punctuation Apply
Grammar and Punctuation	• Using a Comma
Incorporate and assign an activity to use punctuation to indicate a pause or break.	
Incorporate and assign an activity to use an ellipsis to indicate an omission.	
Grammar and Punctuation	• Using Semicolons
Grammar and Punctuation	• Using Semicolons
Grammar and Punctuation	• Adjectives and Adverbs
Writing Informative Text	• Writing Informative Text Portfolio 2
Writing an Argument	• Writing an Argument: Portfolio 2
Writing a Narrative	• Writing a Narrative Portfolio 2

North Carolina Standards for Mathematics (2017)
Math 2

Standards for Math Practice

1. Make sense of problems and persevere in solving them.

2. Reason abstractly and quantitatively.

3. Construct viable arguments and critique the reasoning of others.

4. Model with mathematics.

5. Use appropriate tools strategically.

6. Attend to precision.

7. Look for and make use of structure.

8. Look for and express regularity in repeated reasoning.

Number and Quantity

The Real Number System

Extend the properties of exponents to rational exponents.

NC.M2.N-RN.1 Explain how expressions with rational exponents can be rewritten as radical expressions.

NC.M2.N-RN.2 Rewrite expressions with radicals and rational exponents into equivalent expressions using the properties of exponents.

Use properties of rational and irrational numbers.

NC.M2.N-RN.3 Use the properties of rational and irrational numbers to explain why:

- the sum or product of two rational numbers is rational;

- the sum of a rational number and an irrational number is irrational;

- the product of a nonzero rational number and an irrational number is irrational.

The Complex Number System

Defining complex numbers.

NC.M2.N-CN.1 Know there is a complex number *i* such that ^{2}= –1, and every complex number has the form + where and are real numbers.

Algebra

Seeing Structure in Expressions

Interpret the structure of expressions.

NC.M2.A-SSE.1 Interpret expressions that represent a quantity in terms of its context.

NC.M2.A-SSE.1a Identify and interpret parts of a quadratic, square root, inverse variation, or right triangle trigonometric expression, including terms, factors, coefficients, radicands, and exponents.

NC.M2.A-SSE.1b Interpret quadratic and square root expressions made of multiple parts as a combination of single entities to give meaning in terms of a context.

NC.M2.A-SSE.3 Write an equivalent form of a quadratic expression by completing the square, where a is an integer of a quadratic expression, ax^2+bx+c, to reveal the maximum or minimum value of the function the expression defines.

Arithmetic with Polynomial and Rational Expressions

Perform arithmetic operations on polynomials

NC.M2.A-APR.1 Extend the understanding that operations with polynomials are comparable to operations with integers by adding, subtracting, and multiplying polynomials.

Creating Equations

Create equations that describe numbers or relationships.

NC.M2.A-CED.1 Create equations and inequalities in one variable that represent quadratic, square root, inverse variation, and right triangle trigonometric relationships and use them to solve problems.

NC.M2.A-CED.2 Create and graph equations in two variables to represent quadratic, square root and inverse variation relationships between quantities.

NC.M2.A-CED.3 Create systems of linear, quadratic, square root, and inverse variation equations to model situations in context.

Reasoning with Equations and Inequalities

Understand solving equations as a process of reasoning and explain the reasoning.

NC.M2.A-REI.1 Justify a chosen solution method and each step of the solving process for quadratic, square root and inverse variation equations using mathematical reasoning.

NC.M2.A-REI.2 Solve and interpret one variable inverse variation and square root equations arising from a context, and explain how extraneous solutions may be produced.

Solve equations and inequalities in one variable.

NC.M2.A-REI.4 Solve for all solutions of quadratic equations in one variable.

NC.M2.A-REI.4a Understand that the quadratic formula is the generalization of solving $^{2}+ \quad +$ by using the process of completing the square.

NC.M2.A-REI.4b Explain when quadratic equations will have non-real solutions and express complex solutions as $a \pm bi$ for real numbers a and b.

Solve systems of equations.

NC.M2.A-REI.7 Use tables, graphs, and algebraic methods to approximate or find exact solutions of systems of linear and quadratic equations, and interpret the solutions in terms of a context.

Represent and solve equations and inequalities graphically.

NC.M2.A-REI.11 Extend the understanding that the x-coordinates of the points where the graphs of two square root and/or inverse variation equations $y = f(x)$ and $y = g(x)$ intersect are the solutions of the equation $f(x) = g(x)$ and approximate solutions using graphing technology or successive approximations with a table of values.

Functions

Interpreting Functions

Understand the concept of a function and use function notation.

NC.M2.F-IF.1 Extend the concept of a function to include geometric transformations in the plane by recognizing that:

- the domain and range of a transformation function f are sets of points in the plane;
- the image of a transformation is a function of its pre-image.

NC.M2.F-IF.2 Extend the use of function notation to express the image of a geometric figure in the plane resulting from a translation, rotation by multiples of 90 degrees about the origin, reflection across an axis, or dilation as a function of its pre-image.

Interpret functions that arise in applications in terms of the context.

NC.M2.F-IF.4 Interpret key features of graphs, tables, and verbal descriptions in context to describe functions that arise in applications relating two quantities, including: domain and range, rate of change, symmetries, and end behavior.

Analyze functions using different representations.

NC.M2.F-IF.7 Analyze quadratic, square root, and inverse variation functions by generating different representations, by hand in simple cases and using technology for more complicated cases, to show key features, including: domain and range; intercepts; intervals where the function is increasing, decreasing, positive, or negative; rate of change; maximums and minimums; symmetries; and end behavior.

NC.M2.F-IF.8 Use equivalent expressions to reveal and explain different properties of a function by developing and using the process of completing the square to identify the zeros, extreme values, and symmetry in graphs and tables representing quadratic functions, and interpret these in terms of a context.

NC.M2.F-IF.9 Compare key features of two functions (linear, quadratic, square root, or inverse variation functions) each with a different representation (symbolically, graphically, numerically in tables, or by verbal descriptions).

Building Functions

Build a function that models a relationship between two quantities.

NC.M2.F-BF.1 Write a function that describes a relationship between two quantities by building quadratic functions with real solution(s) and inverse variation functions given a graph, a description of a relationship, or ordered pairs (include reading these from a table).

Build new functions from existing functions.

NC.M2.F-BF.3 Understand the effects of the graphical and tabular representations of a linear, quadratic, square root, and inverse variation function f with $k \cdot f(x)$, $f(x)+k$, $f(x+k)$ for specific values of k (both positive and negative).

Geometry

Congruence

Experiment with transformations in the plane.

NC.M2.G-CO.2 Experiment with transformations in the plane.

- Represent transformations in the plane.
- Compare rigid motions that preserve distance and angle measure (translations, reflections, rotations) to transformations that do not preserve both distance and angle measure (e.g. stretches, dilations).
- Understand that rigid motions produce congruent figures while dilations produce similar figures.

NC.M2.G-CO.3 Given a triangle, quadrilateral, or regular polygon, describe any reflection or rotation symmetry i.e., actions that carry the figure onto itself. Identify center and angle(s) of rotation symmetry. Identify line(s) of reflection symmetry.
NC.M2.G-CO.4 Verify experimentally properties of rotations, reflections, and translations in terms of angles, circles, perpendicular lines, parallel lines, and line segments.
NC.M2.G-CO.5 Given a geometric figure and a rigid motion, find the image of the figure. Given a geometric figure and its image, specify a rigid motion or sequence of rigid motions that will transform
Understand congruence in terms of rigid motions.
NC.M2.G-CO.6 Determine whether two figures are congruent by specifying a rigid motion or sequence of rigid motions that will transform one figure onto the other.
NC.M2.G-CO.7 Use the properties of rigid motions to show that two triangles are congruent if and only if corresponding pairs of sides and corresponding pairs of angles are congruent.
NC.M2.G-CO.8 Use congruence in terms of rigid motion. Justify the ASA, SAS, and SSS criteria for triangle congruence. Use criteria for triangle congruence (ASA, SAS, SSS, HL) to determine whether two triangles are congruent.
Prove geometric theorems.
NC.M2.G-CO.9 Prove theorems about lines and angles and use them to prove relationships in geometric figures including:
• Vertical angles are congruent.
• When a transversal crosses parallel lines, alternate interior angles are congruent.

• When a transversal crosses parallel lines, corresponding angles are congruent.
• Points are on a perpendicular bisector of a line segment if and only if they are equidistant from the endpoints of the segment.
• Use congruent triangles to justify why the bisector of an angle is equidistant from the sides of the angle.
NC.M2.G-CO.10 Prove theorems about triangles and use them to prove relationships in geometric figures including:
• The sum of the measures of the interior angles of a triangle is 180º.
• An exterior angle of a triangle is equal to the sum of its remote interior angles.
• The base angles of an isosceles triangle are congruent.
• The segment joining the midpoints of two sides of a triangle is parallel to the third side and half the length.
Similarity, Right Triangles, and Trigonometry
Understand similarity in terms of similarity transformations.
NC.M2.G-SRT.1 Verify experimentally the properties of dilations with given center and scale factor:

NC.M2.G-SRT.1a When a line segment passes through the center of dilation, the line segment and its image lie on the same line. When a line segment does not pass through the center of dilation, the line segment and its image are parallel.
NC.M2.G-SRT.1b The length of the image of a line segment is equal to the length of the line segment multiplied by the scale factor.
NC.M2.G-SRT.1c The distance between the center of a dilation and any point on the image is equal to the scale factor multiplied by the distance between the dilation center and the corresponding point on the pre-image.
NC.M2.G-SRT.1d Dilations preserve angle measure.
NC.M2.G-SRT.2 Understand similarity in terms of transformations.
NC.M2.G-SRT.2a Determine whether two figures are similar by specifying a sequence of transformations that will transform one figure into the other.
NC.M2.G-SRT.2b Use the properties of dilations to show that two triangles are similar when all corresponding pairs of sides are proportional and all corresponding pairs of angles are congruent.
NC.M2.G-SRT.3 Use transformations (rigid motions and dilations) to justify the AA criterion for triangle similarity.
Prove theorems involving similarity.

NC.M2.G-SRT.4 Use similarity to solve problems and to prove theorems about triangles. Use theorems about triangles to prove relationships in geometric figures.

- A line parallel to one side of a triangle divides the other two sides proportionally and its converse.

- The Pythagorean Theorem

Define trigonometric ratios and solve problems involving right triangles.

NC.M2.G-SRT.6 Verify experimentally that the side ratios in similar right triangles are properties of the angle measures in the triangle, due to the preservation of angle measure in similarity. Use this discovery to develop definitions of the trigonometric ratios for acute angles.

NC.M2.G-SRT.8 Use trigonometric ratios and the Pythagorean Theorem to solve problems involving right triangles in terms of a context

NC.M2.G-SRT.12 Develop properties of special right triangles (45-45-90 and 30-60-90) and use them to solve problems.

Statistics and Probability

Making Inference and Justifying Conclusions

Understand and evaluate random processes underlying statistical experiments.

NC.M2.S-IC.2 Use simulation to determine whether the experimental probability generated by sample data is consistent with the theoretical probability based on known information about the population.

Conditional Probability and the Rules for Probability

Understand independence and conditional probability and use them to interpret data.

NC.M2.S-CP.1 Describe events as subsets of the outcomes in a sample space using characteristics of the outcomes or as unions, intersections and complements of other events.

NC.M2.S-CP.3 Develop and understand independence and conditional probability.

NC.M2.S-CP.3a Use a 2-way table to develop understanding of the conditional probability of A given B (written P(A|B)) as the likelihood that A will occur given that B has occurred. That is, P(A|B) is the fraction of event B’s outcomes that also belong to event A.

NC.M2.S-CP.3b Understand that event A is independent from event B if the probability of event A does not change in response to the occurrence of event B. That is P(A|B)=P(A).

NC.M2.S-CP.4 Represent data on two categorical variables by constructing a two-way frequency table of data. Interpret the two-way table as a sample space to calculate conditional, joint and marginal probabilities. Use the table to decide if events are independent.

NC.M2.S-CP.5 Recognize and explain the concepts of conditional probability and independence in everyday language and everyday situations.

Use the rules of probability to compute probabilities of compound events in a uniform probability model.
NC.M2.S-CP.6 Find the conditional probability of A given B as the fraction of B’s outcomes that also belong to A, and interpret the answer in context.
NC.M2.S-CP.7 Apply the Addition Rule, $P(A \text{ or } B) = P(A) + P(B) – P(A \text{ and } B)$, and interpret the answer in context.
NC.M2.S-CP.8 Apply the general Multiplication Rule $P(A \text{ and } B) = P(A)P(B \mid A) = P(B)P(A \mid B)$, and interpret the answer in context. Include the case where A and B are independent: $P(A \text{ and } B) = P(A) P(B)$.

Math 2 A/B	
Unit Name	**Lesson Name**
Systems of Equations and Inequalities	• Project: Supply the Demand
Right Triangle Trigonometry	• Project: Meteor
Numerical Expressions	• Project: Expressions Extend Numerical Expressions: Project: Expressions to critique the reasoning of others.
Quadratic Functions and Graphs	• Project: Mega Mansion
Geometric Figures	• Project: Crop Circles
Quadratic Functions and Graphs	• Project: Loop Area
Functions and Transformations	• Project: Postage Cost
Operations and Inverse Functions	• Radical Equations
Radical and Rational Expressions	• Rational Exponents Extend Radical and Rational Expressions: Rational Exponents to explain how expressions with rational exponents can be rewritten as radical expressions.
Radical and Rational Expressions	• Rational Exponents
Radical and Rational Expressions	• Operations with Radical Expressions Extend Radical and Rational Expressions: Operations to use the properties of rational and irrational numbers to explain why the sum or product of two rational numbers is rational.
Radical and Rational Expressions	• Operations with Radical Expressions Extend Radical and Rational Expressions: Operations with Radical Expressions to use the properties of rational and irrational numbers to explain why the sum of a rational number and an irrational number is irrational.

Radical and Rational Expressions	• Operations with Radical Expressions Extend Radical and Rational Expressions: Operations with Radical Expressions to use the properties of rational and irrational numbers to explain why the product of a nonzero rational number and an irrational number is irrational.
Quadratic Equations and Polynomials	• Complex Numbers
Quadratic Functions and Graphs	• Quadratic Function Models
Quadratic Equations and Polynomials	• Quadratic Equations
Operations and Inverse Functions	• Radical Equations
Incorporate and assign an activity to write an equivalent form of a quadratic expression by completing the square, where a is an integer of a quadratic expression, ax^2+bx+c, to reveal the maximum or minimum value of the function the expression defines.	
Quadratic Equations and Polynomials	• Project: Mega Mansion
Quadratic Equations and Polynomials	• Project: Top Tablet
Operations and Inverse Functions	• Inverse Relations and Functions • Graphing Radical Functions

Trigonometric Graphs and Applications	• Triangle Applications
Quadratic Functions and Graphs	• Quadratic Function Models Extend Quadratic Functions and Graphs: Quadratic Function Models to create equations in two variables to represent quadratic, square root and inverse variation relationships between quantities.
Operations and Inverse Functions	• Inverse Relations and Functions • Graphing Radical Functions Extend Operations and Inverse Functions: Inverse Relations and Functions, Graphing Radical Functions to create equations in two variables to represent quadratic, square root and inverse variation relationships between quantities.
Incorporate and assign an activity to create systems of linear, quadratic, square root, and inverse variation equations to model situations in context.	
Quadratic Equations and Polynomials	• The Quadratic Formula • Comparing Functions Representation Activity
Operations and Inverse Functions	• Inverse Relations and Functions • Graphing Radical Functions
Operations and Inverse Functions	• Radical Equations • Inverse Relations and Functions
Rational Functions	• Inverse Variation
Quadratic Equations and Polynomials	• Quadratic Equations • The Quadratic Formula

Quadratic Equations and Polynomials	• Quadratic Equations • The Quadratic Formula Extend Quadratic Equations and Polynomials: The Quadratic Formula to explain when quadratic equations will have non-real solutions and express complex solutions as ± for real numbers and .
Systems of Equations and Inequalities	• Graphing Systems of Equations • Solving Systems of Equations
Operations and Inverse Functions	• Inverse Relations and Functions
Functions and Transformations	• Common Functions • Transformations
Functions and Transformations	• Families of Functions • Transformations
Transformations	• Translations
Transformations	• Translations • Reflections • Rotations • Dilations
Relations and Linear Functions	• Relations and Functions • Linear Equations
Functions and Transformations	• Common Functions
Functions and Transformations	• Common Functions • Transformations

Operations and Inverse Functions	• Inverse Relations and Functions
Quadratic Equations and Polynomials	• Polynomials and Linear Factors Extend Quadratic Equations and Polynomials: Polynomials and Linear Factors to use the process of completing the square identify the zeros, extreme values, and symmetry in graphs and tables representing quadratic functions, and interpret these in terms of a context.
Rational Functions	• Rational Functions
Quadratic Functions and Graphs	• Transforming Parabolas
Rational Functions	• Inverse Variations
Functions and Transformations	• Families of Functions • Transformations
Rational Functions	• Inverse Variation
Functions and Transformations	• Families of Functions
Functions and Transformations	• Transformations Extend Functions and Transformations: Transformations to compare rigid motions that preserve distance and angle measure (translations, reflections, rotations) to transformations that do not preserve both distance and angle measure (e.g. stretches, dilations).
Functions and Transformations	•Families of Functions
Transformations	• Dilations

Transformations	• Reflections • Rotations • Symmetry
Transformations	• Translations • Reflections • Rotations
Functions and Transformations	• Transformations
Transformations	• Compositions of Reflections
Congruent Triangles	• Congruent Figures
Congruent Triangles	• Congruent Figures
Geometric Figures	• Lines and Angles
Congruent Triangles	• Congruent Figures • Triangle Congruence by SSS and SAS • Triangle Congruence by ASA and AAS • Congruence in Right Triangles
Geometric Figures	• Lines and Angles Extend Geometric Figures: Lines and Angles to prove theorems about lines and angles and use them to prove relationships in geometric figures including vertical angles are congruent.
Geometric Figures	• Lines and Angles Extend Geometric Figures: Lines and Angles to prove theorems about lines and angles and use them to prove relationships in geometric figures including when a transversal crosses parallel lines, alternate interior angles are congruent.

Geometric Figures	• Lines and Angles Extend Geometric Figures: Lines and Angles to prove theorems about lines and angles and use them to prove relationships in geometric figures including when a transversal crosses parallel lines, corresponding angles are congruent.
Geometric Figures	• Lines and Angles
Relationships in Triangles	• Bisectors of Triangles
Geometric Figures	• Lines and Angles
Relationships in Triangles	• Bisectors of Triangles
Relationships in Triangles	• Triangle Angle-Sum Theorem
Relationships in Triangles	• Triangle Angle-Sum Theorem
Congruent Triangles	• Isosceles and Equilateral Triangles Extend Congruent Triangles: Isosceles and Equilateral Triangles to prove theorems about triangles and use them to prove relationships in geometric figures including the base angles of an isosceles triangle are congruent.
Relationships in Triangles	• Midsegments of Triangles • Concurrent Lines, Medians, and Altitudes
Similarity	• Proportions in Triangles

Transformations	• Dilations Extend Transformations: Dilations to verify experimentally the properties of dilations with given center and scale factor when a line segment passes through the center of dilation, the line segment and its image lie on the same line. When a line segment does not pass through the center of dilation, the line segment and its image are parallel.
Transformations	• Dilations Extend Transformations: Dilations to verify experimentally the properties of dilations with given center and scale factorwhen the length of the image of a line segment is equal to the length of the line segment multiplied by the scale factor.
Transformations	• Dilations Extend Transformations: Dilations to verify experimentally the properties of dilations with given center and scale factor when the distance between the center of a dilation and any point on the image is equal to the scale factor multiplied by the distance between the dilation center and the corresponding point on the pre-image.
Transformations	• Dilations Extend Transformations: Dilations to verify experimentally the properties of dilations with given center and scale factor when dilations preserve angle measure.
Transformations	• Translations
Transformations	•Dilations
Similarity	• Proving Triangles Similar

Geometric Figures	• Lines and Angles
Right Triangle Trigonometry	• The Pythagorean Theorem
Similarity	• Similar Polygons • Proving Triangles Similar
Right Triangle Trigonometry	• The Tangent Ratio • Sine and Cosine Ratios
Right Triangle Trigonometry	• The Pythagorean Theorem • The Tangent Ratio • Sine and Cosine Ratios
Trigonometric Graphs and Applications	• Triangle Applications
Incorporate and assign an activity to develop properties of special right triangles (45-45-90 and 30-60-90) and use them to solve problems.	
Probability	• Basic Concepts of Probability
Probability	• Basic Concepts of Probability • Multiplication Rule
Probability	• Multiplication Rule
Probability	• Multiplication Rule
Probability	• Probability of Multiple Events • Probability Distributions
Probability	• Project: Cancer

Probability	• Probability of Multiple Events
Probability	• Probability of Multiple Events
Probability	• Multiplication Rule

North Carolina Standards for Mathematics (2017)
Math: Grade 5

Standards for Math Practice

1. Make sense of problems and persevere in solving them.
2. Reason abstractly and quantitatively.
3. Construct viable arguments and critique the reasoning of others.
4. Model with mathematics.
5. Use appropriate tools strategically.
6. Attend to precision.
7. Look for and make use of structure.
8. Look for and express regularity in repeated reasoning.

Operations and Algebraic Thinking

Write and interpret numerical expressions.

NC.5.OA.2 Write, explain, and evaluate numerical expressions involving the four operations to solve up to two-step problems. Include expressions involving:

- Parentheses, using the order of operations.
- Commutative, associative and distributive properties.

Analyze patterns and relationships.

NC.5.OA.3 Generate two numerical patterns using two given rules.

- Identify apparent relationships between corresponding terms.
- Form ordered pairs consisting of corresponding terms from the two patterns.
- Graph the ordered pairs on a coordinate plane.

Number and Operations in Base Ten

Understand the place value system.

NC.5.NBT.1 Explain the patterns in the place value system from one million to the thousandths place.

- Explain that in a multi-digit number, a digit in one place represents 10 times as much as it represents in the place to itsright and 1/10 of what it represents in the place to its left.

- Explain patterns in products and quotients when numbers are multiplied by 1,000, 100, 10, 0.1, and 0.01 and/or dividedby 10 and 100.

NC.5.NBT.3 Read, write, and compare decimals to thousandths.

- Write decimals using base-ten numerals, number names, and expanded form.

- Compare two decimals to thousandths based on the value of the digits in each place, using >, =, and < symbols to recordthe results of comparisons.

Perform operations with multi-digit whole numbers.

NC.5.NBT.5 Demonstrate fluency with the multiplication of two whole numbers up to a three-digit number by a two-digit number using thestandard algorithm.

NC.5.NBT.6 Find quotients with remainders when dividing whole numbers with up to four-digit dividends and two-digit divisors usingrectangular arrays, area models, repeated subtraction, partial quotients, and/or the relationship between multiplication anddivision. Use models to make connections and develop the algorithm.

Perform operations with decimals.

NC.5.NBT.7 Compute and solve real-world problems with multi-digit whole numbers and decimal numbers.

- Add and subtract decimals to thousandths using models, drawings or strategies based on place value.

- Multiply decimals with a product to thousandths using models, drawings, or strategies based on place value.

- Divide a whole number by a decimal and divide a decimal by a whole number, using repeated subtraction or area models.Decimals should be limited to hundredths.

- Use estimation strategies to assess reasonableness of answers.

Number and Operations – Fractions

Use equivalent fractions as a strategy to add and subtract fractions.

NC.5.NF.1 Add and subtract fractions, including mixed numbers, with unlike denominators using related fractions: halves, fourths andeighths; thirds, sixths, and twelfths; fifths, tenths, and hundredths.

• Use benchmark fractions and number sense of fractions to estimate mentally and assess the reasonableness of answers.
• Solve one- and two-step word problems in context using area and length models to develop the algorithm. Represent theword problem in an equation.
Apply and extend previous understandings of multiplication and division to multiply and divide fractions.
NC.5.NF.3 Use fractions to model and solve division problems.
• Interpret a fraction as an equal sharing context, where a quantity is divided into equal parts.
• Model and interpret a fraction as the division of the numerator by the denominator.
• Solve one-step word problems involving division of whole numbers leading to answers in the form of fractions and mixednumbers, with denominators of 2, 3, 4, 5, 6, 8, 10, and 12, using area, length, and set models or equations.
NC.5.NF.4 Apply and extend previous understandings of multiplication to multiply a fraction or whole number by a fraction, including mixednumbers.
• Use area and length models to multiply two fractions, with the denominators 2, 3, 4.
• Explain why multiplying a given number by a fraction greater than 1 results in a product greater than the given numberand when multiplying a given number by a fraction less than 1 results in a product smaller than the given number.
• Solve one-step word problems involving multiplication of fractions using models to develop the algorithm.
NC.5.NF.7 Solve one-step word problems involving division of unit fractions by non-zero whole numbers and division of whole numbers byunit fractions using area and length models, and equations to represent the problem.
Measurement and Data
Convert like measurement units within a given measurement system.
NC.5.MD.1 Given a conversion chart, use multiplicative reasoning to solve one-step conversion problems within a given measurementsystem.
Represent and interpret data.
NC.5.MD.2 Represent and interpret data.

- Collect data by asking a question that yields data that changes over time.
- Make and interpret a representation of data using a line graph.
- Determine whether a survey question will yield categorical or numerical data, or data that changes over time.

Understand concepts of volume.

NC.5.MD.4 Recognize volume as an attribute of solid figures and measure volume by counting unit cubes, using cubic centimeters, cubic inches, cubic feet, and improvised units.

NC.5.MD.5 Relate volume to the operations of multiplication and addition.

- Find the volume of a rectangular prism with whole-number side lengths by packing it with unit cubes, and show that thevolume is the same as would be found by multiplying the edge lengths.
- Build understanding of the volume formula for rectangular prisms with whole-number edge lengths in the context ofsolving problems.
- Find volume of solid figures with one-digit dimensions composed of two non-overlapping rectangular prisms.

Geometry

Understand the coordinate plane.

NC.5.G.1 Graph points in the first quadrant of a coordinate plane, and identify and interpret the x and y coordinates to solve problems.

Classify quadrilaterals.

NC.5.G.3 Classify quadrilaterals into categories based on their properties.

- Explain that attributes belonging to a category of quadrilaterals also belong to all subcategories of that category.
- Classify quadrilaterals in a hierarchy based on properties.

Math 5 A/B	
Unit Name	**Lesson Name**
Strategies to Divide Whole Numbers	• Math Practices: Make Sense and Persevere
Strategies to Divide Decimals	• Math Practices: Reasoning
Multiply Multi-Digit Whole Numbers	• Math Practices: Critique Reasoning
Classify Two-Dimensional Figures	• Math Practices: Construct Arguments
Add and Subtract Decimals to Hundredths	• Math Practices: Model with Math
Understand Volume Concepts	• Math Practices: Use Appropriate Tools
Convert Measurements	• Math Practices: Precision
Understand Place Value	• Math Practices: Look for and Use Structure
Divide Fractions	• Math Practices: Repeated Reasoning
Algebra: Numerical Expressions	• Order of Operations • Evaluate Expressions
Incorporate and assign an activity to write, explain, and evaluate numerical expressions involving the four operations to solve up to two-step problems. Include expressions involving commutative, associative and distributive properties.	
Algebra: Patterns and Relationships	• More Numerical Patterns
Algebra: Patterns and Relationships	• Analyze and Graph Relationships
Algebra: Patterns and Relationships	• Analyze and Graph Relationships

Understand Place Value	• Patterns and Exponents with Powers of 10 • Understand Whole-Number Place Value
Understand Place Value	• Understand Decimal Place Value
Understand Place Value	• Understand Decimal Place Value
Understand Place Value	• Compare Decimals
Multiply Multi-Digit Whole Numbers	• Multiply 3-Digit by 2-Digit Numbers • Multiply Multi-Digit Numbers
Strategies to Divide Whole Numbers	• Estimate and Model 2-Digit Divisor Quotients • Use Partial Quotients to Divide • Divide by Multiples of 10 • Divide by 2-Digit Divisors
Incorporate and assign an activity to add and subtract decimals to thousandths using models, drawings or strategies based on place value.	
Incorporate and assign an activity to multiply decimals with a product to thousandths using models, drawings, or strategies based on place value.	
Strategies to Divide Decimals	• Estimate and Model Decimal Quotients • Divide by a 1-Digit Whole Number • Divide by a 2-Digit Whole Number • Divide by a Decimal
Strategies to Divide Decimals	• Estimate and Model Decimal Quotients

Add and Subtract Fractions	• Estimate Sums and Differences of Fractions • Estimate Sums and Differences of Mixed Numbers • Add and Subtract with Equivalent Fractions
Add and Subtract Fractions	• Math Practices: Model with Math
Divide Fractions	• Fractions and Division
Divide Fractions	• Fractions and Division
Divide Fractions	• Divide Whole Numbers by Unit Fractions • Divide Whole Numbers and Unit Fractions • Solve Problems Using Division
Multiply Fractions	• Multiply Two Fractions • Area of a Rectangle • Multiply Mixed Numbers
Multiply Fractions	• Multiplication as Scaling
Multiply Fractions	• Multiply a Whole Number by a Fraction
Multiply Fractions	• Divide Fractions by Non-Zero Whole Numbers • Divide Whole Numbers and Unit Fractions • Solve Problems Using Division
Convert Measurements	• Convert Customary Units of Length • Convert Metric Units of Length

Incorporate and assign an activity to collect data by asking a question that yields data that changes over time.	
Represent and Interpret Data	• Analyze Line Plots
Incorporate and assign an activity to determine whether a survey question will yield categorical or numerical data, or data that changes over time.	
Understand Volume Concepts	• Model Volume Extend Understand Volume Concepts: Model Volume to recognize volume as an attribute of solid figures and measure volume by counting improvised units.
Understand Volume Concepts	• Develop a Volume Formula
Understand Volume Concepts	• Develop a Volume Formula
Understand Volume Concepts	• Volume of Prisms
Graph Points on the Coordinate Plane	• Graph Data Using Ordered Pairs • Solve Problems Using Ordered Pairs
Classify Two-Dimensional Figures	• Classify Quadrilaterals
Classify Two-Dimensional Figures	• Continue to Classify Quadrilaterals

NC Standards for Mathematics (2017) Math: Grade 7
Standards for Math Practice
1. Make sense of problems and persevere in solving them.
2. Reason abstractly and quantitatively.
3. Construct viable arguments and critique the reasoning of others.
4. Model with mathematics.
5. Use appropriate tools strategically.
6. Attend to precision.
7. Look for and make use of structure.
8. Look for and express regularity in repeated reasoning.
Ratio and Proportional Relationships
Analyze proportional relationships and use them to solve real-world and mathematical problems.
NC.7.RP.1 Compute unit rates associated with ratios of fractions to solve real-world and mathematical problems.
NC.7.RP.2 Recognize and represent proportional relationships between quantities.
a. Understand that a proportion is a relationship of equality between ratios.
• Represent proportional relationships using tables and graphs.
• Recognize whether ratios are in a proportional relationship using tables and graphs.
• Compare two different proportional relationships using tables, graphs, equations, and verbal descriptions.
a. Identify the unit rate (constant of proportionality) within two quantities in a proportional relationship using tables, graphs,equations, and verbal descriptions.

b. Create equations and graphs to represent proportional relationships.
c. Use a graphical representation of a proportional relationship in context to:
• Explain the meaning of any point (,).
• Explain the meaning of (0, 0) and why it is included.
• Understand that the y-coordinate of the ordered pair (1, r) corresponds to the unit rate and explain its meaning.
NC.7.RP.3 Use scale factors and unit rates in proportional relationships to solve ratio and percent problems.
The Number System
Apply and extend previous understandings of operations with fractions to add, subtract, multiply, and divide rational numbers.
NC.7.NS.1 Apply and extend previous understandings of addition and subtraction to add and subtract rational numbers, using the properties of operations, and describing real-world contexts using sums and differences.
NC.7.NS.2 Apply and extend previous understandings of multiplication and division.
a. Understand that a rational number is any number that can be written as a quotient of integers with a non-zero divisor.
b. Apply properties of operations as strategies, including the standard algorithms, to multiply and divide rational numbers and describe the product and quotient in real-world contexts.
c. Use division and previous understandings of fractions and decimals.
• Convert a fraction to a decimal using long division.
• Understand that the decimal form of a rational number terminates in 0s or eventually repeats.

NC.7.NS.3 Solve real-world and mathematical problems involving numerical expressions with rational numbers using the four operations.

Expressions and Equations

Use properties of operations to generate equivalent expressions.

NC.7.EE.1 Apply properties of operations as strategies to:

- Add, subtract, and expand linear expressions with rational coefficients.

- Factor linear expression with an integer GCF.

NC.7.EE.2 Understand that equivalent expressions can reveal real-world and mathematical relationships. Interpret the meaning of the parts of each expression in context.

Solve real-world and mathematical problems using numerical and algebraic expressions, equations, and inequalities.

NC.7.EE.3 Solve multi-step real-world and mathematical problems posed with rational numbers in algebraic expressions.

- Apply properties of operations to calculate with positive and negative numbers in any form.

- Convert between different forms of a number and equivalent forms of the expression as appropriate.

NC.7.EE.4 Use variables to represent quantities to solve real-world or mathematical problems.

a. Construct equations to solve problems by reasoning about the quantities.

- Fluently solve multistep equations with the variable on one side, including those generated by word problems.
- Compare an algebraic solution to an arithmetic solution, identifying the sequence of the operations used in each approach.
- Interpret the solution in context.

b. Construct inequalities to solve problems by reasoning about the quantities.

- Fluently solve multi-step inequalities with the variable on one side, including those generated by word problems.
- Compare an algebraic solution process for equations and an algebraic solution process for inequalities.
- Graph the solution set of the inequality and interpret in context.

Geometry

Draw, construct, and describe geometrical figures and describe the relationships between them.

NC.7.G.1 Solve problems involving scale drawings of geometric figures by:

- Building an understanding that angle measures remain the same and side lengths are proportional.
- Using a scale factor to compute actual lengths and areas from a scale drawing.
- Creating a scale drawing.

NC.7.G.2 Understand the characteristics of angles and side lengths that create a unique triangle, more than one triangle or no triangle. Build triangles from three measures of angles and/or sides.

b. Create equations and graphs to represent proportional relationships.

Solve real-world and mathematical problems involving angle measure, area, surface area, and volume.

NC.7.G.4 Understand area and circumference of a circle.

• Understand the relationships between the radius, diameter, circumference, and area.
• Apply the formulas for area and circumference of a circle to solve problems.
NC.7.G.5 Use facts about supplementary, complementary, vertical, and adjacent angles in a multi-step problem to write and solve equations for an unknown angle in a figure.
NC.7.G.6 Solve real-world and mathematical problems involving:
• Area and perimeter of two-dimensional objects composed of triangles, quadrilaterals, and polygons.
• Volume and surface area of pyramids, prisms, or three-dimensional objects composed of cubes, pyramids, and right prisms.
Statistics and Probability
Use random sampling to draw inferences about a population.
NC.7.SP.1 Understand that statistics can be used to gain information about a population by:
• Recognizing that generalizations about a population from a sample are valid only if the sample is representative of that population.
• Using random sampling to produce representative samples to support valid inferences.
NC.7.SP.2 Generate multiple random samples (or simulated samples) of the same size to gauge the variation in estimates or predictions,and use this data to draw inferences about a population with an unknown characteristic of interest.
Make informal inferences to compare two populations.
NC.7.SP.3 Recognize the role of variability when comparing two populations.
a. Calculate the measure of variability of a data set and understand that it describes how the values of the data set vary with a single number.

• Understand the mean absolute deviation of a data set is a measure of variability that describes the average distance that points within a data set are from the mean of the data set.
• Understand that the range describes the spread of the entire data set.
• Understand that the interquartile range describes the spread of the middle 50% of the data.
b. Informally assess the difference between two data sets by examining the overlap and separation between the graphical representations of two data sets.
NC.7.SP.4 Use measures of center and measures of variability for numerical data from random samples to draw comparative inferences about two populations.
Investigate chance processes and develop, use, and evaluate probability models.
NC.7.SP.5 Understand that the probability of a chance event is a number between 0 and 1 that expresses the likelihood of the event occurring.
NC.7.SP.6 Collect data to calculate the experimental probability of a chance event, observing its long-run relative frequency. Use this experimental probability to predict the approximate relative frequency.
NC.7.SP.7 Develop a probability model and use it to find probabilities of simple events.
a. Develop a uniform probability model by assigning equal probability to all outcomes, and use the model to determine probabilities of events.
b. Develop a probability model (which may not be uniform) by repeatedly performing a chance process and observing frequencies in the data generated.
c. Compare theoretical and experimental probabilities from a model to observed frequencies; if the agreement is not good,explain possible sources of the discrepancy.
NC.7.SP.8 Determine probabilities of compound events using organized lists, tables, tree diagrams, and simulation.
a. Understand that, just as with simple events, the probability of a compound event is the fraction of outcomes in the sample space for which the compound event occurs.
b. For an event described in everyday language, identify the outcomes in the sample space which compose the event, when the sample space is represented using organized lists, tables, and tree diagrams.
c. Design and use a simulation to generate frequencies for compound events.

Math 7 A/B	
Unit Name	**Lesson Name**
Use Proportional Relationships	• Solve Mixture Problems with Proportions • Solve Percent Problems with Proportions
Volume	• Volume of Composite 3D Figures
Unit Rates & Proportions	• Ratios
Triangles	• Triangle Inequality Theorem
Multiply & Divide Rational Numbers	• Multiply Fractions & Decimals Prompt • Multiply Fractions & Decimals Discussion
Multi-Step Equations	• Steps to Solve a Multi-Step Equation
Area and Perimeter	• Length and Area in Scale Drawings • Area and Perimeter Apply
Inequalities	• Solve Addition Inequalities
Triangles	• Drawing Triangles Portfolio
Inequalities	• Inequalities Apply
Algebraic Expressions	• Algebraic Expressions Portfolio
Probability	• Probability Apply
Unit Rates & Proportions	• Unit Rates • Unit Rates with Ratios of Fractions
Unit Rates & Proportions	• Graph Proportional Relationships • Unit Rates & Proportions Apply
Unit Rates & Proportions	• Proportional Relationships in Tables • Graphs of Proportional Relationships
Unit Rates & Proportions	• Compare Proportions from Descriptions & Tables • Compare Proportions from Graphs & Equations
Unit Rates & Proportions	• Proportional Relationships in Tables • Graphs of Proportional Relationships • Compare Proportions from Descriptions and Tables • Compare Proportions from Graphs & Equations

Unit Rates & Proportions	• Graph Proportional Relationships • Equations of Proportional Relationships
Unit Rates & Proportions	• Review of the Coordinate Plane & Slope • Graph Proportional Relationships
Incorporate and assign an activity in Unit Rates & Proportions: Graphs of Proportional Relationships to explain the meaning of (0, 0) and why it is included.	
Incorporate and assign an activity to understand that the y-coordinate of the ordered pair (1, r) corresponds to the unit rate and explain its meaning.	
Use Proportional Relationships	• Solve Ratio Problems with Proportions • Solve Percent Problems with Proportions • Proportions & Scale Factors Extend Use Proportional Relationships: Proportions & Scale Factors to include using scale factors to solve percent problems.
Add & Subtract Rational Numbers	• Add Rational Numbers • Applications of Adding Rational Numbers • Subtract Rational Numbers
Add & Subtract Rational Numbers	• Add Rational Numbers • Add & Subtract Rational Numbers Apply
Multiply & Divide Rational Numbers	• Applications of Multiplying Rational Numbers • Applications of Dividing Rational Numbers • Multiply and Divide Rational Numbers
Multiply & Divide Rational Numbers	• Write Fractions as Decimals
Multiply & Divide Rational Numbers	• Write Fractions as Decimals

Add & Subtract Rational Numbers	• Add Rational Numbers • Applications of Adding Rational Numbers • Subtract Rational Numbers • Applications of Subtracting Rational Numbers
Multiply & Divide Rational Numbers	• Multiply Fractions & Decimals • Applications of Multiplying Rational Numbers • Divide Decimals & Fractions • Applications of Dividing Rational Numbers
Algebraic Expressions	• Simplify Algebraic Expressions • The Distributive Property & Algebraic Expressions • Add and Subtract Algebraic Expressions • Add, Subtract, Factor, & Expand Expressions
Algebraic Expressions	• Factor Algebraic Expressions • Add, Subtract, Factor, & Expand Expressions
Algebraic Expressions	• Algebraic Expressions Portfolio
One- & Two-Step Equations	• Solve Two-Step Equations
Multi-Step Equations	• Equations with Parentheses, Decimals, & Fractions • Problem Solving with Multi-Step Equations
Algebraic Expressions	• Algebraic Expressions Portfolio
One- & Two-Step Equations	• Solve Two-Step Equations
Angle Pairs	• Solve Equations with Complementary Angles

Multi-Step Equations	• Equations with Parentheses • Problem Solving with Multi-Step Equations
One- & Two-Step Equations	• Compare Solution Methods for Two-Step Equations
Multi-Step Equations	• Compare Solution Methods for Multi-Step Equations • Multi-Step Equations Apply
Add & Subtract Rational Numbers	• Applications of Adding Rational Numbers
Inequalities	• Solve Addition Inequalities
Inequalities	• Solve Two-Step Inequalities • Applications of Inequalities
Inequalities	• Solve Two-Step Inequalities • Inequalities Apply
Inequalities	• Solve Addition Inequalities • Solutions to Real-World Inequality Problems
Incorporate and assign an activity in Area and Perimeter: Length and Area in Scale Drawings to build an understanding that angle measures remain the same and side lengths are proportional.	
Use Proportional Relationships	• Proportions & Scale Factors
Area and Perimeter	• Length and Area in Scale Drawings
Use Proportional Relationships	• Proportions & Scale Factors • Use Proportional Relationships Apply
Triangles	• Triangle Angle Sum Theory • Triangle Inequality Theorem • Drawing Triangles Portfolio
Unit Rates and Proportions	• Graph Proportional Relationships • Equations of Proportional Relationships

Area and Perimeter	• Circumference & Area of Circles • The Relationship Between Circumference & Area
Area and Perimeter	• Circumference & Area of Circles
Angle Pairs	• Solve Equations with Adjacent Angles • Solve Equations with Complementary Angles • Solve Equations with Supplementary Angles • Solve Equations with Vertical Angles
Area and Perimeter	• Area and Perimeter Introduction • Area of Composite Figures • Area and Perimeter Apply Extend Area and Perimeter: Area and Perimeter Apply to include the perimeter of two-dimensional objects composed of triangles.
Surface Area	• Surface Area of Cubes & Rectangular Prisms • Surface Area of Triangular Prisms • Applications of Surface Area of Prisms • Surface Area of Rectangular Pyramids • Surface Area of Composite 3D Figures
Volume	• Volume of Prisms • Volume of Pyramids • Volume of Composite 3D Figures
Statistics	• Statistics Basics
Statistics	• Random Sampling
Statistics	• Measures of Variation

Incorporate and assign an activity to understand the mean absolute deviation of a data set is a measure of variability that describes the average distance that points within a data set are from the mean of the data set.	
Statistics	• Measures of Variation
Incorporate and assign an activity in Statistics: Measures of Variation to understand that the interquartile range describes the spread of the middle 50% of the data.	
Statistics	• Comparing Data Distributions
Statistics	• Measures of Variation • Statistics Apply
Probability	• Probability Basics
Probability	• Probability of Chance Events • Probability Apply
Probability	• Uniform Probability Models
Probability	• Probability of Chance Events • Probability Apply
Probability	• Experimental Probability • Probability of Chance Events
Probability	• Probability Basics • Compound Events
Probability	• Compound Events Portfolio
Probability	• Probability of Chance Events • Compound Events Portfolio

NC Standards for Science (2023)
Science: Grade 5

Strand: Matter and its Interactions

PS.5.1 Understand the interactions of matter and energy and the changes that occur.

PS 5.1.1 Carry out investigations to compare the weight of objects before and afteran interaction.

PS 5.1.2 Carry out investigations to explain whether the mixing of two or more substances results in new substances.

PS 5.1.3 Carry out investigations to compare how heating and cooling affect some materials and how this relates to their purpose and practical applications.

Strand: Motion and Stability- Forces and Interactions

PS.5.2 Understand force, motion, and the relationship between them.

PS.5.2.1 Carry out investigations to explain how factors such as gravity, friction, and change in mass affect the motion of objects.

PS.5.2.2 Use mathematics and computational thinking to infer the motion of an object(including position, direction, and speed).

Strand: From Molecules to Organisms- Structures and Processes

LS.5.1 Understand how structures and systems of the human body perform functions necessary for life.

LS.5.1.1 Use models to recognize the organizational structure of humans as a multicellular organism (cell, tissue, organ, system, organism).

LS.5.1.2 Use models to compare the major systems of the human body (digestive, respiratory, circulatory, muscular, skeletal, nervous) as it relates to their functions necessary for life.

Strand: Ecosystems- Interactions, Energy, and Dynamics

LS.5.2 Understand theinterdependence of plantsand animals within theirecosystem.

LS.5.2.1 Engage in argument from evidence to compare the characteristics of several common ecosystems (including estuaries and salt marshes, oceans, lakes and ponds, rivers and streams, forests, and grasslands) in terms of their ability to support a variety of populations.

LS.5.2.2 Use models to classify organisms within an ecosystem according to the function they serve: producers, consumers, or decomposers .

LS.5.2.3 Use models to infer the effects that may result from the interconnected relationships of plants and animals to their ecosystem.

Strand: Heredity- Inheritance and Variation of Traits

LS.5.3 Understand some characteristics of an organism are inherited and other characteristics are acquired.
LS.5.3.1 Ask questions to compare instincts and learned behaviors.
LS.5.3.2 Ask questions to compare inherited and acquired traits.
Strand: Earth’s Systems
ESS.5.1 Understand how Earth systems (hydrosphere and atmosphere) impact patterns of weather and climate.
ESS.5.1.1 Analyze and interpret data to compare daily and seasonal changes in weather conditions (including wind speed and direction, precipitation, and temperature) and patterns.
ESS.5.1.2 Analyze and interpret weather data to explain current and upcoming weather conditions (including severe weather such as hurricanes and tornadoes) in a given location.
ESS.5.1.3 Construct an explanation to summarize the ocean's influences on weather and climate in North Carolina.
ESS.5.1.4 Use models to explain how the sun’s energy drives the processes of thewater cycle (including evaporation, transpiration, condensation, precipitation).

Science 5 A/B

Unit Name	Lesson Name
Changes in Matter	• Conservation of Mass
Changes in Matter	• Substances Portfolio: Investigate
Changes in Matter	• Heating, Cooling, and Mixing
Force and Motion	• Gravity, Friction, and Mass Extend Force and Motion: Gravity, Friction, and Mass to carry out investigations.
Force and Motion	• Direction, Speed, and Distance
Human Body	• Body Systems
Human Body	• Body Systems
Incorporate and assign an activity to engage in argument from evidence to compare the characteristics of several common ecosystems (including estuaries and salt marshes, oceans, lakes and ponds, rivers and streams, forests, and grasslands) in terms of their ability to support a variety of populations.	
Ecosystems	• Ecosystems Apply
Ecosystems	• Ecosystems Apply

Incorporate and assign an activity in Heredity and Traits: Instincts and Learned Behaviors to ask questions to compare instincts and learned behaviors.	
Incorporate and assign an activity in Heredity and Traits: Inherited and acquired traits to ask questions to compare inherited and acquired traits.	
Weather and Climate	• Weather Data • Weather and Climate Apply
Weather and Climate	• Weather Data • Weather and Climate Apply
Weather and Climate	• Impacts to Local Weather
Food Webs and Cycles	• The Water Cycle

NC Standards for Science (2023) Science: Grade 7
Strand: Motion and Stability: Forces and Interactions
PS.7.1 Understand motion, the effects of forces on motion, and the graphical representations of motion.
PS.7.1.1 Construct an explanation to summarize the motion of an object by its position, direction of motion, and speed in respect to some other object.
PS.7.1.2 Use models to illustrate the effects of balanced and unbalanced forces acting on an object (including friction, gravity, and magnetism).
PS.7.1.3 Analyze and interpret graphical data to summarize the motion of an object to show a change in position over a period of time.
PS.7.1.4 Analyze and interpret graphical data to summarize the motion of an object to show a change in distance over a period of time for constant speed and variable motion.
Strand: Energy
PS.7.2 Understand forms of energy, energy transfer and transformation, and conservation in mechanical systems.
PS.7.2.1 Construct an explanation to summarize how kinetic and potential energy contribute to the mechanical energy of an object.

PS.7.2.2 Engage in argument from evidence to explain how energy can be transformed from one form to another, specifically potential energy and kinetic energy (models could include roller coasters, pendulums, or cars on ramps as examples).
PS.7.2.3 Carry out investigations to conclude that energy can be transferred from one system to another when two objects push or pull on each other over a distance (work) in a mechanical system using qualitative data.
PS.7.2.4 Carry out investigations to compare the efficiency of simple machines in relation to their advantages for particular purposes (to include inclined planes, pulleys, levers and wheel and axles) using qualitative data.
Strand: From Molecules to Organisms- Structures and Processes
LS.7.1 Understand the processes, structures and functions of living organisms that enable them to survive, reproduce and carry out the basic functions of life.
LS.7.1.1 Construct an explanation to conclude how the structures of single-celled organisms carry out all of the basic functions of life including: Euglena, Amoeba, Paramecium, Volvox.

LS.7.1.2 Use models to explain how the relevant structures within cells (including cell membrane, cell wall, nucleus, mitochondria, chloroplasts, and vacuoles) function to support the life of plant, animal, and bacterial cells.
LS.7.1.3 Use models to explain how the hierarchical organization of multicellular organisms from cells to tissues to organs to systems to organisms functions to support life.
LS.7.1.4 Construct an explanation to summarize how the major systems of the human body interact with each other to support life (including digestion, respiration, reproduction, circulation, excretion, nervous).
Strand: Heredity- Inheritance and Variation of Traits
LS.7.2 Understand the relationship of the mechanisms of reproduction, patterns of inheritance, and potential variation among offspring.
LS.7.2.1 Construct an explanation supported with scientific evidence to summarize the role of genes on chromosomes as inherited cellular structures which contribute to an organism's traits (not to include the structure of DNA).

LS.7.2.2 Use models to explain how asexual reproduction results in offspring with identical genetic information while sexual reproduction results in offspring with genetic variation (not to include specific phases of mitosis and meiosis).
LS.7.2.3 Use models (Punnett squares) to infer and predict patterns of the inheritance of single genetic traits from parent to offspring (including dominant and recessive traits).
Strand: Earth’s Systems
ESS.7.1 Understand the atmosphere and how the cycling of water relates to Earth’s weather and climate.
ESS.7.1.1 Analyze and interpret data to compare the composition, properties and structure of Earth’s atmosphere to include: mixtures of gases and differences in temperature and pressure within layers.
ESS.7.1.2 Use models to explain how the energy of the Sun and Earth’s gravity drive the cycling of water, including changes of state, as it moves through multiple pathways in Earth’s systems and relates to weather patterns on Earth.

ESS.7.1.3 Analyze and interpret data to explain the relationship between the movement of air masses, high and low pressure systems, frontal boundaries and weather conditions that may result.
ESS.7.1.4 Use models to predict weather conditions based on observations (including clouds, air masses, fronts), measurements (wind speed and direction, air temperature, humidity and air pressure), weather maps, satellites and radar.
ESS.7.1.5 Use models to explain the influence of convection, global winds, and the jet stream on weather and climatic conditions.
Strand: Earth and Human Activity
ESS.7.2 Understand the reciprocal relationship between the atmosphere and humans.
ESS.7.2.1 Engage in argument from evidence to explain that the good health of humans and environment requires: monitoring of the atmosphere, maintaining air quality and stewardship.
ESS.7.2.2 Analyze and interpret data to explain how changes in the structure and composition of the atmosphere affects the greenhouse effect and global temperatures.

ESS.7.2.3 Obtain, evaluate, and communicate information to explain the impacts on humans and mitigation strategies of potentially hazardous environmental factors (including air quality index, UV index, Heat Index, Wildfires) and storms (hurricanes, blizzards, tornadoes, severe thunderstorms, floods).

Science 7 A/B	
Unit Name	**Lesson Name**
Force and Motion	• Position, Distance, and Displacement Extend Force and Motion: Position, Distance, and Displacement to construct an explanation to summarize the motion of an object by its position, direction of motion, and speed in respect to some other object.
Force and Motion	• Forces that Change Motion • Force and Motion Portfolio 1 • Force and Motion Portfolio 2 • Force and Motion Portfolio 3
Gravity	• Gravity and Air Resistance
Non-contact Forces	• Strength of Magnetic Forces Extend Non-contact Forces: Strength of Magnetic Forces to use models to illustrate the effects of balanced and unbalanced magnetic forces on an object.
Force and Motion	• Position, Distance, and Displacement
Force and Motion	• Position, Distance, and Displacement Extend Force and Motion: Position, Distance, and Displacement to analyze and interpret data to summarize the motion of an object to show a change in distance over a period of time for constant speed and variable motion.
Incorporate and assign an activity to construct an explanation to summarize how kinetic and potential energy contribute to the mechanical energy of an object. Suggested unit: Gravity	

Incorporate and assign an activity to engage in argument from evidence to explain how energy can be transformed from one form to another, specifically potential energy and kinetic energy(models could include roller coasters, pendulums, or cars on ramps as examples). Suggested unit: Gravity	
Incorporate and assign an activity to carry out investigations to conclude that energy can be transferred from one system to another when two objects push or pull on each other over a distance(work) in a mechanical system using qualitative data. Suggested unit: Force and Motion	
Incorporate and assign an activity to carry out investigations to compare the efficiency of simple machines in relation to their advantages for particular purposes (to include inclined planes, pulleys, levers and wheel and axles) using qualitative data. Suggested unit: Gravity	
Cells	• Unicellular and Multicellular Extend Cells: Unicellular and Multicellular to construct an explanation to conclude how the structures of single-celled organisms carry out all of the basic functions of life including: Euglena, Amoeba, Paramecium, Volvox.

Cells	• Characteristics of Cells • Plant and Animal Cells • Modeling Cells Extend Cells: Characteristics of Cells to explain how the relevant structures within cells function to support the life of bacteria cells. Extend Cells: Plant and Animal Cells to use models to explain how cell wall, chloroplasts, and vacuole function to support the life of plant cells.
Body Systems	• Body Systems Hierarchy Extend Body Systems: Body Systems Hierarchy to use models.
Body Systems	• Body Systems Portfolio 1 Extend Body Systems: Body Systems Portfolio 1 to construct an explanation to summarize how the major systems of the human body interact with each other to support life.
Incorporate and assign an activity to construct an explanation supported with scientific evidence to summarize the role of genes on chromosomes as inherited cellular structures which contribute to an organism's traits (not to include the structure of DNA). Suggested unit: Reproductive Strategies	

Reproductive Strategies	• Asexual Reproduction Strategies • Modeling Asexual Reproduction • Asexual and Sexual Reproduction • Modeling Sexual Reproduction Extend Reproductive Strategies: Modeling Asexual Reproduction to use models to explain how asexual reproduction results in offspring with identical genetic information. Extend Reproductive Strategies: Modeling Sexual Reproduction to use models to explain how sexual reproduction results in offspring with genetic variation.
Reproductive Strategies	• Modeling Sexual Reproduction Extend Reproductive Strategies: Modeling Sexual Reproduction to use Punnett squares.
Incorporate and assign an activity to analyze and interpret data to compare the composition, properties and structure of Earth’s atmosphere to include: mixtures of gases and differences in temperature and pressure within layers. Suggested unit: Earth's Energy Systems	
Earth's Energy Systems	• The Water Cycle Extend Earth's Energy Systems: The Water Cycle to use models to explain how Earth's gravity drives the cycling of water and to include relation to weather patterns on Earth.

Natural Hazards	• Tracking Hurricane Dorian • Learning from Hurricane Katrina Extend Natural Hazards: Learning from Hurricane Katrina to analyze and interpret data to explain the relationship between the movement of air masses, high and low pressure systems, frontal boundaries and weather conditions that may result.
Natural Hazards	• Learning from Hurricane Katrina Extend Natural Hazards: Learning from Hurricane Katrina to use models to predict weather conditions based on observations (including clouds, air masses, fronts), measurements (wind speed and direction, air temperature, humidity and air pressure), weather maps, satellites and radar.
Incorporate and assign an activity to explain the influence of convection, global winds, and the jet stream on weather and climatic conditions. Suggested unit: Natural Hazards or Earth's Energy Systems	
Incorporate and assign an activity to engage in argument from evidence to explain that the good health of humans and environment requires: monitoring of the atmosphere, maintaining air quality and stewardship. Suggested unit: Earth's Energy Systems	
Earth's Energy Systems	• The Water Cycle Extend Earth's Energy Systems: The Water Cycle to analyze and interpret data to explain how changes in the structure and composition of the atmosphere affects the greenhouse effect and global temperatures.

Natural Hazards	• Tracking Hurricane Dorian • Learning from Hurricane Katrina • Mitigating the Effects of Wildfires • Natural Hazards Apply Extend Natural Hazards: Tracking Hurricane Dorian to obtain and evaluate information for hurricanes. Extend Natural Hazards: Mitigating the Effects of Wildfires to obtain, evaluate, and communicate information to explain the impacts on humans for wildfires. Incorporate and assign an activity to Natural Hazards to obtain, evaluate, and communicate information to explain the impacts on humans and mitigation strategies of potentially hazardous environmental factors (including air quality index, UV index, Heat Index) and storms (blizzards, tornadoes, severe thunderstorms, floods).

NC Standards for Social Studies (2021)
Social Studies: Grade 5

Inquiry 3-5

Compelling Questions

I.1.1 Identify content required to provide an answer to compelling questions.

I.1.2 Construct compelling questions that promote inquiry with peers.

Supporting Questions

I.1.3 Understand how responses to supporting questions provide responses to compelling questions.

I.1.4 Construct and respond to supporting questions that help answer compelling questions with peers.

Gathering and Evaluating Sources

I.1.5 Understand academic and domain-specific words in sources to create responses to compelling questions.

I.1.6 Organize relevant information from primary and secondary sources using the origin, authority, structure, credibility, reliability, and context of the sources to guide the selection.

Developing Claims and Using Evidence

I.1.7 Construct claims in response to compelling and supporting questions.

I.1.8 Accurately use information from sources when making claims.

I.1.9 Make inferences from information in sources.

Communicating Ideas

I.1.10 Construct responses to compelling questions with specific claims and information from teacher-provided sources.

Taking Informed Action

I.1.11 Identify ways to address problems related to the compelling question.

Behavioral Sciences

5.B.1 Understand ways in which values and beliefs have influenced the development of the United States.

5.B.1.1 Explain how traditions, social structure, and artistic expression have contributed to the unique identity of the United States.

5.B.1.2 Explain how the values and beliefs of various indigenous, religious, and racial groups have contributed to the development of American identity.

Civics and Government

5.C&G.1 Analyze the structure and function of the United States government in terms of cooperation and compromise.

5.C&G.1.1 Distinguish the roles and responsibilities of the three branches of government in terms of how the branches cooperate.

5.C&G.1.2 Explain how the three branches of government work together to protect freedom, equality, and justice.
5.C&G.2 Understand the ways in which the federal government has protected individual rights of citizens.
5.C&G.2.1 Summarize the ways in which women, indigenous, religious, and racial groups use civic participation and advocacy to encourage government protection of rights.
5.C&G.2.2 Exemplify ways in which rights are protected under the United States Constitution.
Economics
5.E.1 Understand how economic decisions have impacted the United States in terms of consequence, growth, and trade.
5.E.1.1 Explain factors that led to economic growth and decline within the United States at various times in history.
5.E.1.2 Compare economic decisions in terms of benefits and consequences.
5.E.1.3 Explain the impact of production, specialization, technology, and division of labor on the economic growth of the United States.
5.E.1.4 Summarize the role of trade between the United States and other countries.
5.E.2 Understand the impact of personal financial decisions.

5.E.2.1 Explain how personal financial decisions affect everyday life.
5.E.2.2 Explain the importance of developing a basic budget for spending and saving.
5.E.2.3 Explain how personal financial decisions impact economic growth and decline in the United States.
Geography
5.G.1 Understand the ways in which geographic factors and features have influenced development of the United States.
5.G1.1 Explain the relationship between location, physical environment, and human activity in the United States.
5.G.1.2 Explain ways in which voluntary and forced migration and slavery led to changes in the landscape of the United States, using maps.
5.G.1.3 Explain how technological innovation has impacted the geography of the United States.
5 G 1.4 Explain the reasons for forced and voluntary migration to, from, and within the United States.
History
5.H.1 Understand the role of various people, events, and ideas in shaping the United States.
5.H.1.1 Explain how the experiences and achievements of women, minorities, indigenous groups, and marginalized people have contributed to change and innovation in the United States

5.H.1.2 Summarize the changing roles of women, indigenous, racial and other minority groups in the United States.
5.H.1.3 Explain the ways in which revolution, reform, and resistance have shaped the United States.
5.H.1.4 Explain the impact of major conflicts and events on the development of the United States.
5.H.1.5 Compare multiple perspectives of various historical events using primary and secondary sources.
5.H.1.6 Explain the significance of national symbols and traditions from various perspectives.

Social Studies 5 A/B

Unit Name	Lesson Name
American Research Portfolio	• Choosing Sources Day 1 • Choosing Sources Day 2 • Making Sure Sources Are Reliable • Gathering Sources • Evaluating Sources • Answering Compelling Questions
American Research Portfolio	• Using Questions to Guide Research Extend American Research Portfolio: Using Questions to Guide Research to promote inquiry with peers.
American Research Portfolio	• Using Questions to Guide Research
American Research Portfolio	• Using Questions to Guide Research • Putting It All Together Extend American Research Portfolio: Putting It All Together to include with peers.
American Research Portfolio Incorporate and assign an activity to understand academic and domain-specific words in sources to create responses to compelling questions.	
American Research Portfolio	• Gathering Sources • Answering the Compelling Question Extend American Research Portfolio: Gathering Sources to organize relevant information from primary and secondary sources using the authority, credibility, and reliability of the sources.
American Research Portfolio	• Answering the Compelling Question • Putting It All Together
American Research Portfolio	• Answering the Compelling Question • Putting It All Together
The American Revolution	• Winning Independence

American Research Portfolio	• Answering the Compelling Question • Putting It All Together Extend American Research Portfolio: Putting It All Together to include teacher-provided resources.
American Research Portfolio Incorporate and assign an activity to identify ways to address problems related to the compelling question.	
Early Settlements	• Building a New Society
A Growing Nation	• Native Americans Struggle to Survive • Contribution of Immigrants
Good Times and Hardships	• A Voice from the Harlem Renaissance
Early Exploration	• Native American Culture Extend Early Exploration: Native American Culture to explain how the values and beliefs of various indigenous groups have contributed to the development of American identity.
Early Settlements	• Pilgrims and Puritans in New England Extend Early Settlements: Pilgrims and Puritans in New England to explain how the values and beliefs of various religious groups have contributed to the development of American identity.
Good Times and Hardships	• A Voice from the Harlem Renaissance
Modern American History	• Civil Rights Leaders
Building Our Nation	• The Division of Power

Building Our Nation	• Constitutional Protections
Early Settlements	• Pilgrims and Puritans in New England Extend Early Settlements: Pilgrims and Puritans in New England to summarize the ways in which religious groups use civic participation and advocacy to encourage government protection of rights.
A Growing Nation	• Native Americans Struggle to Survive
Good Times and Hardships	• Fight for Women's Rights
Modern American History	• Civil Rights
Building Our Nation	• The Bill of Rights
Westward Expansion and Civil War	• Inventions, Roads, and Railroads
Good Times and Hardships	• The Great Depression
Incorporate and assign an activity to compare economic decisions in terms of benefits and consequences.	
Westward Expansion and Civil War	• Inventions, Roads, and Railroads
A Growing Nation	• The Impact of Big Business Day 2 Extend A Growing Nation: The Impact of Big Business Day 2 to explain the impact of specialization and division of labor on the economic growth of the United States.
Incorporate and assign an activity to summarize the role of trade between the United States and other countries.	

The American Revolution: Tensions with Britain Incorporate and assign an activity to explain how personal financial decisions affect everyday life.	
Incorporate and assign an activity to explain the importance of developing a basic budget for spending and saving.	
A Growing Nation	• The Impact of Big Business Day 1 Extend A Growing Nation: The Impact of Big Business to explain and to include economic decline.
Early Exploration	• Adapting to Different Places Extend Early Exploration: Adapting to Different Place to explain the relationship and to include location.
Westward Expansion and Civil War	• The Lone Star State • The War Begins
Good Times and Hardships	• Inequality for African Americans
Incorporate and assign an activity to explain how technological innovation has impacted the geography of the United States.	
A Growing Nation	• Railroads, Miners, and Ranchers Extend A Growing Nation: The Search for a Better Life to explain the reasons for forced and voluntary migration to and from the United States.
Good Times and Hardships	• Inequality for African Americans
A Growing Nation	• Contribution of Immigrants Extend A Growing Nation: Native Americans Struggle to Survive to explain how the experiences and achievements of indigenous groups have contributed to change and innovation in the United States.
Modern American History	• World War II • Civil rights Leaders

Westward Expansion and Civil War	• Life During the Civil War
A Growing Nation	• The Search for a Better Life Extend A Growing Nation: The Search for a Better Life to summarize the changing roles of other minority groups in the United States.
Building Our Nation	• Women Fight for Freedom
Westward Expansion and Civil War	• Inventions, Roads, and Railroads
Modern American History	• Civil Rights Leaders
Early Settlements	• Pilgrims and Puritans in New England
The American Revolution	• Winning Independence
The American Revolution	• Diverse Perspectives
American Research Portfolio	• Gathering Sources
Early Exploration	• Constitution Day Extend Early Exploration: Constitution Day to explain the significance of traditions from various perspectives.

NC Standards for Social Studies (2021)
Social Studies: Grade 7

Inquiry 6-8

Compelling Questions

I.1.1 Construct a compelling question through a disciplinary lens individually and with peers.

Supporting Questions

I.1.2 Construct supporting questions based upon disciplinary concepts.

Gathering and Evaluating Sources

I.1.3 Analyze details, central ideas and inferences from sources using discipline-specific strategies.

I.1.4 Assess the credibility of primary and secondary sources using the origin, authority, structure, credibility, reliability, and context of the sources to guide the selection.

Developing Claims and Using Evidence

I.1.5 Identify evidence that draws information from multiple perspectives.

I.1.6 Construct claims and counterclaims using evidence while pointing out the strengths and limitations of both based on multiple sources.

Communicating Ideas

I.1.7 Construct arguments consisting of multiple claims with evidence from sources and attention to disciplinary detail.

I.1.8 Construct responses to supporting and opposing perspectives supported by evidence.

I.1.9 Determine the credibility of disciplinary arguments of peers.

Taking Informed Action

I.1.10 Identify challenges and opportunities created in addressing local, state, tribal, regional, national, and/or global issues.

I.1.11 Use a range of civic approaches to address problems being investigated.

Behavioral Sciences

7.B.1 Understand how individual and group values and beliefs have influenced various cultures.

7.B.1.1 Compare major elements of culture in various modern societies around the world.

7.B.1.2 Explain how values and beliefs affect human rights, justice, and equality for different groups of people.

7.B.1.3 Compare how individuals and groups respond to stereotypes, oppression, human rights violations, and genocide.

Civics and Government

7.C&G.1 Analyze modern governmental systems in terms of conflict and change.

7.C&G.1.1 Explain how the power and authority of various types of governments have created conflict

that has led to change.
7.C&G.1.2 Distinguish how conflict between religious and secular thought and practice has contributed to change in government.
7.C&G.1.3 Deconstruct changes of various modern governments in terms of the benefits and costs to its citizens.
7.C&G.1.4 Summarize new ideas that changed political thought in various nations, societies and regions.
Economics
7.E.1 Understand the economic activities of modern societies and regions.
7.E.1.1 Explain the factors and conditions that contribute to the development of economic systems.
7.E.1.2 Explain how national and international economic decisions reflect and impact the interdependency of societies.
7.E.1.3 Summarize the economic activity fostered by various economic systems.
7.E.1.4 Explain how competition for resources affects the economic relationship among nations.
7.E.1.5 Explain how economic systems have led to the transformation of various regions around the world and indigenous ways of life.
Geography
7.G.1 Understand ways in which geographical factors influence societies.
7.G.1.1 Explain how push-pull factors of forced and voluntary migrations have affected societies around the world.
7.G.1.2 Explain reasons why societies modify and adapt to the environment.
7.G.1.3 Explain the influence of demographic shifts on societies using geographic tools and data.
History
7.H.1 Evaluate historical and current events from a variety of perspectives.
7.H.1.1 Distinguish specific turning points of modern world history in terms of lasting impact.
7.H.1.2 Summarize the influence women, indigenous, racial, ethnic, political, and religious groups have had on historical events and current global issues.
7.H.1.3 Compare individual and societal responses to globalization in various regions and societies.
7.H.1.4 Critique the effectiveness of cooperative efforts and consensus-building among nations, regions, and groups from various perspectives.
7.H.1.5 Explain how slavery, xenophobia, disenfranchisement, ethnocentrism, and intolerance have

7.H.1.5 Explain how slavery, xenophobia, disenfranchisement, ethnocentrism, and intolerance have affected individuals and groups in modern world history.

Social Studies 7 A/B	
Unit Name	**Lesson Name**
Incorporate and assign an activity to construct a compelling question through a disciplinary lens individually and with peers.	
The Renaissance and Reformation	• What was the Renaissance? • Arts and Literature of the Renaissance
Introduction to Geography	• Trade and Development
The United States and Canada	• The United States and Canada at Work
Absolutism and Enlightenment	• Rise of Parliament in England
A Revolutionary Era	• The Second Industrial Revolution
Middle America Discussion	• Middle America Discussion
The United States and Canada	• The United States and Canada Unit Review
A Revolutionary Era	• The Second Industrial Revolution
A Revolutionary Era	• The Second Industrial Revolution
Incorporate and assign an activity to Identify challenges and opportunities created in addressing local, state, tribal, regional, national, and/or global issues.	
Incorporate and assign an activity to use a range of civic approaches to address problems being investigated.	
Middle America	• Living in Mexico and Central America • The Carribean Today
South America	• Living in South America
Incorporate and assign an activity to explain how values and beliefs affect human rights, justice, and equality for different groups of people.	
The Modern World	• World War II • Continuing Conflicts
Introduction to Geography	• Government

Absolutism and Enlightenment	• Rise of Parliament in England
The Renaissance and Reformation	• Legacy of the Protestant Reformation
The Modern World	• Depression and the Rise of Totalitarianism
The Renaissance and Reformation	• Legacy of the Protestant Reformation
Absolutism and Enlightenment	• The Enlightenment
Introduction to Geography	• Economics Basics
Global Convergence	• Impact of Global Trade
Introduction to Geography	• Trade and Development
The Modern World	• Living in Our Interdependent World
Middle America	• Mexico and Central America at Work
Introduction to Geography	• Economics Basics
Global Convergence	• The Portuguese Empire
The Modern World	• Living in Our Interdependent World
Global Convergence	• Impact of Global Trade
Middle America	• Mexico and Central America at Work
Introduction to Geography	• People and the Environment
Introduction to Geography	• People and the Environment
Middle America	• The Olmec and Maya Civilizations • Challenges Facing Middle America
South America	• Living in South America
Europe Today	• Living and Working in Europe • Challenges Facing Europe
The Renaissance and Reformation	• Impact of the Renaissance • Legacy of the Protestant Reformation
A Revolutionary Era	• The Industrial Revolution
The Modern World	• Continuing Conflicts
Incorporate and assign an activity to compare individual and societal responses to globalization in various regions and societies.	
Europe Today	• Europe's Cultural Diversity • Government in Europe • Europe Today Unit Review
Global Convergence	• The Atlantic Slave Trade

The Modern World	• World War II • Continuing Conflicts

NC Standards for World History (2021)
Social Studies: World History

Inquiry 9-12

Apply the inquiry models to analyze and evaluate social studies topics and issues in order to communicate conclusions and take informed actions.

I.1.1 Compelling Questions

Identify issues and problems in social studies.

Formulate questions based upon disciplinary concepts.

I.1.2 Supporting Questions

Identify related issues and problems related to the compelling question.

Formulate supporting questions.

I.1.3 Gathering and Evaluating Sources

Locate credible primary and secondary sources.

Identify a variety of primary and secondary sources in support of compelling and supporting questions.

Summarize the central ideas and meaning of primary and secondary sources through the use of literacy strategies.

Determine the origin, context, and bias of primary and secondary sources.

Differentiate between facts and interpretation of sources.

Evaluate competing historical narratives and debates among historians.

I.1.4 Developing Claims and Using Evidence

Analyze data from charts, graphs, timelines, and maps.

Analyze visual, literary, and musical sources.
Examine change and continuity over time.
Analyze causes, effects, and correlations.
Determine the relevance of a source in relation to the compelling and supporting questions
I.1.5 Communicating Ideas
Construct written, oral, and multimedia arguments.
Support arguments with evidence and reasoning while considering counterclaims.
Use proper formatting in citing sources for arguments.
Develop new understandings of complex historical and current issues through rigorous academic discussions.
Participate in rigorous academic discussions emphasizing multiple viewpoints in which claims and evidence are acknowledged, critiqued, and built upon in order to create new understandings of complex historical or current issues.
I.1.6 Taking Informed Action
Generate ideas through which the inquiry facilitates change.
Devise a plan to enact change based on the results of the inquiry.

Organize and take individual or collaborative action in order to effect change and inform others.
Behavioral Sciences
WH.B.1 Analyze how artistic, literary, philosophical, technological, and scientific ideas have developed and shaped society and institutions.
WH.B.1.1 Deconstruct societies and institutions around the world in terms of the ways in which they were shaped by art, literature, philosophical thought, and religion, now and in the past.
WH.B.1.2 Explain the impact of scientific and technological innovations on societal change around the world, both now and in the past.
WH.B.2 Understand the concept of identity in historic and contemporary societies in terms of its development and impacts.

WH.B.2.1 Explain how shared values and beliefs of a culture impact national, tribal, and group identity, now and in the past.

WH.B.2.2 Explain how competing religious, secular, racial, ethnic, and tribal group identities have impacted societies, now and in the past.

WH.B.2.3 Explain the impact of global interaction on the development of national, tribal, and ethnic identities, now and in the past.

Civics and Government

WH.C&G.1 Analyze the relationship between various societies and government in terms of freedom, equality, and power.

WH.C&G.1.1 Compare ways in which individuals, groups, and governments have gained and maintained power.

WH.C&G.1.2 Distinguish ways in which religious and secular leaders and political systems have used power to sustain, expand, or restrict freedom and equality.

WH.C&G.1.3 Compare various revolutions, rebellions, and movements in terms of motive, consequence, and lasting impact on the freedom and equality of individuals and groups in society.

WH.C&G.1.4 Compare ways racial, ethnic, and religious groups around the world have demonstrated

WH.C&G.1.4 Compare ways racial, ethnic, and religious groups around the world have demonstrated resistance and resilience to inequities, injustice, and restriction of freedoms, now and in the past.
WH.C&G.2 Evaluate international diplomacy and the policies of a nation in terms of influence on global conflict and resolutions.
WH.C&G.2.1 Explain how policies and treaties have led to international conflict, now and in the past.
WH.C&G.2.2 Critique the effectiveness of cooperative efforts among nations, groups, and international organizations in resolving conflicts and maintaining international stability, now and in the past.
Economics
WH.E.1 Understand the economic relationships between groups and nations in terms of power and interdependence.
WH.E.1.1 Explain how a desire for resources has impacted the global interactions and economic interdependence of empires, societies, and/or nations, now and in the past.
WH.E.1.2 Explain the influence of economic interdependence on the development, interactions, and transformation of empires, societies, nations, and regions, now and in the past.
WH.E.1.3 Compare how empires, groups, and nations have used economic decisions and policies to gain or maintain power, now and in the past.
WH.E.1.4 Explain how economic policies have challenged international interdependence and national and tribal sovereignty in various regions around the world.

Geography

WH.G.1 Understand how movement has influenced societies now and in the past.

WH.G.1.1 Explain the reasons for and effects of immigration, forced migration, slavery, and settlement on empires, societies, and indigenous populations around the world, now and in the past.

WH.G.1.2 Distinguish the relationship between movement, technology, and innovation in terms of cultural diffusion on societies around the world, now and in the past.

WH.G.2 Analyze the intentional and unintentional consequences of human-environment interaction.

WH.G.2.1 Deconstruct the relationship between geopolitics and demographic shifts in terms of intentional and unintentional consequences, now and in the past.

WH.G.2.2 Differentiate technological innovation and human-environment interaction in terms of intentional and unintentional consequences, now and in the past.

History

WH.H.1.1 Analyze historical events and issues in world history from a variety of perspectives.

WH.H.1.1 Distinguish key turning points in world history in terms of multiple causes and outcomes

WH.H.1.1 Distinguish key turning points in world history in terms of multiple causes and outcomes.
WH.H.1.2 Explain the impact the experiences and achievements of individuals and groups from various indigenous, racial, ethnic, tribal, political, and religious backgrounds have had on historical events and current global issues.
WH.H.1.3 Explain how ethnocentrism, stereotypes, xenophobia, and racism impact human rights and social justice of various groups, tribes, and nations around the world, now and in the past.
WH.H.1.4 Distinguish the challenges indigenous peoples and ethnic and tribal groups around the world have experienced as a result of colonization, imperialism, and assimilation, now and in the past.

World History A/B

Unit Name	Lesson Name
The World Wars	• The World Wars Apply
World History Since 1945	• Mid-East and Africa
The World Wars	• The World Wars Apply
World History Since 1945	• Mid-East and Africa
Dynastic Empires	• Mongol Influence Portfolio
Dynastic Empires	• Mongol Influence Portfolio
Mediterranean	• Ancient Greece • Rise of Islam
Africa to 1500	• Impact of Trade
Dynastic Empires	• Global Trade
Africa to 1500	• Impact of Trade Extend Africa to 1500: Impact of Trade to include support of compelling and supporting questions.
Contact, Imperialism and Colonization	• Perspectives Portfolio
Mediterranean	• Rise of Islam • Different Religious Societies
Americas to 1500	• Geography and Early Civilizations
Contact, Imperialism and Colonization	• Perspectives Portfolio
Mediterranean	• Byzantine Portfolio
Americas to 1500	• The Mayan Empire
The World Wars	• Critiquing Versailles
Early Civilizations	• Human Migration and Society Formation • Religion and Belief Systems • Early Civilizations Unit Test
Mediterranean	• Ancient Greece
Dynastic Empires	• Global Trade maps • Global Trade
Age of Industry	• Movement of People
World History Since 1945	• The Cold War

Early Civilizations	• Early Asian Societal Structures
Dynastic Empires	• Fall of the Mongols
The World Wars	• Society
Early Civilizations	• Egypt and Mesopotamia • Social Structure • Perspective on Today Discussion
Contact, Imperialism and Colonization	• Spanish, Portuguese, and British
Early Civilizations	• Perspectives on Today Discussion • Impacts of Trade
Medieval-Renaissance Europe	• Medieval-Renaissance Europe Apply
Mediterranean	• Byzantine Empire Decline Portfolio
Mediterranean	• Byzantine Empire Decline Portfolio Extend Mediterranean: Byzantine Empire Decline Portfolio to include oral argument.
Africa to 1500	• Impact of Trade
Mediterranean	• Byzantine Empire Decline Portfolio
Contact, Imperialism and Colonization	• Russia and the United States
Mediterranean	• Byzantine Empire Decline Portfolio
Early Civilizations	• Perspective on Today Discussion
Medieval-Renaissance Europe	• Reformation Impact Discussion
Europe 1650-1815	• Political Philosophy Discussion Extend Europe 1650-1815: Political Philosophy Discussion to include building upon [claims and evidence] in order to create new understandings.
World History Since 1945	• Global Trends and Issues • Terrorism and Atrocities
Incorporate and assign an activity to devise a plan to enact change based on the results of the inquiry.	

Incorporate and assign an activity to organize and take individual or collaborative action in order to effect change and inform others.	
Early Civilizations	• Early Asian Societal Structures • Dynasties
Mediterranean	• Greek Culture and Religion • Golden Age and Ottoman Empire • Trade and Development
Medieval-Renaissance Europe	• Renaissance • Reformation • Renaissance Art & Architecture
Americas to 1500	• The Inca Empire • Early Civilizations Interactions and Influences
Europe 1650-1815	• Science and Political Thought • Impact of the Enlightenment
Age of Industry	• Industrialization and Ideas • Age of Industry Apply
The World Wars	• Impact and Change • The World Wars Unit Test
World History Since 1945	• Global Trends and Issues Extend World History: Global Trends and Issues to deconstruct societies and institutions around the world in terms of the ways in which they are shaped by art and literature now.
Medieval-Renaissance Europe	• Scientific Advances
Americas to 1500	• Geography and Early Civilizations
Age of Industry	• Technology and the Industrial Revolution • Living Conditions and Rights • Age of Industry Apply
World History Since 1945	• Science and Technology
Early Civilizations	• Early Civilizations Unit Test
Mediterranean	• Rise of Christianity • Rise of Islam

World History Since 1945	• Mid-East and Africa • Natural Resources and the Environment Extend World History: Natural Resources and the Environment to explain how shared values and beliefs of a culture impact national, tribal, and group identity now.
Mediterranean	• Rise of Islam • Different Religious Societies
Medieval-Renaissance Europe	• Reformation Impact
World History Since 1945	• Mid-East and Africa • Southeast Asia • Natural Resources and the Environment Extend World History Since 1945: Mid-East and Africa to explain how competing racial and ethnic group identities have impacted societies now.
Africa to 1500	• Africa to 1500 Apply
The World Wars	• Growing Unrest
World History Since 1945	• World History Since 1945 Apply
Early Civilizations	• Early Civilizations Apply
Africa to 1500	• East and West African Societies
Medieval-Renaissance Europe	• The Church and the Crusades
Contact, Imperialism and Colonization	• Empires and Imperialism
Mediterranean	• Western and Eastern Empires Split • Cooperation and Conflict
Americas 1650-1850	• Foundations of the American Political System
The World Wars	• Political Ideologies
World History Since 1945	• Europe-US
Europe 1650-1815	• The Enlightenment Influence on Revolutions
Americas 1650-1850	• Comparisons and Responses • Americas 1650-1850 Apply
Contact, Imperialism and Colonization	• Impacts and Responses • Contact, Imperialism and Colonization Apply

World History Since 1945	• Natural Resources and the Environment Extend World History Since 1945: Natural Resources and the Environment to compare now.
The World Wars	• Causes of WWI • Growing Unrest
World History Since 1945	• The Cold War • Natural Resources and the Environment
The World Wars	• Critiquing Versailles • The Road to War • The End of the War
World History Since 1945	• Human Rights • Natural Resources and the Environment Extend World History Since 1945: Human Rights to critique effectiveness now.
Early Civilizations	• Impacts of Trade
Mediterranean	• Trade and Development
Africa to 1500	• Africa and Trade
World History Since 1945	• World History Since 1945 Apply
Early Civilizations	• Dynasties • Impacts of Trade • Early Civilizations Unit Test
Africa to 1500	• Africa and Trade
Dynastic Empires	• Global Trade
Age of Industry	• Age of Industry Apply
Dynastic Empires	• Maritime Empires
Americas to 1500	• Americas to 1500 Apply
Contact, Imperialism and Colonization	• Slave Trade
Age of Industry	• Industrialization and Ideas • Living Conditions and Rights
World History Since 1945	• Global Trends and Issues Extend World History Since 1945: Global Trends and Issues to compare nations now.
Contact, Imperialism and Colonization	• Imperialism in Asia
Americas 1650-1850	• Relations with Native Americans

The World Wars	• The Great Depression
Early Civilizations	• Human Migration and Society Formation
Africa to 1500	• Physical Features and Migration Patterns
Dynastic Empires	• Fall of the Mongols
Contact, Imperialism and Colonization	• Religious Motivations • Slave Trade
Age of Industry	• Movement of People • Age of Industry Apply
World History Since 1945	• Global Trends and Issues Extend World History Since 1945: Global Trends and Issues to explain the reasons for and effects of immigration, forced migration, slavery, and settlement on societies and indigenous populations now.
Early Civilizations	• Dynasties
Mediterranean	• Golden Age and Ottoman Empire
Medieval-Renaissance Europe	• Renaissance
World History Since 1945	• Science and Technology
Early Civilizations	• Perspective on Today Discussion
Africa to 1500	• Global Impact of Trade • Impact of Trade
Early Civilizations	• River Valley Civilizations • Early Civilizations Apply
Age of Industry	• Age of Industry Apply
World History Since 1945	• Science and Technology
Mediterranean	• Byzantine Empire Decline Portfolio
Dynastic Empires	• Chinese Dynasties • Global Trade
Medieval-Renaissance Europe	• Reformation • Reformation Impact
Americas to 1500	• The Fall of the Aztec and Inca Empires
Contact, Imperialism and Colonization	• Trade and Exploration • Religious Motivations • Global Impact

Europe 1650-1815	• Science and Political Thought
Americas 1650-1850	• The American Revolution
Age of Industry	• Technology and the Industrial Revolution
The World Wars	• Causes of WWI • End of WWI • Impact and Change • Growing Unrest • The End of the War
Mediterranean	• Rise of Islam • Golden Age and Ottoman Empire
Medieval-Renaissance Europe	• Medieval Life and Times • Reformation
Europe 1650-1815	• Science and Political Thought • Impact of the Enlightenment
Americas 1650-1850	• Counter Assimilation Movements
Age of Industry	• Industrialization and Ideas • Living Conditions and Rights
The World Wars	• Russian Unrest and Revolution • Society
World History Since 1945	• Political & Cultural Changes Discussion • Mid-East and Africa • China and India • Human Rights mother Theresa
Medieval-Renaissance Europe	• Reformation Impact
Contact, Imperialism and Colonization	• Empires and Imperialism • Slave Trade
Age of Industry	• Age of Industry Apply
The World Wars	• Persecutions & Atrocities • The End of the War
World History Since 1945	• Human Rights • World History Since 1945 Unit Test
Americas to 1500	• Impact of European Conquest
Contact, Imperialism and Colonization	• Empires and Imperialism • Global Impact • Russia and the United States
Americas 1650-1850	• Servitude and Resistance • Americas 1650-1850 Unit Test
Age of Industry	• Movement of People • Age of Industry Apply
The World Wars	• End of WWI • The Great Depression

World History Since 1945	• Mid-East and Africa • Human Rights • Natural Resources and the Environment Extend World History: Human Rights to distinguish the challenges experienced as a result of assimilation now.

The Board plans to apply for 501(c)(3) non-profit status upon approval of the charter and should receive federal tax-exempt status no later than 24 months following final approval of the charter application, as required.

APPENDIX A4.3

EMO/CMO Financial History

AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON MARCH 30, 2022

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form
20-F

(Mark One)

☐ **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934**

or

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

for the fiscal year ended December
31
, 2021

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

for the transition period from to

or

☐ **SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Date of event requiring this shell company report
Commission file number
1-16055

PEARSON PLC
(Exact name of Registrant as specified in its charter)

England and Wales
(Jurisdiction of incorporation or organization)
80 Strand
London, England WC2R 0RL
(Address of principal executive offices)
Graeme Baldwin
Telephone: +44 20 7010 2000
Fax: +44 20 7010 6060
80 Strand
London, England WC2R 0RL
(Name, Telephone,
E-mail
and/or Facsimile Number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of Class	Trading Symbol	Name of Each Exchange on Wh
*Ordinary Shares, 25p par value	PSO	New York Stock Exch
American Depositary Shares, each Representing One Ordinary Share, 25p per Ordinary Share		New York Stock Exch

* Not for trading, but only in connection with the registration of American Depositary Shares, pursuant to the requirements of the SEC.

Securities registered or to be registered pursuant to Section 12(g) of the Act:
None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:
None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock at the close of the period covered by the annual report:

inary Shares, 25p par value	756,802,797

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes ☐ No ☒

Note — Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or an emerging growth company. See definition of "accelerated file", "large accelerated filer" and "emerging growth company", in Rule 12b-2 of the Exchange Act.

☒ Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer
☐ Emerging growth company

If an emerging growth company that prepares its financial statements in accordance with US GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing

☐ US GAAP ☒ International financial Reporting Standards as Issued by the International Accounting Standards Board ☐ Other

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the Registrant has elected to follow: Item 17 ☐ Item 18 ☐

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act): Yes ☐ No ☒

Auditor Firm Id:	876	Auditor Name:	PricewaterhouseCoopers LLP	Auditor Location:	London, Unite

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[Table of Contents](#)

TABLE OF CONTENTS

PART I

PART II

PART III

INTRODUCTION

In this Annual Report on Form 20-F (the “Annual Report”) references to “Pearson”, the “Company” or the “Group” are references to Pearson plc and its consolidated subsidiaries, except as the context otherwise requires. “Ordinary Shares” refer to the ordinary share capital of Pearson of par value 25p each. “ADSs” refer to American Depositary Shares which are Ordinary Shares deposited pursuant to the Second Amended and Restated Deposit Agreement dated August 15, 2014, amended and restated as of August 8, 2000 among Pearson, The Bank of New York Mellon as depositary (the “Depositary”) and owners and holders of ADSs (the “Deposit Agreement”). ADSs are represented by American Depositary Receipts (“ADRs”) delivered by the Depositary under the terms of the Deposit Agreement.

The Group has prepared the consolidated financial information contained in this Annual Report in accordance with International Financial Reporting Standards (“IFRS”) and IFRS Interpretations Committee (“IFRS IC”) interpretations as issued by the UK (“UK-adopted IFRS”), which was brought into law on 31 December 2020, and adopted by the Group on 1 January 2021. The change constitutes a change in accounting framework, but there was no impact on recognition, measurement or disclosure in the period as a result of the change in framework. The consolidated financial statements have also been prepared in conformity with the requirements of the Companies Act 2006. The consolidated financial statements have also been prepared in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). At the balance sheet date, in respect of accounting standards applied by the Group, there is no difference between the UK-adopted IFRS and IASB issued IFRS. Unless otherwise indicated, any reference in this Annual Report to consolidated financial statements is to the consolidated financial statements and the related notes, included elsewhere in this Annual Report.

The Group publishes its consolidated financial statements in sterling. The Group has included, however, references to other currencies. In this Annual Report:

- references to “sterling”, “pounds”, “pence” or “£” are to the lawful currency of the United Kingdom,
- references to “euro” or “€” are to the lawful currency of the participating Member States in the Third Stage of the Europe Monetary Union of the Treaty Establishing the European Commission, and
- references to “US dollars”, “dollars”, “cents” or “$” are to the lawful currency of the United States
- references to “brl”, “R$” are to the lawful currency of Brazil.

For convenience and except where specified otherwise, the Group has translated some sterling figures into US dollars at the rate of £1.00 = $1.35, the noon buying rate in The City of New York for cable transfers and foreign currencies as certified by the Federal Reserve Bank of New York for customs purposes on December 31, 2021. The Group does not make any representation that the amounts of sterling have been, could have been or could be converted into dollars at the rates indicated. On February 28, 2022 the noon buying rate for sterling was £1.00 = $1.34.

The Group currently consists of its education business only. In September 2021, the Group acquired the remaining stake in Faethm Holdings Pty Limited to bring its ownership up to 100% of the share capital of the Company. In April 2020, the Group completed the sale of the remaining 25% equity interest in the consumer publishing business Penguin Random House to Bertelsmann, the owner of the 75% interest. See “Item 4. Information on the Company — Overview of operating divisions”. The Pearson plc Consolidated Financial Statements are included in this report on pages F1-F90.

FORWARD-LOOKING STATEMENTS

You should not rely unduly on forward-looking statements in this Annual Report. This Annual Report, including the sections entitled “Item 3. Key Information — Risk Factors”, “Item 4. Information on the Company” and “Item 5. Operating and Financial Review and Prospects”, contains forward-looking statements that relate to future events or the Group’s future financial performance. In some cases, you can identify forward-looking statements by terms such as “may”, “will”, “should”, “expect”, “intend”, “plan”, “anticipate”, “believe”, “estimate”, “predict”, “potential”, “continue” or the negative of these terms or other comparable terminology. Examples of these forward-looking statements include, but are not limited to, statements regarding the following:

- operations and prospects,
- growth strategy,
- funding needs and financing resources,
- expected financial position,
- market risk,
- currency risk,
- US federal and state spending patterns,
- debt levels, and
- general market and economic conditions.

These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the Group’s or its industry’s actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by the forward-looking statements. In evaluating them, you should consider various factors, including the risks outlined under “Item 3. Key Information — Risk Factors”, which may cause actual events or industry results to differ materially from those expressed or implied by any forward-looking statement. Although the Group believes that the expectations reflected in the forward-looking statements are reasonable, it cannot guarantee future results, levels of activity, performance or achievements.

PART I

ITEM 1. *IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS*

Not applicable.

ITEM 2. *OFFER STATISTICS AND EXPECTED TIMETABLE*

Not applicable.

ITEM 3. *KEY INFORMATION*

Risk Factors

You should carefully consider the risk factors described below, as well as the other information included in the rest of this document. The Group's business, financial condition or results from operations could be materially adversely affected by any or all of these risks, or by other risks that it presently cannot identify.

Content & Channel Risk

If the Group fails to successfully invest in and deliver the right products and services and to respond to competitive threats, its sales and profits could be adversely impacted.

A common trend facing all the Group's businesses is the digitization of content and proliferation of distribution channels, either over the internet, or via other electronic means, replacing traditional print formats. The digital migration has led to changes in consumers' perception of value and the publisher's position between consumers, retailers, and authors, and has required the Group to make changes in product and content distribution.

Students are seeking cheaper sources of content, e.g. second hand and rental copies, online discounters, file sharing and use of pirated copies. This change in behavior puts downward pressure on textbook prices in major markets, and this could adversely impact the Group's results.

There are multiple competing demands for educational funds and there is no guarantee that new courseware or testing or training programs will be funded, or that the Group will win or retain this business.

If the Group does not adapt rapidly to these changes, it may lose business to 'faster' and more 'agile' competitors, who increasingly are

non-traditional

competitors, making their identification all the more difficult. The Group may be required to invest significant resources to further adapt to the changing competitive environment, which requires continued development of both content and the method of delivery to be able to provide differentiated products and services, and can result in competitive disadvantage and missed opportunity for revenue and growth.

If the Group does not adequately protect its intellectual property and proprietary rights, its competitive position and results may be adversely affected and its ability to grow restricted.

The Group's products and services largely comprise intellectual property delivered through a variety of print and digital media, online software applications and platforms. The Group relies on trademark, patent, copyright and other intellectual property laws to establish and protect its proprietary rights in these products and services.

Failure to adequately manage, procure, register or protect intellectual property rights (including trademarks, patents, trade secrets and copyright) in the Group's brands, content and technology, may (1) prevent the Group from enforcing its rights, and (2) increase the risk that bad actors will infringe the Group's content rights (print and digital counterfeit, digital piracy), which will reduce sales and/or erode sales.

Although the Group's intellectual property rights (IPR) in brands and content — historically its core assets — are generally well established in key markets, as technology and digital delivery of content have become an increasingly critical component of the Group's business strategy, the Group has grown its patent portfolio to expand its protection of high value technology in the US and key international markets.

Online copying and security circumvention have become increasingly sophisticated and resistant to available countermeasures. Notably, in recent years “digital counterfeit” web sites have sold or attempted to sell unprotected PDF files of many of Pearson’s titles, at scale, using modern and sophisticated ecommerce methods, with a professional or legitimate appearance. From an IPR perspective, increasing the Group’s digital business continues to expose it to evolving trademark, copyright and patent infringement risks.

The Group’s forward-looking IPR strategy includes efforts to maintain a broad footprint of intellectual property rights in key markets outside the US. However, the Group also conducts business in other countries where its intellectual property protection efforts have been limited or where legal protection for intellectual property may be uncertain and these limitations could affect future growth.

Where the Group has registered or otherwise established its IPR, it cannot guarantee that such rights will provide competitive advantages due to: the challenges and costs of monitoring and enforcement in jurisdictions where competition may be intense; the limited and/or ineffective IPR protection and enforcement mechanisms available to it in many countries; the potential that its IPR may lapse, be invalidated, circumvented, challenged, or abandoned, or that it may otherwise lose the ability to assert its intellectual property rights against others. The loss or diminution in value of these proprietary rights or the Group’s intellectual property could have a material adverse effect on the Group’s business and financial performance.

Risks Related to the Competitive Marketplace

Global economy and cyclical market factors may adversely impact the Group’s financial performance.

With the continued pressure and uncertainty in the worldwide economies, particularly in light of the continuing COVID-19 pandemic and the efforts to contain it, or the unfolding situation in Ukraine, there is a risk of a weakening in trading conditions, which could adversely impact the Group’s future financial performance. The effect of continued deterioration or lack of recovery in the global economy will vary across different businesses and will depend on the depth, length and severity of any economic downturn. The education market can be affected by cyclical factors which, although they can have a positive impact for many of the Group’s businesses, could for others lead to a reduction in demand for the Group’s products and services.

Increased competitive pressure or reduced demand due to changing consumer learning preferences may adversely impact the Group’s financial performance and reduce the expected return on investment.

The Group competes in a highly competitive market that is subject to rapid change. The Group faces competitive threats both from large media players and from smaller businesses, online and mobile portals and operators in the digital arena that provide alternative sources of content. Alternative distribution channels, e.g. digital format, the internet, online retailers, growing delivery platforms (e.g., e-readers or tablets), pose both threats and opportunities to traditional publishing business models, potentially impacting both sales volumes and pricing. In addition, new competitive entrants, increased price competition or shifts in learners away from educational institutions (as seen in reduced Higher Education enrolments) may lead to lower profitability and cash flow performance.

A significant deterioration in the Group’s profitability and/or cash flows caused by prolonged economic instability could reduce its liquidity and/or impair its financial ratios and trigger a need to raise additional funds from the capital markets and/or renegotiate its banking covenants.

To the extent that worldwide economic conditions materially deteriorate, as a result of the COVID-19 pandemic and the efforts to contain it or otherwise, or the unfolding situation in Ukraine, the Group’s sales,

profitability and cash flows could be significantly reduced as customers could be unable to purchase products and services in the expected quantities and/or pay for them within normal agreed terms.

Disruption in capital markets or potential concerns about the Group’s credit rating, for instance manifested in downgrades or negative outlooks by the credit rating agencies, may mean that this capital may not be available on favorable terms or may not be available at all.

Risks Related to the Group’s Portfolio of Businesses

The Group's failure to generate anticipated sales growth, synergies and/or cost savings from acquisitions, mergers and other business combinations, could lead to goodwill and intangible asset impairments.

The Group periodically acquires and disposes of businesses to achieve its strategic objectives and will continue to consider both as means to pursue its strategic priorities.

Acquisitions may involve significant risks and uncertainties, including difficulties in integrating acquired businesses in order to realize anticipated sales growth, synergies and/or cost savings; diversion of management attention from other business concerns or resources; use of resources that are needed in other parts of our business. Acquisitions could lead to goodwill and intangible asset impairments. In addition, divestitures involve risks and uncertainties that could adversely affect our business, results of operations and financial condition. These include, among others, the inability to find potential buyers on favorable terms, disruption to our business and/or diversion of management attention from other business concerns, loss of key employees and possible retention of certain liabilities related to the divested business.

The Group's investment in new markets may deliver returns that are lower than anticipated.

The Group has invested in and has plans to continue to invest in new workforce and direct to learning experiences of which the Group has less experience and faces a variety of competition to be successful. Failure to achieve our planned outcomes may lead to lower than expected sales and profitability.

The Group has businesses in a variety of geographies globally and faces political and regulatory risks, especially in emerging markets.

Political, regulatory, economic and legal systems in emerging markets may be less predictable than in countries with more developed institutional structures. Political, regulatory, economic, currency, reputational and corporate governance and compliance risks (including fraud, sanctions, bribery and corruption) as well as unmanaged expansion are all factors which could limit returns on investments made in these markets or could result in funds being trapped in these countries, limiting the ability of the group to reinvest these or distribute them to shareholders.

Risks Related to the Group's Responsibility & Reputation

The Group's business depends on a strong brand, and any failure to maintain, protect and enhance its brand would hurt its ability to retain or expand its business.

Protecting the Pearson brand is critical to expanding the Group's business and will depend largely on its ability to maintain its customers' trust in its solutions and in the quality and integrity of its products and services, including how it protects the data and privacy of customers and users. If the Group does not successfully maintain a strong brand, its business could be harmed. Beyond protection, strengthening the Pearson brand will enable the Group to more effectively engage with governments, administrators, teachers, learners and influencers.

Failure to prevent or detect a malicious attack on the Group's systems has in the past and could in future result in a breach of confidentiality, integrity and/or availability of sensitive information. In particular, the Group has experienced, and may continue to experience in the future, an unauthorized disclosure of personal information despite best efforts to prevent it. Such incidents have in the past resulted, and could in future result, in damage to the customer experience and the Group's reputation and in financial loss.

Information security and cyber risk are continually evolving and comprises many complex external drivers: increasing customer demand to demonstrate a strong security posture, external compliance requirements, ongoing digital revolution, increasing use of the cloud, managing the supply chain risk and increasingly sophisticated attack strategies. Across its businesses, the Group holds large volumes of personal data including that of employees, customers, students and citizens, and other highly sensitive business critical data such as financial data, internal sensitive information, and intellectual property. Despite its implementation of security measures, threat actors of all types, including individuals, criminal organizations and state sponsored operatives, have from time to time gained access, including in 2018 in the events leading to the SEC settlement discussed in "Item 4. Information on the Company —

Legal Proceedings",

and may in the future gain access to the Group's data through unauthorized means in order to misappropriate such information for fraudulent or other purposes.

Any perceived or actual unauthorized disclosure of personal data or confidential information, whether through a breach of the Group's network or a third party partner with whom we share data or access to our network by an

unauthorized party, employee theft, misuse or error or otherwise, could harm the Group’s reputation, impair its ability to attract and retain its customers, impair business and operations, or subject the Group to regulatory investigations and/or to claims or litigation arising from damages suffered by individuals and customers, and thereby harm its business and operational results. Failure to adequately protect personal data and confidential information has led, in respect of the SEC settlement referred to above
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and could potentially lead to regulatory penalties, as well as, litigation costs and damages, significant remediation costs, reputational damage, cancelation of some existing contracts and difficulty in competing for future business, among other things. In addition, the Group could incur significant costs in complying with the relevant laws and regulations regarding the protection of personal data and confidential information against unauthorized disclosure, payments due to cyber extortion or to responding to regulatory investigations into such matters. Changes to data privacy legislation must also be monitored and acted upon to ensure the Group remains in compliance across different markets.

Failure to use the Group’s data effectively to enhance the quality and scope of current products and services in order to improve learning outcomes could adversely affect the Group’s business.

The Group seeks to maximize data to enhance the quality and scope of current products and services in order to improve learning outcomes while managing associated risks. The Group’s ability to continue to do so may be subject to factors beyond the Group’s control. In addition, the unavailability of timely, complete and accurate data limits informed decision-making and increases the risk of
non-compliance
with legal, regulatory and reporting requirements. Business change and transformation success is dependent on migration of a significant number of datasets and our inability to effectively accomplish this could adversely affect the Group’s results.

A control breakdown or service failure in the Group’s Assessment & Qualifications businesses could result in financial loss and reputational damage.

The Group’s Assessment & Qualifications businesses involve complex contractual relationships with both government agencies and commercial customers for the provision of various testing services. The Group’s financial results, growth prospects and/or reputation may be adversely affected if these contracts and relationships are poorly managed or face increased competitive pressures.

There are inherent risks associated with the Group’s Assessment & Qualifications businesses, both in the US and the UK. A service failure caused by a breakdown in testing and assessment processes could lead to a

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mis-grading
of student tests and/or late delivery of test results to students and their schools. In either event the Group may be subject to legal claims, penalty charges under contracts,
non-renewal
of contracts and/or the suspension or withdrawal of its accreditation to conduct tests. A late delivery of qualification results could result in a potentially significant regulatory fine in addition to the contractual penalties. It is also possible that such events would result in adverse publicity, which may affect the Group’s ability to retain existing contracts and/or obtain new customers.

Operational disruption to its business, including that caused by third party providers, a major disaster and/or external threats, could restrict the Group’s ability to supply products and services to its customers.

Across all its businesses, the Group manages complex operational and logistical arrangements including distribution centers, data centers, and educational and office facilities, as well as relationships with third party print sites. It has also outsourced some support functions, including information technology, warehousing and logistics to third party providers. The failure of third parties to whom it has outsourced business functions could adversely affect its reputation or financial condition. Failure to recover from a major disaster, (e.g. fire, flood, etc.) at a key facility or the disruption of supply from a key third party vendor or partner (e.g. due to bankruptcy) could restrict the Group’s ability to service its customers and meet the terms of its contractual relationships with both government agencies and commercial customers. Penalty clauses and/or the failure to retain these contracts at the end of the contract term could adversely impact future revenues.

Failure to adequately protect learners could result in significant harm to one or more learners.

Incidents have occurred and may in future occur where learners may not have been, or may not be, adequately protected. For example, where the Group has direct learner contact via online learning, or in its direct delivery businesses where it is operating, either directly or in a third- party partnership. These incidents can cause harm to learners, which is something the Group takes extremely seriously, and could also have a negative financial, legal and reputational impact to the business.

Failure to effectively manage risks associated with compliance to global and local anti-bribery and corruption (ABC) legislation could result in costly legal investigations and/or adversely impact the Group's reputation.

The Group is committed to an effective compliance program in keeping with changing regulatory expectations, and it is also committed to conducting business in a legal and ethical manner in compliance with local and international statutory requirements and standards applicable to its business. Despite those commitments, there is a risk that the Group's management, employees or representatives may take actions that violate applicable laws and regulations including regarding accurate keeping of books and records or prohibiting the making of improper payments for the purposes of obtaining or keeping business, including laws such as the US Foreign Corrupt Practices Act or the UK Bribery Act. Any regulatory inquiry or investigations, could be costly, require a significant amount of management's time and attention, adversely impact the Group's reputation, or lead to litigation and financial impacts.

Failure to comply with antitrust and competition legislation and/or legal or regulatory proceedings could result in substantial financial cost and/or adversely impact the Group's reputation.

The Group is subject to global and local antitrust and competition law and although it is committed to conducting business in compliance with local and international laws, there is a risk that management, employees or representatives may act in a way that violates applicable antitrust or competition laws. Further, the Group and its subsidiaries are and may be in the future subject to legal and regulatory proceedings in the countries in which the Group operates. These proceedings could result in greater scrutiny of the Group's operations in other countries for anti-competitive behavior and, in the worst case, incur a substantial financial cost. This would also have an adverse impact on the Group's reputation.

Risks Related to Operations

The accelerated pace and scope of our business transformation initiatives increase our risk to execution timelines and to business adoption of change. The risk is that benefits may not be fully realized, costs may increase, or that the Group's business as usual activities are adversely impacted.

Business transformation and change initiatives in support of the Group's strategic goals to accelerate its digital transition and to simplify its business continued throughout 2020 and 2021. A range of transformation initiatives were completed during 2020 and 2021. In 2021, the Group announced a new strategy which has the potential for increased risk as the organisational structure and financial reporting processes are realigned in order to pursue the new strategy. The pace and scope of change potentially increases the risk that not all these changes will deliver within anticipated timeframes, and that the costs of these changes may increase. In addition, as a result of the increased pressure of transformational change, business as usual activities may not perform in line with plans, or the level of customer service may not meet expectations. In parallel with the business transformation, as the Group responds to the transition to digital and virtual learning, it will continue to look at opportunities to develop business models and further refine organization structures. Resistance to change could restrict the organization from making the necessary changes to the business model.

If the Group fails to attract, retain and develop appropriately skilled employees, it may limit its ability to achieve its strategic and operational goals and its business may be harmed.

The Group's success depends on the skill, experience and engagement of its employees. It has a key dependency on the Chief Executive and certain key employees. If it is unable to attract, retain and develop sufficiently experienced and capable staff, especially in technology, product development, sales and leadership, its business and financial results may suffer. When talented employees leave, the Group may have difficulty replacing those skills, and its business may suffer. There can be no assurance that the Group will be able to successfully attract and retain the skills that it needs.

All the Group's businesses depend on Information Technology (IT) systems and technological change. Failure to maintain and support customer facing services, systems, and platforms, including addressing quality issues and execution on time of new products and enhancements, could negatively impact the Group's sales and reputation.

All the Group's businesses, to a greater or lesser extent, are dependent on IT. It either provides software and/or internet services to its customers or uses complex IT systems and products to support its business activities, including customer-facing systems, back-office processing and infrastructure. The Group faces several technological risks associated with software product development and service delivery, information technology security (including viruses and cyber-attacks),

e-commerce,

enterprise resource planning system implementation and upgrades. Although plans and procedures are in place to reduce such risks, from time to time the Group has experienced verifiable attacks on its systems by unauthorized parties. To date, such attacks have not resulted in any material damage, but the Group's businesses could be adversely affected if its systems and infrastructure experience a significant failure or interruption.

Failure to adequately protect the health, safety and well-being of the Group's employees, learners and other stakeholders could adversely impact the Group's reputation, profitability and future growth.

Although the Group has invested in global health and safety procedures and controls to safeguard the health, safety and wellbeing of its employees and other stakeholders, accidents or incidents could still occur due to unforeseen risks, causing injury or harm to individuals and impacting the Group's business operations. The effects of the

COVID-19

pandemic may exacerbate the risk. This has the potential to lead to criminal and civil litigation, business disruption leading to operational loss, reduction in profitability and impact on the Group's reputation.

Failure to ensure security for the Group's staff, learners, assets and reputation, due to increasing numbers of and variety of local and global threats.

Pearson is a global business with locations in diverse, sometimes high-risk, locations worldwide. Although it has protective measures in place to secure its staff, learners and assets, the Group could still be impacted by external threats, such as localized incidents, terrorist attacks, strikes or extreme weather. Future occurrences could cause harm to individuals and/or disrupt business operations. These have the potential to lead to operational loss, a reduction in profitability and impact on the Group's global reputation.

Failure to meet our customers' rapidly changing expectations in our products and services and not being able to anticipate new customer demands could result in reduced market share, profitability and brand erosion.

We continue to adjust our business model to keep a pace with the increasing end user demands. The group may not be able to adapt, change and succeed in a rapidly changing and uncertain environment resulting in competitive disadvantage, higher cost and brand erosion.

With the focus of direct to consumer strategy and the launch of new products we risk that the customer experience expectations are not met with regard to how the products and services are delivered e.g. quality and timeliness, impacting the customer's brand loyalty and propensity to purchase; resulting in customer complaints, less favorable social media sentiment, bad reviews, low recommendations, and customer attrition.

There is also the risk that our technology and data dependent products and services do not meet accessibility requirements in respect of customers' and prospective customers' ability to access the products and services, and this could result in increased costs, restrictions and fines.

The Group's business, results of operations and financial condition have been and could further be adversely affected by the effects of the global

COVID-19

pandemic and subsequent consumer and enterprise trends.

Restrictions on movement of individuals and forced business closures due to the

COVID-19

pandemic and efforts to contain it have had and could continue to have an impact on the Group's financial results, in particular where test centres are forced to close or high stakes examinations are cancelled.

Consumer behaviours have also been changed as a result of

on-off

lockdown restrictions in major markets since March 2020. This has included increased moves to online learning, online testing (proctoring) and shifts away from multi-year formal qualifications. The Group has offerings in areas which benefit from many of these trends but the gains may not be sufficient to offset any losses from erosion of the Group’s traditional markets. In particular, these trends may lead to lower revenue, prices and profitability.

Changes in government policy and/or regulations have the potential to affect the Group’s business model and/ or decisions across all markets.

The Group’s educational services and assessment businesses may be adversely affected by changes in government funding resulting from either trends that are beyond the Group’s direct control, such as general economic conditions, changes in government educational funding, programs, policy decisions, legislation and/or changes in the procurement process, or the Group’s failure to successfully deliver previous contracts. These may also include decisions to suspend or permanently cancel high stakes testing impacting our assessments businesses.

The results and growth of the Group’s US educational services and assessment businesses are dependent on the level of federal and state educational funding, which in turn is dependent on the robustness of state finances and the level of funding allocated to educational programs. State, local and municipal education funding pressures remain, competition from low price and disruptive new business models continues and open source is promoted as a way to keep costs down for customers. The current challenging environment could impact the

Group’s ability to collect education-related debt. State and local government leadership changes and resultant shifts in education policy can also affect the funding available for educational expenditure, which include the impact of educational reform. Similarly, changes in the government procurement process for textbooks, learning material and student tests, and vocational training programs can also affect the Group’s markets. Political pressure on testing, changes in curricula, delays in the timing of the adoptions and changes in the student testing process can all affect these programs and therefore the size of the market in any given year. Uncertainty remains over the longer term impact of international trading arrangements and general economic conditions in the UK as a result of Brexit, and globally as a result of the COVID-19 pandemic, among other examples of wider uncertainty and instability in the rest of the world, any of which can affect governments education policy and decisions.

Climate Transition — Environmental, social and governance risks may adversely impact the Group’s business.

The Group considers environmental, social and governance (ESG) risks no differently to the way it manages any other business risk. These include ethical business behavior, compliance with UN Global Compact standards, environmental impact, people and editorial standards. A failure to comply with such standards could adversely affect the Group’s reputation and have a negative impact on its relations with employees, vendors and customers.

Supply Chain — A lack of sufficient capital resources could adversely impact the Group’s ability to operate.

If the global economy weakens further and/or the global financial markets collapse, as a result of the COVID-19 pandemic or otherwise, the Group may not have access to or could lose its bank deposits or suffer a significant increase in customer bad debts. Lack of sufficient capital resources could significantly limit the Group’s ability to take advantage of business and strategic opportunities. If replacement funds are not available, the Group may be required to delay, reduce the scope of, or eliminate material parts of its business strategy, including potential additional acquisitions or development of new products, services and technologies.

Inflation — Rising global inflation could increase costs and adversely impact the Group’s profits and financial performance.

Rising global inflation factors could increase the cost of production for Pearson. There is no guarantee that we can increase prices or reduce cost for products and services that can mitigate the effects of inflation, which could lead to reduced earnings and ability to invest in future growth.

Ukraine — the unfolding situation in Ukraine and its regulatory and macroeconomic consequences, including in respect of sanctions, could impact the Group’s cost base and supply chain and have a material adverse impact on the Group’s operations, profits and financial performance.

On 24 February 2022, Russian troops entered Ukraine. This has resulted in sanctions being imposed on Russia and Belarus by numerous countries, including the United Kingdom and the United States. As Pearson’s operations in Russia, Belarus and Ukraine are small, the direct impact of the invasion and related sanctions on Group sales, profits and cash is expected to be immaterial. However, the full impact, particularly in the event of an escalation of the conflict beyond those countries, cannot be determined at this time. The conflict and associated sanctions could also increase the risk associated with other risks such as inflation due to energy and food supply issues or increased risk of cyber attacks, any of which could have a material adverse impact on the Group's operations, profits and financial performance.

Changes in tax law or perceptions on tax planning strategies may lead to a higher effective tax rate or negative reputational impact.

Changes in corporate tax rates and/or other relevant tax laws in the UK, US or other jurisdictions could have a material impact on the Group's future reported tax rate and/or its future tax payments. The application of tax

legislation can be complex and tax authorities may take a different view to management. The Group has been subject to audit by tax authorities. In particular, the Group is under assessment from the tax authorities in Brazil challenging the deduction for tax purposes of goodwill amortisation for the years 2012 to 2017 (similar assessments may be raised for other years). In addition, the Group has lodged an appeal against the European Commission's decision that the United Kingdom controlled foreign company group financing partial exemption (FCPE) partially constitutes State Aid. Although the Group believes its tax provision is reasonable, the final determination of its tax liability could be materially different from its historical income tax provisions, which could have a material effect on the Group's financial position, results of operations or cash flows.

The Group's tax strategy reflects its business strategy and the locations and financing needs of its operations. In common with many companies, the Group seeks to manage its tax affairs to protect value for its shareholders, in line with its broader fiduciary duties. The Group is committed to complying with all statutory obligations, to undertake full disclosure to tax authorities and to follow agreed policies and procedures with regard to tax planning and strategy.

The Group generates a substantial proportion of its revenue in foreign currencies, particularly the US dollar, and foreign exchange rate fluctuations could adversely affect the Group's earnings and the strength of its balance sheet.

As with any international business, the Group's earnings can be materially affected by exchange rate movements. The main exposure is to movements in the US dollar to sterling exchange rate as approximately 69% of the Group's total revenue is generated in US dollars. The Group also has exposure to a range of other international currencies including emerging market currencies.

The Group's reported earnings and cash flows may be adversely affected by changes in its pension costs and funding requirements.

The Group operates a number of pension plans throughout the world, the principal ones being in the UK and the US. The major plans are self-administered with the plans' assets held independently of the Group. Regular valuations, conducted by independent qualified actuaries, are used to determine pension costs and funding requirements. As these assets' valuations can fluctuate, the plans may require additional funding from the Group, which could have an adverse impact on its results.

It is the Group's policy to ensure that each pension plan is adequately funded, over time, to meet its ongoing and future liabilities. The UK Group plan expects to be able to provide benefits (in accordance with the plan rules) with a very low level of reliance on future funding from the Group. The Group's earnings and cash flows may be adversely affected by the need to provide additional funding to eliminate pension fund deficits in its defined benefit plans. The Group's greatest exposure relates to the UK defined benefit pension plan, which is valued every three years. Pension fund deficits may arise because of inadequate investment returns, increased member life expectancy, changes in actuarial assumptions and changes in pension regulations, including accounting rules and minimum funding requests.

Although the UK defined benefit plan is significantly de-risked (given, in addition to a de-risked investment policy, it was also in significant surplus as at 1 January 2021, being the date of the last triennial valuation) the ability to achieve and maintain this standard remains subject to market conditions, meaning that additional funding could still be required from the Group in the future.

ITEM 4. *INFORMATION ON THE COMPANY*

Pearson plc, (Pearson or the Group) is a worldwide learning company with its principal operations in the education, assessment and certifications markets. The Group delivers content, assessment and services, powered by technology, in order to drive personalized learning at scale. The Group creates and manages intellectual

property, which it promotes and sells to its customers under well-known brand names. The Group delivers its content in a variety of forms and through a variety of channels, with emphasis on digital services. Though it has a presence in circa 200 countries around the world, today its largest markets are North America (67% of 2021 sales) and Europe (including the UK) (18% of 2021 sales).

Pearson was incorporated and registered in 1897 under the laws of England and Wales as a limited company and

re-registered

under the UK Companies Act as a public limited company in 1981. The Group conducts its operations primarily through its subsidiaries and other affiliates. Its principal executive offices are located at 80 Strand, London WC2R 0RL, United Kingdom (telephone: +44 20 7010 2000) and its website address is https://plc.pearson.com/

Overview

The Group is a leading provider of educational materials and learning technologies. It provides test development, processing and scoring services to governments, educational institutions, corporations and professional bodies around the world. It provides content across the curriculum and a range of education services including teacher development, educational software and system-wide solutions, it owns and operates colleges and schools (including virtual schools).

The Group is run as one global learning company, operating around six geographical areas (UK, Europe, US, Canada, Asia Pacific, Other countries) organized in five main global business divisions, each of which are reporting segments (Virtual Learning, Higher Education, English Language Learning, Workforce Skills and Assessment & Qualifications). Within each geographical area, the Group provides content, assessment and digital services to schools, colleges and universities, as well as professional and vocational education to learners. The results of the Businesses under Strategic Review are reported separately.

Recent developments

On 11 March 2022, Apollo Global Management, Inc. and its subsidiaries (“Apollo”), on behalf of certain of its affiliated funds, announced that it was in the preliminary stages of evaluating a possible cash offer by certain of Apollo’s affiliated funds for Pearson. Apollo further noted that there could be no certainty that any offer would be made, nor as to the terms on which any such offer might be made, and that, in accordance with Rule 2.6(a) of the City Code on Takeovers and Mergers (the “Code”), Apollo was required, by not later than 5.00 p.m. UK on 8 April 2022 either to announce a firm intention to make an offer for Pearson in accordance with Rule 2.7 of the Code or announce that it does not intend to make an offer for Pearson, in which case the announcement would be treated as a statement to which Rule 2.8 of the Code applies (a “Rule 2.8 Announcement”).

Further on 11 March 2022, Pearson announced that it had previously received two unsolicited, preliminary and highly conditional proposals from Apollo regarding a possible cash offer for the entire issued and to be issued share capital of the Company, on 5th November 2021 for 800 pence per share and on 7th March 2022 for a total value of 854.2 pence per share, being 840 pence per share plus the 2021 final dividend of 14.2 pence per share which has been announced but not yet paid (the “2021 Final Dividend”). The Board of Pearson had considered each of these proposals, together with its financial and legal advisers, and had concluded in each case that the proposal significantly undervalued the Company and its future prospects. Accordingly, the Board of Pearson had unanimously rejected each proposal.

On 30 March 2022, Apollo issued a Rule 2.8 Announcement confirming that it did not intend to make a formal offer for Pearson. Subsequently on 30 March 2022, Pearson acknowledged Apollo’s Rule 2.8 Announcement and noted that on 28 March 2022 it had received a third such proposal from Apollo for a total value of 884.2 pence per share, being 870 pence per share plus the 2021 Final Dividend of 14.2 pence per share for eligible shareholders, which the Board had considered, together with its financial and legal advisers, and had concluded that it significantly undervalued the Company and its future prospects and accordingly had rejected it, leading to Apollo’s Rule 2.8 Announcement earlier that day.

Selected consolidated financial data

The table below shows selected consolidated financial data under IFRS as issued by the IASB and in conformity with the requirements of the Companies Act 2006 and in accordance with UK-adopted IFRS. The selected consolidated income statement data for the years ended December 31, 2021, 2020 and 2019 and the selected consolidated balance sheet data as at December 31, 2021 and 2020 have been derived from the Group's audited consolidated financial statements included in "Item 18. Financial Statements" in this Annual Report.

On May 5, 2017, the Group announced that it was undertaking a strategic review of its US K-12 courseware business. The US K-12 business was classified as held for sale on the Group's balance sheet as at December 31, 2017 and December 31, 2018. On March 29, 2019 the Group completed the sale of its US K-12 courseware business to Nexus Capital Management LP resulting in a pre-tax profit on sale of $13m.

On October 5, 2017 the Group completed the sale of a 22% share in Penguin Random House to Bertelsmann, retaining a 25% share. Following the announcement of planned sale of the remaining 25% share in December 2019, the business was classified as held for sale on the Group's balance sheet as at December 31, 2019. On April 1, 2020, the Group completed the sale of the remaining 25% share in Penguin Random House to Bertelsmann resulting in a pre-tax profit on sale of £180m.

In November 2020, the Group announced the sale of its interests in Pearson Institute of Higher Education (PIHE) in South Africa. The business was classified as held for sale on the Group's balance sheet as at December 31, 2020. The sale completed on February 5, 2021 for nominal consideration realising a loss on disposal of £5m in 2021.

In March 2021, the Group announced that it was launching a strategic review of its international courseware local publishing businesses. The strategic review is progressing in line with plan. The related assets have been assessed in light of IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations' and they do not meet the criteria to be classified as held for sale at 31 December 2021.

In October 2021, the sale of the Group's interests in K12 Sistemas in Brazil was completed, realizing a profit of £84m.

There were no significant acquisitions made in 2019 or 2020.

In September 2021, Pearson completed the acquisition of 100% of the share capital of Faethm Holdings Pty Limited (Faethm) for £65m, having already held 9% of the share capital previously. Faethm will form part of the Workforce Skills Division.

The Group made two additional acquisitions of subsidiaries, Opinion Interactive LLC in February 2021 and MZ Development Inc. in July 2021, for total consideration of £11m. In both cases, the Group acquired 100% of the share capital of the respective entities. Both will be part of the Assessment & Qualifications division.

On 28 January 2022, the Group completed the acquisition of 100% of the share capital of Credly Inc., having previously held a 19.9% interest in the Company. Total consideration is c$200m, comprising upfront cash consideration of c$142m, Pearson's existing interest valued at c$42m and c$16m of deferred consideration. Net assets acquired will mainly comprise acquired intangible assets. Credly will also form part of the Workforce Skills division.

In January 2022, the Group received $117m in relation to full and final payment of the remaining receivable balance which arose on the disposal of the US K-12 business in 2019.

In February 2022, the Group renegotiated its revolving credit facility, extending the maturity of $1bn of the facility by one year to 2026.

On 24 February 2022, the Board approved a £350m share buyback programme in order to return capital to shareholders. The programme is expected to commence in 2022.

The selected consolidated financial information should be read in conjunction with “Item 5. Operating and Financial Review and Prospects” and the Group’s consolidated financial statements and the related notes appearing elsewhere in this Annual Report. The information provided below is not necessarily indicative of the results that may be expected from future operations.

For convenience, the Group has translated the 2021 amounts into US dollars at the rate of £1.00 = $1.35, the noon buying rate in The City of New York for cable transfers and foreign currencies as certified by the Federal Reserve Bank of New York for customs purposes on December 31, 2021.

	Year Ended December 31				
	2021	**2021**	**2020**	**2019**	
	$	**£**	**£**	**£**	
		(In millions, except for per share amou			
nsolidated Income Statement data					
es	4,628	3,428	3,397	3,869	
erating profit/(loss)	247	183	411	275	
fit/(loss) after taxation from continuing operations	216	160	310	266	
fit/(loss) for the financial year	216	160	310	266	
nsolidated Earnings data per share					
sic earnings/(loss) per equity share(1)	28.5¢	21.1p	41.0p	34.0p	
uted earnings/(loss) per equity share(2)	28.2¢	20.9p	41.0p	34.0p	
sic earnings/(loss) from continuing operations per equity share(1)	28.5¢	21.1p	41.0p	34.0p	
uted earnings/(loss) from continuing operations per equity share(2)	28.2¢	20.9p	41.0p	34.0p	
vidends per ordinary share	27.7¢	20.5p	19.5p	19.5p	
nsolidated Balance Sheet data at period end					
tal assets n-current sets plus current assets)	9,913	7,343	7,451	7,650	
t assets	5,778	4,280	4,134	4,323	
ng-term obligations(3)	(2,002)	(1,483)	(1,672)	(1,835)	(
pital stock	255	189	188	195	
mber of equity shares outstanding (millions of ordinary shares)	757	757	753	782	

Notes:

(1) Basic earnings per equity share is based on profit for the financial period and the weighted average number of ordinary shares in period.

(2) Diluted earnings per equity share is based on diluted earnings for the financial period and the diluted weighted average number o in issue during the period. Diluted earnings comprise earnings adjusted for the tax benefit on the conversion of share options by e the weighted average number of ordinary shares adjusted for the dilutive effect of share options.

(3) Long-term obligations comprise any liabilities with a maturity of more than one year, including medium and long-term borrowin financial instruments, pension obligations, long-term provisions, deferred income and tax liabilities.

Dividend information

The Group pays dividends to holders of ordinary shares on dates that are fixed in accordance with the guidelines of the London Stock Exchange. The board of directors normally declares an interim dividend in July or August of each year to be paid in September or October. The board of directors normally recommends a final dividend following the end of the fiscal year to which it relates, to be paid in the following May or June, subject to shareholders' approval at the annual general meeting. At the Group's annual general meeting on April 29, 2022 shareholders will be asked to approve a final dividend of 14.2p per ordinary share for the year ended December 31, 2021.

The table below sets forth the amounts of interim, final and total dividends paid in respect of each fiscal year indicated and is translated into cents per ordinary share at the noon buying rate in The City of New York on each of the respective payment dates for interim and final dividends. The final dividend for the 2021 fiscal year will be paid on May 6, 2022 (subject to shareholder approval).

Fiscal year	Interim	Final	Total	Interim
	(Pence per ordinary share)			(Cents pe
21	6.3	14.2	20.5	8.5
20	6.0	13.5	19.5	7.7
19	6.0	13.5	19.5	8.0
18	5.5	13.0	18.5	7.2
17	5.0	12.0	17.0	6.8

* As the 2021 final dividend had not been paid by the filing date, the dividend has been translated into cents using the noon buying as at December 31, 2021.

Future dividends will be dependent on the Group's future earnings, financial condition and cash flow, as well as other factors affecting the Group.

The Group's strategy

The Group's mission is to create vibrant and enriching learning experiences designed for real life impact and its vision is that everyone can realize the life they imagine through learning. At Pearson, we add life to a lifetime of learning. With us, learning isn't just something to get through; it's a chance for a breakthrough. A challenging, enriching experience you undertake knowing it's taking you forward and making an impact.

Following the appointment of Andy Bird as CEO in October 2020, the Group announced a new strategy. That strategy, developed closely with the Board and unveiled in March 2021, is based around establishing a lifelong, direct relationship with consumers. Our priorities continue to centre on building a company that is digital first, puts the consumer at its heart, and delivers high quality learning products at scale to more people than ever before.

To do that, we created a new organisational structure with five core divisions. The new divisions are: Assessment & Qualifications, Virtual Learning, English Language Learning, Workforce Skills and Higher Education. In addition, the International Courseware local publishing businesses are under strategic review and during this time are being managed as a separate division, known as Strategic Review.

These divisions are underpinned by a dedicated direct to consumer team that successfully launched Pearson+ last July. We have also recently introduced a new company purpose: 'to add life to a lifetime of learning.' We redefined Pearson's purpose for the new reality of a world in which learning is becoming more fluid and exists inside and outside of formal education.

We believe that the success of Pearson and the work we do has never been more important. The world is changing, and the very definition of learning is expanding. We no longer move only in a linear fashion through school, into higher education, and then on to employment. All of us are learning all the time. Pearson is re-focused and re-organized to capitalize on this new wave of learning.

We also recognize that learning is no longer a phase of life, it's a lifelong journey. The need to upskill and reskill has never been more urgent. So, while we'll continue to work with long standing partners such as schools, universities, and colleges, we are also increasingly working with employers. Companies now play a critical role in that learning lifecycle and we have an opportunity to help individuals and employers turn the great resignation into the great re-engagement.

The recent acquisitions of Faethm and Credly in our Workforce Skills division signal the direction of travel you can expect from us, including the expansion into data as a service for employers and into credentialing for workers. In English Language Learning, we are building a business aimed at being the destination for committed English learners. We are focused on continuing to grow our institutional business and high stakes assessments, while building a direct-to consumer strategy.

There are three reasons why we believe Pearson can win in this new environment:

1. We are the world's leading learning company with a strong brand, an unmatched scope and scale; and have the deep expe thousands of employees who deliver high quality, trusted learning solutions every day.
2. We have a great foundation of established businesses that are well-managed, cash generative and underpin the company f
3. We are bringing together the multiple facets of our expertise to deliver innovative digital learning products through a mor commercial and consumer strategy.

Pearson is not just a collection of individual businesses, but, increasingly, a highly interconnected company, with capabilities that work together to help people learn at multiple points in their lives. Pearson has the potential to accelerate growth when we leverage our businesses in a coordinated fashion across the entire spectrum of learning.

Pearson+ is critical to fulfilling that strategy. We're building Pearson+ as the premier digital learning ecosystem for life — whether through school, university, work, languages, or life skills — for a growing addressable market globally. Pearson+ will become the core digital offering for this company, reaching multiple demographics and learners, giving us the opportunity to create a meaningful business on a global scale. Consumers need a way to discover, learn, build skills, and show credentials and they want a great user experience. We can deliver that with a broader Pearson+ vision, by drawing on the assets of each Pearson business and leveraging our growing relationships with students, consumers, and enterprises. We can also support this with a robust data infrastructure. The possibilities are vast when we can connect these assets into one trusted ecosystem designed to meet consumer-led learning where it happens.

We also continue to evolve our sustainable business strategy to align with our company strategy and purpose and to drive learning for everyone. We have placed renewed energy into building our talent and our innovation culture, so our people can make a difference at scale. As we become more digital, we're providing products with a smaller carbon footprint, along with products and services that meet the demands of a green economy and content that influences action. As such, we are on track with our goal to make Pearson a net zero carbon business by 2030.

We believe our strategic priorities, combined with our disciplined approach to capital allocation, will enable us to create sustainable, long-term value for every Pearson stakeholder.

Operating divisions

Pearson is the world's leading learning company, serving customers in nearly 200 countries with digital content, assessments, qualifications, and data.

As a result of the new strategy announced in March 2021, the operating segments reported to the Group's chief operating decision-maker, the Pearson Executive Management team, have changed from 1 July 2021 to reflect the new structure. There are now five main global business divisions, which are each considered separate operating segments for management and reporting purposes. These five divisions are Assessment & Qualifications, Virtual Learning, English Language Learning, Workforce Skills and Higher Education. In addition, the International Courseware local publishing businesses are under strategic review and during this time are being managed as a separate division, known as Strategic Review. For the comparative periods, the Group has separately disclosed the results from the Penguin Random

House associate to the point of disposal in April 2020.

Assessment & Qualifications

Assessment & Qualifications comprises Pearson VUE, US School Assessment, Clinical Assessment, UK GCSE and A Levels and International academic qualifications.

As people up-skill and re-skill more often in their lives, they are increasingly looking to some form of certification to prove their achievement. Everything we do across our five divisions has the potential to lead to some form of assessment, qualification or certificate, ensuring this division is our largest business by revenue and consumer reach.

Our Assessment & Qualifications division provides the assessments, qualifications, certifications and licences that enable people to demonstrate their knowledge, skills and aptitude across a lifetime of learning, from school to professional careers. The learning we offer in all our other divisions has the potential to lead to some form of assessment, qualification, certification or licence, and this continues to be a significant opportunity for us.

Our partners include major multinational employers, governments, schools and professional bodies, and our services are used in some of the fastest growing institutions and industries in the world, such as K-12 (primary/secondary) schools in the US, healthcare, cloud computing and IT. The division operates through four business units: Pearson VUE; US Student Assessment; UK & International Qualifications; and Clinical Assessment.

Through Pearson VUE, learners validate what they have learned in order to gain a certificate or licence. Learners take nearly 17 million exams through Pearson VUE each year in more than 200 countries. To best serve customers and help people advance in their careers during the pandemic, Pearson VUE enabled millions of people to test remotely from their home, emerging as a large player in online invigilation.

Pearson’s US Student Assessment division acts as a partner with states, districts and educators to help K-12 students advance at an appropriate pace in their schooling. UK & International Qualifications develops highly sought after academic and vocational qualifications.

Clinical Assessment provides psychological assessment in health and education. The business produces hundreds of scientifically backed products and solutions designed to help experts understand how people learn. The team brings together innovation with quality test design to develop effective tools for children and adults, educators and clinicians.

See “Item 5. Operating and Financial Review and Prospects — Results of Operations — Year Ended December 31, 2021 compared to year ended December 31, 2020 — Sales and operating profit by division — *Assessment & Qualifications*” for a discussion of developments during 2021 with respect to this segment.

Virtual Learning

Virtual Learning comprises our Virtual Schools and Online Program Management (OPM) businesses.

There is a growing international demand for virtual schooling, partly down to advances in technology, but also accelerated by the recent pandemic.

Our Virtual Learning division offers highly effective online learning for every age and stage of education. Users are able to learn where, when, and how they learn best, giving them a truly personalized experience. It’s designed to be smart, flexible, and inspiring education that propels people forward in their lives and careers.

Students in grades K-12 in the US (equivalent to primary and secondary school in the UK) can enrol in full-time online public or private school programs offered by Pearson Virtual Schools. Fully accredited and staffed with specially trained teachers, these online schools have been providing high quality alternatives to the traditional classroom experience for over 20 years. Students are prepared to be adaptable; equipped with the academic and life skills they need to thrive today and in an ever-changing world.

K-12 online school options include Connections Academy (US-based public schools), Pearson Online Academies (international private schools), and programs for school districts across the US.

Adult learners, universities and employers rely on Pearson for exclusive online higher education programs and Online Program Management (OPM) services, including degrees, certificates and short courses. Students gain access to convenient, compelling online learning to boost employability and advance in their careers, while higher education institutions extend their reach and provide the flexible online options their students want.

For employers, our OPM business delivers vital upskilling and reskilling to keep pace with the future of work. This business operates in the US and internationally.

See "Item 5. Operating and Financial Review and Prospects — Results of Operations — Year Ended December 31, 2021 compared to year ended December 31, 2020 — Sales and operating profit by division — Virtual Learning" for a discussion of developments during 2021 with respect to this segment.

English Language Learning

The English Language Learning division comprises Pearson Test of English, Institutional Courseware and English Online Solutions.

English is a mandatory requirement in more than 140 national curricula, and there are over 1.5 billion people worldwide learning English today. We aim to be the world's leading destination for committed English language learners – people willing to dedicate time and money to their English learning. We want to work with those committed learners to help them achieve their full potential in life through improved English proficiency.

We have a set of strong, unique assets to support our English learners. The Global Scale of English, a leading global measurement standard, enables people to gauge and track their progress in English. The Pearson Test of English is a digital test with AI scoring that provides fast, accurate, secure, and unbiased results. We are widely available in 118 countries, thanks to our network of 389 Pearson VUE test centres. It is a trusted brand for entry into higher education and a gateway to immigration recognized by regulators in the main receiving countries.

We also offer digital and blended English solutions to academic institutions and private language schools in 163 countries around the world, bringing together courseware and assessment with teacher support and learning platforms.

See "Item 5. Operating and Financial Review and Prospects — Results of Operations — Year Ended December 31, 2021 compared to year ended December 31, 2020 — Sales and operating profit by division — *English Language Learning*" for a discussion of developments during 2021 with respect to this segment.

Workforce Skills

Workforce Skills comprises BTEC, GED, TalentLens, Pearson College and Apprenticeships. It also now encompasses recently acquired businesses, Faethm and Credly.

The world of work is changing fast, creating a need for constant upskilling and reskilling, both from organisations looking to support their employees, and from individuals looking to make changes in their careers.

In our Workforce Skills division, we are creating a world where everyone is prepared for the future of work, and where success is no longer only about what you've done but what you can do.

The global talent market has never been more important than it is today, and we are positioned to meet the needs of employees and employers in a changing global economy. We help employers understand labour market dynamics and how best to futureproof their workforces at scale, while helping workers gain the skills they need to boost their employability and open up new job and career prospects.

Our unique offer uses workforce analysis, personalized learning, assessment and verified skills credentials to close skills gaps, realize untapped potential and mobilize talent. We help employers understand, maintain and enhance the value of their most important asset – their people – and help employees make important breakthroughs in their careers.

See "Item 5. Operating and Financial Review and Prospects — Results of Operations — Year Ended December 31, 2021 compared to year ended December 31, 2020 — Sales and operating profit by division — *Workforce Skills*" for a discussion of developments during 2021 with respect to this segment.

Higher Education

Higher Education comprises our US, Canadian and International Higher Education Courseware businesses.

Pearson creates personalized, digital learning experiences for higher education and college students and believe that the future of learning and our US Higher Education Courseware business is increasingly digitally driven.

Pearson is the leader in producing higher education learning media in North America, as well as reaching into other major markets around the world. We offer vibrant digital content with enriching experiences that lead to positive learning outcomes for more than 10 million higher education students every year.

We partner with thousands of expert authors to create content in more than 100 academic disciplines. We are leaders in science, technology, engineering and maths (STEM), as well as IT among other disciplines. Our leading content is delivered through digital eBooks and popular interactive multimedia on platforms such as MyLab, including new Interactive Labs; Mastering; Revel; and Pearson+.

In July 2021, we launched Pearson+, a direct-to-consumer subscription experience that gives students simple and affordable access to eBooks and study tools. Pearson+ was designed with input from authors and students and is winning praise from students, faculty, and authors.

In addition to helping build stronger student relationships, Pearson+ will shift commerce away from secondary market sellers to our owned sites and apps. This gives students a reliable e-commerce experience and access to the most current learning content and study tools.

Our higher education products are guided by professional insights from educators and by preferences expressed by faculties. They are supported by technology that is stable, secure and accessible. We are committed to ensuring that diversity, equality, and inclusion are integral to our products so that everyone can realize the life they imagine through learning, whatever their background or abilities.

See "Item 5. Operating and Financial Review and Prospects — Results of Operations — Year ended December 31, 2021 compared to year ended December 31, 2020 — Sales and operating profit by division " *Higher Education*" for a discussion of developments during 2021 with respect to this segment.

Strategic Review

Strategic Review comprises the International Courseware local publishing businesses.

Operating cycles

The Group determines a normal operating cycle separately for each entity/cash generating unit with distinct economic characteristics. The "normal operating cycle" for each of the Group's businesses is primarily based on the expected period over which content or services will generate cash flows.

The Higher Education courseware market is primarily driven by an adoption cycle, with colleges and professors typically refreshing their courses and selecting revised programs on a regular basis, often in line with the release of new content or new technology offerings. The Company renews its product development assets to reflect new content and capabilities which enhance the attractiveness of its offering to both educators and learners.

Analysis of historical data shows that the typical life cycle of Higher Education content is up to 5 years but varies by product. In addition to content, the Group also develops technology platforms for products and the life cycle for these platforms can be in excess of the 5 years cycle for content. Again, the operating cycle for content and platforms mirrors the market cycle.

Historically for a major content refresh a development phase of typically 12 to 18 months for Higher Education precedes the period during which the Company receives and delivers against orders for the products it has developed for the program.

The operating cycles in respect of the Group's professional and clinical content are more specialized in nature as they relate to educational or heavy reference products released into smaller markets (e.g. the financial training and

IT sectors). Nevertheless, in these markets, there is still a regular cycle of product renewal, in line with demand which management monitor. Typically, the life cycle is 5 years for Professional content and 7 years for Clinical content. Elsewhere in the Group, operating cycles are typically less than one year.

Competition

The Group's businesses operate in highly competitive markets. The Group faces competitive threats both from large media players and from smaller businesses, online and mobile portals and operators in the digital arena that provide alternative sources of content. Alternative distribution channels, e.g. digital format, the internet, online retailers, growing delivery platforms (e.g., e-readers or tablets), pose both threats and opportunities to traditional publishing business models, potentially impacting both sales volumes and pricing.

In Assessment & Qualifications, the Group competes with other companies offering test development and administration including Educational Testing Service (ETS), American Institute for Research (AIR), Measured Progress Inc, and others. The Professional Certification business competes with Prometric globally and a number of other smaller players in local markets. The UK qualifications business competes with AQA and OCR in general qualifications as well as a number of smaller players.

In Virtual Learning, the Group competes with companies such as Stride in virtual schools and 2U Inc. in Online Program Management, alongside smaller niche players that specialize in a particular academic discipline or focus on a learning technology.

In English language teaching (ELT) courseware, the Group competes with Oxford University Press, Macmillan and other publishers. In English language testing Pearson Test of English Academic competes with alternative tests including iELTS and TOEFL.

In Workforce Skills, the vocational qualifications business competes with City and Guilds globally alongside smaller niche and local market providers, our assessments businesses compete with HiSET in high school equivalency and SHL in skills and ability testing, and our enterprise data, technology and learning businesses compete with Learning platforms such as Guild, talent management platforms such as Eightfold.ai, and data services such as Emsi.

In Higher Education, the Group competes with other publishers and creators of educational materials and services. These companies include publishers such as Cengage Learning, McGraw-Hill Education and Houghton Mifflin Harcourt.

Competition is based on the ability to deliver quality products and services that address the specified curriculum needs and appeal to the student, organizations, school boards, educators, employers and government officials making purchasing decisions.

Intellectual property

The Group's principal intellectual property assets consist of its:

- trademarks and other rights via its brands (including corporate and business unit brands, imprints, as well as product and
- copyrights for its textbook and related educational content and software code; and
- patents and trade secrets related to the innovative methods deployed in its key technologies.

The Group believes it has taken reasonable legal steps to protect its key brands in its major markets and copyright in its content and has taken appropriate steps to develop a comprehensive patent program to ensure appropriate protection of emerging inventions that are critical to its new business strategies.

Raw materials

Paper remains the principal raw material used by the Group although its use is declining given the shift to digital products. The Group purchases most of its paper through its global outsourcing partner LSC Communications located in the United States. The Group has not experienced and does not anticipate difficulty in obtaining adequate supplies of paper for its operations, with sourcing available from numerous suppliers. While local prices fluctuate depending upon local market conditions, the Group has not experienced extensive volatility in fulfilling paper requirements. In the event of a sharp increase in paper prices, the Group has a number of alternatives to minimize the impact on its operating margins, including modifying the grades of paper used in production and passing on price increases to customers.

Government regulation

The manufacture of certain products in various markets is subject to governmental regulation relating to the discharge of materials into the environment. Operations are also subject to the risks and uncertainties attendant to doing business in numerous countries. Some of the countries in which the Group conducts these operations maintain controls on the repatriation of earnings and capital and restrict the means available for hedging potential currency fluctuation risks. The operations that are affected by these controls, however, are not material. Accordingly, these controls have not significantly affected the Group's international operations. Regulatory authorities may have enforcement powers that could have an impact. The Group believes, however, that in light of the nature of its business the risk of these sanctions does not represent a material threat.

Climate change

Our goal is to become a net zero carbon business by 2030 and reducing our scope 1, 2 and 3 carbon emissions by 50% over the same time period, as approved by the Science Based Targets initiative (SBTi), and to minimize the environmental impact of our products as we transition to being a digital business. The Group has made good progress towards our target and as at 31 December 2021, we reduced our combined Scope 1, 2 and 3 emissions by 26% from our 2018 baseline that was adjusted for business disposals. The ongoing work we have undertaken to digitize our business and reduce our physical footprint has been a key driver of the reduction. The impact of COVID-19 will also have had an impact due to international mobility restrictions and office closures,

however it has accelerated the changes in how we do business and the shift to digital. There are many factors which will impact the remainder of our journey to net zero, significantly, the rate of change of our suppliers' own transition has an impact on ours. Over 95% of our emissions fall within Scope 3, with our supply chain and printed books accounting for 24%. There are many actions we can take and are already making progress with our supply chain partners and sourcing initiatives. In the supply chain, alignment with our GHG strategy is a requirement of doing business. Within books we have already achieved significant carbon reductions from the transition from printed to digital product. We will continue with our digital transformation and we are also now focusing on using lower carbon paper and printing on demand to reduce emissions further. Our emissions data was subject to external independent assurance by Corporate Citizenship. The scope of the assurance covers our energy consumption, Scope 1, 2 and 3 GHG emissions and renewable electricity claims.

Our Organisational Risk Management process provides a framework for identification, analysis and response to various forms of risk, the establishment of risk thresholds, and the creation of processes intended to mitigate, monitor and manage risks within these thresholds. Climate change is not a principal risk for the Group for the year ended 31 December 2021, but we have identified the climate transition as an emerging risk due to its intensifying importance to all stakeholders. In 2021, we commissioned the Carbon Trust to undertake a project to identify and quantify the potential impact of climate change risks and opportunities to our business. We considered various climate scenarios, from a well below 2 degree scenario to a 4.3 degree scenario, covering a broad range of outcomes to help provide insight into some of the risks and opportunities that may arise, covering a period out to 2100. Our analysis identified six main categories of risks and opportunities across Pearson. In assessing the risks for Pearson it was determined that there were no significant material risks arising in the near term (up to 2025). Longer term, the key risks to the business were considered to be supply chain risk and outsourcing risk. However, these are not expected to have a material impact on the business in any scenario.

The Board's Reputation & Responsibility Committee (RRC) is the main governance body for sustainability at Pearson and has responsibility for the oversight of climate change considerations. The RRC works closely with Pearson's other Board Committees to ensure alignment and rigour of governance across all the potential impacts of climate change from strategic to financial and risk considerations. The Committee members have the necessary experience to provide appropriate oversight for climate change. We recognize that the skills and expertise of the Committee will need to continually evolve given the rapid pace of change in environmental issues. The Audit Committee and the Pearson Executive Management team have reviewed and approved the Group's environmental Rebaselining Policy, and will continue to be involved in the development, monitoring and execution of our roadmap to achieve net zero by 2030.

Licenses, patents and contracts

The Group is not dependent upon any particular licenses, patents or new manufacturing processes that are material to its business or profitability. Likewise, it is not materially dependent upon any particular contracts with suppliers or customers, including contracts of an industrial, commercial or financial nature. Notwithstanding the foregoing, the Group's education business is dependent upon licensed rights since most textbooks and digital learning tools include content and/or software that is licensed to it by third parties (or assigned subject to royalty arrangements). In addition, some software products in various business lines, particularly those of its Clinical business, rely upon patents licensed from third parties.

Legal proceedings

The Group and its subsidiaries are from time to time the subject of legal proceedings incidental to the nature of its and their operations. These may include private litigation or arbitrations, governmental proceedings and investigations by regulatory bodies.

On August 16, 2021 Pearson reached a settlement with the SEC concerning Pearson's public disclosures in July 2019 respecting a data breach that had occurred in 2018 in connection with its AIMSweb 1.0, a web-based software for entering and tracking students' academic performance (that was retired in July 2019 in accordance with a previously scheduled retirement plan). The settlement included findings that Pearson violated Sections 17(a)(2) and 17(a)(3) of the Securities Act of 1933, as amended, Section 13(a) of the Securities Exchange Act of 1934, as amended, and certain of the rules thereunder respecting accurate and not misleading reporting and the maintenance of disclosure controls and procedures, the entry of an administrative cease-and-desist order, and the payment of a civil penalty of $1.0 million. Under the settlement, Pearson neither admitted nor denied the findings set forth in the SEC's order. The issues occurred in 2018 and 2019, since which time a series of improvements have been made in relation to data privacy, cyber security and communications.

Organizational structure

Pearson plc is a holding company which conducts its business primarily through subsidiaries and other affiliates throughout the world. Below is a list of its significant subsidiaries as at December 31, 2021, including name, country of incorporation or residence, proportion of ownership interest and, if different, proportion of voting power held.

Name power	Country of incorporation/residence
arson Education Inc.	United States (Delaware)
arson Education Ltd.	England and Wales
S Pearson Inc.	United States (Minnesota)

On May 5, 2017, the Group announced that it was undertaking a strategic review of its US K12 courseware business. The US K12 business was classified as held for sale on the Group's balance sheet as at December 31, 2017 and December 31, 2018. On March 29, 2019 the Group completed the sale of its US K12 courseware business to Nexus Capital Management LP resulting in a pre-tax profit on sale of $13m.

Until April 2020, the Group owned a 25% interest in Penguin Random House, which was formed on July 1, 2013, upon the completion of an agreement between Pearson and Bertelsmann to merge their respective publishing companies, Penguin and Random House. Pearson originally owned a 47% stake in Penguin Random House but sold 22% to Bertelsmann on October 5, 2017, and sold the remaining 25% interest to Bertelsmann on April 1, 2020.

In November 2020, the Group announced the sale of its interests in Pearson Institute of Higher Education (PIHE) in South Africa. The business was classified as held for sale on the Group's balance sheet as at December 31, 2020. The sale completed on February 5, 2021 for nominal consideration realising a loss on disposal of £5m in 2021.

In March 2021, the Group announced that it was launching a strategic review of its international courseware local publishing businesses. The strategic review is progressing in line with plan. The related assets have been assessed in light of IFRS 5 ‘Non-current Assets Held for Sale and Discontinued Operations’ and they do not meet the criteria to be classified as held for sale at 31 December 2021.

In September 2021, Pearson completed the acquisition of 100% of the share capital of Faethm Holdings Pty Limited (Faethm) for £65m, having already held 9% of the share capital previously. Faethm will form part of the Workforce Skills Division.

The Group made two additional acquisitions of subsidiaries, Opinion Interactive LLC in February 2021 and MZ Development Inc. in July 2021, for total consideration of £11m. In both cases, the Group acquired 100% of the share capital of the respective entities. Both will be part of the Assessment & Qualifications division.

In October 2021, the sale of the Group’s interests in K12 Sistemas in Brazil was completed, realizing a profit of £84m.

On 28 January 2022, the Group completed the acquisition of 100% of the share capital of Credly Inc., having previously held a 19.9% interest in the Company. Total consideration is c$200m, comprising upfront cash consideration of c$142m, Pearson’s existing interest valued at c$42m and c$16m of deferred consideration. Net assets acquired will mainly comprise acquired intangible assets. Credly will form part of the Workforce Skills division.

Property, plant and equipment

The Group’s headquarters are located at leasehold premises in London, England. As at December 31, 2021 it owned or leased approximately 744 properties, including approximately 599 testing/teaching centers in over 60 countries worldwide, the majority of which are located in the United Kingdom and the United States.

The properties owned and leased by the Group consist mainly of offices, distribution centers and computer testing / teaching centers.

In some cases properties leased by the Group are then sublet to third parties.

The vast majority of printing is carried out by third party suppliers. The Group operates a small digital print operation as part of its Pearson Assessment & Testing businesses which provides short-run and print-on-demand products, typically custom client applications.

The Group owns the following principal properties at December 31, 2021:

General use of property	Location	Area
fice	Iowa City, Iowa, USA	
rehouse/Office	Cedar Rapids, Iowa, USA	
sting	Owatonna, Minnesota, USA	
fice/Warehouse	Hadley, Massachusetts, USA	

The Group leased the following principal properties at December 31, 2021:

General use of property	Location	Area
rehouse	Cranbury, New Jersey, USA*	
fice	Hudson, New York, USA*	
fice	Westminster, London, UK*	
fice	Hoboken, New Jersey, USA*	
fice	Bloomington, Minnesota, USA*	
rehouse/Office	Cedar Rapids, Iowa, USA	
fice	San Antonio, Texas, USA*	
rehouse	Naucalpan de Juarez, Mexico	

* Properties have either been fully or partially sublet or are being marketed for sublet.

Capital Expenditures

See "Item 5. Operating and Financial Review and Prospects — Liquidity and Capital Resources" for description of the Company's capital expenditure.

ITEM 4A. *UNRESOLVED STAFF COMMENTS*

The Company has not received, 180 days or more before the end of the 2021 fiscal year, any written comments from the Securities and Exchange Commission staff regarding its periodic reports under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), which remain unresolved.

ITEM 5. *OPERATING AND FINANCIAL REVIEW AND PROSPECTS*

The following discussion and analysis of the Group's performance from management's perspective is based on and should be read in conjunction with the consolidated financial statements, including the related notes, appearing elsewhere in this Annual Report. The purpose of the item 5 is to facilitate a discussion and analysis of the Group's performance from management's perspective. The consolidated financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. In addition, the consolidated financial statements have been prepared in accordance with international financial reporting standards as issued by the UK ('UK-adopted IFRS'), which was brought into law on 31 December 2020, and adopted by the Group on 1 January 2021. The change constitutes a change in accounting framework, but there was no impact on recognition, measurement or disclosure in the period as a result of the change in framework. The consolidated financial statements have also been prepared in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). At the balance sheet date, in respect of accounting standards applied by the Group, there is no difference between UK-adopted IFRS and IASB issued IFRS.

Where this discussion refers to constant currency comparisons, these are estimated by re-calculating the current year results using the exchange rates prevailing for the prior period. The increase or reduction in the value calculated is the estimate of the impact of exchange rates. The Group believes this presentation provides a more useful period to period comparison as changes due solely to movements in exchange rates are eliminated. Where this discussion refers to portfolio changes this is calculated by taking account of the contribution from acquisitions and by excluding sales and profits made by businesses disposed in either 2020 or 2021. Where this discussion refers to underlying comparisons this includes both constant currency and portfolio changes.

Adjusted operating profit is the key financial measure used by management to evaluate the performance of the Group and allocate resources to business segments over time by separating out those items of income and expenditure relating to acquisitions and disposals, major restructuring programs and certain other items that are not representative of underlying performance. Reconciliations of adjusted operating profit to consolidated operating profit are included below under 'Group performance', 'Sales and operating profit by segment' and in note 2 within Item 18 — Financial Statements.

On 8 March 2021, the Group announced a new strategy, which included a new management structure and operating model. As a result, the operating segments reported to the Group's chief operating decision-maker, the Pearson Executive Management team, have changed from 1 July 2021 to reflect the new structure. There are now five main global business divisions, which are each considered separate operating segments for management and reporting purposes. These five divisions are Assessment & Qualifications, Virtual Learning, English Language Learning, Workforce Skills and Higher Education. In addition, the International Courseware local publishing businesses are under strategic review and during this time are being managed as a separate division, known as Strategic Review. For the comparative periods, the Group has separately disclosed the results from the Penguin Random

House associate to the point of disposal in April

2020.

All figures for 2020 and 2019 have been restated to reflect 2021 segments.

General overview

Introduction

The Group’s primary segments for management and reporting are as follows:

- Assessment & Qualifications — Pearson VUE, US School Assessment, Clinical Assessment, UK GCSE and A Levels an academic qualifications
- Virtual Learning — Virtual Schools and Online Program Management.
- English Language Learning — Pearson Test of English, Institutional Courseware and English Online Solutions.

- Workforce Skills — BTEC, GED, TalentLens, Faethm, Pearson College and Apprenticeships
- Higher Education — US, Canadian and International Higher Education Courseware businesses.

In addition, the International Courseware local publishing businesses are under strategic review and during this time are being managed as a separate division, known as Strategic Review. For the comparative period, the Group has separately disclosed the results from the Penguin Random House associate to the point of disposal in April 2020.

See Item 4 for a summary of recent acquisition and disposal activity.

Group Performance

The Group’s total sales increased by £31m or 1% from £3,397m in 2020 to £3,428m in 2021, and the Group’s total adjusted operating profit increased by £72m or 23% from £313m in 2020 to £385m in 2021.

Portfolio changes mainly relate to the sale of Pearson Institute of Higher Education (‘PIHE’) in 2021, the sale of the K12 Sistemas business in Brazil in 2021 and the sale of our remaining interest in Penguin Random House in the first half of 2020. Acquisitions, including Spotlight and Faethm in 2021, had only a small impact on reported sales and profits.

On an underlying basis, sales increased by 8% in 2021 compared to 2020 and adjusted operating profit increased by 33%. Currency movements decreased sales by £206m and decreased adjusted operating profit by £30m. Portfolio changes decreased sales by £27m and decreased adjusted operating profit by £1m. There were no new accounting standards adopted in 2021 that impacted sales or profits.

Adjusted operating profit excludes intangible charges for amortisation and impairment, acquisition related costs, gains and losses arising from acquisitions and disposals and the cost of major restructuring. A summary of these adjustments is included below:

	202 **£m**
erating Profit	18
d back:	
st of major restructuring	21
angible charges	5
er net gains and losses	(6
justed operating profit	38

The operating profit of £183m in 2021 compares to a profit of £411m in 2020. The decrease in 2021 is mainly due to the gain on sale of Penguin Random House recognized in 2020 and restructuring costs in 2021 offset by improved trading profits, reduced intangible charges and gains on the 2021 business disposals.

In March 2021, the Group announced a major restructuring programme to run primarily in 2021. The programme includes the reorganisation of the Group into five global business divisions and the simplification of the Group’s property portfolio. The restructuring costs in 2021 of £214m mainly relate to the impairment of right of use property assets, the write-down of product development assets and staff redundancies. There were no costs of major restructuring in 2020.

Intangible amortisation charges in 2021 were £51m compared to a charge of £80m in 2020. This is due to a reduction in acquisition activity in recent years and additional intangible charges which were recorded in 2020 and are not repeated in 2021.

Other net gains and losses in 2021 largely relate to gains from the disposal of PIHE and the K12 Sistemas business in Brazil offset by costs related to the acquisition of Faethm and the wind down of certain strategic review businesses. In 2020, other net gains and losses largely relate to the sale of the remaining interest in Penguin Random House.

The profit before taxation in 2021 of £157m compares to a profit before taxation of £354m in 2020. The decrease in profit before taxation of £197m reflects the decrease in the reported operating profit identified above offset by a decrease in net finance costs of £31m from £57m in 2020 to £26m in 2021.

Net interest payable in 2021 was £57m, compared to £61m in 2020. The decrease is mainly due a reduction in interest payable on lease liabilities following the disposal of PIHE. Also included in net finance costs are net finance costs relating to employee benefit plans, foreign exchange and other gains and losses. In 2021, the total of these items was a gain of £31m compared to a gain of £4m in 2020. Net finance income relating to retirement benefits decreased from £6m in 2020 to £4m in 2021 reflecting the comparative funding position of the plans at the beginning of each year and higher prevailing discount rates. In 2021, finance income of £6m relating to the revaluation of the US K-12 disposal proceeds was recorded and there were gains on long-term interest rate hedges and foreign exchange gains on unhedged inter-company loans and cash and cash equivalents in 2021 compared to 2020.

The reported tax charge in 2021 was a credit of £3m (1.8%) compared to a charge of £44m (12.5%) in 2020. The principal reasons for reduction in the tax charge are the benefit received from the revaluation of deferred tax assets following the increase in the UK tax rate from 19% to 25% together with a benefit from a change in local tax law.

Net cash generated from operations increased to £570m in 2021 from £450m in 2020. The increase is largely explained by the drop-through of increased adjusted operating profits and an improvement in net working capital.

In 2021, there was an overall £176m decrease in cash and cash equivalents compared to an increase of £679m in 2020. The decrease in 2021 is primarily due to repayments of borrowings of £167m, dividends paid of £149m, tax paid of £177m, interest payments of £67m, capital expenditure of £176m, acquisitions of £69m and repayments of lease liabilities of £88m. These were offset by the cash inflow from operations of £570m and proceeds from disposals of businesses and investments of £131m.

The Group's net debt reduced from £463m at the end of 2020 to £350m at the end of 2021. A breakdown of net debt is provided in note 18 of the financial statements. The decrease is largely due to positive operating cashflow, proceeds from disposals of businesses and investments and the disposal of lease liabilities with PIHE partially offset by consideration paid for acquisitions and tax, interest and dividend payments. Tax payments in 2021 include amounts related to State Aid which the Group expects to recover in due course. In May 2021, the Group repaid the remaining €195m of its €500m Euro 1.85% notes.

Going concern and liquidity

In assessing the Group's ability to continue as a going concern for the period to 30 June 2023, the Board analysed a variety of downside scenarios including a severe but plausible scenario where the Group is impacted by a combination of all principal risks from 2022 as well as reverse stress testing to identify what would be required to either breach covenants or run out of liquidity. The severe but plausible scenario modelled a severe reduction in revenue, profit and operating cash flow from risks which in aggregate were significantly greater than seen in 2021 continuing throughout 2022 to 2023.

At 31 December 2021, the Group had available liquidity of c£1.6bn, comprising central cash balances and its undrawn $1.19bn Revolving Credit Facility (RCF). In February 2022, the Group renegotiated its revolving credit facility, extending the maturity of $1bn of the facility by one year to February 2026. Even under a severe downside case, the Group would maintain comfortable liquidity headroom and sufficient headroom against covenant requirements during the period under assessment even before modelling the mitigating effect of actions that management would take in the event that these downside risks were to crystallize.

On 24 February 2022, the Board approved a £350m share buyback programme in order to return capital to shareholders. See ”Liquidity and Capital resources.”

Sales information by segment

The following table shows sales information for each of the past three years by segment:

	Year ended December 31		
	2021	**2020**	**2019**
	£m	**£m**	**£m**
sessment & Qualifications	1,204	1,082	1,280
tual Learning	713	692	584
glish Language Learning	238	218	320
orkforce Skills	172	163	185
gher Education	849	956	1,102
ategic Review	252	286	398
tal continuing operations	3,428	3,397	3,869

Sales information by geographic market supplied

The following table shows sales information for each of the past three years by geographic region:

	Year ended December 31		
	2021	**2020**	**2019**
	£m	**£m**	**£m**
	355	319	385
rope	249	216	244
rth America	2,293	2,426	2,522
ia Pacific	359	251	441
ner countries	172	185	277
tal continuing operations	3,428	3,397	3,869

In the table above sales are allocated based on the country in which the customer is located.

Exchange rate fluctuations

The Group earns a significant proportion of its sales and profits in overseas currencies, principally the US dollar. Sales and profits are translated into sterling in the consolidated financial statements using average rates. The average rate used for the US dollar was £1:$1.38 in 2021, £1:$1.28 in 2020 and £1:$1.28 in 2019. Fluctuations in exchange rates can have a significant impact on the Group’s reported sales and profits. In 2021, the Group generated 64% of its continuing sales in the US (2020: 69%; 2019: 62%). In 2021, the Group estimates that a five-cent change in the average exchange rate between the US dollar and sterling would have had an impact on its reported earnings per share of approximately 0.9p, using adjusted operating profit the impact would be approximately 1.5p. See “Item 11. Quantitative and Qualitative Disclosures about Market Risk” for more information on how foreign exchange risk is managed. The

year-end

US dollar rate for 2021 was £1:$1.35 compared to £1:$1.37 for 2020 and £1:$1.32 for 2019. The total impact on shareholders’ funds of foreign exchange translation was a loss of £2m in 2021 compared to a loss of £179m in 2020. These net movements are principally driven by movements in the US dollar as a significant portion of the Group’s operations are in the US.

Critical accounting estimates

The Group's consolidated financial statements included in "Item 18. Financial statements" are prepared based on the accounting policies described in note 1 to the consolidated financial statements.

Certain of these accounting policies require the application of management judgment in selecting assumptions when making significant estimates about matters that are inherently uncertain. Management bases its estimates on historical experience and other assumptions that it believes are reasonable. These policies are described in note 1a (3) in "Item 18. Financial Statements".

Results of operations

Year ended December 31, 2021 compared to year ended December 31, 2020

Consolidated results of operations

Sales

The Group's total sales increased to £3,428m in 2021 from £3,397m in 2020, an increase of £31m or 1%. The year on year increase was impacted by currency movements, primarily the comparative strength of the US dollar relative to sterling during the year. In 2021, currency movements decreased sales by £206m when compared to the equivalent figures at constant 2020 rates. When measured at 2020 constant exchange rates, the Group's sales increased by 7%. There is also a £27m decrease in sales as a result of portfolio changes. Portfolio changes are calculated by taking account of the additional sales (at constant exchange rates) from acquisitions made in the current year, such as Faethm. Sales made by businesses disposed in either the current year or the prior year are also excluded, such as PIHE and the K12 Sistemas business in Brazil. On an underlying basis, sales increased by 8% in 2021 compared to 2020.

Cost of goods sold and operating expenses

The following table summarizes the Group's cost of sales, net operating expense and other net gains and losses:

	Year ended December 31	
	2021	2020
	£m	£m
st of goods sold	1,747	1,767
erating expenses:		
stribution costs	62	59
ling, marketing and product development costs	521	572
ministrative and other expenses	802	816
structuring costs	214	—
ner income	(37)	(45)
tal net operating expenses	1,562	1,402
ner net gains	(63)	(178)
tal continuing operations	3,246	2,991

Cost of goods sold

.

Cost goods sold consists of costs for raw materials, primarily paper, printing and binding costs, amortization of pre-publication costs, royalty charges, the cost of service provision in the assessment and testing business and the cost of teaching and facilities in direct delivery businesses. The Group's cost of sales decreased by £20m, or 1%, from £1,767m in 2020, to £1,747m in 2021. The decrease largely reflects favorable foreign exchange movements. On a constant exchange rate basis cost of goods sold have increased due to sales growth in Virtual Learning and sales recovery in Assessment & Qualifications and English Language Learning, partially offset by sales decline in Higher Education and the absence of costs from businesses disposed. In addition, cost of sales as a percentage of sales decreased largely as a result of improvements in the operating leverage particularly in Assessment & Qualifications. Cost of goods sold was 51.0% of sales in 2021 compared to 52.0% in 2020.

Distribution costs

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Distribution costs consist primarily of shipping costs, postage and packing. Distribution costs increased by £3m primarily reflecting sales increases partially offset by the decrease in physical print sales.

Selling, marketing and product development costs

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The Group's selling, marketing and product development costs decreased by £51m or 9% from £572m in 2020 to £521m in 2021. The decrease is explained by the absence of costs from businesses disposed, benefits from restructuring programs and favorable foreign exchange movements. As a percentage of sales, these costs decreased in 2021 from 16.8% in 2020 to 15.2% in 2021.

Administrative and other expenses

.

The Group's administrative and other expenses decreased by £14m or 2% from £816m in 2020 to £802m in 2021. The decrease is primarily explained by the impact of lower intangible charges, benefits from restructuring programs and favorable foreign exchange movements, partially offset by an increase in costs as the business returned to 'normal' post COVID-19.

Restructuring costs

.

In March 2021, the Group announced a major restructuring programme to run primarily in 2021. The programme includes the reorganisation of the Group into five global business divisions and the simplification of the Group's property portfolio. The restructuring costs in 2021 of £214m mainly relate to the impairment of right of use property assets, the write-down of product development assets and staff redundancies. There were no costs of major restructuring in 2020.

Other income

.

Other operating income mainly consists of freight recharges, sub-rights and licensing income, distribution commissions, investment income and gains on minor asset disposals together with service fee income from Penguin Random House. Other operating income decreased to £37m in 2021 compared to £45m in 2020.

Other net gains and losses

.

Other net gains and losses in 2021 largely relate to gains from the disposal of PIHE and the K12 Sistemas business in Brazil offset by costs related to the acquisition of Faethm and the wind down of certain strategic review businesses. In 2020, other net gains and losses largely relate to the sale of the remaining interest in Penguin Random House.

Operating profit

The operating profit of £183m in 2021 compares to a profit of £411m in 2020. The decrease in 2021 is mainly due to the gain on sale of Penguin Random House recognized in 2020 and restructuring costs in 2021 offset by improved trading profits, reduced intangible charges and gains on the 2021 business disposals

After stripping out the effect of the portfolio changes, intangible charges, restructuring costs and the impact of currency movements, profits from trading increased by £103m or 33%. This underlying trading increase was primarily due to operating leverage on our revenue growth and cost savings, offset by inflation and investment to drive future growth. At a divisional level, you can see more normalised margins as the businesses recovered post-COVID.

Net finance costs

Net finance costs decreased by £31m from £57m in 2020 to £26m in 2021. The Group's net interest payable reflected in adjusted earnings decreased from £61m in 2020 to £57m in 2021. The decrease is mainly due a reduction in interest payable on lease liabilities following the disposal of PIHE. In 2021, the total of items

excluded from adjusted earnings was income of £31m compared to income of £4m in 2020. Net finance income relating to retirement benefits decreased from £6m in 2020 to £4m in 2021 reflecting the comparative funding position of the plans at the beginning of each year and higher prevailing discount rates. In 2021, finance income of £6m relating to the revaluation of the US
K-12
 disposal proceeds was recorded and there were gains on long-term interest rate hedges and foreign exchange gains on unhedged inter-company loans and cash and cash equivalents in 2021 compared to 2020.

For a more detailed discussion of the Group's borrowings and interest expenses see "Liquidity and Capital Resources — Capital Resources" and "— Borrowings" below and "Item 11. Quantitative and Qualitative Disclosures about Market Risk".

Taxation

The reported tax credit in 2021 was £3m (1.8%) compared to a charge of £44m (12.5%) in 2020. The principal reasons for reduction in the tax charge are the benefit received from the revaluation of deferred tax assets following the increase in the UK tax rate from 19% to 25% together with a benefit from a change in Italian tax law.

The UK Budget in March 2021 announced an increase in the UK corporation tax rate to 25% with effect from 1 April 2023. This was substantively enacted on 24 May 2021. The UK corporation tax rate increase has resulted in an increase of £27m in the UK deferred tax liability associated with the UK Group pension plan asset position, which has been recognized in other comprehensive income, together with a £25m increase in UK deferred tax assets, which has been recognized in the income statement. The UK corporation tax rate change is beneficial to the Group's statutory tax as it increases the value of certain UK tax attributes of the Group such as tax losses and, as noted above, reduces the overall statutory tax charge.

In February 2021, the Group received charging notices requiring payment of materially all of the alleged State Aid. Payments totalling £105m (comprising tax and interest) were made during 2021. The Group expects to recover the funds in due course.

Discontinued operations

There were no discontinued operations in either 2020 or 2021.

Profit for the year

The profit for the financial year in 2021 was £160m compared to a profit in 2020 of £310m. The decrease in 2021 is mainly due to a reduction in the operating profit as a result of the gain on sale of Penguin Random House recognized in 2020 and restructuring costs in 2021 offset by improved trading profits, reduced intangible charges and gains on the 2021 business disposals. In addition, there were higher finance costs and tax charges in 2020.

Earnings per ordinary share

The basic earnings per ordinary share, which is defined as the profit for the financial year divided by the weighted average number of shares in issue, was 21.1p in 2021 compared to 41.0p in 2020. The decrease in 2021 is mainly due to a reduction in the operating profit as a result of the gain on sale of Penguin Random House recognized in 2020 and restructuring costs in 2021 offset by improved trading profits, reduced intangible charges and gains on the 2021 business disposals. In addition there were higher finance costs and tax charges in 2020.

The diluted earnings per ordinary share was 20.9p in 2021 and 41.0p in 2020, with the dilutive effect of options being minimal.

Sales and operating profit by segment

The following tables summarize the Group's sales and adjusted operating profit for each of the Group's business segments. Adjusted operating profit is included as it is the key financial measure used by management to evaluate the performance of the Group and allocate resources to business segments over time by separating out those items of income and expenditure relating to acquisitions and disposals, major restructuring programs and certain other items that are not representative of underlying performance. Reconciliations of adjusted operating profit to consolidated operating profit are included below and in note 2 within Item 18 — Financial Statements.

The Group's adjusted operating profit, excludes other net gains and losses, amortization and impairment of acquired intangibles and the cost of major restructuring programs. The intangible charges relate only to intangible assets acquired through business combinations and intangibles relating to associates. These intangible charges are excluded as they reflect past acquisition activity and do not necessarily reflect the current year performance of the Group. Other net gains and losses represent profits and losses on the sale of subsidiaries, joint ventures, associates and other financial assets. Other net gains and losses also includes costs related to business closures and acquisitions. Other net gains and losses are excluded from adjusted operating profit as it is important to highlight their impact on operating profit in the period in which the transactions take place. The costs related to major restructuring programmes are excluded from adjusted operating profit as they do not necessarily reflect the current year performance of the Group.

A reconciliation of operating profit to adjusted operating profit for continuing operations is included in the tables below:

all figures in £ millions

	Assessment & Qualifications	**Virtual Learning**	**English Language Learning**	**Workforce Skills**	**Higher Education**	**Businesses under Strategic Review**	**Pe Ra H**
				2021			
es	1,204	713	238	172	849	252	
	35%	*21%*	*7%*	*5%*	*25%*	*7%*	
erating profit /(loss)	155	(41)	(15)	(10)	8	86	
st of majorrestructuring	48	48	27	28	63	—	
angible charges	13	25	3	7	2	1	
ıer net gains and losses	—	—	—	2	—	(65)	
justed operating profit	216	32	15	27	73	22	
				2020[1]			
es	1,082	692	218	163	956	286	
	33%	*20%*	*6%*	*5%*	*28%*	*8%*	
erating profit / (loss)	118	(1)	(6)	18	90	11	
st of major restructuring	—	—	—	—	—	—	
angible charges	29	30	7	8	3	3	
ıer net gains and losses	—	—	—	—	—	2	
justed operating profit	147	29	1	26	93	16	

1. Comparative amounts have been represented to reflect the new operating segments.

Assessment & Qualifications

Assessment & Qualifications sales increased from £1,082m in 2020 to £1,204m in 2021, an increase of £122m or 11%. The Group estimates that after excluding the impact of exchange rates and the contribution from portfolio changes, Assessment & Qualifications sales increased by 18% in 2021 compared to 2020. Professional

Certification (VUE) revenue was up 19%, with OnVUE continuing to benefit from growth in the IT sector. US Student Assessment revenue was up 17% and Clinical Assessment revenue was up 30% with strong product launches in the year. Pearson VUE and Clinical Assessment revenues have now grown in comparison to 2019, showing more than post-COVID-19 recovery.

Adjusted operating profit increased 59% in underlying and 47% in headline terms due to the operating leverage on revenue growth partly offset by currency movements.

Pearson VUE revenue grew 19% in underlying terms with test volumes increasing 30% to 16.8m due to COVID-19 recovery, new client launches and growth in existing programmes. We renewed 99% of our expiring contract base and fully resumed exam deliveries in our testing centres. Volumes in OnVUE, Pearson's online proctoring service, grew 46% to 3m reflecting continuing demand for remote testing and as a complementary expansion to our test centre-based delivery options.

In US Student Assessment, revenue increased 17% in underlying terms due to new contract wins and a return to state testing in 2021, following 2020 COVID-19-related cancellations.

In Clinical Assessment, revenue increased 30% in underlying terms due to new product releases and a backlog of demand for mental health services as in-person assessments resumed and schools reopened. Revenue growth continued for our digitally delivered assessments as they have become more widely accepted.

The Assessment & Qualifications results also include intangible charges of £13m in 2021 compared to £29m in 2020 reflecting impairments made in 2020. Major restructuring costs were £48m in 2021 and £nil in 2020.

Virtual Learning

Virtual Learning sales increased from £692m in 2020 to £713m in 2021, an increase of £21m or 3%. The Group estimates that after excluding the impact of exchange rates, Virtual Learning's sales increased by 11% in 2021 compared to 2020. Revenue growth reflects strong enrolment growth in Virtual Schools in the 2020/2021 academic year, with good underlying enrolment growth in OPM.

Adjusted operating profit grew 28% in underlying terms, due to operating leverage and efficiency improvements in OPM more than offsetting the investment in our Virtual Schools' platform and customer care support, as well as margin impact in OPM due to discontinued programs. Headline profit grew 10% with good growth in adjusted operating profit partially offset by currency movements.

Virtual Schools performed strongly driven by 43% enrolment growth in new and existing schools for the 2020/2021 academic year. We opened five new full-time, online partner schools in Florida, Rhode Island, Colorado, South Carolina, and Oregon. We also announced our first Connections Academy in the state of Virginia, which begins enrolment in March 2022, one school in New Mexico moved from a partner school to district programme. This brings the 2021/2022 total number of partner schools to 47 in 30 states. Enrolments in the 2021/2022 academic year grew by 2% despite a significant unwinding of the "covid cohort".

In OPM, we saw good underlying enrolment growth of 7% as Maryville University extended its OPM partnership for online degrees in the high-demand field of Nursing through to 2033 and Northeastern University added a new online master's degree and certificate programs in Nursing and Healthcare. We ended the year with a total of 477 programs across 31 partners with the addition of 43 new programs in North America across 21 partners, and 7 new programs internationally where underlying enrolments grew by more than 80%.

The Virtual Learning results also include intangible charges of £25m in 2021 compared to £30m in 2020 reflecting the impact of historical acquisition activity. Major restructuring costs were £48m in 2021 and £nil in 2020.

English Language Learning

English Language Learning sales increased from £218m in 2020 to £238m in 2021, an increase of £20m or 9%. The Group estimates that after excluding the impact of exchange rates, English Language Learning's sales increased by 17% in 2021 compared to 2020. Revenue growth is due to COVID-19 recovery in both International courseware and Pearson Test of English (PTE) where volumes grew 25% compared to 2020.

Adjusted operating profit increased in underlying and headline terms due to increased revenue.

The English Language Learning results also include intangible charges of £3m in 2021 compared to £7m in 2020 reflecting the impact of historical acquisition activity. Major restructuring costs were £27m in 2021 and £nil in 2020.

Workforce Skills

Workforce Skills sales increased from £163m in 2020 to £172m in 2021, an increase of £9m or 6%. The Group estimates that after excluding the impact of exchange rates and the contribution from portfolio changes, Workforce Skills sales increased by 6% in 2021 compared to 2020. This was predominantly driven by strong growth in GED and TalentLens due to a recovery from COVID-19 and further expansion of their enterprise sales. GED test volumes increased by 43%, enabled by the provision of online proctored testing, launched in June 2020, which grew by 200%. BTEC and Apprenticeship sales grew by 4%, with strong international growth partially offset by lower growth in the UK, as registrations declined as a result of COVID-19 disruption and rebates for exam cancellations continued in 2021.

Adjusted operating profit grew 8% in underlying terms, with strong flow through of sales growth operating leverage. Headline profits grew 4% with good underlying growth offset by portfolio changes.

The Workforce Skills results also include intangible charges of £7m in 2021 compared to £8m in 2020. Major restructuring costs were £28m in 2021 and £nil in 2020. Other net gains and losses in 2021 relate to the acquisition of Faethm.

Higher Education

Higher Education sales decreased from £956m in 2020 to £849m in 2021, a decrease of £107m or 11%. The Group estimates that after excluding the impact of exchange rates, Higher Education sales decreased by 5% in 2021 compared to 2020. Growth in Canadian and UK Higher Education Courseware were more than offset by a 6% decline in US Higher Education Courseware driven by a decline in enrolments and courses per enrolment combined, as well as price pressure due to the mix shift from print and bundles to e-text and platform, and lower monetisation.

Adjusted operating profit declined 15% in underlying and 22% in headline terms. This is driven by the combined effects of the revenue declines and continued investments in our content and platforms (inclusive of Pearson+).

We saw continued momentum in Inclusive Access where sales to not-for-profit institutions grew 18% representing 16% of total US Higher Education Courseware revenue versus 13% last year.

The Higher Education results also include intangible charges of £2m in 2021 compared to £3m in 2020. Major restructuring costs were £63m in 2021 and £nil in 2020.

Strategic Review

Strategic Review sales decreased from £286m in 2020 to £252m in 2021, a decrease of £34m or 12%. The Group estimates that after excluding the impact of exchange rates and the contribution from portfolio changes, Strategic Review sales increased by 1% in 2021 compared to 2020.

The Strategic Review results also include intangible charges of £1m in 2021 compared to £3m in 2020. Other net gains and losses in 2021 primarily relate to the disposals of PIHE and the K-12 Sistemas business in Brazil.

Penguin Random House

In April 2020, the Group completed the sale of the remaining 25% interest in Penguin Random House to Bertelsmann, generating net proceeds of £531m and resulting in a pre-tax profit of £180m. Dividend income of £1m was recognized in 2020 pre-disposal.

Results of operations

Year ended December 31, 2020 compared to year ended December 31, 2019

For commentary on the results of our operations for the year ended December 31, 2020 compared to the year ended December 31, 2019, please refer to our Form 20-F for the year ended December 31, 2020, which was filed on April 1, 2021. However, as our operating segments have changed during the year ended December 31, 2021, the revised commentary for sales and operating profit by segment has been updated below –

Sales and operating profit by segment

The following tables summarize the Group's sales and adjusted operating profit for each of the Group's business segments. Adjusted operating profit is included as it is the key financial measure used by management to evaluate the performance of the Group and allocate resources to business segments over time by separating out those items of income and expenditure relating to acquisitions and disposals, major restructuring programs and certain other items that are not representative of underlying performance. Reconciliations of adjusted operating profit to consolidated operating profit are included below and in note 2 within Item 18 — Financial Statements.

A reconciliation of operating profit to adjusted operating profit for continuing operations is included in the tables below:

all figures in £ millions	**Assessment & Qualifications**	**Virtual Learning**	**English Language Learning**	**Workforce Skills**	**Higher Education**	**Businesses under Strategic Review**	**Per Ran Ho**
				2020[1]			
.es	1,082	692	218	163	956	286	
	%	*%*	*%*	*%*	*%*	*%*	
	33	*20*	*6*	*5*	*28*	*8*	
erating profit / (loss)	118	(1)	(6)	18	90	11	
st of major restructuring	—	—	—	—	—	—	
angible charges	29	30	7	8	3	3	
ıer net gains and losses	—	—	—	—	—	2	
justed operating profit	147	29	1	26	93	16	

all figures in £ millions	**Assessment & Qualifications**	**Virtual Learning**	**English Language Learning**	**Workforce Skills**	**Higher Education**	**Businesses under Strategic Review**	**Pe Ra H**
				2019[1]			
.es	1,280	584	320	185	1,102	398	
	%	*%*	*%*	*%*	*%*	*%*	
	33	*15*	*8*	*5*	*29*	*10*	
erating profit / (loss)	191	(36)	(31)	15	66	19	
st of major restructuring	38	13	10	7	68	21	
angible charges	23	36	80	9	—	3	
ıer net gains and losses	—	—	—	—	—	(16)	
justed operating profit	252	13	59	31	134	27	

1. Comparative amounts have been represented to reflect the new operating segments.

Assessment & Qualifications

Assessment & Qualifications sales decreased by £198m or 15% from £1,280m in 2019 to £1,082m in 2020 and adjusted operating profit decreased by £105m or 42% from £252m in 2019 to £147m in 2020. The Group estimates that after excluding the impact of exchange rates, Assessment & Qualifications sales decreased by 16% in 2020 compared to 2019 and adjusted operating profit also decreased by 44%.

Sales declined 10% at Pearson VUE reflecting the impact of the test center closures in the first half of the year offset by pent up demand in the second half partially moderated by further lockdowns in Q4. Online Proctoring saw strong growth in the year with volumes up from 0.2m at the end of 2019 to 2.1m at the end of 2020 predominantly driven by demand from the IT sector. Overall testing volumes were down 22% to 12.9m due to test center closures. In School and Clinical Assessment, cancelation of Spring testing and school closures impacted both businesses respectively in H1 with a further modest impact due to COVID-19 in H2.

In the UK, qualifications revenue was impacted by the cancelation of exams in 2020, as well as the end of the NCT contract.

Adjusted operating profit declined 42% due to the COVID-19 impact on trading, partially offset by mitigating actions.

The Assessment & Qualifications results also include intangible charges of £29m in 2020 compared to £23m in 2019 reflecting impairments made in 2020. Major restructuring costs were £38m in 2019 and £nil in 2020.

Virtual Learning

Virtual Learning sales increased by £108m or 18% from £584m in 2019 to £692m in 2020 and adjusted operating profit increased by £16m or 123% from £13m in 2019 to £29m in 2020. The Group estimates that after excluding the impact of exchange rates, Virtual Learning sales increased by 18% in 2020 compared to 2019 and adjusted operating profit also increased by 108%.

The sales growth reflects strong enrolment growth in Virtual Schools and good growth in OPM. Adjusted operating profit growth was due to margin on sales growth more than offsetting the investment in our virtual schools platform and customer care support and margin impact in OPM due to discontinued programs.

Virtual Schools performed strongly driven by 43% enrolment growth in new and existing schools for the 2020/2021 academic year. We opened three new full-time, state-wide partner schools, and combined with two contract exits this took the total partner schools to 43 in 29 states.

In OPM, we saw good sales growth with a strong performance in undergraduate and international, partially offset by discontinued programs. We also saw the benefits of the operational changes, with increased efficiencies in our student recruitment process and student acquisition costs. Underlying course enrolments (excluding discontinued programs) grew 20% and total course enrolments declined 7%. We delivered 470 programs across 34 partners globally.

The Virtual Learning results also include intangible charges of £30m in 2020 compared to £36m in 2019 reflecting the impact of historical acquisition activity in recent years. Major restructuring costs were £13m in 2019 and £nil in 2020.

English Language Learning

English Language Learning sales decreased by £102m or 32% from £320m in 2019 to £218m in 2020 and adjusted operating profit decreased by £58m or 98% from £59m in 2019 to £1m in 2020. The Group estimates that after excluding the impact of exchange rates, English Language Learning sales decreased by 28% in 2020 compared to 2019 and adjusted operating profit also decreased by 100%.

The sales decline reflects the interruption of Australian immigration and test center closures impacting PTE. PTE volumes were down 36% with declines in all key markets except China where we saw 17% growth due to an improved competitive performance. Courseware sales also declined due to the COVID-19 pandemic.

Divisional profitability has been impacted by the PTE and courseware sales decline, market contraction as a result of the pandemic in our high margin franchise business in Brazil, and by investment in our English Assessment products.

The English Language Learning results also include intangible charges of £7m in 2020 compared to £80m in 2019 due to impairments recorded in 2019. Major restructuring costs were £10m in 2019 and £nil in 2020.

Workforce Skills

Workforce Skills sales decreased by £22m or 12% from £185m in 2019 to £163m in 2020 and adjusted operating profit decreased by £5m or 16% from £31m in 2019 to £26m in 2020. The Group estimates that after excluding the impact of exchange rates and the contribution from portfolio changes, Workforce Skills sales decreased by 14% in 2020 compared to 2019 and adjusted operating profit also decreased by 13%.

Sales decreased due to the impact of the COVID-19 pandemic, in particular, the impact on BTEC and apprenticeships in the UK.

The Workforce Skills results also include intangible charges of £8m in 2020 compared to £9m in 2019. Major restructuring costs were £7m in 2019 and £nil in 2020.

Higher Education

Higher Education sales decreased by £146m or 13% from £1,102m in 2019 to £956m in 2020 and adjusted operating profit decreased by £41m or 31% from £134m in 2019 to £93m in 2020. The Group estimates that after excluding the impact of exchange rates, Higher Education sales decreased by 13% in 2020 compared to 2019 and adjusted operating profit also decreased by 25%.

In US Higher Education Courseware sales declined 12% with total unit sales increasing slightly and digital registrations including eBooks growing 9%. In Canada and international Higher Education, courseware sales were down significantly due to bookstore closures during the pandemic.

Adjusted operating profit declined 31% due to the impact of trading partially offset by restructuring and discretionary savings.

The Group continued to see unbundling of premium priced print and digital products for digital only formats. In 2020 2.2m textbooks were sold into US Higher Education colleges, compared with 3.7m in 2019. Sales of standalone eBook units into colleges grew 33% to 3.7m units, showing signs of secondary market recapture. There has also been continued momentum in Inclusive Access with sales to not-for-profit institutions up 29% on last year representing 13% of US Higher Education Courseware revenue.

The Higher Education results also include intangible charges of £3m in 2020 compared to £nil in 2019. Major restructuring costs were £68m in 2019 and £nil in 2020.

Strategic Review

Strategic Review sales decreased by £112m or 28% from £398m in 2019 to £286m in 2020 and adjusted operating profit decreased by £11m or 41% from £27m in 2019 to £16m in 2020. The Group estimates that after excluding the impact of exchange rates and the contribution from portfolio changes, Strategic Review sales decreased by 10% in 2020 compared to 2019 and adjusted operating profit also decreased by 51%.

The sales decline reflects budgetary pressures caused by the impact of COVID-19 on courseware purchasing, with budget constraints and school closures leading to fewer purchases. The sales decline also reflects the disposal of the US K12 business in 2019.

The Strategic Review results also include other net gains and losses of £2m loss in 2020 compared to a £16m gain in 2019. In 2019 these primarily relate to the gain on sale of the US K12 business and in 2020 they primarily relate to charge in relation to the disposal of PIHE.

The Strategic Review results also include intangible charges of £3m in 2020 compared to £3m in 2019. Major restructuring costs were £21m in 2019 and £nil in 2020.

Penguin Random House

The Group's share of Penguin Random House adjusted operating profits was £nil in 2020 compared to £65m in 2019. Dividend income of £1m was recognized in 2020. In December 2019, the Group announced the sale of its remaining 25% interest in Penguin Random House. At the end of December 2019 the Group's share of the assets of Penguin Random House was classified as held for sale on the balance sheet. In April 2020, the Group completed the sale of the remaining 25% interest in Penguin Random House to Bertelsmann, generating net proceeds of £531m and resulting in a pre-tax profit of £180m.

Liquidity and capital resources

Cash flows and financing

Net cash generated from operations increased to £570m in 2021 from £450m in 2020. The decrease in cash generated from operations is largely explained by the drop-through of increased operating profits and an improvement in net working capital (including product development) offset by an increase in capital expenditure.

Net interest paid at £54m in 2021 compares to £50m in 2020 and primarily reflects a reduction in interest on lease liabilities following the disposal of PIHE. Tax paid in 2021 was £177m compared to tax received of £2m in 2020 with the increase mainly explained by the £97m payment related to State Aid which the Group expects to recover in due course and refunds received in 2020 in the US and UK relating to historical periods.

Capital expenditure on property, plant and equipment was £64m in 2021 compared to £53m in 2020. There were no material property sales in 2021 or 2020. Capital expenditure on software intangibles increased to £112m in 2021 from £81m in 2020. The increase in expenditure on software intangibles reflects the fact that we paused elements of technology programmes at the height of the pandemic in 2020.

Cash outflow from acquisitions in 2021 was £69m compared to £12m in 2020. The cash outflow in 2021 relating to acquisitions of subsidiaries is £55m, comprising £46m related to the acquisition of Faethm, £5m of cash consideration paid in relation to two smaller acquisitions, and £4m in relation to prior year acquisitions. In addition, there is a cash outflow of £10m relating to the acquisition of interests in two associates, Smashcut and Academy of Pop and an outflow of £4m relating to the acquisition of investments. There were no significant acquisitions in 2020, the net cash outflow on acquisition of subsidiaries in 2020 relates to deferred payments for prior year acquisitions and investment purchases.

The net cash inflow in respect of businesses and investments disposed was £131m in 2021 compared to £631m in 2020. In 2021, the cash inflow of £83m relating to the disposal of subsidiaries mainly relates to the disposal of the K12 Sistemas business and deferred proceeds from the US K-12 Courseware sale in 2019 offset by cash disposed with PIHE and other disposal costs. In 2021 there is also a cash inflow of £48m relating to the disposal of certain investments held at fair value through other comprehensive income. In 2020 the cash received largely related to the disposal of Penguin Random House and the partial repayment of the receivable held in relation to the disposal of the US K-12 business.

Dividends from joint ventures and associates decreased from £4m in 2020 to £nil in 2021. The reduction is primarily due to the fact that the Penguin Random House disposal completed in April 2020.

The cash outflow from financing of £414m in 2021 compares to £299m in 2020 and includes the repayment of borrowings of £167m in 2021 and £230m in 2020. These repayments include the repayment of the remaining €195m of its €500m Euro 1.85% notes in 2021 and the repayment of the draw down of the revolving credit facility in 2020.

In June 2020, the Group completed the issuance of £350m guaranteed notes maturing 4 June 2030. The notes bear a coupon of 3.75% and were issued in accordance with the ICMA Social Bond Principles 2018, with the proceeds primarily used to finance and re-finance delivery of education in our Connections Academy, BTEC and GED businesses to help achieve the United Nations' 4th Sustainable Development Goal (SDG) for a Quality Education.

Also included in financing cash flows are repayments of lease liabilities which decreased from £92m in 2020 to £88m in 2021. Dividends paid to company shareholders in 2021 of £149m compares to £146m in 2020. Cash returned to shareholders via the share buyback program in 2020 amounted to £176m in 2020. Treasury share purchases in 2021 in respect of employee share plans were £16m compared to £6m in 2020.

Overall the Group's net borrowings decreased from £463m at the end of 2020 to £350m at the end of 2021. The Group's cash and cash equivalents decreased from £1,113m at the end of 2020 to £937m at the end of 2021.

Capital resources

The Group's borrowings fluctuate by season because of the academic year's effect on the working capital requirements in the educational materials businesses. Assuming no acquisitions or disposals, the Group's maximum level of net debt normally occurs in July, and its minimum level of net debt normally occurs in December.

In assessing the Group's ability to continue as a going concern for the period to 30 June 2023, the board analysed a variety of downside scenarios including a severe but plausible scenario where the Group is impacted

by all principal risks from 2022 as well as reverse stress testing to identify what would be required to either breach covenants or run out of liquidity. The severe but plausible scenario modelled a severe reduction in revenue, profit and operating cash flow from risks which in aggregate were significantly greater than seen in 2021 continuing throughout 2022 to 2023.

At 31 December 2021, the Group had available liquidity of c£1.6bn, comprising central cash balances and its undrawn $1.19bn Revolving Credit Facility (RCF). In February 2022, the Group renegotiated its revolving credit facility, extending the maturity of $1bn of the facility by one year to February 2026. Even under a severe downside case, the Group would maintain comfortable liquidity headroom and sufficient headroom against covenant requirements during the period under assessment even before modelling the mitigating effect of actions that management would take in the event that these downside risks were to crystallize.

At December 31, 2021, the Group's net debt was £350m compared to £463m at December 31, 2020. The decrease is largely due to positive operating cash flow and proceeds from disposals of businesses partially offset by tax, interest and dividend payments. Tax payments in 2021 include amounts related to State Aid which the Group expects to recover in due course.

Net debt is defined as all short-term, medium-term and long-term borrowing (including leases and related derivatives), less all cash, cash equivalents, other liquid resources and the net investment in finance lease receivables, and a breakdown is provided in note 18 of the financial statements. Cash equivalents comprise short-term deposits with a maturity of up to 90 days, while liquid resources comprise short-term deposits with maturities of more than 90 days and other marketable instruments which are readily realizable and held on a short-term basis. Total short-term, medium- term and long-term borrowing excluding derivatives amounted to £1,400m at December 31, 2021, compared to £1,720m at December 31, 2020 reflecting the repayment of the bond in 2021 and the disposal of lease liabilities with PIHE. At December 31, 2021, total cash and liquid resources were £937m, compared to £1,116m at December 31, 2020. The decrease in 2021 is primarily due to repayments of borrowings of £167m, dividends paid of £149m, tax paid of £177m, interest payments of £67m, capital expenditure of £176m, acquisitions of £69m and repayments of lease liabilities of £88m. These were offset by the cash inflow from operations of £570m and proceeds from disposals of businesses and investments of £131m.

At 31 December 2021, the Group was rated BBB- (stable outlook) with Fitch and Baa3 (stable outlook) with Moody's.

Contractual obligations

The following table summarizes the maturity of the Group's borrowings, its obligations under non-cancellable leases, deferred consideration and pension funding obligations, exclusive of anticipated interest payments. Due to the variability of future interest payments, these have been excluded from the table below:

	Year ended December 31, 2021			
	Total £m	Less than one year £m	One to Two years £m	Two five y
oss Borrowings:				
nk loans and overdrafts	—	—	—	
volving credit facility	—	—	—	
nds	767	87	70	
ase liabilities	633	68	71	
ferred consideration	44	6	15	
pension funding obligation	—	—	—	
tal	1,444	161	156	

The UK pension plan's most recent triennial actuarial valuation for funding purposes was completed as at January 1, 2021 and this valuation revealed a technical provision funding surplus of £160m. The plan expects to be able to provide benefits (in accordance with the plan rules) with a very low level of reliance on future funding from the Group.

At December 31, 2021 the Group had no capital commitments for fixed assets. Other than as outlined above, there are no other reasonably likely material cash requirements, other than those business as usual costs incurred in the ordinary course of business. At December 31, 2021, these business as usual costs include payroll costs and other executory contracts, that have not be recorded as a liability at the balance sheet date, but instead will be recorded as incurred. There are contingent liabilities in respect of indemnities, warranties, legal and royalty claims and guarantees in relation to former subsidiaries and in respect of guarantees in relation to subsidiaries and associates. In addition, there are contingent liabilities in respect of tax assessments as outlined in note 34 in “Item 18. Financial statements”. None of these claims, guarantees or assessments is currently expected to result in a material gain or loss.

Off-balance sheet arrangements

The Group does not have any off-balance sheet arrangements, as defined by the SEC for the purposes of the Form 20-F, that have or are reasonably likely to have a material current or future effect on the Group’s financial position or results of operations.

Borrowings

The Group finances its operations by a mixture of cash flows from operations, short-term borrowings from banks and commercial paper markets, and longer-term loans from banks and capital markets.

At December 31, 2021, the Group had an undrawn $1.19bn committed revolving credit facility with a maturity date in February 2025. The facility set in place in March 2019, contains two key covenants measured for each 12-month period ending June 30 and December 31:

The Group must maintain the ratio of its profit before interest, tax and amortization to its net interest payable at no less than 3:1; and must maintain the ratio of its net debt to its EBITDA at no more than 4:1. “EBITDA” refers to earnings before interest, taxes, depreciation and amortization. The Group is currently in compliance with these covenants.

See note 18 of “Item 18. Financial Statements” for information on the Group’s longer-term loans from banks and capital markets.

Treasury policy

The Group’s treasury policy is described in note 19 of “Item 18. Financial Statements”. For a more detailed discussion of the Group’s borrowing and use of derivatives, see “Item 11. Quantitative and Qualitative Disclosures about Market Risk”.

Related parties

There were no significant or unusual related party transactions in 2021, 2020 or 2019. Refer to note 36 in “Item 18. Financial Statements”.

Accounting policies

For a description of the Group’s principal accounting policies used refer to note 1 in “Item 18. Financial Statements”.

ITEM 6. *SENIOR MANAGEMENT AND EMPLOYEES*
DIRECTORS,

Directors and senior management

The Group is managed by a Board of Directors and a Chief Executive who reports to the Board and manages through an Executive Committee. The Group refers to the Board of Directors, the Chair of the Board of Directors and the Executive Committee as its “senior management”.

The following table sets forth information concerning Directors, as of February 28, 2022.

Name	Age	Position
lney Taurel	73	Chair
dy Bird, CBE	58	Chief Executive
ly Johnson	48	Chief Financial Officer
erry Coutu, CBE	58	Non-executive Director
her Lee	63	Non-executive

		Director
ıda Lorimer	69	Non-executive Director
aeme Pitkethly	55	Non-executive Director
n Score	61	Senior Independent Director and Deputy Chair Desi
ıcoln Wallen	61	Non-executive Director

On March 1, 2022 Omid Kordestani was appointed as Non-executive Director and Chair Designate. Mr Kordestani will succeed Sidney Taurel as Non-Executive Chair upon conclusion of the company's AGM in April 2022. Mr Score will also take on the role of Deputy Chair upon conclusion of the AGM.

Sidney Taurel

Appointed January 1, 2016. Chair of the Nomination & Governance Committee and Member of the Remuneration Committee.

Sidney has 50 years of experience in business and finance and is currently a non-executive director of H.I.G. Acquisition Corp. He was Chief Executive Officer of global pharmaceutical firm Eli Lilly and Company from 1998 until 2008, Chairman from 1999 until 2008, and has been Chairman Emeritus since 2009. His 37-year career at Eli Lilly included time spent in Brazil, France, Eastern Europe, the US and the UK. Sidney is a former director of IBM (2001-2021), McGraw-Hill (1996-2016) serving in both as chair of the Compensation Committee for several years, and of ITT Corp (1996-2001) where he chaired the Audit Committee. In 2002, Sidney received three US presidential appointments to: the Homeland Security Advisory Council, the President's Export Council and the Advisory Committee for Trade Policy and Negotiations, and is an officer of the French Legion of Honour. Current notable commitments: H.I.G. Acquisition Corporation.

Andy Bird, CBE

Appointed to the Board May 1, 2020. Appointed as Chief Executive on October 19, 2020. Member of the Reputation & Responsibility Committee.

Andy has a long and distinguished career spanning over 35 years in the media industry, and is an accomplished, strategic leader of global consumer content businesses. Most recently, he spent 14 years working for The Walt Disney Company, joining the business as President of Walt Disney International in 2004, before being appointed Chair in 2008. He held this role for a decade, during which time he transformed the organisation into a digital-first, direct to consumer business, focused on serving the diverse needs of customers around the world. In addition, Andy worked to establish the iconic brand in China through the creation of Disney English, teaching English language to local families through immersive learning experiences. Prior to Disney, Andy worked in a number of senior positions at AOL Time Warner, and spent the earlier part of his career at Piccadilly Radio, Virgin Broadcasting Company, BSB Music Channel, Big & Good Productions and Unique Broadcasting.

Sally Johnson

Appointed on April 24, 2020.

Sally joined Pearson in 2000 and has held various finance and operations roles across the business, both at a corporate level and within the divisions, including The Penguin Group. She brings to the Board extensive commercial and strategic finance experience as well as transformation, treasury, tax, risk management, business and financial operations, investor relations and M&A expertise. She has held various senior level roles across the business, most recently as Deputy CFO of Pearson. Sally is 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.

Sherry Coutu, CBE

Appointed on May 1, 2019. Chair of the Remuneration Committee and Member of the Nomination & Governance Committee.

Sherry has extensive experience in the technology industry. She has also served on the boards of a range of companies and charities, with a focus on working with entrepreneurs and specialising in consumer digital, information services, and education. Sherry is the Chair of Founders4Schools and founder of the

Scale-Up

Institute. Previously, she was CEO of Interactive Investor International plc, and has served on the boards of Cambridge Assessment, Bloomberg New Energy Finance and the London Stock Exchange plc as well as being SID and Remuneration Committee Chair of RM plc. Sherry has started and/or invested in over 60 technology businesses and served on the boards of Zoopla plc, Raspberry Pi, NESTA, and the Advisory boards of the National Gallery, Royal Society and LinkedIn. She was appointed Commander of the British Empire in the 2013 New Year Honours for her services to entrepreneurship.

Omid Kordestani

Appointed to the Board March 1, 2022.

Omid Kordestani is an international businessman who serves on the boards of Twitter, Inc., Klarna Bank AB and Klarna Holding AB and is a Council Member for Balderton Capital. He was Executive Chairman of Twitter, Inc between October 2015 and May 2020. From August 2014 to August 2015, Mr Kordestani 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, Mr Kordestani served as Vice President of Business Development at Netscape Communications Corporation. Prior to joining Netscape Communications Corporation, Mr Kordestani held positions in business development, product management and marketing at The 3DO Company, Go Corporation and Hewlett-Packard Company. Current notable commitments: Twitter, Inc.

Esther Lee

Appointed on February 1, 2022.

Esther brings significant experience to the Pearson Board through her prior executive leadership 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 (NYSE: CLX) where she chairs the Nomination & Governance Committee. She has a BA in economics from Cornell University. Current notable commitments: The Clorox Company.

Linda Lorimer

Appointed July 1, 2013. Chair of the Reputation & Responsibility Committee and Member of the Audit Committee.

Linda is currently a Senior Advisor at the Boston Consulting Group and has spent almost 40 years serving higher education. She retired from Yale in 2016 after 34 years at the university where she served in an array of senior positions, including Vice President for Global & Strategic Initiatives. She oversaw the development of Yale’s online education division and the expansion of Yale’s international programmes and centres. During her tenure, she was responsible for many administrative services, ranging from Yale’s public communications and alumni relations to sustainability, human resources and the university press. She also served on the boards of several public companies, including as Presiding Director of the McGraw-Hill companies. Linda is a trustee of Hollins University and a member of the board of Yale New Haven Hospital, where she chairs the nominating and governance committee, and also remains on several consequential advisory committees at Yale University.

Graeme Pitkethly

Appointed on May 1, 2019. Member of the Audit and Reputation & Responsibility Committees.

Graeme joined Unilever in 2002 and, prior to being appointed CFO and Board member, was responsible for Unilever’s UK and Ireland business. Previously, he had held a number of senior financial and commercial roles within Unilever, including Senior Vice President of Finance for Global Markets, Group Treasurer, Global Head of

M&A and Chief Financial Officer of Unilever Indonesia. Graeme spent the earlier part of his career in senior corporate finance roles in the telecommunications industry with FLAG Telecom, and started his career at PricewaterhouseCoopers. Graeme is currently Vice Chair of the Task Force on Climate Related Financial Disclosures, Vice Chair of the 100 Group Main Committee and is a Chartered Accountant. Current notable commitments: Unilever plc (Chief Financial Officer).

Tim Score

Appointed January 1, 2015. Chair of the Audit Committee, Member of the Nomination & Governance and Remuneration Committees.

Tim has extensive experience of the technology sector in both developed and emerging markets, having served as Chief Financial Officer of ARM Holdings plc, the world's leading semiconductor IP company, for 13 years. He is an experienced non-executive director and was appointed as a non-executive Director of Bridgepoint Group PLC in 2021, alongside his roles as Chair of The British Land Company plc, a non-executive director of the Football Association, and a Trustee of the National Theatre. Tim has garnered extensive financial and listed company experience during previous and current positions. He served on the board of National Express Group plc from 2005 to 2014, including time as interim Chairman and six years as the Senior Independent Director. Earlier in his career Tim held senior finance roles with Rebus Group, William Baird, LucasVarity plc and BTR plc. Current notable commitments: The British Land Company plc (Chair), Bridgepoint Group PLC (Non-Executive Director).

Annette Thomas

Appointed October 1, 2021. Member of the Nomination & Governance and Reputation & Responsibility Committees.

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 this, 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 currently serves as a trustee of Yale University. Her previous non-executive experience includes serving as 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 advisor to Creative Commons and Bain Capital.

Lincoln Wallen

Appointed January 1, 2016. Member of the Audit and Reputation & Responsibility Committees.

Lincoln has extensive experience in the technology and media industries, and is currently CTO of Improbable, a technology start-up supplying next-generation cloud hosting and networking services to the video game industry. Lincoln was CEO of DWA Nova, a software-as-a-service company spun out of DreamWorks Animation Studios in Los Angeles, a position he held until 2017. He worked at DreamWorks Animation for nine years in a variety of leadership roles including Chief Technology Officer 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 augmented, virtual and mixed reality headsets for professionals. His early career involved 20 years of professional IT and mathematics research, including as a reader in Computer Science at Oxford. Current notable commitments: Improbable (Chief Technology Officer).

The following table sets forth information concerning the Executive Committee, as at February 28, 2022.

Name	Position
m ap Simon	President, Virtual Learning
Bebo	Chief Human Resources Officer
n Bozik	President, Higher Education; Interim Chief Product Office Co-President, Direct to Consumer
nne Frank	Chief Marketing Officer and Co-President, Direct-to-Consumer
Giovannelli	President, English Language Learning
ke Howells	President, Workforce Skills
thia Nespoli	Chief Legal Officer
Valentine	President, Assessment & Qualifications

On March 16, 2022, Marykay Wells (Chief Information Officer) joined the Pearson Executive Management Team.

Tom ap Simon

Tom has 19 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.

Ali Bebo

Ali is a senior executive with over 25 years of experience transforming culture for transformative business performance across multiple industries. Prior to joining Pearson, she was an officer and CHRO for Hologic, Inc.,

a global medical technology company. Prior to Hologic, she held various HR leadership roles with the specialty retail company, ANN INC. Ali earned her BA in political science from the University of California, Los Angeles.

Tim Bozik

Tim has more than 30 years of extensive leadership experience in higher education products and the business of delivering them at Pearson. Tim earned a Bachelor's Degree from the University of Notre Dame and currently serves on the Board of Directors for the Association of American Publishers.

Lynne Frank

Lynne has over 25 years of experience in the media industry. Previously, she has worked in companies such as WarnerMedia, ESPN/Disney and Turner Broadcasting. Lynne holds a degree in economics and business, and a certificate in corporate board governance from the University of California, Los Angeles (UCLA).

Gio Giovannelli

Gio has over 25 years of international business experience, including four CEO roles in Brazil. Previous board roles include BOVESPA-listed Natura and CVC Viagens. Gio graduated from Bocconi University, holds an Economics Ph.D. and is OPM graduate of Harvard Business School.

Mike Howells

Mike has more than 20 years of international business experience. Previously, he has worked in the British diplomatic network and the UK Foreign, Commonwealth and Development Office. Mike holds a masters degree in International Law from the University of Nottingham and an Anthropology degree from University College London.

Cinthia Nespoli

Cinthia has over 18 years of international legal and compliance experience. Previously, 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 and a post-graduate degree in tax law from Pontifícia Universidade Católica de São Paulo.

Art Valentine

Art has more than 30 years of leadership experience in assessments, testing, and technology. Prior to his 16 years at Pearson serving as a senior leader of Pearson VUE and as Managing Director of Pearson Clinical Assessments, Art worked at Promissor which was acquired by Pearson in 2006. Art earned his MS in Mathematical Science/Computer Science from the University of North Carolina Chapel Hill.

Marykay Wells

Marykay Wells joined Pearson in 2014 and is responsible for leading the execution of the company's corporate digital transformation strategy that is driving the shift from print to digital products. She has over 30 years of experience with proven success in strategic planning and execution of large, global technology transformations. Marykay builds high performing teams by establishing customer-first values and cultivating an environment of collaboration, integration, and innovation.

Compensation of senior management

It is the role of the Remuneration Committee (the Committee) to approve the remuneration and benefits packages of the Executive Directors and other members of the Pearson Executive.

The principal duties of the Committee are to:

- Determine and regularly review the remuneration policies for the Executive Directors and other members of Pearson's Ex management (who report directly to the Chief Executive). This includes base salary, incentive arrangements, pension arra other benefits and entitlements on termination of employment. When setting remuneration policy and packages, the Com account all factors which it deems necessary, including wider remuneration practices and related policies for the wider wo
- Ensure the company maintains an appropriate level of engagement with its shareholders and shareholder representative b to the Directors' Remuneration Policy and its implementation.
- Regularly review the implementation and operation of the Directors' Remuneration Policy and approve the individual re benefits packages of Executive management.
- Approve the design of, and determine targets for, any performance-related pay plans operated by the Group for Pearson E management and approve the total payments to be made under such plans.
- Advise and decide on general and specific remuneration arrangements in connection with the termination of employment management.
- Delegated responsibility for determining the remuneration and benefits package of the Chair of the Board.
- Review updates from management on talent, retention and gender pay gap.
- Have oversight of workforce remuneration, policies and practice for the wider organization.

Remuneration policy

The 2020 Directors' Remuneration Policy (2020 policy) was approved by our shareholders at the Annual General Meeting held on 24 April 2020. The 2020 policy is underpinned by Pearson's remuneration principals and aligns the remuneration arrangements for Executive Directors with our strategy and the interests of our long-term shareholders.

The Committee's starting point continues to be that total remuneration should reward both short and long-term results, delivering competitive rewards for target performance, but outstanding rewards for exceptional performance.

Total remuneration is composed of fixed and performance-linked elements, with each element supporting different objectives. Base salary: helps to recruit, reward and retain employees. Base salary reflects the employment market, level, role, skills, experience and individual contribution. Allowances and benefits: help the company to recruit and retain employees. Retirement benefits: help to recruit and retain staff and recognize their long-term commitment to the company. Annual incentives: Recognize and motivate the achievement of annual business goals and strategic objectives. Annual incentives typically have a focus on key financial and non-financial metrics and reward employees for the company's performance and their individual contribution to the success of the company. Long-term incentives: help to recruit, reward and retain people, drive long-term earnings, share price growth and value creation to align the interests of Executives and shareholders. Long-term incentives encourage long-term shareholding and commitment to the company and link management's long-term reward and wealth to corporate performance in a flexible way.

For Executive Director benchmarking purposes, the Committee reviews remuneration by reference to different comparator groups including survey data from companies of similar size and scope, excluding financial services companies.

Consistent with its policy, the Committee places considerable emphasis on the performance-linked elements (i.e. annual and long-term incentives). The Committee continues to review the mix of fixed and performance- linked remuneration on an annual basis, consistent with its overall philosophy.

Base salary

Base salaries are set to provide the appropriate rate of remuneration for the job, taking into account relevant employment markets, business sectors and geographic regions.

Base salaries are typically reviewed annually taking into account: general economic and market conditions; the level of increases made across the company as a whole; particular circumstances such as changes in role, responsibilities or organization; the remuneration and level of increases for executives in similar positions in comparable companies in accordance with their regional employment market; and individual performance.

While there is no maximum salary level or maximum increase that may be offered, salary increases will normally be in line with typical increases awarded to other employees in the Group.

However, increases may be above this level in certain circumstances such as:

- Where a new Executive Director has been appointed to the Board at a lower than typical market salary to allow for growt larger increases may be awarded to move salary positioning closer to typical market level as the Executive Director gains
- Where an Executive Director has been promoted or has had a change in responsibilities.
- Where there has been a significant change in market practice or where there has been a significant change in the size and/ business.

Allowances and benefits

Allowances and benefits comprise cash allowances and non-cash benefits and which may include:

- travel-related benefits (such as company car, car allowance and private use of a driver);
- health-related benefits (such as healthcare, health assessment and gym benefit);
- and risk benefits (such as additional life cover and long-term disability insurance that are not covered by the company's r

Executive Directors are also eligible to participate in savings-related share acquisition programs, which are not subject to any performance conditions, on the same terms and to the same value as other employees.

Where an Executive Director is required to relocate to perform their role, appropriate one-off or on-going expatriate/relocation benefits may be provided (e.g. housing, schooling etc.).

The Committee may introduce other benefits, where it is considered appropriate to do so, taking into account the individual circumstances, the country of residence of a Director, the benefits available to all employees and the wider external market.

The cost of the provision of allowances and benefits varies from year to year depending on the cost to the company and there is no prescribed maximum limit. However, the Committee monitors annually the overall cost of the benefits provided along with market data, to ensure that it remains appropriate.

Retirement benefits

Employees in the UK are eligible to join the Money Purchase 2003 section of the Pearson Group Pension Plan. Executive Directors are eligible to join this plan or receive a cash allowance of equivalent value.

If any Executive Director is from, or works, outside the UK, the Committee retains a discretion to put in place retirement benefit arrangements for that Director in line with local market practice including defined benefit pension arrangements operated by Pearson locally. The maximum value of such arrangement will reflect local market practice at the relevant time.

The Committee will also honor all pre-existing retirement benefit obligations, commitments or other entitlements that were entered into by a member of the Pearson Group before that person became a Director, such as participation in the Final Pay section of the Pearson Group Pension Plan, which is closed to new members.

New appointments

From 2020, in line with our approved 2020 policy, new executive appointments to the Board are eligible to receive pension contributions of up to 16% of pensionable salary or a cash allowance of up to 16% of salary in line with the maximum company contribution as a percentage of salary that UK employees who are over 45 are eligible to receive.

UK Executive Directors who are, or become, affected by the lifetime allowance may be provided with appropriate benefits, as an alternative to further accrual of pension benefits such as a cash supplement, in line with the treatment for the employee population.

The pension or equivalent entitlements of each Director are as follows:

Andy Bird

Andy Bird receives a payment in lieu of pension at 16% of his base salary in line with the pension provision for UK employees of a similar age.

Sally Johnson

Sally Johnson is an existing member of the Final Pay Section of the Pearson Pension Plan. Her accrual rate is 1/60th of pensionable salary per annum, restricted to the Plan earnings cap (£172,800 per annum in 2021/22). There are no enhanced early retirement benefits.

Annual incentives

Measures and performance targets are set by the Committee at the start of the year, with payment made after year end following the Committee’s assessment of performance relative to targets.

Annual Incentive Plans are discretionary. The Committee reserves the right 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.

The Committee may apply malus and / or clawback for a period of five years in circumstances, such as financial misstatement, individual misconduct or reputational damage to the company.

Annual incentives will not exceed 200% of base salary. For the Chief Executive, the individual maximum incentive opportunity is 200% of base salary and 170% for the Chief Financial Officer. There is normally no pay-out for performance at threshold. 50% of the maximum is payable for on-target levels of performance.

The Committee has the discretion to select the performance measures and relative weightings from year to year to ensure continuing alignment with strategy and to ensure targets are sufficiently stretching. The Committee sets performance targets for each measure annually. Annual incentives will normally be based on financial and strategic performance targets. Financial metrics will normally account for at least 75% of the total annual opportunity with the remaining portion normally being based on strategic and / or performance against personal objectives.

The plan is designed to incentivize and reward underlying performance. Actual results may be adjusted to remove the effect of foreign exchange and portfolio changes (acquisitions and disposals) and other relevant factors that the Committee considers do not reflect the underlying performance of the business in the performance year.

The funding of annual incentives will normally be related to the performance against financial and strategic imperatives performance targets. For the 2022 financial year the annual bonus will be based 30% on adjusted operating profit, 30% on sales performance, 20% on operating cash flow and 20% on strategic measures. Each performance measure will operate independently but a financial underpin will apply in respect of the strategic measures. There will be no changes to the maximum annual incentive opportunities for 2022.

Performance metrics linked to strategic objectives can be selected annually to support the Group's strategy. A pay-out will only be made if a minimum level of performance has been achieved under the financial metrics, as determined by the Committee each year.

The strategic measures for 2022 will focus on:

- Accelerating growth through digital transformation and business model innovation
- Establishing Pearson as purpose-driven across product, people and the planet

The targets for 2022 are as follows:

	Weighting	Threshold	Target	Ma
gital sales growth	10%	Plan less 2%	Plan	Plan plus 2%
est in diverse pipeline and increase representation at management levels	5%	50% female and ethnic minority representation in leadership development and mentoring programmes + 50% female and 20% ethnic minority representation in leadership succession plans	Threshold + 5% increase in female and ethnic minority representation at VP level and above	Threshold + 10 female and ethn representation a above
duce carbon footprint – net annual reduction versus 2021 baseline	5%	1% reduction	2% reduction	5% reduction

Details of the financial measures, weightings and targets will be disclosed in the annual Remuneration Report for the relevant financial year if and to the extent that the Committee deems them to be no longer commercially sensitive. The performance period is one year.

Long-term incentives

Awards of shares are made on an annual basis, which vest on a sliding scale based on performance, assessed against corporate performance targets measured at the end of the three-year performance period.

Awards are normally subject to a post vesting holding period for two years following the end of the performance period.

Participants may receive additional shares representing the gross value of dividends that would have been paid on shares that vest during the performance period.

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

The Committee may apply malus and / or clawback for a period of five years in circumstances, such as financial misstatement, individual misconduct, or reputational damage to the company.

The maximum award is 350% of base salary in respect of a financial year.

The Committee will determine the performance measures, weightings and targets governing an award of shares prior to grant to ensure continuing alignment with strategy and to ensure that targets are sufficiently stretching.

The Committee establishes a threshold below which no pay-out is achieved and a maximum at or above which the award pays out in full. The proportion of the award that vests at threshold may be up to 25%.

Awards will normally be subject to the achievement of targets for earnings per share, return on invested capital and relative total shareholder return (weighted equally). The Committee may determine that different measures or weightings may apply for future awards, however, the Committee would intend to consult with shareholders in advance if there was to be a significant change in the weighting of measures or the performance measures used.

Andy Bird and Sally Johnson were eligible for a Long-Term Incentive Plan (LTIP) award in 2021. The maximum face value of the award granted was 300% and 245% of base salary respectively. Face value was determined using a share price of 826.7p (five-day average to 4 May 2021), which is the share price used to determine award values for LTIP awards to the wider employee population.

The 2021 LTIP award will vest on 1 May 2024 subject to the following performance targets:

EPS (1/3)		**Net ROIC (1/3)**		**Relative TSR (1/3)**	
Vesting schedule (% of max)	**Adjusted EPS for FY23**	**Vesting schedule (% of max)**	**Adjusted net ROIC for FY23**	**Vesting schedule (% of max)**	**Ra**
15%	46.5p	15%	5.5%	25%	Media
65%	53.5p	65%	6.5%	—	—
100%	61.0p	100%	7.5%	100%	Upper

Note: straight line vesting between points shown, with no vesting for performance below threshold.

For 2022, Andy Bird and Sally Johnson will be granted an award of 300% and 245% of base salary, respectively.

Performance measures and targets for 2022 are as follows:

EPS (1/3)		**Net ROIC (1/3)**		**Relative TSR (1/3)**	
Vesting schedule (% of max)	**Adjusted EPS for FY23**	**Vesting schedule (% of max)**	**Adjusted net ROIC for FY23**	**Vesting schedule (% of max)**	**Ra**
15%	48.0p	15%	6.0%	25%	Media
65%	55.0p	65%	7.0%	—	—
100%	64.0p	100%	8.0%	100%	Upper

In May 2019, former Chief Executive John Fallon was made an award under the 2019 LTIP. This award was based on performance the business delivered over the three-year period from 2019 to 2021.

The LTIP award made to John Fallon would have vested on the normal vesting date, pro-rated for time to reflect John’s departure prior to the normal vesting date, but the applicable performance targets have not been met and therefore his award, together with awards for other participants, will lapse in full.

Co-investment award

In order to secure Andy Bird as our Chief Executive the Committee developed a one-off co-investment award. The Committee recognizes that such a one-off arrangement is not typical in the UK market, but believe it was the optimal structure to secure Andy Bird’s recruitment whilst incentivizing the creation of long-term shareholder value and keeping our forward-looking 2020 policy unchanged.

The grant of the co-investment award was conditional on Andy purchasing Pearson shares equal to 300% of base salary by 31 December 2020 (being a total value of $3.75m), which he must continue to hold throughout the period to 31 December 2023. This personal investment by Andy demonstrates his commitment to the role and creates immediate alignment with shareholders.

In consideration for this investment, Andy was granted a co-investment award equal to 750% of base salary.

The co-investment award vests in three equal tranches as soon as practicable following 31 December 2021, 31 December 2022 and 31 December 2023 respectively and is subject to performance underpins and Andy’s continued employment as at each vesting date.

Shares that vest will be subject to a holding period until 31 December 2023. The co-investment award was designed taking into account Andy’s home market – the US – where the structure of pay is often very different to the UK and aims to incentivize the transformation of the business and growth in the near-term. It was therefore considered appropriate that the phased vesting schedule and holding period to December 2023 reflect the period over which it is expected value will be delivered to our shareholders.

The vesting of the co-investment award is subject to the achievement of performance underpins to ensure the Committee can reduce vesting if in its opinion the performance of the business or the individual does not support this. These underpins are intended to prevent payment for failure.

The vesting of each tranche of the award will be subject to the following performance underpins:

- an appropriate level of progress being made in relation to delivering our strategy including our ongoing transition from pr
- no significant ESG issues related to Andy’s tenure occurring which result in significant reputational damage

In addition, the vesting of the final tranche of the award will also be subject to the following TSR underpin:

- the company’s TSR from the date of the announcement of Andy’s appointment to 31 December 2023 is either (1) positiv
  median or above when compared to the performance of the FTSE 100

If one or more of the underpins are not achieved, then the Committee would consider whether, and to what extent, a discretionary reduction in the number of shares vesting was required.

When determining the vesting of each tranche of the co-investment award, in addition to assessing the specific underpins, the Committee undertakes a thorough and robust review process which considers a holistic view of the wider stakeholder experience, including that of shareholders, employees, customers, and suppliers. Full details of this assessment will be disclosed in the annual Remuneration Report for the relevant financial year.

Shareholding policy

Executive Directors are expected to build up a shareholding in the company. The target holding is 300% of salary for the Chief Executive and 200% of salary for the Chief Financial Officer. Members of the executive management team are expected to build a holding of 100%.

Post-employment shareholding policy

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

Service agreements

In accordance with long established policy, all Executive Directors have service agreements under which, other than by termination in accordance with the terms of these agreements, employment continues indefinitely. There are no special provisions for notice or non-share-based compensation in the event of a change of control of Pearson. It is Pearson's policy that the company may terminate the Chair's and Executive Directors' service agreements by giving no more than 12 months' notice.

Payment in lieu of notice

As an alternative, for Executive Directors, Pearson may at its discretion pay in lieu of that notice. Payment in lieu of notice may be made in equal monthly installments from the date of termination to the end of any unexpired notice period. Payment in lieu of notice in installments may also be subject to mitigation and reduced taking into account earnings from alternative employment.

For Executive Directors, payment in lieu of notice comprises 100% of the annual salary at the date of termination and the annual cost to the company of providing pension and all other benefits. For the Chair, payment in lieu of notice comprises 100% of the annual fees at the date of termination.

The company may, depending on the circumstances of the termination, determine that it will not pay the Director in lieu of notice and may instead terminate a Director's contract in breach and make a damages payment, taking into account as appropriate the Director's ability to mitigate their loss.

The company may also pay an amount considered to be reasonable by the Committee in respect of fees for legal and tax advice and outplacement support for the departing Director. The Committee reserves the right to make any other payments in connection with a Director's cessation of office or employment where the payments are made in good faith, in discharge of an existing legal obligation (or by way of damages for breach of such an obligation) or by way of settlement of any claim arising in connection with the cessation of a Director's office or employment.

Share awards

On cessation of employment, unless otherwise provided for under the rules of Pearson's discretionary share plans, Executive Directors' entitlements to any unvested awards lapse automatically. In the case of termination of employment due to injury, disability, ill-health or redundancy (as determined by the Committee), where a participant's employing company ceases to be part of Pearson, or any other reason if the Committee so decides in its absolute discretion:

- Awards that are subject to performance conditions will stay in force as if the participant had not ceased employment and original vesting date / be released in line with normal time horizons.
- Awards that are not subject to a performance condition will be released as soon as practicable following cessation of emp
- The number of shares that are released shall be pro-rated for the period of the participant's service in the restricted period (although the Committee may in its absolute discretion

pro-rating).

In determining whether and how to exercise its discretion under Pearson's discretionary share plans, the Committee will have regard to all relevant circumstances distinguishing between different types of leaver, the circumstances at the time the award was originally made, the Director's performance and the circumstances in which the Director left employment.

The rules of Pearson's discretionary share plans also make provision for the treatment of awards in respect of corporate activity, including a change of control of Pearson. The Committee would act in accordance with the terms of the awards in these circumstances, which includes terms as to the assessment of performance conditions and time apportionment.

Annual bonus

On cessation of employment, Executive Directors, participating in an Annual Incentive Plan for the relevant financial year, may, at the Committee's discretion, retain entitlement to a pro rata annual incentive award, for their period of service during the financial year prior to their leaving date. Such pay-out will normally be calculated in good faith on the same terms and paid at the same time as for continuing Executive Directors.

Other elements of remuneration

Eligibility for allowances and benefits including retirement benefits normally cease when an employee retires or when an employee's employment is terminated for any other reason.

Executive Directors' Non-Executive Directorships

The Group's policy is that Executive Directors may, by agreement with the Board, serve as Non-Executives of other companies and retain any fees payable for their services. Neither of the current Executive Directors, Andy Bird nor Sally Johnson, hold any notable external commitments.

Chair's and Non-Executive Directors' remuneration

The Chair is paid a single fee for all of their responsibilities. The Chair's fee is set at a level that is competitive with those of Chairs in similar positions in comparable companies.

Table of Contents

The Non-Executive Directors are paid a basic fee. The Chair and members of the main Board Committees and the Senior Independent Director are paid an additional fee to reflect their extra responsibilities. A Deputy Chair fee, which is a single fee for all their responsibilities, will be introduced from the 2022 AGM.

Fees for Non-Executive Directors are determined by the full board having regard to market practice.

Additional fees or other payments may be paid to reflect additional responsibilities, roles or contribution, as appropriate.

The Chair and Non-Executive Directors are not entitled to any annual or long-term incentive, retirement or other employee benefits. Selected benefits may be introduced, if considered appropriate.

Pearson reimburses the Chair's and Non-Executive Directors' travel and other business expenses, and any tax incurred thereon, if applicable.

Normally a minimum of 25% of the Chair and Non-Executive Directors' basic fee is paid in Pearson shares that the

Non-Executive
 Directors have committed to retain for the period of their directorships. Shares are normally acquired quarterly at the prevailing market price with the individual's
after-tax
 fee payments.

Fee levels are reviewed on a periodic basis.

The basic total fees payable to the
Non-Executive
 Directors (excluding the Chair) are subject to the limit set out in the Articles of Association of the company (currently £1,000,000) and as increased by ordinary resolution from time to time.

		With effect from April 2022
n-Executive rector	£	70,000
airmanship of Audit Committee	£	27,500
airmanship of Remuneration Committee	£	22,000
airmanship of Nomination and Governance Committee	£	15,000
airmanship of Reputation and Responsibility Committee	£	15,000
mbership of Audit Committee	£	15,000
mbership of Remuneration Committee	£	10,000
mbership of Nomination and Governance Committee	£	8,000
mbership of Reputation and Responsibility Committee	£	8,000
ior Independent Director (until 2022 AGM)	£	22,000
puty Chair (from 2022 AGM)	£	175,000

Notes
(1) The fee paid to the Chair remains unchanged for 2022 at £500,000.
(2) The fees paid to
Non-Executive
 Directors are unchanged for 2022.
(3) Non-Executive
 Directors serve Pearson under letters of appointment and do not have service contracts. There is no entitlement to compensation
termination of their directorships.

Table of Contents

Remuneration of board of directors

The remuneration received by the Chair,
Non-Executive
 Directors and Executive Directors in respect of the financial year ending December 31, 2021 was as follows:

	Base Salary/ Fees £000	**Allowances & Benefits(1) £000**	**Annual Incentives £000**	**Long-term Incentives £000**	**Co-investment plan £000**	**Retir Ber £0**
air						
lney Taurel	500	—	—	—	—	
n-Executive rectors						
zabeth Corley	111	—	—	—	—	
rry Coutu	92	—	—	—	—	
ienne Cox	43	—	—	—	—	

da Lorimer	100	—	—	—	—
chael Lynton	31	—	—	—	—
aeme Pitkethly	93	—	—	—	—
n Score	130	—	—	—	—
coln Wallen	93	—	—	—	—
nette Thomas	21	—	—	—	—
ecutive Directors					
dy Bird	910	271	1,145	—	2,696
ly Johnson	521	16	560	—	—
ard of Directors	**2,645**	**287**	**1,705**	**—**	**2,696**

Notes:

(1) Travel benefits include car allowance and reimbursements of a taxable nature resulting from business travel and engagements. H comprise healthcare, health assessment and dental care. Risk-related benefits comprise of life and other insurance policies. Accor benefits for Andy Bird relate to a contribution towards the rental costs of an apartment in New York to be used for business purp which has been capped at $240,000 per year ($20,000 per month) prior to any taxes which may be due. In addition to the allowar set out, Executive Directors may also participate in company benefit or policy arrangements that have no taxable value and/ or ar other employees in the same location. Sally Johnson's life cover is arranged under The Pearson Pension Plan's UK group-wide p

(2) Remuneration for Andy Bird has been converted using a USD: GBP exchange rate of 1.3753 (average exchange rate for 2021).

(3) Elizabeth Corley stepped down from the Board on 31 December 2021.

(4) Vivienne Cox stepped down from the Board on 30 April 2021.

(5) Michael Lynton stepped down from the Board on 30 April 2021.

(6) Annette Thomas joined the Board on 1 October 2021.

Share options for senior management

Sally Johnson holds 2,658 options under the Pearson Save For Shares scheme, a savings-related share acquisition program open to all employees. These are not subject to future performance conditions.

Share ownership of senior management

The table below shows the number of ordinary shares and conditional shares held by Directors and their connected persons as at December 31 2021. Additional information with respect to share options held by, and bonus awards for, these persons is set out above in "Remuneration of Senior Management" and "Share Options

of Senior Management". The total number of ordinary shares held by senior management as of December 31, 2021 was 1,010,088.

As at 31 December 2021	Ordinary Shares (1)	Conditional Shares
air		
lney Taurel	234,894	—
ecutive Directors		
dy Bird	586,437	1,541,177
ly Johnson	20,265	384,655
n-Executive rectors		
zabeth Corley	39,206	—
rry Coutu	6,566	—
vienne Cox	9,220	—
da Lorimer	15,435	—
chael Lynton	20,820	—
aeme Pitkethly	9,162	—
n Score	54,593	—
coln Wallen	13,490	—
nette Thomas	—	—

Notes:

(1) Share interests are shown as at 31 December 2021. For Directors who stepped down from the Board during the year, share intere at the date of their stepping down.

(2) Ordinary shares include both ordinary shares listed on the London Stock Exchange and American Depositary Receipts (ADRs) li York Stock Exchange. The figures include both shares and ADRs acquired by individuals under the long-term incentive plan and plans they might have participated in.

(3) Conditional shares means unvested shares which remain subject to performance conditions, performance underpins and/or contin for a pre-defined period.

(4) The register of Directors' interests contains full details of Directors' shareholdings and options to subscribe for shares. The mark December 31, 2021 was 613.20 p per share and the range during the year was 571.80 p to 869.40 p.

(5) Andy Bird's first tranche of the Co-investment plan, 412,933 shares (including 9,980 dividend equivalent shares), vested on 25 February 2022, taking his conditional shares to the sales of shares to cover any tax liability). The vested co-investment shares are subject to a holding period until 31 December 2023 and are subject to continued employment. There have been no oth interests of any Director between 31 December 2021 and 30 March 2022, being the latest practicable date prior to the publication

The total remuneration of the Executive Committee is set out in the table below:

All figures in £ millions
ort-term employee benefits
tirement benefits
are-based payment costs
tal

Employee share ownership plans

In 1998, Pearson introduced a Worldwide Save For Shares Plan ("Plan"). Under this Plan, employees around the world have the option to save a portion of their monthly salary over periods of three or five years. At the end of this period, the employee has the option to purchase ordinary shares with the accumulated funds at a purchase price equal to 80% of the market price prevailing at the commencement of the employee's participation in the plan. In 2014, shareholders approved the renewal and extension of the life of the Plan in the UK by a further ten years, until 2024 and the renewal of the directors' authority to continue to operate equivalent arrangements for employees based outside of the UK. As part of this renewal, the savings limit for the UK HMRC-approved part of the plan (which forms the basis of the plan in the rest of the world outside the US) was increased from £250 to £500 per month. Since 2020, Pearson has only operated a three-year Plan under the new name "Save For Shares".

In the United States, Pearson operates an employee stock purchase plan ("ESPP") under Section 423 of the US Internal Revenue Code of 1986. This plan was introduced in 2000 following Pearson's listing on the New York Stock Exchange. Under it, participants save a portion of their monthly salary over six month periods, at the end of which they have the option to purchase ADRs with their accumulated funds at a purchase price equal to 85% of the lower of the market price prevailing at the beginning or end of the period. The maximum employee contribution under the plan is $1,000 per month.

Board practices

As at February 28, 2022, the Group's Board comprises the Chair, two Executive Directors and seven Non-Executive Directors. Omid Kordestani has joined the Board from March 1, 2022, and will succeed Sidney Taurel as Non-Executive

Chair upon conclusion of the company's AGM in April 2022. The articles of association provide that all the Directors at the date of the notice convening the annual general meeting shall retire from office. A retiring Director shall, if willing to act, be eligible for re-appointment. If they are not re-appointed, they shall 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. The articles of association also provide that every Director be subject to re-appointment by shareholders at the next annual general meeting following their appointment.

All of the Directors, save Sidney Taurel, will offer themselves for re-election at the forthcoming annual general meeting on April 29, 2022.

Pearson is listed on the New York Stock Exchange ("NYSE"). As a listed non-US issuer, the Group is not required to comply with some of the NYSE's corporate governance rules, but must disclose on its website any significant ways in which its corporate governance practices differ from those followed by US companies under the NYSE listing standards. At this time, the Group believes that it is in compliance in all material respects with all the NYSE rules except that the Remuneration Committee and the Nomination & Governance Committee are not composed entirely of independent Directors as the Chair, who is not considered independent under NYSE rules, is a member of each Committee in addition to independent Directors.

The Board of Directors has established the following formal Committees, all of which report to the Board. Each Committee has its own written terms of reference setting out its authority and duties. These can be found on the Governance section of our website (pearsonplc.com).

Details of each of the Committees is set out below. Committee members are as at February 28, 2022.

Audit Committee

This Committee appraises the Group's financial management and reporting and assesses the integrity of its accounting procedures and financial control. In addition, the Committee has oversight of risk management systems, including data privacy and cyber security matters, and the internal control environment. Tim Score chairs this Committee and its other members are Linda Lorimer, Graeme Pitkethly and Lincoln Wallen. Each member is "financially literate" for the purposes of the NYSE listing standards. In addition, the Board of

Directors have determined that Tim Score is an audit committee financial expert within the meaning of the applicable rules and regulations of the SEC. The Group's internal and external auditors have direct access to the Committee to raise any matter of concern and to report the results of work directed by the Committee.

Remuneration Committee

This Committee meets regularly to determine the remuneration and benefits of the executive Directors and oversees remuneration arrangements for the Pearson Executive. The Committee also recommends the Chair's remuneration to the Board of Directors for its decision. Sherry Coutu chairs this Committee and its other members are Tim Score and Sidney Taurel.

Nomination & Governance Committee

This Committee reviews corporate governance matters including UK Corporate Governance Code compliance and Board evaluation, considers the appointment of new Directors, Board experience and diversity, and reviews Board induction and succession plans. The Committee is Chaired by Sidney Taurel and its other members are Sherry Coutu, Tim Score and Annette Thomas.

Reputation & Responsibility Committee

This Committee considers the Group's impact on our various stakeholders, including society and the communities in which the Group operates, ensuring strategies are in place to manage and improve the Group's reputation, whilst considering ESG matters. Linda Lorimer chairs this Committee and its other members are Andy Bird, Graeme Pitkethly, Annette Thomas and Lincoln Wallen.

Employees

The average number of persons employed by the Group in continuing operations during each of the three fiscal years ended 2021 were as follows:

- 20,744 in fiscal 2021, and
- 21,191 in fiscal 2020, and
- 22,243 in fiscal 2019.

Through its subsidiaries, the Group has entered into collective bargaining agreements with employees in various locations. The Group's management has no reason to believe that it would not be able to renegotiate any such agreements on satisfactory terms. The Group encourages employees to contribute actively to the business in the context of their particular job roles and believes that the relations with its employees are generally good.

The table set forth below shows for 2021, 2020 and 2019 the average number of persons employed in each of the Group's geographical areas.

Average number employed	2021	2020	2019
	3,395	3,304	3,309
er European Countries	878	886	927
	11,757	11,432	12,286
nada	593	648	694
ia Pacific	2,738	2,812	2,800
er Countries	1,383	2,109	2,227
ntinuing operations	**20,744**	**21,191**	**22,243**

2020 and 2019 employee numbers have been restated to be on a comparable basis to the current year. The average number employed in discontinued operations was nil in 2021, nil in 2020, and nil in 2019.

ITEM 7. *MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS*

As at February 28, 2022, the company had been notified under the Financial Conduct Authority's Disclosure and Transparency Rules of the following significant voting rights in its shares:

Name of Shareholder	Number of ordinary shares held	% o repre o
vian Capital II GP Limited Inc	77,163,275	
hroders plc	75,127,663	
chester International Investors LLP	75,051,050	
ackrock, Inc	52,766,197	
eriprise Financial Inc and its group	41,236,375	
yan Investment Authority**	24,431,000	

* % of Issued share capital on date notified

** Based on notification to the company dated 7 June 2010. We have been notified of no change to this holding since that date. Ass or owned, held or controlled on 16 September 2011 by the Libyan Investment Authority and located outside Libya on that date, a accordance with The Libya (Sanctions) (EU Exit) Regulations 2020.

On February 28, 2022, 2,575 record holders with registered addresses in the United States held 29,748,341 ADRs, which represented 3.93% of the Group'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.

Loans and equity advanced to joint ventures and associates during the year and as at December 31, 2021 are shown in note 12 in “Item 18. Financial Statements.” Related party transactions in 2021 are set out in note 36 in “Item 18. Financial Statements.

ITEM 8. *FINANCIAL INFORMATION*

The financial statements filed as part of this Annual Report are included on pages F1 through F90 hereof.

Other than those events described in note 37 in “Item 18. Financial Statements” of this Form 20-F and seasonal fluctuations in borrowings, there has been no significant change to the Group’s financial condition or results of operations since December 31, 2021. The Group’s borrowings fluctuate by season due to the effect of the school year on the working capital requirements of the educational book business. Assuming no acquisitions or disposals, the maximum level of net debt normally occurs in the third quarter, and the minimum level of net debt normally occurs in December.

The Group’s policy with respect to dividend distributions is described in response to “Item 4. Information on the Company” above.

See “Item 4. Information on the Company — Legal Proceedings” for information with respect to legal proceedings to which the Group may be subject from time to time.

ITEM 9. *THE OFFER AND LISTING*

The principal trading market for the Group’s ordinary shares is the London Stock Exchange which trade under the symbol “PSON”. Its ordinary shares also trade in the United States in the form of ADSs evidenced by ADRs under a sponsored ADR facility with The Bank of New York Mellon, as depositary. The Group established this facility in March 1995 and most recently amended it in August 2014 in connection with its New York Stock Exchange listing. Each ADS represents one ordinary share.

The ADSs trade on the New York Stock Exchange under the symbol “PSO”.

ITEM 10. *ADDITIONAL INFORMATION*

Articles of association

The Group summarizes below the material provisions of its articles of association, as amended (the *Articles of Association*), which have been filed as an exhibit to its annual report on Form 20-F for the year ended December 31, 2021. The summary below is qualified entirely by reference to the Articles of Association. The Group has multiple business objectives and purposes and is authorized to do such things as the Board may consider fit to further its interests or incidental or conducive to the attainment of its objectives and purposes.

Directors’ powers

The Group’s business shall be managed by the Board of Directors and the Board may exercise all such of its powers as are not required by law or by the Articles of Association or by any directions given by the company by special resolution, to be exercised in a general meeting.

Interested Directors

For the purposes of section 175 of the UK Companies Act 2006 (the *Act*)[1], the Board may authorize any matter proposed to it which would, if not so authorized, involve a breach of duty by a Director under that section, including, without limitation, any matter which relates to a situation in which a

Director has, or can have, an interest which conflicts, or possibly may conflict, with the interests of the company. Any such authorization will be effective only if:

(a) any requirement as to quorum at the meeting at which the matter is considered is met without counting the Director in qu other interested Director; and

(b) the matter was agreed to without their voting or would have been agreed to if their votes had not been counted.

The Board may (whether at the time of the giving of the authorization or subsequently) make any such authorization subject to any limits or conditions it expressly imposes but such authorization is otherwise given to the fullest extent permitted. The Board may vary or terminate any such authorization at any time.

Provided that he or she has disclosed to the Board the nature and extent of his or her interest (or else that the Director is not aware of the interest or not aware of the transaction or arrangement in question, or else that the interest cannot be reasonably regarded to give rise to a conflict of interest), a Director notwithstanding his or her office:

(a) may be a party to, or otherwise interested in, any transaction or arrangement with the company or in which the company i (directly or indirectly) interested;

(b) may act by himself or herself or his or her firm in a professional capacity for the company (otherwise than as auditor) and or her firm shall be entitled to remuneration for professional services as if he or she were not a Director;

(c) may be a Director or other officer of, or employed by, or a party to a transaction or arrangement with, or otherwise interes corporate in which the company is otherwise (directly or indirectly) interested.

A Director shall not, by reason of his or her office, be accountable to the company for any remuneration or other benefit which he or she derives from any office or employment or from any transaction or arrangement or from any interest in any body corporate:

(a) the acceptance, entry into or existence of which has been approved by the Board (subject, in any such case, to any limits which such approval was subject); or

(b) which he or she is permitted to hold or enter into by virtue of paragraph (a), (b) or (c) above;

nor shall the receipt of any such remuneration or other benefit constitute a breach of his or her duty under section 176 of the Act.

A Director shall be under no duty to the company with respect to any information which he or she obtains or has obtained otherwise than as a Director of the company and in respect of which he or she owes a duty of confidentiality to another person. However, to the extent that his or her relationship with that other person gives rise to a conflict of interest or possible conflict of interest, the preceding sentence only applies if the existence of such relationship has been approved by the Board. In such circumstances, the Director shall not be in breach of the general duties he or she owes to the company by virtue of sections 171 to 177 of the Act because he or she fails:

(a) to disclose any such information to the Board or to any Director or other officer or employee of the company; and/or

(b) to use or apply any such information in performing his or her duties as a Director of the company.

Where the existence of a Director’s relationship with another person has been approved by the Board and his or her relationship with that person gives rise to a conflict of interest or possible conflict of interest, the Director shall not be in breach of the general duties he or she owes to the company by virtue of sections 171 to 177 of the Act because he or she:

(a) absents himself or herself from meetings of the Board at which any matter relating to the conflict of interest or possible c will or may be discussed or from the discussion of any such matter at a meeting or otherwise; and/or

(b) makes arrangements not to receive documents and information relating to any matter which gives rise to the conflict of in conflict of interest sent or supplied by the company and/or for such documents and information to be received and read by adviser, for so long as he or she reasonably believes such conflict of interest or possible conflict of interest subsists.

Except as stated below, a Director shall not vote in respect of any contract or arrangement or any other proposal whatsoever in which he or she has an interest which is, to his or her knowledge, a material interest, otherwise than by virtue of his or her interests in shares or debentures or other securities of or otherwise in or through the company. A Director shall not be counted in the quorum at a meeting of the Board in relation to any resolution on which he or she is debarred from voting.

Notwithstanding the foregoing, a Director will be entitled to vote, and be counted in the quorum, on any resolution concerning any of the following matters:

- the giving of any guarantee, security or indemnity in respect of money lent or obligations incurred by him or her or by an the request of or for the benefit of the company or any of its subsidiaries;
- the giving of any guarantee, security or indemnity to a third party in respect of a debt or obligation of the company or any subsidiaries for which he himself or she herself has assumed responsibility in whole or in part and whether alone or jointl under a guarantee or indemnity or by the giving of security;

- any proposal relating to the company or any of its subsidiary undertakings where it is offering securities in which offer a may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which a Director is to participate;
- any proposal relating to another company in which he or she and any persons connected with him or her do not to his or h hold an interest in shares (as that term is used in sections 820 to 825 of the Act) representing one per cent or more of eith equity share capital, or the voting rights, in such company;
- any proposal relating to an arrangement for the benefit of the employees of the company or any of its subsidiary undertak not award him or her any privilege or benefit not generally awarded to the employees to whom such arrangement relates;
- any proposal concerning insurance that the company proposes to maintain or purchase for the benefit of Directors or for t persons, including Directors.

Where proposals are under consideration concerning the appointment of two or more Directors to offices or employment with us or any company in which the Group is interested, these proposals may be divided and considered separately and each of these Directors, if not prohibited from voting under the provisions of the eighth paragraph before this one, will be entitled to vote and be counted in the quorum with respect to each resolution except that concerning his or her own appointment.

Retirement and re-appointment of directors

At every annual general meeting, all the Directors at the date of the notice convening the annual general meeting shall retire from office. A retiring Director shall, if willing to act, be eligible for re-appointment. If he or she is not re-appointed, he or she shall retain office until the meeting appoints someone in his or her place, or if it does not do so, until of the end of the meeting, or until the end of the adjourned meeting if the meeting is adjourned.

Where a Director has been reappointed 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 his or her 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.

Borrowing powers

The Board of Directors may exercise all powers to borrow money and to mortgage or charge the Group's undertaking, property and uncalled capital and to issue debentures and other securities, whether outright or as collateral security for any of its or any third party's debts, liabilities or obligations. The Board of Directors must restrict the borrowings in order to secure that the aggregate amount of undischarged monies borrowed by the Group (and any of its subsidiaries), but excluding any intra-group debts, shall not at any time (without the previous sanction of the company in the form of an ordinary resolution) exceed a sum equal to twice the aggregate of the adjusted capital and reserves.

Other provisions relating to Directors

Under the Articles of Association, Directors are paid out of the Group's funds for their services as it may from time to time determine by ordinary resolution and, in the case of non-executive Directors, up to an aggregate of £1,000,000 per year or such other amounts as resolved by the shareholders at a general meeting. Any Director who is not an Executive Director and who performs special services which in the opinion of the Board are outside the scope of the ordinary duties of a Director, may be paid such extra remuneration by way of additional fee, salary, commission or otherwise as the Board may determine in accordance with the Group's remuneration policy. Under the Articles of Association, Directors currently are not required to hold any share qualification. However, the remuneration policy mandates a shareholding guideline for executive Directors which they are expected to build towards over a specified period.

General meetings

Pursuant to the Act, the company must hold an annual general meeting ('AGM') (within six months beginning with the day following its accounting reference date) at a place and time determined by the Board. The following matters are usually considered at an annual general meeting:

- approval of final dividends;
- consideration of the company's annual accounts together with associated reports of the Board of Directors and auditors;
- appointment or reappointment of Directors;
- appointment or reappointment of, and determination of the remuneration of, the auditors; and
- renewal, limitation, extension, variation or grant of any authority to the Board in relation to the allotment and repurchase

The Board may call a general meeting whenever it thinks fit. If at any time there are not within the United Kingdom sufficient Directors capable of acting to form a quorum, any Director or any two members may convene a general meeting in the same manner as nearly as possible as that in which meetings may be convened by the Board.

No business shall be dealt with at any general meeting unless a quorum is present when the meeting proceeds to business. Three members present in person or by proxy and entitled to vote shall be a quorum for all purposes. A corporation being a member shall be deemed to be personally present if represented by its duly authorized representative.

If a quorum for a meeting convened at the request of shareholders is not present within fifteen minutes of the appointed time (or if during a meeting such a quorum ceases to be present), the meeting will be dissolved. In any other case, the general meeting will be adjourned to such time and with such means of attendance and participation as the chair of the meeting may determine. If at that rescheduled meeting a quorum is not present within fifteen minutes from the time appointed for holding the meeting, the shareholders present in person or by proxy will be a quorum. The chair or, in his or her absence, the deputy chair or any other Director nominated by the Board, will preside as chair at every general meeting. If no Director is present at the general meeting or no Director consents to act as chair, the shareholders present shall elect one of their number to be chair of the meeting.

The Board may resolve to enable persons entitled to attend and participate in a general meeting to do so by simultaneous attendance and participation by means of electronic facility or facilities and determine the means, or all different means, of attendance and participation used in relation to a general meeting. The members present in person or by proxy by means of electronic facility or facilities shall be counted in the quorum for, and entitled to participate in the general meeting in question. That meeting shall be duly constituted and its proceedings valid if the chair of the meeting is satisfied that adequate facilities are available throughout the meeting to ensure that members attending the meeting by all means (including by means of electronic facility or facilities) are able to:

(a) participate in the business for which the meeting has been convened;

(b) hear all persons who speak at the meeting; and

(c) be heard by all persons present at the meeting.

A member seeking to be present in person or by proxy at a general meeting by means of electronic facility or facilities is responsible for ensuring they have access to and can use the facility or facilities. The meeting shall be duly constituted and its proceedings valid notwithstanding the inability of the member to gain access to use the facility or facilities, or the loss of access to or use of the facility or facilities during the meeting.

Share Certificates

Every person whose name is entered as a member in the company's Register of Members shall be entitled to one certificate in respect of each class of shares held (the law regarding this does not apply to stock exchange nominees). Subject to the terms of issue of the shares, certificates are issued following allotment or receipt of the relevant transfer by the Group's registrar, Equiniti, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA, United Kingdom.

Share capital

Any share may be issued with such preferred, deferred or other special rights or other restrictions as may be determined by way of a shareholders' vote in general meeting. Subject to the Act, any shares may be issued which are to be redeemed or are liable to be redeemed at the option of the company or the shareholders.

There are no provisions in the Articles of Association which discriminate against any existing or prospective shareholder as a result of such shareholder owning a substantial number of shares.

Subject to the terms of the shares which have been issued, the Directors may from time to time make calls upon the shareholders in respect of any moneys unpaid on their shares, provided that (subject to the terms of the shares so issued) no call on any share shall be payable at less than fourteen clear days from the last call. The Directors may, if they see fit, receive from any shareholder willing to advance the same, all and any part of the moneys uncalled and unpaid upon any shares held by him.

Changes in capital

The Group may, from time to time by ordinary resolution subject to the Act:

- consolidate and divide all or any of its share capital into shares of a larger nominal amount than its existing shares; or
- sub-divide

all of or any of its existing shares into shares of smaller nominal amounts.

The Group may, from time to time, increase its share capital by allotting new shares in accordance with the prescribed threshold authorized by shareholders at the last annual general meeting and subject to the consents and procedures required by the Act. The Group may also, by special resolution, reduce its share capital.

On 24 February 2022, the Board approved a £350m share buyback programme in order to return capital to shareholders.

Voting rights

Every holder of ordinary shares present in person or by proxy at a meeting of shareholders has one vote on a vote taken by a show of hands. On a poll, every holder of ordinary shares who is present in person or by proxy has one vote for every twenty-five pence of nominal share capital (being one ordinary share) of which he or she is the holder. Voting at any meeting of shareholders is usually on a poll rather than by show of hands. Voting on a poll is more transparent and equitable because it includes the votes of all shareholders, including those cast by proxies, rather than just the votes of those shareholders who attend the meeting. A poll may be also demanded by:

- the chair of the meeting;
- at least three shareholders present in person or by proxy and entitled to vote;
- any shareholder or shareholders present in person or by proxy representing not less than one-tenth of the total voting rights of all shareholders having the right to vote at the meeting; or
- any shareholder or shareholders present in person or by proxy holding shares conferring a right to vote at the meeting bei which the aggregate sum paid up is equal to not less than one-tenth of the total sum paid up on all shares conferring that right.

Dividends

Holders of ordinary shares are entitled to receive dividends out of Group profits that are available by law for distribution, as the Group may declare by ordinary resolution, subject to the terms of issue thereof. However, no dividends may be declared in excess of an amount recommended by the Board of Directors. The Board may pay interim dividends on the shares of any class as it deems fit. It may invest or otherwise use all dividends left unclaimed for six months after having been declared for its benefit, until claimed. All dividends unclaimed for a period of eight years after having been declared will be forfeited and revert to the Group.

The Directors may, with the sanction of an ordinary resolution of the shareholders, offer any holders of ordinary shares the right to elect to receive ordinary shares credited as fully paid, in whole or in part, instead of cash in respect of such dividend.

The Directors may deduct from any dividend payable to any shareholder all sums of money (if any) presently payable by that shareholder to the Group on account of calls or otherwise in relation to its shares.

Dividends may be paid by such method or combination of methods as the Board, in its absolute discretion, may decide. Different methods of payment may apply to different holders or groups of holders.

Liquidation rights

In the event of the Group's liquidation, after payment of all liabilities, its remaining assets would be used to repay the holders of ordinary shares the amount they paid for their ordinary shares. Any balance would be divided among the holders of ordinary shares in proportion to the nominal amount of the ordinary shares held by them.

Other provisions of the Articles of Association

Whenever the Group's capital is divided into different classes of shares, the special rights attached to any class may, unless otherwise provided by the terms of the issue of the shares of that class, be varied or abrogated, either with the written consent of the holders of three-fourths of the issued shares of the class (excluding any issued as treasury shares) or with the sanction of a special resolution passed at a separate meeting of these holders. In the event that a shareholder or other person appearing to the Board of Directors to be interested in ordinary shares fails to comply with a notice requiring him or her to provide information with respect to their interest in voting shares pursuant to section 793 of the Act, the Board may serve that shareholder with a notice of default. After service of a default notice, that shareholder shall not be entitled to attend or vote at any general meeting or at a separate meeting of holders of a class of shares or on a poll until he or she has complied in full with the Group's information request.

If the shares described in the default notice represent at least one-fourth of 1% in nominal value of the issued ordinary shares, then the default notice may additionally direct that in respect of those shares:

- the Group will not pay dividends (or issue shares in lieu of dividends); and
- the Group will not register transfers of shares unless (i) the shareholder is not himself in default as regards supplying the i requested and the transfer, when presented for registration, is accompanied by a certificate from the shareholder in such f

of Directors may require to the effect that after due and careful inquiry, the shareholder is satisfied that no person in defau any of the ordinary shares which are being transferred; (ii) the transfer is an approved transfer, as defined in the Articles (iii) the registration of the transfer is required by the Uncertificated Securities Regulations 2001.

No provision of the Articles of Association expressly governs the ordinary share ownership threshold above which shareholder ownership must be disclosed. Under the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority, any person who acquires, either alone or, in specified circumstances, with others an interest in the company's voting share capital equal to or in excess of 3% comes under an obligation to disclose prescribed particulars to the company in respect of those ordinary shares. A disclosure obligation also arises where a person's notifiable interests fall below 3%, or where, at or above 3%, the percentage of the company's voting share capital in which a person has a notifiable interest reaches, exceeds or falls below 3%, 4%, 5%, 6%, 7%, 8%, 9%, 10%, and each 1% threshold thereafter up to 100%.

Limitations affecting holders of ordinary shares or ADSs

Under English law and articles of association, persons who are neither UK residents nor UK nationals may freely hold, vote and transfer ordinary shares in the same manner as UK residents or nationals.

With respect to the items discussed above, applicable UK law is not materially different from applicable US law.

Material contracts

The Group has not entered into any contracts outside the ordinary course of business during the two-year period immediately preceding the date of this annual report, other than the Trust Deed entered into in 2020 with respect to £350.0 million aggregate principal amount of 3.750% guaranteed notes due 2030, in each case, issued by a subsidiary and guaranteed by Pearson, which filed as Exhibit 2.6 of this report.

Executive employment contracts

The Group has entered into agreements with each of its Executive Directors pursuant to which such Executive Director is employed by the Group. These agreements describe the duties of such Executive Director and the compensation to be paid by us. See "Item 6. Directors, Senior Management and Employees — Compensation of Senior Management".

It is the Group's policy that it may terminate the Executive Directors' service agreements by giving no more than 12 months' notice. As an alternative, the Group may at its discretion pay in lieu of that notice. Payment-in-lieu of notice may be made in equal monthly installments from the date of termination to the end of any unexpired notice period. In the case of the Chief Executive, payment-in-lieu of notice in installments may also be subject to mitigation. For Executive Directors, pay in lieu of notice comprises 100% of the annual salary at the date of termination and the annual cost to the company of providing pension and all other benefits. In limited circumstances, in addition to making a full payment in lieu of notice, the Group may permit an Executive Director to stay employed after the announcement of their departure for a limited period to ensure an effective hand-over and/or allow time for a successor to be appointed. The Group may, depending on the circumstances of the termination, determine that it will not pay the Director in lieu of notice and may instead terminate a Director's contract in breach and make a damages payment, taking into account as appropriate the Director's ability to mitigate their loss.

Exchange controls

There are no UK government laws, decrees, regulations or other legislation which restrict or which may affect the import or export of capital, including the availability of cash and cash equivalents for use by us or the remittance of dividends, interest or other payments to nonresident holders of the Group's securities, except as otherwise described under "— Tax Considerations" below.

Tax considerations

The following is a discussion of the material US federal income tax considerations and UK tax considerations arising from the acquisition, ownership and disposition of ordinary shares and ADSs by a US holder. A US holder is:

- an individual citizen or resident of the US, or
- a corporation created or organized in or under the laws of the US or any of its political subdivisions, or
- an estate or trust the income of which is subject to US federal income taxation regardless of its source.

This discussion deals only with ordinary shares and ADSs that are held as capital assets by a US holder, and does not address tax considerations applicable to US holders that may be subject to special tax rules, such as:

- dealers or traders in securities or currencies,
- financial institutions or other US holders that treat income in respect of the ordinary shares or ADSs as financial services
- insurance companies,
- tax-exempt entities,
- persons acquiring shares or ADSs in connection with employment,
- US holders that hold the ordinary shares or ADSs as a part of a straddle or conversion transaction or other arrangement in than one position,
- US holders that own, or are deemed for US tax purposes to own, 10% or more of the total combined voting power of all Group's voting stock,
- US holders that have a principal place of business or "tax home" outside the United States, or
- US holders whose "functional currency" is not the US dollar.

For US federal income tax purposes, holders of ADSs will be treated as the owners of the ordinary shares represented by those ADSs. In practice, HM Revenue & Customs (HMRC) will also regard holders of ADSs as the beneficial owners of the ordinary shares represented by those ADSs, although case law has cast some doubt on this. The discussion below assumes that HMRC's position is followed.

In addition, the following discussion assumes that The Bank of New York Mellon will perform its obligations as depositary in accordance with the terms of the depositary agreement and any related agreements.

Because US and UK tax consequences may differ from one holder to the next, the discussion set out below does not purport to describe all of the tax considerations that may be relevant to you and your particular situation. Accordingly, you are advised to consult your own tax advisor as to the US federal, state and local, UK and other,

including foreign, tax consequences of investing in the ordinary shares or ADSs. Except where otherwise indicated, the statements of US and UK tax law set out below are based on the laws, interpretations and tax authority practice in force or applicable as of February 28, 2022 and are subject to any changes occurring after that date, possibly with retroactive effect.

UK income taxation of distributions

The UK does not impose dividend withholding tax on dividends paid by the company.

A US holder that is not resident in the UK for UK tax purposes and does not carry on a trade, profession or vocation in the UK through a branch or agency (or in the case of a company a permanent establishment) to which the ordinary shares or ADSs are attributable will not generally be liable to pay UK tax on dividends paid by the company.

US income taxation of distributions

Distributions that the Group makes with respect to the ordinary shares or ADSs, other than distributions in liquidation and distributions in redemption of stock that are treated as exchanges, will be taxed to US holders as ordinary dividend income to the extent that the distributions do not exceed the Group's current and accumulated earnings and profits. The amount of any distribution will equal the amount of the cash distribution. Distributions, if any, in excess of the Group's current and accumulated earnings and profits will constitute a non-taxable return of capital to a US holder and will be applied against and reduce the US holder’s tax basis in its ordinary shares or ADSs. To the extent that these distributions exceed the tax basis of the US holder in its ordinary shares or ADSs, the excess generally will be treated as capital gain.

Dividends that the Group pays will not be eligible for the dividends received deduction generally allowed to US corporations under Section 243 of the Code.

In the case of distributions in pounds sterling, the amount of the distributions generally will equal the US dollar value of the pounds sterling distributed, determined by reference to the spot currency exchange rate on the date of receipt of the distribution by the US holder in the case of shares or by The Bank of New York Mellon in the case of ADSs, regardless of whether the US holder reports income on a cash basis or an accrual basis. The US holder will realize separate foreign currency gain or loss only to the extent that this gain or loss arises on the actual disposition of pounds sterling received. For US holders claiming tax credits on a cash basis, taxes withheld from the distribution are translated into US dollars at the spot rate on the date of the distribution; for US holders claiming tax credits on an accrual basis, taxes withheld from the distribution are translated into US dollars at the average rate for the taxable year.

A distribution by the company to non-corporate shareholders will be taxed as net capital gain at a maximum rate of 20%, provided certain holding periods are met, to the extent such distribution is treated as a dividend under US federal income tax principles. In addition, a 3.8% Medicare tax will generally be imposed on the net investment income, which generally would include distributions treated as dividends under US federal income tax principles, of non-corporate taxpayers whose adjusted gross income exceeds a threshold amount.

UK taxation of capital gains

A US holder that is not resident in the UK for UK tax purposes and does not carry on a trade, profession or vocation in the UK through a branch or agency (or in the case of a company a permanent establishment) to which the ordinary shares or ADSs are attributable will not generally be liable for UK taxation on capital gains or eligible for relief for allowable losses, realized on the sale or other disposal of the ordinary shares or ADSs.

A US holder who is an individual who has been resident for tax purposes in the UK but who ceases to be so resident or becomes regarded as resident outside the UK for the purposes of any double tax treaty (“Treaty

Non-resident”) and continues to not be resident in the UK, or continues to be Treaty Non-resident, for a period of five years or less and who disposes of his ordinary shares or ADSs during that period may also be liable on his return to the UK to UK tax on capital gains, subject to any available exemption or relief, even though he is not resident in the UK, or is Treaty Non-resident, at the time of the disposal.

US income taxation of capital gains

Upon a sale or exchange of ordinary shares or ADSs to a person other than Pearson, a US holder will recognize gain or loss in an amount equal to the difference between the amount realized on the sale or exchange and the US holder’s adjusted tax basis in the ordinary shares or ADSs. Any gain or loss recognized will be capital gain or loss and will be long-term capital gain or loss if the US holder has held the ordinary shares or ADSs for more than one year. Long-term capital gain of a non-corporate US holder is generally taxed at a maximum rate of 20%. In addition, a 3.8% Medicare tax will generally be imposed on the net investment income, which generally would include capital gains, of non-corporate taxpayers whose adjusted gross income exceeds a threshold amount.

Gain or loss realized by a US holder on the sale or exchange of ordinary shares or ADSs generally will be treated as US-source gain or loss for US foreign tax credit purposes.

Estate and gift tax

The current Estate and Gift Tax Convention (referred to in this paragraph as the "Convention"), between the US and the UK generally relieves from UK inheritance tax (the equivalent of US estate and gift tax) the transfer of ordinary shares or of ADSs where the transferor is domiciled in the US for the purposes of the Convention. This relief will not apply if the ordinary shares or ADSs are part of the business property of an individual's permanent establishment in the UK or pertain to the fixed base in the UK of a person providing independent personal services. If no relief is given under the Convention, inheritance tax may be charged on death and also on the amount by which the value of an individual's estate is reduced as a result of any transfer made by way of gift or other gratuitous or undervalue transfer, in general within seven years of death, and in certain other circumstances. In the unusual case where ordinary shares or ADSs are subject to both UK inheritance tax and US estate or gift tax, the Convention generally provides for tax paid in the UK to be credited against tax payable in the US or for tax paid in the US to be credited against tax payable in the UK based on priority rules set forth in the Convention.

Stamp duty

No stamp duty or stamp duty reserve tax (SDRT) will generally be payable in the UK on the purchase or transfer of an ADS, provided that the ADS, and any separate instrument or written agreement of transfer, remain at all times outside the UK and that the instrument or written agreement of transfer is not executed in the UK. Subject to the following paragraph, UK legislation does however provide for SDRT or (in the case of transfers) stamp duty to be chargeable at the rate of 1.5% of the amount or value of the consideration or, in some circumstances, the value of the ordinary shares (rounded up to the next multiple of £5 in the case of stamp duty), where ordinary shares are issued or transferred to a person whose business is or includes issuing depositary receipts, or to a nominee or agent for such a person, or issued or transferred to a person whose business is or includes the provision of clearance services or to a nominee or agent for such a person.

Following certain EU litigation, HM Revenue & Customs (HMRC) accepted that it would no longer seek to apply the 1.5% SDRT charge when new shares are issued to a clearance service or depositary receipt system (or transferred into a clearance service or depositary receipt system, where such transfer is integral to the raising of capital by the company concerned) on the basis that the charge was not compatible with EU law. Following the UK's departure from the EU, such

pre-existing

EU law rights, recognized in litigation, were preserved as a domestic law matter following the end of the implementation period on December 31, 2020 pursuant to

provisions of the UK European Union (Withdrawal) Act 2018. HMRC's view is that the 1.5% SDRT or stamp duty charge will continue to apply to transfers of shares into a clearance service or depositary receipt system, unless they are an integral part of an issue of share capital. Accordingly, specific professional advice should be sought before paying the 1.5% SDRT or stamp duty charge in any circumstances.

A transfer for value of the underlying ordinary shares will generally be subject to either stamp duty or SDRT, normally at the rate of 0.5% of the amount or value of the consideration (rounded up to the next multiple of £5 in the case of stamp duty). A transfer of ordinary shares from a nominee to its beneficial owner, including the transfer of underlying ordinary shares from the Depositary to an ADS holder, under which no beneficial interest passes will not be subject to stamp duty or SDRT.

Close company status

The Group believes that the close company provisions of the UK Corporation Tax Act 2010 do not apply to it.

Documents on display

Copies of the Group's Memorandum and Articles of Association are filed as exhibits to this Annual Report. We also file reports and other information with the SEC. These materials, including this Annual Report and the accompanying exhibits are available on the Investors page of the company's website (pearsonplc.com). In addition, shareholders may visit the Governance section of our website or request a copy of certain documents referred to in this Annual Report by writing to us at the following address: Pearson plc, c/o the Company Secretary, 80 Strand, London WC2R 0RL.

ITEM 11. *QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK*

Introduction

Pearson's treasury policies set out the group's principles for addressing key financial risks including capital risk, liquidity risk, foreign exchange risk and interest rate risk and sets out measurable targets for each. The Audit Committee receive quarterly reports incorporating compliance with these measurable targets and review and approve the treasury policies annually.

The treasury function is permitted to use derivatives where their use reduces a risk or allows a transaction to be undertaken more cost effectively. Derivatives permitted include swaps, forwards and collars to manage foreign exchange and interest rate risk, with foreign exchange swap and forward contracts the most commonly executed. Speculative transactions are not permitted.

Capital risk

The Group's objectives when managing capital are:

- To maintain a strong balance sheet and a solid investment grade credit rating;
- To continue to invest in the business organically and through acquisitions; and
- To have a sustainable and progressive dividend policy.

In September 2021, Standard & Poor's Financial Services LLC withdrew its ratings at the request of the Group. Fitch Ratings Limited assigned a first-time Long-Term Issuer Default Rating ("IDR") of 'BBB-' (stable outlook) to the Group. The Group's bonds are rated Baa3 (stable outlook) and BBB- (stable outlook) by Moody's Investors Service and Fitch Ratings Limited respectively.

Interest and foreign exchange rate management

The Group's principal currency exposure is to the US dollar (USD) which represents 64% of the Group's sales. A portion of the Group's debt is held in US dollars to provide a natural hedge of this exposure.

Pearson achieves this mix in one of three ways:

- Issuing fixed rate debt in USD;
- Issuing fixed debt in euro and swapping it to British Pounds Sterling (GBP) either at fixed or floating rates and swapping USD either using cross currency swaps or foreign exchange swaps;
- Borrowing in USD at floating rates on the Group's bank facility.

At December 31, 2021, the Group had swap contracts and fixed rate bonds to fix the interest rate on $1,090m compared to $1,554m in 2020 of total fixed debt, excluding leases.

Liquidity and re-financing risk management

The Group regularly reviews the level of cash and debt facilities required to fund its activities. This involves preparing a prudent cash flow forecast for the next three to five years, determining the level of debt facilities required to fund the business, planning for repayments of debt at its maturity and identifying an appropriate amount of headroom to provide a reserve against unexpected outflows.

At December 31, 2021, the Group had cash of £0.9 billion and Pearson's $1.19bn (£0.9m) US dollar denominated revolving credit facility due 2025 was undrawn.

At December 31, 2020, the Group had cash of £1.1 billion and Pearson's $1.19bn (£0.9m) US dollar denominated revolving credit facility due 2024 was undrawn.

The $1.19 billion facility contains interest cover and leverage covenants which the Group has complied with for both the years ended December 31, 2020 and December 31, 2021.

In February 2022, the Group renegotiated its revolving credit facility, extending the maturity of $1bn of the facility by one year to 2026.

Financial counterparty risk management

Counterparty credit limits, which take published credit rating and other factors into account, are set to cover the Group’s total aggregate exposure to a single financial institution. The limits applicable to published credit ratings bands are approved by the chief financial officer within guidelines approved by the board. Exposures and limits applicable to each financial institution are reviewed on a regular basis.

ITEM 12.*DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES*

AMERICAN DEPOSITARY SHARES

Fees paid by ADR holders

The Group’s ordinary shares trade in the United States under a sponsored ADR facility with The Bank of New York Mellon as depositary.

The depositary collects its fees for delivery and surrender of ADSs directly from investors depositing shares or surrendering ADSs for the purpose of withdrawal, or from intermediaries acting for them. The depositary collects fees for making distributions to investors by deducting those fees from the amounts distributed or by

selling a portion of distributable property to pay the fees. The depositary may collect its annual fee for depositary services by deductions from cash distributions or by directly billing investors or by charging the book-entry system accounts of participants acting for them. The depositary may generally refuse to provide fee-attracting services until its fees for those services are paid.

The following table summarizes various fees currently charged by The Bank of New York Mellon:

Person depositing or withdrawing shares must pay to the depositary:	For:
$ 5.00 (or less) per 100 ADSs (or portion of 100 ADSs)	ssuance of ADSs, including issuances distribution of shares or rights or other
	ancelation of ADSs for the purpose of including if the deposit agreement tern
$ .05 (or less) per ADS	Any cash distribution to ADS registere
A fee equivalent to the fee that would be payable if securities distributed had been shares and the shares had been deposited for issuance of ADSs	Distribution of securities by the deposit registered holders of deposited securiti
$.05 (or less) per ADS per calendar year	Depositary services
Registration of transfer fees	Transfer and registration of shares on th to or from the name of the depositary o shares are deposited or withdrawn
Expenses of the depositary	Cable, telex and facsimile transmission provided in the deposit agreement)
	Converting foreign currency to US doll
Taxes and other governmental charges the depositary or the custodian have to pay on any ADS or share underlying an ADS, for example, stock transfer taxes, stamp duty or withholding taxes	As necessary
Any charges incurred by the depositary or its agents for servicing the deposited securities	As necessary

Fees incurred in past annual period and fees to be paid in the future

The Depositary reimburses the company for certain expenses it incurs in relation to the ADS program. The Depositary also pays the standard out-of-pocket maintenance costs for the registered ADSs, which consist of the expenses for the mailing and printing of proxy materials, distributing dividend checks, electronic filing of US federal tax information, mailing required tax forms, stationery, postage, facsimile and telephone calls. It also reimburses the company for certain investor relationship programs or special investor relations promotional activities. There are limits on the amount of expenses for which the Depositary will reimburse the company, but the amount of reimbursement is not necessarily tied to the amount of fees the Depositary collects from investors. The company is expecting to receive $50,000 as reimbursement from the depositary with respect to 2021.

PART II

ITEM 13. *DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES*

None.

ITEM 14. *MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS*

None.

ITEM 15. *CONTROLS AND PROCEDURES*

Disclosure controls and procedures

An evaluation of the effectiveness the Group’s disclosure controls and procedures as of December 31, 2021 was carried out by management, under the supervision and with the participation of the Chief Executive Officer and Chief Financial Officer. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company’s disclosure controls and procedures (as defined in Rules 13a- 15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) were effective as at December 31, 2021 at a reasonable assurance level. A controls system, no matter how well designed and operated, cannot provide absolute assurance to achieve its objectives.

Management’s annual report on internal control over financial reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. Internal control over financial reporting is a process designed by, or under the supervision of, the Chief Executive Officer and Chief Financial Officer, or persons performing similar functions, and effected by the Company’s board of directors, management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Management has assessed the effectiveness of internal control over financial reporting as of December 31, 2021 based on the framework in *Internal Control — Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”). Based on this evaluation, management has concluded that the Company’s internal control over financial reporting was effective as of December 31, 2021 based on criteria in *Internal Control — Integrated Framework* (2013) issued by the COSO.

PricewaterhouseCoopers LLP, an independent registered public accounting firm, has audited the effectiveness of the Company's internal control over financial reporting as of December 31, 2021, as stated in their report which appears on page F-2.

Change in internal control over financial reporting

During the period covered by this Annual Report on Form 20-F, the Group went though an organizational restructure, and in some cases, this impacted the control environment. Other than this, there have been no significant changes in our internal control over financial reporting during the year ended December 31, 2021 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

ITEM 16A. *AUDIT COMMITTEE FINANCIAL EXPERT*

The members of the Board of Directors of Pearson plc have determined that Tim Score is an audit committee financial expert within the meaning of the applicable rules and regulations of the SEC.

ITEM 16B. *CODE OF ETHICS*

Pearson has adopted a code of ethics (the Pearson code of conduct) which applies to all employees including the chief executive officer and chief financial officer and other senior financial management. This code of ethics is available on the Group's website (www.pearson.com/corporate/code-of-conduct.html). The information on this website is not incorporated by reference into this report.

ITEM 16C. *PRINCIPAL ACCOUNTANT FEES AND SERVICES*

In line with best practice, the Group's relationship with PricewaterhouseCoopers LLP (PwC) is governed by its external auditor policy, which is reviewed and approved annually by the audit committee. The policy establishes procedures to ensure the auditors' independence is not compromised as well as defining those non-audit services that PwC may or may not provide to Pearson. These allowable services are in accordance with relevant UK and US legislation.

The audit committee approves all audit and non-audit services provided by PwC. Where appropriate, services will be tendered prior to awarding this work to the auditor.

The following table sets forth remuneration paid to PwC for 2021 and 2020:

Auditors' Remuneration	**2021** **£m**	**2020** **£m**
dit fees	7	7
x fees	—	—
dit-related fees	—	—
. other fees	—	—

Audit fees include £35,500 (2020: £35,000) of audit fees relating to the audit of the parent company.

Fees for the audit of the effectiveness of the Group's internal control over financial reporting are allocated to audit fees paid.

Included in audit related fees is audit related work in relation to disposal transactions and other assurance work related to the audit of the Group's efficacy program.

ITEM 16D. *EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT*

COMMITTEES

Not applicable.

ITEM 16E. *PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASES*

Period	Total number of shares purchased	Average price paid per share	Total number of units purchased as part of publicly announced plans or programs
ruary 1, 2019 – February 28, 2019	1,500,000	£ 8.97	n/a
rch 1, 2019 – March 31, 2019	3,000,000	£ 8.74	n/a
tober 1, 2019 – October 31, 2019	1,600,000	£ 7.39	n/a
uary 1, 2020 – January 31, 2020	6,680,158	£ 5.80	6,680,158
ruary 1, 2020 – February 29, 2020	9,958,033	£ 5.72	9,958,033
rch 1, 2020 – March 31, 2020	13,239,085	£ 5.28	13,239,085
y 1, 2020 – July 31, 2020	1,105,402	£ 5.30	n/a
rch 1, 2021 – March 31, 2021	795,784	£ 8.17	n/a
tember 1, 2021 – September 30, 2021	1,355,110	£ 7.38	n/a

All purchases were made in open-market transactions.

Purchases of shares in 2020 and 2021 were made to satisfy obligations under Pearson employee share award programs. None of the foregoing share purchases was made as part of a publicly announced plan or program.

On 24 February 2022, the Board approved a £350m share buyback programme in order to return capital to shareholders. The programme is expected to commence in 2022. The shares bought back will be cancelled and the nominal value of the shares will be transferred to the capital redemption reserve. In 2020, approximately 30m shares were bought back and cancelled at a cost of £176m. The nominal value of these shares, £7m was transferred to the capital redemption reserve.

ITEM 16F. *CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT*

The Board of Directors is responsible for proposing the external auditor for election by the shareholders, on recommendation from the Audit Committee of the Board of Directors. Under applicable auditor rotation rules, Pearson must change auditors from its current auditor, PricewaterhouseCoopers LLP (PwC), no later than for the financial year 2024. In March 2021, Pearson initiated a tendering process, overseen by the Audit Committee, for appointment of Pearson plc's auditor for the financial year 2022. PwC was not invited to tender given their tenure. Following a detailed review of the performance of each firm during the tender process, the Steering Committee, led by members of the Audit Committee, recommended Ernst & Young LLP (EY) as the preferred candidate. In accordance with statutory requirements, a report on the tender selection procedure and conclusions was prepared and validated by the Audit Committee. On June 9, 2021, the Audit Committee and subsequently the Board approved the recommendation to appoint EY and to dismiss PwC at the 2022 AGM following completion by PwC of its procedures on the financial statements of Pearson plc as of and for the year ended December 31, 2021 and the filing of the related Form 20-F.

On June 9, 2021, the Company announced the Board's intention to propose to shareholders at the 2022 AGM that EY be appointed as the Company's statutory auditor for the financial year ending 31 December 2022.

The reports of PwC on the financial statements for the fiscal years ended December 31, 2021 and 2020 contained no adverse opinion or disclaimer of opinion and were not qualified or modified as to uncertainty, audit scope or accounting principle.

During the fiscal years ended December 31, 2020 and 2019 and the subsequent period through to 30 March 2022 there have been no disagreements with PwC on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure, which disagreements if not resolved to the satisfaction of PwC would have caused them to make reference thereto in their reports on the financial statements for such years.

Pearson has requested that PwC furnish it with a letter addressed to the U.S. Securities and Exchange Commission stating whether or not it agrees with the above statements. A copy of PwC's letter dated 30 March 2022, is filed as Exhibit 15.2 to this Form 20-F.

ITEM 16G. *CORPORATE GOVERNANCE*

Pearson is listed on the New York Stock Exchange ("NYSE"). As a listed non-US issuer, the Group is required to comply with some of the NYSE's corporate governance rules, and otherwise must disclose on its website any significant ways in which its corporate governance practices differ from those followed by US companies under the NYSE listing standards. At this time, the Company believes that it is in compliance in all material respects with all the NYSE rules except that the Remuneration Committee and the Nomination & Governance Committee are not composed entirely of independent directors as the Chair, who is not considered independent under NYSE rules, is a member of each committee in addition to independent directors.

ITEM 16H. *MINE SAFETY DISCLOSURE*

Not applicable.

ITEM 16I. *DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS*

Not applicable.

PART III

ITEM 17. FINANCIAL STATEMENTS

Not applicable.

ITEM 18. FINANCIAL STATEMENTS

The financial statements filed as part of this Annual Report are included on pages F1 through F90 hereof.

ITEM 19. EXHIBITS

1.1	Articles of Association of Pearson plc.
2.1	Indenture dated May 8, 2012 between Pearson Funding Four plc, as the Issuer, Pearson plc, Guarantor, and The Bank of Ne as trustee, Paying Agent and Calculation Agent φ
2.2	Indenture dated May 8, 2013 between Pearson Funding Five plc, as the Issuer, Pearson plc, Guarantor, and The Bank of Ne as trustee, Paying Agent and Calculation Agent. θ

2.3	Trust Deed dated May 6, 2015 between Pearson Funding Five plc, as the Issuer, Pearson plc, Guarantor, and The Law Debe Corporation P.L.C, as trustee. λ
2.4	Indenture dated September 5, 2019 between Pearson Funding Four plc, as the Company, Pearson plc, Guarantor and The Ba Mellon, as trustee, Paying Agent and Calculation Agent.ß
2.5	Trust Deed dated June 4, 2020 between Pearson Funding plc, as the Issuer, Pearson plc, Guarantor, and The Law Debenture Corporation P.L.C, as trustee.η
3.1	Description of securities of Pearson plc.
8.1	List of Significant Subsidiaries.
12.1	Certification of Chief Executive Officer.
12.2	Certification of Chief Financial Officer.
13.1	Certification of Chief Executive Officer.
13.2	Certification of Chief Financial Officer.
15.1	Consent of PricewaterhouseCoopers LLP.
15.2	Letter from PricewaterhouseCoopers LLP to SEC.
101	Inline Interactive Data File
101.INS	Inline XBRL Instance Document — The instance document does not appear in the Interactive Date File because its XBRL ta within the inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File (embedded within the inline XBRL document).

φ Incorporated by reference from the Form 20-F of Pearson plc for the year ended December 31, 2012 and filed March 22, 2013
θ Incorporated by reference from the Form 20-F of Pearson plc for the year ended December 31, 2013 and filed March 27, 2014.

∞ Incorporated by reference from the Form 20-F of Pearson plc for the year ended December 31, 2014 and filed March 26, 2015.
λ Incorporated by reference from the Form 20-F of Pearson plc for the year ended December 31, 2015 and filed March 23, 2016.
ß Incorporated by reference from the Form 20-F of Pearson plc for the year ended December 31, 2019 and filed April 1, 2020.
η Incorporated by reference from the Form 20-F of Pearson plc for the year ended December 31, 2020 and filed April 1, 2021.

FINANCIAL STATEMENTS: CONTENTS

arson plc Consolidated Financial Statements

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Pearson plc

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Pearson plc and its subsidiaries (the "Group") as of 31 December 2021 and 2020 and the related consolidated income statements, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated cash flow statements for each of the three years in the period ended 31 December 2021, including the related notes (collectively referred to as the "consolidated financial statements"). We also have audited the Group's internal control over financial reporting as of 31 December 2021, based on criteria established in

Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Group as of 31 December 2021 and 2020 and the results of its operations and its cash flows for each of the three years in the period ended 31 December 2021 in accordance with (i) International Financial Reporting Standards as issued by the International Accounting Standards Board and (ii) UK-adopted International Accounting Standards. Also in our opinion, the Group maintained, in all material respects, effective internal control over financial reporting as of 31 December 2021 based on criteria established in Internal Control — Integrated Framework (2013) issued by the COSO.

Change in Accounting Principle

As discussed in note 1a to the consolidated financial statements, the Group changed the manner in which it accounted for leases in 2019 due to the adoption of IFRS 16.

Basis for Opinions

The Group's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in "Management's Annual Report on Internal Control over Financial Reporting" appearing under Item 15. Our responsibility is to express opinions on the Group's consolidated financial statements and on the Group's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Group in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that (i) relate to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Carrying value of goodwill

As described in note 11 to the consolidated financial statements, the Group's goodwill balance was £2,145 million as of 31 December 2021. Goodwill has been allocated to cash generating units (CGUs) or to an aggregation of CGUs where goodwill could not be reasonably allocated to individual CGUs. CGUs have been revised in 2021 as a result of organisational changes following the announcement of the Group's new strategy in March 2021 which has triggered a change in the level at which certain businesses are reported and monitored. The newly created CGUs (and aggregated CGU) reflect the level at which goodwill is monitored by management. As a result, goodwill has been reallocated to the new CGUs (or aggregated CGUs). The majority of the goodwill balances have been directly mapped from one previous CGU (or aggregated CGU) to one newly created CGU (or aggregated CGU). Where it was not possible to directly map goodwill, it has been reallocated using a relative value method. Goodwill is tested at least annually for impairment. The recoverable amount of each CGU (or aggregated CGU) is based on the higher of value in use and fair value less costs of disposal. Management's impairment assessment is based on the value in use of each CGU (or aggregated CGU). For the purpose of estimating value in use, management has used an income approach based on present value techniques. These calculations require the exercise of management judgment in respect of the use of estimates for discount rates, perpetuity growth rates, forecast sales growth rates and operating profit forecasts.

The principal considerations for our determination that performing procedures relating to the carrying value of goodwill is a critical audit matter are the judgments and estimates made by management in identifying the revised CGUs (or aggregated CGUs), in reallocating goodwill to the CGUs (or aggregated CGUs) and in determining the recoverable amount of the CGUs (or aggregated CGUs). This in turn led to a high degree of auditor judgment, subjectivity and effort in performing procedures to evaluate management's CGU (or aggregated CGU) assessment and goodwill reallocation, the present value techniques used to calculate the value in use and the significant assumptions related to discount rates, perpetuity growth rates, forecast sales growth rates and operating profit forecasts. In addition, the audit effort involved the use of professionals with specialized skill and knowledge.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to management's impairment assessment of the carrying value of goodwill. These procedures also included, among others:

- testing management's CGU reassessment and the related reallocation of goodwill, including evaluating the relative value
  applied by management to reallocate goodwill, testing the mathematical accuracy of the allocation exercise and assessing
  goodwill is monitored or measured at a level lower than management's revised CGUs (or aggregated CGUs);
- testing the mathematical integrity of management's value in use impairment model;
- comparing the carrying amounts of net assets subject to impairment testing to the underlying accounting records;
- comparing the forecast cash flows (which include forecast sales and operating profit) to board approved budgets and strat
  assessing how these budgets and strategic plans are compiled, including an assessment of the historical accuracy of mana
  budgeting and forecasting compared to actual results;
- evaluating management's related judgments and estimates, including forecast sales growth rates and operating profit proj
- comparing management's forecasts and key assumptions to industry projections and to comparable companies where this
  available for specific CGUs (or aggregated CGUs);
- using professionals with specialized skill and knowledge to assist in evaluating the appropriateness of the perpetuity grow
  discount rate for each CGU (or aggregated CGU); and
- comparing management's value in use valuations (i) for businesses under strategic review with initial third party bids rec
  year-end less estimated disposal costs and (ii) for the remaining CGUs with valuations implied by trading and transaction multiple
  competitors where this information was available.

Carrying value of right-of-use assets related to land and buildings

As described in note 10 to the consolidated financial statements, the Group's right-of-use asset balance related to land and buildings was £196 million as of 31 December 2021. As part of a major restructuring programme, the Group simplified its property portfolio in 2021, reducing the overall office space required. The Group recognised an impairment of £119 million against its land and buildings classified as right-of-use assets. The recoverability of certain of the Group's right-of-use assets is now based on the Group's ability to sublease vacant space. This involves the use of assumptions related to future subleases including the achievable rent, lease start dates, lease incentives such as rent free periods and the discount rates applied.

The principal considerations for our determination that performing procedures relating to carrying value of right-of-use assets related to land and buildings is a critical audit matter are the judgments and estimates made by management in determining the recoverable amount of each property. This in turn led to a high degree of auditor judgment, subjectivity and effort in evaluating audit evidence and in determining the reasonableness of the estimates and assumptions related to future subleases. In addition, the audit effort involved the use of professionals with specialized skill and knowledge.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to management's impairment assessment of the carrying value of right-of-use assets related to land and buildings. These procedures also included, among others:

- assessing management's right-of-use impairment assessment for the separable lease components of properties which have been or will be vacated;
- testing the mathematical accuracy of management's right-of-use asset impairment assessment;
- comparing the carrying amounts of the net assets subject to impairment assessment to the underlying accounting records;
- evaluating management's related judgments and estimates, including the amount of achievable rent, lease start dates and such as rent free periods;
- using professionals with specialized skill and knowledge to assist in evaluating the appropriateness of the assumptions us management, including the discount rates applied; and
- evaluating management's impairment trigger assessment for the Group's remaining property portfolio not subject to impa

Assessment & Qualifications assessments revenue recognition for US Student Assessment

As described in note 3 of the consolidated financial statements, £973 million of the Group's Assessment & Qualification assessments revenue for the year ended 31 December 2021 was derived from products and services transferred over time. Revenue is recognised for these contracts over time as the customer is benefiting as performance takes place through a continuous transfer of control to the customer. As control transfers over time, revenue is recognised based on the extent of progress towards completion of the performance obligation. The selection of the method to measure progress towards completion requires judgment and is based on the nature of the services provided. Revenue is recognised on a percentage of cost basis, calculated using the proportion of the total costs incurred to date. From 2021, the proportion of estimated costs incurred to date is primarily based on historical cost analysis for similar groups of contracts, with regular true-ups to contract costs throughout the contract period. Previously, the proportion of costs incurred to date was based on individual contract analysis. The change in input methodology has not resulted in a material impact on revenue recognition.

The principal considerations for our determination that performing procedures relating to Assessment & Qualifications assessments revenue recognition for US Student Assessment is a critical audit matter are the high degree of auditor judgment, subjectivity and effort in evaluating audit evidence in assessing the impact of the change in method to measure progress towards completion.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to management's analysis of progress towards completion. These procedures also included, among others:

- understanding and evaluating management's rationale for changing methodology for new contracts in 2021;

- evaluating how similar groups of contracts have been identified;
- testing management’s historical cost profile calculations by contract grouping;
- testing management’s assessment of the difference between the previous approach of determining percentage of completi contract analysis and the grouping of similar contracts applied to new contracts in 2021;
- assessing the appropriateness of a contract grouping approach under IFRS 15;
- testing costs incurred to date and management’s estimates of forecast costs and revenues by reference to historical experie contract status;
- recalculating management’s percentage of cost estimates; and
- performing look-back tests to assess management’s historical accuracy of forecasting for contract costs.

/s/PricewaterhouseCoopers LLP
London, United Kingdom
30 March 2022
We have served as the Group’s auditor since 1996.

Consolidated income statement

Year ended 31 December

All figures in £ millions	Notes	2021	2020
ntinuing operations			
es	2,3	**3,428**	3,39
st of goods sold	4	**(1,747)**	(1,76
oss profit		**1,681**	1,63
erating expenses	4	**(1,562)**	(1,40
her net gains and losses	4	**63**	17
are of results of joint ventures and associates	12	**1**	
erating profit	2	**183**	41
nance costs	6	**(68)**	(10
nance income	6	**42**	5
ofit before tax		**157**	35
ome tax	7	**3**	(4
ofit for the year		**160**	31
tributable to:			
uity holders of the company		**159**	31
n-controlling erest		**1**	—
rnings per share attributable to equity holders of the company during the year pressed in pence per share)			
asic	8	**21.1p**	41.0
iluted	8	**20.9p**	41.0

[Table of Contents](#)

Consolidated statement of comprehensive income
Year ended 31 December

All figures in £ millions	Notes	2021	20
ofit for the year		**160**	3
ms that may be reclassified to the income statement			
t exchange differences on translation of foreign operations – Group		**(6)**	(1
t exchange differences on translation of foreign operations – associates		**—**	–
rrency translation adjustment disposed		**4**	(
ributable tax	7	**10**	(
ms that are not reclassified to the income statement			
r value gain on other financial assets		**24**	
ributable tax	7	**(3)**	
measurement of retirement benefit obligations – Group	25	**149**	(
measurement of retirement benefit obligations – associates		—	–
ributable tax	7	**(61)**	
her comprehensive income/(expense) for the year	29	**117**	(2
tal comprehensive income for the year		**277**	1
tributable to:			
uity holders of the company		**276**	1
n-controlling erest		**1**	–

[Table of Contents](#)

Consolidated balance sheet
As at 31 December

All figures in £ millions	Notes	2021
sets		
n-current sets		
operty, plant and equipment	10	**36**
angible assets	11	**2,76**
estments in joint ventures and associates	12	**2**
ferred income tax assets	13	**5**
ancial assets – derivative financial instruments	16	**3**
tirement benefit assets	25	**53**
ner financial assets	15	**11**
ome tax assets		**9**
ade and other receivables	22	**12**
		4,12
rrent assets		
angible assets – product development	20	**89**
entories	21	**9**
ade and other receivables	22	**1,25**
ancial assets – derivative financial instruments	16	
ome tax assets		**2**

sh and cash equivalents (excluding overdrafts)	17	93
		3,21
sets classified as held for sale	32	
tal assets		7,34
ıbilities		
n-current ıbilities		
ıancial liabilities – borrowings	18	(1,24
ıancial liabilities – derivative financial instruments	16	(3
ferred income tax liabilities	13	(4
tirement benefit obligations	25	(6
›visions for other liabilities and charges	23	
ıer liabilities	24	(9
		(1,48

Consolidated balance sheet continued
As at 31 December

All figures in £ millions	Notes	2021
ırrent liabilities		
ıde and other liabilities	24	(1,25
ıancial liabilities – borrowings	18	(15
ıancial liabilities – derivative financial instruments	16	
:ome tax liabilities		(12
›visions for other liabilities and charges	23	(4
		(1,58
ıbilities classified as held for sale	32	—
tal liabilities		(3,06
t assets		4,28
uity		
ıre capital	27	18
ıre premium	27	2,62
ɛasury shares	28	(1
pital redemption reserve		1
ɪr value reserve		3
ınslation reserve		38
tained earnings		1,03
tal equity attributable to equity holders of the company		4,27
n-controlling :erest		1
tal equity		4,28

These financial statements have been approved for issue by the Board of Directors on March 30, 2022 and signed on its behalf by

Sally Johnson
Chief Financial Officer
Pearson plc

Registered number: 00053723

Consolidated statement of changes in equity

Year ended 31 December

	Equity attributable to equity holders of the company							
All figures in £ millions	**Share capital**	**Share premium**	**Treasury shares**	**Capital redemption reserve**	**Fair value reserve**	**Translation reserve**	**Retained earnings**	**Total**
1 January 2021	**188**	**2,620**	**(7)**	**18**	**53**	**388**	**865**	**4,125**
rofit for the year	—	—	—	—	—	—	**159**	**159**
)ther comprehensive income/(expense)	—	—	—	—	**24**	**(2)**	**95**	**117**
tal comprehensive income/(expense)	—	—	—	—	**24**	**(2)**	**254**	**276**
iity-settled transactions	—	—	—	—	—	—	**28**	**28**
ıe of ordinary shares under share option schemes	**1**	**6**	**(1)**	—	—	—	—	**6**
yback of equity	—	—	—	—	—	—	—	—
chase of treasury shares	—	—	**(16)**	—	—	—	—	**(16)**
ease of treasury shares	—	—	**12**	—	—	—	**(12)**	—
nsfer of gain on disposal of FVOCI investment	—	—	—	—	**(44)**	—	**44**	—
idends	—	—	—	—	—	—	**(149)**	**(149)**
31 December 2021	**189**	**2,626**	**(12)**	**18**	**33**	**386**	**1,030**	**4,270**

	Equity attributable to equity holders of the company							
All figures in £ millions	Share capital	Share premium	Treasury shares	Capital redemption reserve	Fair value reserve	Translation reserve	Retained earnings	Total
1 January 2020	195	2,614	(24)	11	39	567	911	4,313
rofit for the year	—	—	—	—	—	—	310	310
)ther comprehensive income/(expense)	—	—	—	—	14	(179)	(40)	(205)
tal comprehensive income/(expense)	—	—	—	—	14	(179)	270	105
iity-settled transactions	—	—	—	—	—	—	29	29
ıe of ordinary shares under share option schemes	—	6	—	—	—	—	—	6
yback of equity	(7)	—	—	7	—	—	(176)	(176)
chase of treasury shares	—	—	(6)	—	—	—	—	(6)
ease of treasury shares	—	—	23	—	—	—	(23)	—
idends	—	—	—	—	—	—	(146)	(146)
31 December 2020	188	2,620	(7)	18	53	388	865	4,125

Consolidated statement of changes in equity

Year ended 31 December

	Equity attributable to equity holders of the company							
All figures In £ millions	**Share capital**	**Share premium**	**Treasury shares**	**Capital redemption reserve**	**Fair value reserve**	**Translation reserve**	**Retained earnings**	**Total**
1 January 2019	195	2,607	(33)	11	19	678	1,039	4,516

justment on initial application of IFRS 16 net of tax (see note 1b)	—	—	—	—	—	—	(83)	(83)
justment on initial application of IFRIC 23 net of tax (see note 1c)	—	—	—	—	—	—	5	5
1 January 2019 (restated)	195	2,607	(33)	11	19	678	961	4,438
rofit for the year	—	—	—	—	—	—	264	264
ther comprehensive income/(expense)	—	—	—	—	20	(111)	(126)	(217)
tal comprehensive income/ (expense)	—	—	—	—	20	(111)	138	47
uity-settled transactions	—	—	—	—	—	—	25	25
x on equity-settled transactions	—	—	—	—	—	—	(5)	(5)
ue of ordinary shares under share option schemes	—	7	—	—	—	—	—	7
yback of equity	—	—	—	—	—	—	—	—
rchase of treasury shares	—	—	(52)	—	—	—	—	(52)
ease of treasury shares	—	—	61	—	—	—	(61)	—
nsfer of gain on disposal of FVOCI investment	—	—	—	—	—	—	—	—
idends	—	—	—	—	—	—	(147)	(147)
31 December 2019	195	2,614	(24)	11	39	567	911	4,313

The capital redemption reserve reflects the nominal value of shares cancelled in the Group's share buyback programme. The fair value reserve arises on revaluation of other financial assets. The translation reserve includes exchange differences arising from the translation of the net investment in foreign operations and of borrowings and other currency instruments designated as hedges of such investments

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Table of Contents

Consolidated cash flow statement

Year ended 31 December

All figures in £ millions	Notes	2021
sh flows from operating activities		
t cash generated from operations	33	**570**
erest paid		**(67)**
x (paid)/received		**(177)**
t cash generated from operating activities		**326**
sh flows from investing activities		
quisition of subsidiaries, net of cash acquired	30	**(55)**
quisition of associates	12	**(10)**
ditional capital invested in associates		**—**
rchase of investments		**(4)**
rchase of property, plant and equipment		**(64)**
rchase of intangible assets		**(112)**
sposal of subsidiaries, net of cash disposed	31	**83**
ceeds from sale of joint ventures and associates	31	**—**
ceeds from sale of investments		**48**
ceeds from sale of property, plant and equipment		—
ase receivables repaid including disposals		**21**
Loans repaid by/(advanced to) related parties		**—**
erest received		**13**
vestment income		**—**
vidends from joint ventures and associates		**—**
t cash (used in)/generated from investing activities		**(80)**
sh flows from financing activities		
ceeds from issue of ordinary shares	27	**6**

yback of equity	27	**—**
rchase of treasury shares	28	**(16)**
oceeds from borrowings		**—**
payment of borrowings		**(167)**
payment of lease liabilities		**(88)**
vidends paid to company's shareholders	9	**(149)**
vidends paid to n-controlling terest		**—**
t cash used in financing activities		**(414)**
fects of exchange rate changes on cash and cash equivalents		**(8)**
t (decrease)/increase in cash and cash equivalents		**(176)**
sh and cash equivalents at beginning of year		**1,113**
sh and cash equivalents at end of year	17	**937**

Table of Contents

Notes to the consolidated financial statements

General information

Pearson plc ('the company'), its subsidiaries and associates (together 'the Group') are international businesses covering educational courseware, assessments and services.

The company is a public limited company incorporated and domiciled in the United Kingdom. The address of its registered office is 80 Strand, London WC2R 0RL.

The company has its primary listing on the London Stock Exchange and is also listed on the New York Stock Exchange.

These consolidated financial statements were approved for issue by the Board of Directors on March 30, 2022.

1a. Accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below.

Basis of preparation

These consolidated financial statements have been prepared on the going concern basis (see note 1b) and in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006. On 31 December 2020, IFRS as adopted by the European Union at that date was brought into UK law and became UK-adopted International Accounting Standards (IASs), with future changes being subject to endorsement by the UK Endorsement Board. The Group transitioned to UK-adopted IASs on 1 January 2021. This change constitutes a change in accounting framework. However, there is no impact on recognition, measurement or disclosure in the period reported as a result of the change in framework. The consolidated financial statements have also been prepared in accordance with IFRSs as issued by the International Accounting Standards Board (IASB). In respect of accounting standards applicable to the Group, there is no difference between UK-adopted IASs and IFRSs as issued by the IASB.

These consolidated financial statements have been prepared under the historical cost convention as modified by the revaluation of financial assets and liabilities (including derivative financial instruments) at fair value.

These accounting policies have been consistently applied to all years presented, unless otherwise stated.

1. Interpretations and amendments to published standards effective 2021 – No new standards were adopted in 2021.

'Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)' is effective from 1 January 2021 (see note 19) and in addition, the Group has early adopted the amendment to IFRS 16

‘COVID-19 related rent concessions beyond 30 June 2021’. The amendments do not have a material impact on the consolidated financial statements.

The Group has also considered the IFRIC agenda decision on ‘Configuration and Customisation costs in a Cloud Computing Arrangement’, and concluded that it does not have a material impact on the consolidated financial statements.

2. Standards, interpretations and amendments to published standards that are not yet effective – The following new accounting standards and amendments to new accounting standards have been issued but are not yet effective and have not yet been endorsed:

- IFRS 17 ‘Insurance contracts’;
- Amendments to IFRS 3 ’Reference to the conceptual framework’;
- Amendments to IAS 1 ‘Disclosure of accounting policies’;
- Amendments to IAS 1 ‘Classification of liabilities as current or non-current’;
- Amendments to IAS 8 ‘Definition of accounting estimates’;
- Amendments to IAS 12 ‘Deferred tax related to assets and liabilities arising from a single transaction’;
- Amendments to IAS 16 ‘Proceeds before intended use’;
- Amendments to IAS 37 ‘Onerous contracts - costs of fulfilling a contract’; and
- Annual improvements to IFRS 2018-2020.

The Group is currently assessing the impact of the above changes, but they are not expected to have a material impact. The Group has not adopted any other standard, amendment or interpretation that has been issued but is not yet effective.

3. Critical accounting assumptions and judgements – The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting assumptions and estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies.

All assumptions and estimates constitute management’s best judgement at the date of the financial statements, however, in the future, actual experience may deviate from these estimates and assumptions.

The areas requiring a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are:

- Intangible assets: Goodwill
- Taxation
- Revenue: Provisions for returns
- Employee benefits: Pensions
- Property, plant and equipment: Right-of-use assets

The recoverability of product development assets and in particular, the assessment of the useful economic lives of the product development assets, is no longer considered to be a key area of estimation uncertainty as the impact of COVID-19 on the business, and in particular, on future sales, has lessened and therefore it is no longer considered that there is a significant risk of a material adjustment to the carrying value of the product development assets within the next year. The key judgements and key areas of estimation are set out below, as well as in the relevant accounting policies and in the notes to the accounts where appropriate.

Notes to the consolidated financial statements
1a. Accounting policies continued
Basis of preparation continued

Key judgements

- The application of tax legislation in relation to provisions for uncertain tax positions (see notes 7 and 34).
- The allocation of goodwill to the cash-generating units and groups of cash-generating units (see note 11).
- Whether the Group will be eligible to receive the surplus associated with the UK Group Pension Plan in recognising a pension as

Key areas of estimation

- The recoverability of goodwill balances. Key assumptions used in goodwill impairment testing are discount rates, perpetuity gro sales growth rates and forecast operating profits. See note 11 for further details.
- The level of provisions required in relation to uncertain tax positions is complex and each matter is separately assessed. The esti settlement amounts is based on a number of factors including the status of the unresolved matter, clarity of legislation, range of p and the statute of limitations. See notes 7 and 34 for further details.
- The level of provisions required for anticipated returns is estimated based on historical experience, customer buying patterns and behaviours including stock levels. See note 3 for further details.
- The determination of the pension cost and defined benefit obligation of the Group's defined benefit pension schemes depends on certain assumptions, which include the discount rate, inflation rate, salary growth and longevity. See note 25 for further details.
- The recoverability of right-of-use assets and in particular assumptions related to the ability to sublease vacant leased assets in the future. See note 10 for further de

The Group has assessed the impact of the uncertainty presented by the continued COVID-19 pandemic on the financial statements, specifically considering the impact on key judgements and significant estimates along with other areas of increased risk as follows:

- Recoverable value of right-of-use assets and investment in finance lease receivable balances;
- Financial instruments in particular counterparty risk and hedge effectiveness;
- Working capital provisions including expected credit losses on trade and other debtors and inventory obsolescence; and
- The assessment of the useful economic lives of product development assets.

No material accounting impacts relating to the areas assessed above were recognised in the year. The Group will continue to monitor these areas of increased judgement, estimation and risk.

Notes to the consolidated financial statements
1a. Accounting policies continued

Consolidation
1. Business combinations

– The acquisition method of accounting is used to account for business combinations.

The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interest issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred in the operating expenses line of the income statement. Identifiable assets acquired and identifiable liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The determination of fair values often requires significant judgements and the use of estimates, and, for material acquisitions, the fair value of the acquired intangible assets is determined by an independent valuer. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill (see note 30).

See the ‘Intangible assets’ policy for the accounting policy on goodwill. If this is less than the fair value of the net assets of the subsidiary acquired, in the case of a bargain purchase, the difference is recognized directly in the income statement.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest’s proportionate share of the acquiree’s net assets.

IFRS 3 ‘Business Combinations’ has not been applied retrospectively to business combinations before the date of transition to IFRS.

Management exercises judgement in determining the classification of its investments in its businesses, in line with the following:

2. Subsidiaries

– Subsidiaries are entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

3. Transactions with non-controlling interests

– Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions, that is, as transactions with the owners in their capacity as owners. Any surplus or deficit arising from disposals to a non-controlling interest is recorded in equity. For purchases from a non-controlling interest, the difference between consideration paid and the relevant share acquired of the carrying value of the subsidiary is recorded in equity.

4. Joint ventures and associates

– Joint ventures are entities in which the Group holds an interest on a long-term basis and has rights to the net assets through contractually agreed sharing of control. Associates are entities over which the Group has significant influence but not the power to control the financial and operating policies, generally accompanying a shareholding of between 20% and 50% of the voting rights. Ownership percentage is likely to be the key indicator of investment classification; however, other factors, such as Board representation, may also affect the accounting classification. Judgement is required to assess all of the qualitative and quantitative factors which may indicate that the Group does, or does not, have significant influence over an investment. Investments in joint ventures and associates are accounted for by the equity method and are initially recognised at the fair value of consideration transferred.

The Group's share of its joint ventures' and associates' post-acquisition profits or losses is recognized in the income statement and its share of post-acquisition movements in reserves is recognised in reserves.

Notes to the consolidated financial statements

1a. Accounting policies continued

Consolidation continued

The Group's share of its joint ventures' and associates' results is recognized as a component of operating profit as these operations form part of the core publishing business of the Group and are an integral part of existing wholly-owned businesses. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in a joint venture or associate equals or exceeds its interest in the joint venture or associate, the Group does not recognise further losses unless the Group has incurred obligations or made payments on behalf of the joint venture or associate.

Unrealised gains and losses on transactions between the Group and its joint ventures and associates are eliminated to the extent of the Group's interest in these entities.

5. Contribution of a subsidiary to an associate or joint venture

– The gain or loss resulting from the contribution or sale of a subsidiary to an associate or a joint venture is recognised in full. Where such transactions do not involve cash consideration, significant judgements and estimates are used in determining the fair values of the consideration received.

Foreign currency translation

1. Functional and presentation currency

– Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in sterling, which is the company's functional and presentation currency.

2. Transactions and balances

– Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying net investment hedges.

3. Group companies

– The results and financial position of all Group companies that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

a. Assets and liabilities are translated at the closing rate at the date of the balance sheet

b. Income and expenses are translated at average exchange rates

c. All resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. The Group treats specific inter-company loan balances, which are not intended to be repaid in the foreseeable future, as part of its net investment. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

The principal overseas currency for the Group is the US dollar. The average rate for the year against sterling was $1.38 (2020: $1.28) and the year-end rate was $1.35 (2020: $1.37).

Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for intended use. Land is

Notes to the consolidated financial statements

1a. Accounting policies continued

Property, plant and equipment continued

not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost less their residual values over their estimated useful lives as follows:

ildings (freehold):	20 – 50 years
ildings (leasehold):	over the period of the lease
nt and equipment:	3 – 10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. The carrying value of an asset is written down to its recoverable amount if the carrying value of the asset is greater than its estimated recoverable amount.

Intangible assets

1. Goodwill – For the acquisition of subsidiaries made on or after 1 January 2010, goodwill represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired. For the acquisition of subsidiaries made from the date of transition to IFRS to 31 December 2009, goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets acquired. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisition of associates and joint ventures represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets acquired.

Goodwill on acquisitions of associates and joint ventures is included in investments in associates and joint ventures.

Goodwill is tested at least annually for impairment and carried at cost less accumulated impairment losses. An impairment loss is recognised to the extent that the carrying value of goodwill exceeds the recoverable amount. The recoverable amount is the higher of fair value less costs of disposal and value in use. These calculations require the use of estimates in respect of forecast cash flows and discount rates and significant management judgement in respect of cash-generating unit (CGU) and cost allocation; impairment is a key source of estimation uncertainty and has a significant risk of resulting in a material adjustment to the carrying amount of relevant assets within the next financial year. A summary of these assets by CGU and a description of the key assumptions and sensitivities is included in note 11.

Goodwill is allocated to aggregated CGUs for the purpose of impairment testing. The allocation is made to those aggregated CGUs that are expected to benefit from the business combination in which the goodwill arose. Where there are changes to CGUs, goodwill is reallocated to the new CGUs and aggregation of CGUs using a relative value method.

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

2. Acquired software – Software separately acquired for internal use is capitalised at cost. Software acquired in material business combinations is capitalised at its fair value as determined by an independent valuer. Acquired software is amortised on a straight-line basis over its estimated useful life of between three and eight years.

3. Internally developed software

– Internal and external costs incurred during the preliminary stage of developing computer software for internal use are expensed as incurred. Internal and external costs incurred to develop computer software for internal use during the application development stage are capitalised if the Group expects economic benefits from the development. Capitalisation in the application development stage begins

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Notes to the consolidated financial statements
1a. Accounting policies continued
Intangible assets continued

once the Group can reliably measure the expenditure attributable to the software development and has demonstrated its intention to complete and use the software. Internally developed software is amortised on a straight-line basis over its estimated useful life of between three and ten years.

4. Acquired intangible assets

– Acquired intangible assets include customer lists, contracts and relationships, trademarks and brands, publishing rights, content, technology and software rights. These assets are capitalised on acquisition at cost and included in intangible assets. Intangible assets acquired in material business combinations are capitalised at their fair value as determined by an independent valuer. Intangible assets are amortised over their estimated useful lives of between two and 20 years, using an amortisation method that reflects the pattern of their consumption.

5. Product development assets

– Product development assets represent direct costs incurred in the development of educational programmes and titles prior to their publication. These costs are recognised as current intangible assets where the title will generate probable future economic benefits and costs can be measured reliably.

Product development assets relating to content are amortised upon publication of the title over estimated economic lives of seven years or less, being an estimate of the expected operating lifecycle of the title, with a higher proportion of the amortisation taken in the earlier years. Product development assets relating to product platforms are amortised over 10 years or less, being an estimate of the expected useful life.

The assessment of the useful economic life and the recoverability of product development assets involves judgement and is based on historical trends and management estimation of future potential sales.

Product development assets are assessed for impairment triggers on an annual basis or when triggering events occur. The carrying amount of product development assets is set out in note 20.

The investment in product development assets has been disclosed as part of cash generated from operations in the cash flow statement (see note 33).

Other financial assets

Other financial assets are non-derivative financial assets classified and measured at estimated fair value.

Marketable securities and cash deposits with maturities of greater than three months are classified and subsequently measured at fair value through profit and loss (FVTPL). They are remeasured at each balance sheet date by using market data and the use of established valuation techniques. Any movement in the fair value is immediately recognised in finance income or finance costs in the income statement.

Investments in the equity instruments of other entities are classified and subsequently measured at fair value through other comprehensive income (FVOCI). Changes in fair value are recorded in equity in the fair value reserve via other comprehensive income. On subsequent disposal of the asset, the net fair value gains or losses are reclassified from the fair value reserve to retained earnings. Any dividends received from equity investments classified as FVOCI are recognised in the income statement unless they represent a return of capital.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method or an approximation thereof, such as the first in first out (FIFO) method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale. Provisions are made for slow-moving and obsolete stock.

Notes to the consolidated financial statements

1a. Accounting policies continued

Royalty advances

Advances of royalties to authors are included within trade and other receivables when the advance is paid less any provision required to adjust the advance to its net realisable value. The realisable value of royalty advances relies on a degree of management estimation in determining the profitability of individual author contracts. If the estimated realisable value of author contracts is overstated, this will have an adverse effect on operating profits as these excess amounts will be written off.

The recoverability of royalty advances is based upon an annual detailed management review of the age of the advance, the future sales projections for new authors and prior sales history of repeat authors.

The royalty advance is expensed at the contracted or effective royalty rate as the related revenues are earned.

Royalty advances which will be consumed within one year are held in current assets. Royalty advances which will be consumed after one year are held in non-current assets.

Cash and cash equivalents

Cash and cash equivalents in the cash flow statement include cash in hand, deposits held on call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are included in borrowings in current liabilities in the balance sheet.

Short-term deposits and marketable securities with maturities of greater than three months do not qualify as cash and cash equivalents and are reported as financial assets. Movements on these financial assets are classified as cash flows from financing activities in the cash flow statement where these amounts are used to offset the borrowings of the Group or as cash flows from investing activities where these amounts are held to generate an investment return.

Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any Group company purchases the company’s equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs, net of income taxes, is deducted from equity attributable to the company’s equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable transaction costs and the related income tax effects, is included in equity attributable to the company’s equity holders.

Ordinary shares purchased under a buyback programme are cancelled and the nominal value of the shares is transferred to a capital redemption reserve.

Borrowings

Borrowings are recognised initially at fair value, which is proceeds received net of transaction costs incurred. Borrowings are subsequently stated at amortised cost with any difference between the proceeds (net of transaction costs) and the redemption value being recognised in the income statement over the period of the borrowings using the effective interest method. Accrued interest is included as part of borrowings.

Where a debt instrument is in a fair value hedging relationship, an adjustment is made to its carrying value in the income statement to reflect the hedged risk.

Notes to the consolidated financial statements

1a. Accounting policies continued
Borrowings continued

Where a debt instrument is in a net investment hedge relationship, gains and losses on the effective portion of the hedge are recognised in other comprehensive income.

Derivative financial instruments

Derivatives are recognised at fair value and remeasured at each balance sheet date. The fair value of derivatives is determined by using market data and the use of established estimation techniques such as discounted cash flow and option valuation models.

For derivatives in a hedge relationship, the currency basis spread is excluded from the designation as a hedging instrument.

Changes in the fair value of derivatives are recognised immediately in finance income or costs. However, derivatives relating to borrowings and certain foreign exchange contracts are designated as part of a hedging transaction.

The accounting treatment is summarised as follows:

Typical reason for designation	Reporting of gains and losses on effective portion of the hedge	Reporting of gains and losses on disposal
t investment hedge		
The derivative creates a foreign currency liability which is used to hedge changes in the value of a subsidiary which transacts in that currency.	Recognised in other comprehensive income.	On the disposal of fo or subsidiaries, the ac of gains and losses re comprehensive incor to the income statem
ir value hedges		
The derivative transforms the interest profile on debt from fixed rate to floating rate. Changes in the value of the debt as a result of changes in interest rates and foreign exchange rates are offset by equal and opposite changes in the value of the derivative. When the Group's debt is swapped to floating rates, the contracts used are designated as fair value hedges.	Gains and losses on the derivative are reported in finance income or finance costs However, an equal and opposite change is made to the carrying value of the debt (a 'fair value adjustment') with the benefit/cost reported in finance income or finance costs. The net result should be a zero charge on a perfectly effective hedge.	If the debt and deriva of, the value of the d debt (including the fa adjustment) are reset resultant gain or loss finance income or fin
n-hedge counted contracts		
These are not designated as hedging instruments. Typically, these are short-term contracts to convert debt back to fixed rates or foreign exchange contracts where a natural offset exists.	Recognised in the income statement. No hedge accounting applies.	

Table of Contents

Notes to the consolidated financial statements
1a. Accounting policies continued

Taxation

Current tax is recognised at the amounts expected to be paid or recovered under the tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

Deferred income tax is provided, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided in respect of the undistributed earnings of subsidiaries, associates and joint ventures other than where it is intended that those undistributed earnings will not be remitted in the foreseeable future.

Current and deferred tax are recognised in the income statement, except when the tax relates to items charged or credited directly to equity or other comprehensive income, in which case the tax is also recognised in equity or other comprehensive income.

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the estimates in relation to the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises tax provisions when it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are based on management's best judgement of the application of tax legislation and best estimates of future settlement amounts (see note 7). Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets and liabilities require management judgement and estimation in determining the amounts to be recognised. In particular, when assessing the extent to which deferred tax assets should be recognised, significant judgement is used when considering the timing of the recognition and estimation is used to determine the level of future taxable income together with any future tax planning strategies (see note 13).

Employee benefits

1. Pensions

– The retirement benefit asset and obligation recognised in the balance sheet represent the net of the present value of the defined benefit obligation and the fair value of plan assets at the balance sheet date. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting estimated future cash flows using yields on high-quality corporate bonds which have terms to maturity approximating the terms of the related liability.

When the calculation results in a potential asset, the recognition of that asset is limited to the asset ceiling – that is the present value of any economic benefits available in the form of refunds from the plan or a reduction in future contributions. Management uses judgement to determine the level of refunds available from the plan in recognising an asset.

Table of Contents

Employee benefits continued

The determination of the pension cost and defined benefit obligation of the Group's defined benefit pension schemes depends on the selection of certain assumptions, which include the discount rate, inflation rate, salary growth and longevity (see note 25).

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. The service cost, representing benefits accruing over the year, is included in the income statement as an operating cost. Net interest is calculated by applying the discount rate to the net defined benefit obligation and is presented as finance costs or finance income.

Obligations for contributions to defined contribution pension plans are recognised as an operating expense in the income statement as incurred.

2. Other post-retirement obligations

– The expected costs of post-retirement medical and life assurance benefits are accrued over the period of employment, using a similar accounting methodology as for defined benefit pension obligations. The liabilities and costs relating to significant other post-retirement obligations are assessed annually by independent qualified actuaries.

3. Share-based payments
– The fair value of options or shares granted under the Group's share and option plans is recognised as an employee expense after taking into account the Group's best estimate of the number of awards expected to vest. Fair value is measured at the date of grant and is spread over the vesting period of the option or share. The fair value of the options granted is measured using an option model that is most appropriate to the award. The fair value of shares awarded is measured using the share price at the date of grant unless another method is more appropriate. Any proceeds received are credited to share capital and share premium when the options are exercised.

Provisions

Provisions are recognised if the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are discounted to present value where the effect is material.

Revenue recognition

The Group's revenue streams are courseware, assessments and services. Courseware includes curriculum materials provided in book form and/or via access to digital content. Assessments includes test development, processing and scoring services provided to governments, educational institutions, corporations and professional bodies. Services includes the operation of schools, colleges and universities, including sistemas in Brazil, as well as the provision of online learning services in partnership with universities and other academic institutions.

Revenue is recognised in order to depict the transfer of control of promised goods and services to customers in an amount that reflects the consideration to which we expect to be entitled in exchange for those goods and services. This process begins with the identification of our contract with a customer, which is generally through a master services agreement, customer purchase order, or a combination thereof. Within each contract, judgement is applied to determine the extent to which activities within the contract represent distinct performance obligations to be delivered and the total amount of transaction price to which we expect to be entitled.

The transaction price determined is net of sales taxes, rebates and discounts, and after eliminating sales within the Group. Where a contract contains multiple performance obligations such as the provision of supplementary

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Notes to the consolidated financial statements
1a. Accounting policies continued
Revenue recognition continued

materials or online access with textbooks, revenue is allocated on the basis of relative standalone selling prices. Where a contract contains variable consideration, significant estimation is required to determine the amount to which the Group is expected to be entitled.

Revenue is recognised on contracts with customers when or as performance obligations are satisfied, which is the period or the point in time where control of goods or services transfers to the customer. Judgement is applied to determine first whether control passes over time and if not, then the point in time at which control passes. Where revenue is recognised over time, judgement is used to determine the method which best depicts the transfer of control. Where an input method is used, significant estimation is required to determine the progress towards delivering the performance obligation.

Revenue from the sale of books is recognised net of a provision for anticipated returns. This provision is based primarily on historical return rates, customer buying patterns and retailer behaviours including stock levels (see note 24). If these estimates do not reflect actual returns in future periods then revenues could be understated or overstated for a particular period. When the provision for returns is remeasured at each reporting date to reflect changes in estimates, a corresponding adjustment is also recorded to revenue.

The Group may enter into contracts with another party in addition to our customer. In making the determination as to whether revenue should be recognised on a gross or net basis, the contract with the customer is analysed to understand which party controls the relevant good or service prior to transferring to the customer. This judgement is informed by facts and circumstances of the contract in determining whether the Group has promised to provide the specified good or service or whether the Group is arranging for the transfer of the specified good or service, including which party is responsible for fulfilment, has discretion to set the price to the customer and is responsible for inventory risk. On certain contracts, where the Group acts as an agent, only commissions and fees receivable for services rendered are recognised as revenue. Any third-party costs incurred on behalf of the principal that are rechargeable under the contractual arrangement are not included in revenue.

Income from recharges of freight and other activities which are incidental to the normal revenue-generating activities is included in other income.

Additional details on the Group's revenue streams are also included in note 3.

Leases

The Group as a lessee

The Group assesses whether a contract is or contains a lease at the inception of the contract. A contract is, or contains a lease, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group recognises a right-of-use asset and a lease liability at the lease commencement date with respect to all lease arrangements except for short-term leases (leases with a lease term of 12 months or less) and leases of low-value assets. For these leases, the lease payments are recognised as an operating expense on a straight-line basis over the term of the lease.

The right-of-use asset is initially measured at cost, comprising the initial amount of the lease liability plus any initial direct costs incurred and an estimate of costs to restore the underlying asset, less any lease incentives received. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the asset or the end of the lease term. The Group applies IAS 36 to determine whether a right-of-use asset is impaired. The lease liability is initially measured at

the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the incremental borrowing rate. The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or a rate or a change in the Group's assessment of whether it will exercise an extension or termination option. When the lease liability is remeasured, a corresponding adjustment is made to the right-of-use asset.

Management uses judgement to determine the lease term where extension and termination options are available within the lease.

The Group as a lessor

When the Group is an intermediate lessor, the head lease and sublease are accounted for as two separate contracts. The head lease is accounted for as per the lessee policy above. The sublease is classified as a finance lease or operating lease by reference to the right-of-use asset arising from the head lease. Where the lease transfers substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease; all other leases are classified as operating leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Amounts due from lessees under finance subleases are recognised as receivables at the amount of the Group's net investment in the leases discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the discount rate used in the head lease.

Policy applicable from 1 January 2019: IFRS 16

The Group adopted IFRS 16 'Leases' at 1 January 2019 and applied the modified retrospective approach. Comparatives for 2018 have not been restated and the cumulative impact of adoption has been recognised as a decrease of £83m to net assets with a corresponding decrease in retained earnings at 1 January 2019. The net impact on the balance sheet has been assessed after taking into account existing liabilities relating to onerous lease provisions, lease incentives, prepayments, adjustments to tax and the net impact on the associates. Adoption of IFRS 16 had a material impact on the Group. The lease liability brought onto the balance sheet at transition was £881m with the corresponding right-of-use asset valued at £424m. In addition, certain subleases have been reclassified as finance leases resulting in an additional lease receivable of £215m being brought on balance sheet. The impact on the income statement for 2019 was to reduce profit before tax by £9m. The weighted average incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 5%.

Dividends

Final dividends are recorded in the Group's financial statements in the period in which they are approved by the company's shareholders. Interim dividends are recorded when paid.

Discontinued operations

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or meets the criteria to be classified as held for sale. When applicable, discontinued operations are presented in the income statement as a separate line and are shown net of tax.

Assets and liabilities held for sale

Assets and liabilities are classified as held for sale and stated at the lower of carrying amount and fair value less costs to sell if it is highly probable that the carrying amount will be recovered principally through a sale

Table of Contents

transaction rather than through continuing use. No depreciation is charged in respect of non-current assets classified as held for sale. Amounts relating to non-current assets and liabilities held for sale are classified as discontinued operations in the income statement where appropriate.

Trade receivables

Trade receivables are stated at fair value after provision for bad and doubtful debts. Provisions for bad and doubtful debts are based on the expected credit loss model. The 'simplified approach' is used with the expected loss allowance measured at an amount equal to the lifetime expected credit losses. A provision for anticipated future sales returns is included within trade and other liabilities (also see Revenue recognition policy).

1b. Going concern

In assessing the Group's ability to continue as a going concern for the period to 30 June 2023, the Board analysed a variety of downside scenarios including a severe but plausible scenario where the Group is impacted by a combination of all principal risks from 2022 as well as reverse stress testing to identify what would be required to either breach covenants or run out of liquidity. The severe but plausible scenario modelled a severe reduction in revenue, profit and operating cash flow from risks which in aggregate were significantly greater than seen in 2021 continuing throughout 2022 to 2023.

At 31 December 2021, the Group had available liquidity of c£1.6bn, comprising central cash balances and its undrawn $1.19bn Revolving Credit Facility (RCF). In February 2022, the Group renegotiated its revolving credit facility, extending the maturity of $1bn of the facility by one year to February 2026. Even under a severe downside case, the Group would maintain comfortable liquidity headroom and sufficient headroom against covenant requirements during the period under assessment even before modelling the mitigating effect of actions that management would take in the event that these downside risks were to crystallise.

The directors 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 for a minimum of the next 12 months.

1c. Climate change

The Group has assessed the impacts of climate change on the Group's financial statements of our commitment to achieving net zero by 2030, and the actions the Group intends to take to achieve those targets. The assessment did not identify any material impact on the Group's significant judgements or estimates at 31 December 2021, or the assessment of going concern for the period to June 2023 and the Group's viability over the next five years, Specifically, we have considered the following areas:

- The physical and transition risks associated with climate change; and
- The actions the Group is taking to meet its carbon reduction and net zero targets.

As a result, the Group has assessed the impacts of climate change on the financial statements, and in particular, on the following areas:

- The impact on the Group's future cash flows, and the resulting impact that such adjustments to our future cash flows would have of the annual impairment testing of our goodwill balances (see note 11 for further details), the recognition of deferred tax assets a assessment of going concern;

Notes to the consolidated financial statements
1a. Accounting policies continued
1c. Climate change continued

- The carrying value of the Group's assets, in particular the recoverable amounts of inventories, product development assets, intang property, plant and equipment; and
- Any changes to our estimates of the useful economic lives of product development assets, intangible assets and property, plant ar

2. Segment information

On 8 March 2021, the Group announced a new strategy, which included a new management structure and operating model. As a result, the primary operating segments reported to the Group's chief operating decision-maker, the Pearson Executive Management team, have changed from 1 July 2021 to reflect the new Group structure. There are now five main global business divisions, which are each considered separate operating segments for management and reporting purposes. These five divisions are Assessment & Qualification, Virtual Learning, English Language Learning, Higher Education and Workforce Skills. In addition, the International Courseware local publishing businesses are under strategic review and during this time are being managed as a separate division, known as Strategic Review. For the comparative period, the Group has separately disclosed the results from the Penguin Random House associate to the point of disposal in April 2020. Comparative figures for 2020 and 2019 have been restated to reflect the new segments.

The following describes the principal activities of the five main operating segments:

- Assessment & Qualification – Pearson VUE, US Student Assessment, Clinical Assessment, UK GCSE and A Levels and Interna qualifications.
- Virtual Learning – Virtual Schools and Online Program Management.
- English Language Learning – Pearson Test of English, Institutional Courseware and English Online Solutions.

- Higher Education – US, Canadian and International Higher Education Courseware businesses.
- Workforce Skills – BTEC, GED, TalentLens, Faethm, Pearson College and Apprenticeships.

		2021					
All figures in £ millions	**Notes**	**Assessment & Qualifications**	**Virtual Learning**	**English Language Learning**	**Workforce Skills**	**Higher Education**	**Strategic Review**
les	3	**1,204**	**713**	**238**	**172**	**849**	**252**
justed operating profit		**216**	**32**	**15**	**27**	**73**	**22**
st of major restructuring		**(48)**	**(48)**	**(27)**	**(28)**	**(63)**	**—**
angible charges		**(13)**	**(25)**	**(3)**	**(7)**	**(2)**	**(1)**
ıer net gains and losses		**—**	**—**	**—**	**(2)**	**—**	**65**
ıerating profit/(loss)		**155**	**(41)**	**(15)**	**(10)**	**8**	**86**
ıance costs	6						
ıance income	6						
ofit before tax							
:ome tax	7						
ofit for the year							
her segment items							
ıare of results of joint ventures and associates	12	**—**	**(1)**	**3**	**(1)**	**—**	**—**
preciation and impairment	10	**92**	**48**	**14**	**9**	**63**	**15**
ıortisation and impairment	11, 20	**129**	**67**	**34**	**25**	**165**	**26**

Notes to the consolidated financial statements
2. Segment information continued

		2020					
All figures in £ millions	Notes	Assessment & Qualifications	Virtual Learning	English Language Learning	Workforce Skills	Higher Education	Strategic Review
les	3	1,082	692	218	163	956	286
justed operating profit		147	29	1	26	93	16
st of major restructuring		—	—	—	—	—	—
angible charges		(29)	(30)	(7)	(8)	(3)	(3)
ıer net gains and losses		—	—	—	—	—	(2)
ıerating profit/(loss)		118	(1)	(6)	18	90	11
ıance costs	6						
ıance income	6						
ofit before tax							
:ome tax	7						
ofit for the year							
her segment items							
ıare of results of joint ventures and associates	12	—	—	4	—	—	—
preciation and impairment	10	53	21	7	5	28	11
ıortisation and impairment	11, 20	148	64	34	24	167	35

		2019					
All figures in £ millions	Notes	Assessment & Qualifications	Virtual Learning	English Language Learning	Workforce Skills	Higher Education	Strategic Review
les		1,280	584	320	185	1,102	398

	3						
justed operating profit		252	13	59	31	134	27
sts of major restructuring		(38)	(13)	(10)	(7)	(68)	(21)
angible charges		(23)	(36)	(80)	(9)	—	(3)
ner net gains and losses		—	—	—	—	—	16
erating profit / (loss)		191	(36)	(31)	15	66	19
nance costs	6						
nance income	6						
ofit before tax							
come tax	7						
ofit for the year							
are of results of joint ventures and associates		—	—	3	—	—	—
preciation and impairment		49	18	8	5	29	14
nortisation and impairment		135	62	104	24	172	40

There were no material inter-segment sales in either 2021, 2020 or 2019.

Notes to the consolidated financial statements

2. Segment information continued

Corporate costs are allocated to business segments on an appropriate basis depending on the nature of the cost and therefore the total segment result is equal to the Group operating profit.

Adjusted operating profit is shown in the above tables as it is the key financial measure used by management to evaluate the performance of the Group. The measure also enables investors to more easily, and consistently, track the underlying operational performance of the Group and its business segments over time by separating out those items of income and expenditure relating to acquisition and disposal transactions, major restructuring programmes and certain other items that are also not representative of underlying performance, which are explained below and reconciled with in this note.

Cost of major restructuring – In March 2021, the Group announced a restructuring programme, to run primarily in 2021. The programme includes the reorganisation of the Group into five global business divisions and the simplification of the Group's property portfolio. The restructuring costs in 2021 of £214m mainly relate to the impairment of right-of-use property assets, the write-down of product development assets and staff redundancies. In May 2017, the Group announced a major restructuring programme to run between 2017 and 2019 to drive further significant cost savings. The costs of these restructuring programmes are significant enough to exclude from the adjusted operating profit measure so as to better highlight the underlying performance (see note 4).

Intangible charges – These represent charges relating to intangibles acquired through business combinations and intangibles relating to associates. These charges are excluded as they reflect past acquisition activity and do not necessarily reflect the current year performance of the Group. Intangible amortisation charges in 2021 were £51m, which included no impairment charges. In 2020, intangible charges were £80m including impairment charges of £12m. In 2019, intangible changes were £163m including impairment changes of £65m.

Other net gains and losses – These represents profits and losses on the sale of subsidiaries, joint ventures, associates and other financial assets and are excluded from adjusted operating profit as they distort the performance of the Group as reported on a statutory basis. Other net gains and losses also includes costs related to business closures and acquisitions. Other net gains in 2021 largely relate to gains from the disposal of PIHE and the K12 Sistemas business in Brazil offset by costs related to the acquisition of Faethm and the wind-down of certain strategic review businesses. In 2020, they largely relate to the sale of the remaining interest in Penguin Random House (£180m gain). In 2019, other net gains largely relate to the sale of the US K-12 business

.

The Group operates in the following main geographic areas:

	Sales			No
All figures in £ millions	**2021**	2020	2019	**202**
	355	319	385	**5**
ıer European countries	**249**	216	244	**1**
	2,182	2,335	2,417	**2,1**
nada	**111**	91	105	**2**
ia Pacific	**359**	251	441	**1**
ıer countries	**172**	185	277	
tal	**3,428**	3,397	3,869	**3,2**

Sales are allocated based on the country in which the customer is located. This does not differ materially from the location where the order is received. The geographical split of non-current assets is based on the subsidiary's country of domicile. This is not materially different to the location of the assets. Non-current assets comprise property, plant and equipment, intangible assets, investments in joint ventures and associates and trade and other receivables.

Notes to the consolidated financial statements

3. Revenue from contracts with customers

The following tables analyse the Group's revenue streams. Courseware includes curriculum materials provided in book form and/or via access

to digital content. Assessments includes integrated test development, processing and scoring services provided to governments, educational institutions, corporations and professional bodies. Services includes the operation of schools, colleges and universities, including sistemas in Brazil, as well as the provision of online learning services in partnership with universities and other academic institutions. Comparative figures for 2020 and 2019 have been restated to reflect the new segments.

The Group derived revenue from the transfer of goods and services over time and at a point in time in the following major product lines:

	2021				
All figures in £ millions	**Assessment & Qualifications**	**Virtual Learning**	**English Language Learning**	**Workforce Skills**	**Higher Education**
urseware					
ɔducts transferred at a point in time	**44**	**—**	**109**	**—**	**283**
ɔducts and services transferred over time	**14**	**—**	**26**	**—**	**558**
	58	**—**	**135**	**—**	**841**
sessments					
ɔducts transferred at a point in time	**173**	**—**	**6**	**16**	**—**
ɔducts and services transferred over time	**973**	**—**	**72**	**119**	**—**

	1,146	**—**	**78**	**135**	**—**
rvices					
ducts transferred at a point in time	**—**	**—**	**22**	**—**	**—**
ducts and services transferred over time	**—**	**713**	**3**	**37**	**8**
	—	**713**	**25**	**37**	**8**
tal	**1,204**	**713**	**238**	**172**	**849**

	2020				
All figures in £ millions	Assessment & Qualifications	Virtual Learning	English Language Learning	Workforce Skills	Higher Education
urseware					
ducts transferred at a point in time	43	—	106	—	313
ducts and services transferred over time	14	—	24	—	630
	57	—	130	—	943
sessments					
ducts transferred at a point in time	138	—	3	7	—
ducts and services transferred over time	887	—	61	123	—
	1,025	—	64	130	—
rvices					
ducts transferred at a point in time	—	—	22	—	—
ducts and services transferred over time	—	692	2	33	13
	—	692	24	33	13
tal	1,082	692	218	163	956

Notes to the consolidated financial statements
3. Revenue from contracts with customers continued

	2019				
All figures in £ millions	Assessment & Qualifications	Virtual Learning	English Language Learning	Workforce Skills	Higher Education
urseware					
ducts transferred at a point in time	50	—	152	—	492
ducts and services transferred over time	14	—	22	—	594
	64	—	174	—	1,086
sessments					
ducts transferred at a point in time	162	—	4	8	—
ducts and services transferred over time	1,054	—	91	145	—
	1,216	—	95	153	—
rvices					
ducts transferred at a point in time	—	—	48	—	—
ducts and services transferred over time	—	584	3	32	16
	—	584	51	32	16
tal	1,280	584	320	185	1,102

a. Nature of goods and services

The following is a description of the nature of the Group’s performance obligations within contracts with customers broken down by revenue stream, along with significant judgements and estimates made within each of those revenue streams.

Courseware

Key areas of estimation

– The level of provisions required for anticipated returns is estimated based on historical experience, customer buying patterns and retailer behaviours including stock levels.

Revenue is generated from customers through the sales of print and digital courseware materials to schools, bookstores and direct to individual learners. Goods and services may be sold separately or purchased together in bundled packages. The goods and services included in bundled arrangements are considered distinct performance obligations, except for where Pearson provides both a licence of intellectual property and an ongoing hosting service. As the licence of intellectual property is only available with the concurrent hosting service, the licence is not treated as a distinct performance obligation separate from the hosting service.

The transaction price is allocated between distinct performance obligations on the basis of their relative standalone selling prices.

In determining the transaction price, variable consideration exists in the form of discounts and anticipated returns. Discounts reduce the transaction price on a given transaction. A provision for anticipated returns is made based primarily on historical return rates, customer buying patterns and retailer behaviours including stock levels (see note 24). If these estimates do not reflect actual returns in future periods then revenues could be understated or overstated for a particular period. Variable consideration as described above is determined using the expected value approach. The sales return liability at the end of 2021 was £83m (2020: £86m; 2019: £122m) (see note 24). This represents 13% of courseware sales transferred at a point in time.

While payment for these goods and services generally occurs at the start of these arrangements, the length of time between payment and delivery of the performance obligations is generally short-term in nature or the reason

Notes to the consolidated financial statements

3. Revenue from contracts with customers continued

Courseware continued

for early payment relates to reasons other than financing, including customers securing a vendor in a longer-term arrangement or the transfer of goods or services is at the discretion of the customer. For these reasons and the use of the practical expedient on short-term financing, significant financing components are not recognised within Courseware transactions.

Revenue from the sale of physical books is recognised at a point in time when control passes. This is generally at the point of shipment when title passes to the customer, when the Group has a present right to payment and the significant risks and rewards of ownership have passed to the customer. Revenue from physical books sold through the direct print rental method is recognised over the rental period, as the customer is simultaneously receiving and consuming the benefits of this rental service through the passage of time.

Revenue from the sale of digital courseware products is recognised on a straight-line basis over the subscription period, unless hosted by a third-party or representative of a downloadable product, in which case Pearson has no ongoing obligation and recognises revenue when control transfers as the customer is granted access to the digital product.

Revenue from the sale of ‘off-the-shelf’ software is recognised on delivery or on installation of the software where that is a condition of the contract. In certain circumstances, where installation is complex, revenue is recognised when the customer has completed their acceptance procedures.

Assessments

Revenue is primarily generated from multi-year contractual arrangements related to large-scale assessment delivery, such as contracts to process qualifying tests for individual professions and government departments, and is recognised as performance occurs. Under these arrangements, while the agreement spans multiple years, the contract duration has been determined to be each testing cycle based on contract structure, including clauses regarding termination.

While in some cases the customer may have the ability to terminate during the term for convenience, significant financial or qualitative barriers exist limiting the potential for such terminations in the middle of a testing cycle. Within each testing cycle, a variety of service activities are performed such as test administration, delivery, scoring, reporting, item development, operational services and programme management. These services are not treated as distinct in the context of the customer contract as Pearson provides an integrated managed service offering and these activities are accounted for together as one comprehensive performance obligation.

Within each testing cycle, the transaction price may contain both fixed and variable amounts. Variable consideration within these transactions primarily relates to expected testing volumes to be delivered in the cycle. The assumptions, risks and uncertainties inherent to long-term contract accounting can affect the amounts and timing of revenue and related expenses reported. Variable consideration is measured using the expected value method, except where amounts are contingent upon a future event's occurrence, such as performance bonuses. Such event-driven contingency payments are measured using the most likely amount approach. In estimating and constraining variable consideration, historical experience, current trends and local market conditions are considered. To the extent that a higher degree of uncertainty exists regarding variable consideration, these amounts are excluded from the transaction price and recognised when the uncertainty is reasonably removed.

Customer payments are generally defined in the contract through a payment schedule, which may require customer acceptance for services rendered. Pearson has a history of providing satisfactory services which are

accepted by the customer. While a delay between rendering of services and payment may exist, payment terms are within 12 months and the Group has elected to use the practical expedient available in IFRS 15 'Revenue from Contracts with Customers' and not identify a significant financing component on these transactions.

Revenue is recognised for Assessment contracts over time as the customer is benefiting as performance takes place through a continuous transfer of control to the customer. This continuous transfer of control to the customer is supported by clauses in the contracts which may allow the customer to terminate for convenience, compensate us for work performed to date, and take possession of work in process.

As control transfers over time, revenue is recognised based on the extent of progress towards completion of the performance obligation. The selection of the method to measure progress towards completion requires judgement and is based on the nature of the services provided. Revenue is recognised on a percentage of costs basis, calculated using the proportion of the total estimated costs incurred to date. From 2021, the proportion of estimated costs incurred to date is primarily based on historical cost analysis for similar groups of contracts, with regular true-ups to contract costs throughout the contract period. Previously, the proportion of estimated costs incurred to date was based on individual contract analysis. The change in input methodology has not resulted in a material impact on revenue recognition. Percentage of completion is used to recognise the transfer of control of services provided as these services are not provided evenly throughout the testing cycle and involve varying degrees of effort during the contract term.

Losses on contracts are recognised in the period in which the loss first becomes foreseeable. Contract losses are determined to be the amount by which estimated total costs of the contract exceed the estimated total revenues that will be generated.

In Assessments contracts driven primarily by transactions directly to end users, Pearson's main obligation to the customer involves test delivery and scoring. Test delivery and scoring are defined as a single performance obligation delivered over time whether the test is subsequently manually scored or digitally scored on the day of the assessment. Customers may also purchase print and digital supplemental materials. Print products in this revenue stream are recognised at a point in time when control passes to the customer upon shipment. Recognition of digital revenue will occur based on the extent of Pearson's ongoing hosting obligation.

Services

Revenue is primarily generated from multi-year contractual arrangements related to large-scale educational service delivery to academic institutions, such as schools and higher education universities. Under these arrangements, while an agreement may span multiple years, the contract duration has been determined to be each academic period based on the structure of contracts, including clauses regarding termination. While in some cases the customer may have the ability to terminate during the term for convenience, significant financial or qualitative barriers exist limiting the potential for such terminations in the middle of an academic period. The academic period for this customer base is normally an academic year for schools and a semester for higher education universities.

Within each academic period, a variety of services are provided such as programme development, student acquisition, education technology and student support services. These services are not distinct in the context of the customer contract as Pearson provides an integrated managed service offering and these activities are accounted for together as a comprehensive performance obligation.

Where Services are provided to university customers, volume and transaction price are fixed at the start of the semester. Where Services are provided to school customers, the transaction price may contain both fixed and

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variable amounts which require estimation during the academic period. Estimation is required where consideration is based upon average enrolments or other metrics which are not known at the start of the academic year. Variable consideration is measured using the expected value method. Historical experience, current trends, local circumstances and customer-specific funding formulas are considered in estimating and constraining variable consideration. To the extent that a higher degree of uncertainty exists regarding variable consideration, these amounts are excluded from the transaction price and recognised when the uncertainty is reasonably removed.

Customer payments are generally defined in the contract as occurring shortly after invoicing. Where there is a longer payment term offered to a customer through a payment schedule, payment terms are within 12 months and the Group has elected to use the practical expedient available in IFRS 15 and not identify a significant financing component on these transactions.

Revenue is recognised for Service contracts over time as the customer is benefiting as performance takes place through a continuous transfer of control to the customer. This continuous transfer of control to the customer is supported by clauses in the contracts which may allow the customer to terminate for convenience, compensate for work performed to date, and take possession of work in process.

As control transfers over time, revenue is recognised based on the extent of progress towards completion of the performance obligation. The selection of the method to measure progress towards completion requires judgement and is based on the nature of the products or services provided. Within the comprehensive service obligation, the timing of services occurs relatively evenly over each academic period and, as such, time elapsed is used to recognise the transfer of control to the customer on a straight-line basis.

Losses on contracts are recognised in the period in which the loss first becomes foreseeable. Contract losses are determined to be the amount by which estimated total costs of the contract exceed the estimated total revenues that will be generated.

In cases of optional or add-on purchases, institutions may purchase physical goods priced at their standalone value, which are accounted for separately and recognised at the point in time when control passes to the customer upon shipment.

b. Disaggregation of revenue

The tables in notes 2 and 3 show revenue from contracts with customers disaggregated by operating segment, geography and revenue stream. These disaggregation categories are appropriate as they represent the key groupings used in managing and evaluating underlying performance of each of the businesses. The categories also reflect groups of similar types of transactional characteristics, among similar customers, with similar accounting conclusions.

c. Contract balances

Transactions within the Courseware revenue stream generally entail customer billings at or near the contract's inception and accordingly Courseware deferred income balances are primarily related to subscription performance obligations to be delivered over time.

Transactions within the Assessments and Services revenue streams generally entail customer billings over time based on periodic intervals, progress towards milestones or enrolment census dates. As the performance

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Notes to the consolidated financial statements

3. Revenue from contracts with customers continued

c. Contract balances continued

obligations within these arrangements are delivered over time, the extent of accrued income or deferred income will ultimately depend upon the difference between revenue recognised and billings to date.

Refer to note 22 for opening and closing balances of accrued income. Refer to note 24 for opening and closing balances of deferred income. Revenue recognised during the period from changes in deferred income was driven primarily by the release of revenue over time from digital subscriptions.

d. Contract costs

The Group capitalises incremental costs to obtain contracts with customers where it is expected these costs will be recoverable. Incremental costs to obtain contracts with customers are considered those which would not have been incurred if the contract had not been obtained. For the Group, these costs relate primarily to sales commissions. The Group has elected to use the practical expedient as allowable by IFRS 15 whereby such costs will be expensed as incurred where the expected amortisation period is one year or less. Where the amortisation period is greater than one year, these costs are amortised over the contract term on a systematic basis consistent with the transfer of the underlying goods and services within the contract to which these costs relate, which will generally be on a rateable basis.

The Group does not recognise any material costs to fulfil contracts with customers as these types of activities are governed by other accounting standards.

There were no deferred contract costs in 2021 or 2020.

e. Remaining transaction price

The below table depicts the remaining transaction price on unsatisfied or partially unsatisfied performance obligations from contracts with customers.

	2021				
All figures in £ millions	**Sales**	**Deferred income**	**Committed sales**	**Total remaining transaction price**	**2022**
urseware					
ducts transferred at a point in time	**634**	**1**	**—**	**1**	**1**
ducts and services transferred over time	**631**	**93**	**—**	**93**	**60**
sessments					
ducts transferred at a point in time	**195**	**—**	**—**	**—**	**—**
ducts and services transferred over time	**1,164**	**255**	**442**	**697**	**503**
vices					
ducts transferred at a point in time	**36**	**—**	**—**	**—**	**—**
ducts and services transferred over time – subscriptions	**290**	**13**	**10**	**23**	**23**
ducts and services transferred over time – other ongoing performance obligations	**478**	**24**	**220**	**244**	**244**
tal	**3,428**	**386**	**672**	**1,058**	**831**

Notes to the consolidated financial statements

3. Revenue from contracts with customers continued
e. Remaining transaction price continued

	2020				
All figures in £ millions	Sales	Deferred income	Committed sales	Total remaining transaction price	2021
urseware					
ducts transferred at a point in time	670	—	—	—	—
ducts and services transferred over time	696	105	14	119	84
sessments					
ducts transferred at a point in time	148	1	—	1	1
ducts and services transferred over time	1,071	217	413	630	426
vices					
ducts transferred at a point in time	44	—	—	—	—
ducts and services transferred over time – subscriptions	323	18	10	28	27
ducts and services transferred over time – other ongoing performance obligations	445	18	195	213	213
tal	3,397	359	632	991	751

	2019				
All figures in £ millions	Sales	Deferred income	Committed sales	Total remaining transaction price	2020
urseware					
ducts transferred at a point in time	954	2	—	2	2
ducts and services transferred over time	696	118	—	118	82
sessments					
ducts transferred at a point in time	174	—	—	—	—
ducts and services transferred over time	1,290	206	375	581	433
vices					
ducts transferred at a point in time	86	2	—	2	2
ducts and services transferred over time – subscriptions	310	11	—	11	11
ducts and services transferred over time – other ongoing performance obligations	359	21	106	127	126
tal	3,869	360	481	841	656

Committed sales amounts are equal to the transaction price from contracts with customers, excluding those amounts previously recognised as revenue and amounts currently recognised in deferred income. The total of committed sales and deferred income is equal to the remaining transaction price. Time bands stated above represent the expected timing of when the remaining transaction price will be recognised as revenue
.

4. Operating expenses

All figures in £ millions	**2021**	2020	2019
function:			
st of goods sold	**1,747**	1,767	1,858
erating expenses			
stribution costs	**62**	59	73
ling, marketing and product development costs	**521**	572	631
ministrative and other expenses	**802**	816	999

structuring costs	**214**	—	157
er income	**(37)**	(45)	(54)
tal net operating expenses	**1,562**	1,402	1,806
er net gains and losses	**(63)**	(178)	(16)
tal	**3,246**	2,991	3,648

Other income includes fr
e
ight income and sublet income
.

In 2019, other income included service fee income from the Group's then associate Penguin Random House of £4m. Included in administrative and other expenses are research and efficacy costs of £12m (2020: £11m; 2019: £13m). Other net gains and losses in 2021 largely relate to the sale of interests in PIHE in South Africa and the school business in Brazil. In 2020, other net gains and losses largely relate to the sale of the remaining interest in Pearson Random House (£180m gain). In 2019, other net gains and losses largely relate to the sale of the US K-12 business
.

In March 2021, the Group announced a major restructuring programme to run in 2021, principally comprising the reorganisation of the Group into five global business divisions and the simplification of the Group's property portfolio. In May 2017, the Group announced a major restructuring programme to run between 2017 and 2019 to drive further significant cost savings. An analysis of major restructuring costs is as follows:

All figures in £ millions	**2021**	2020	2019
nature:			
duct costs	**19**	—	16
ployee costs	**32**	—	90
pairment of -current sets	**145**	—	14
perty and facilities	**11**	—	12
chnology and communications	**3**	—	2
fessional and outsourced services	**4**	—	17
neral and administrative costs	**—**	—	6
tal restructuring – operating expenses	**214**	—	**157**
are of associate restructuring	—	—	2
tal	**214**	**—**	**159**

Notes to the consolidated financial statements
4. Operating expenses continued

All figures in £ millions	Notes	**2021**	2020	2019
nature:				
yalties expensed		**185**	191	242
er product costs		**353**	349	466
ployee benefit expense	5	**1,365**	1,337	1,452
ntract labour		**69**	67	139
ployee-related expense		**21**	30	94
motional costs		**239**	233	254
preciation and impairment of property, plant and equipment	10	**241**	125	123
ortisation and impairment of intangible assets – product development	20	**279**	280	271
ortisation and impairment of intangible assets – software	11	**117**	112	115

ıortisation and impairment of intangible assets – other	11	**50**	80	151
ɔperty and facilities		**124**	85	96
chnology and communications		**215**	216	196
ɔfessional and outsourced services		**477**	498	480
ıer general and administrative costs		**58**	71	104
sts capitalised		**(447)**	(460)	(465)
ıer net gains and losses		**(63)**	(178)	(16)
ıer income		**(37)**	(45)	(54)
tal		**3,246**	2,991	3,648

During the year the Group obtained the following services from the Group’s auditors, PwC:

All figures in £ millions	**2021**	2020	2019
e audit of parent company and consolidated financial statements	**5**	5	5
e audit of the company’s subsidiaries	**2**	2	2
tal audit fees	**7**	7	7
dit-related and other assurance services	**—**	—	—
ıer ı-audit rvices	**—**	—	—
tal other services	**—**	—	—
tal ı-audit rvices	**—**	—	—
tal	**7**	7	7

Reconciliation between audit and non-audit service fees is shown below:

All figures in £ millions	**2021**	2020	2019
ɔup audit fees including fees for attestation under section 404 of the Sarbanes-Oxley Act	**7**	7	7
n-audit ɜs	**—**	—	—
tal	**7**	7	7

Notes to the consolidated financial statements

4. Operating expenses continued

Fees for attestation under section 404 of the Sarbanes-Oxley Act are allocated between fees payable for the audits of consolidated and subsidiary accounts. Included in Group audit fees for 2020 are additional fees in relation to prior year audit work.

5. Employee information

All figures in £ millions	Notes	**2021**	2020	2019
ıployee benefit expense				
ıges and salaries (including termination costs)		**1,180**	1,152	1,258
cial security costs		**95**	96	100
ıre-based payment costs	26	**28**	29	25
tirement benefits – defined contribution plans	25	**37**	47	57
tirement benefits – defined benefit plans	25	**25**	13	13

ıer post-retirement medical benefits	25	**—**	—	(1)
tal		**1,365**	1,337	1,452

The details of the emoluments of the Directors of Pearson plc are shown in the report on Directors' remuneration.

Average number employed	**2021**	2020	2019
ıployee numbers			
	3,395	3,304	3,309
ıer European countries	**878**	886	927
	11,757	11,432	12,286
nada	**593**	648	694
ia Pacific	**2,738**	2,812	2,800
ıer countries	**1,383**	2,109	2,227
tal	**20,744**	21,191	22,243

2020 and 2019 employee numbers have been restated to be on a comparable basis to the current year.

Notes to the consolidated financial statements

6. Net finance costs

All figures in £ millions	Notes	**2021**	2020	2019
erest payable on financial liabilities at amortised cost and associated derivatives		**(41)**	(38)	(22)
erest on lease liabilities		**(27)**	(41)	(45)
t foreign exchange losses		**—**	(6)	(5)
rivatives not in a hedge relationship		**—**	(22)	(12)
ıance costs		**(68)**	(107)	(84)
erest receivable on financial assets at amortised cost		**5**	9	15
erest on lease receivables		**6**	9	11
t finance income in respect of retirement benefits	25	**4**	6	13
ır value remeasurement of disposal proceeds		**6**	26	—
t foreign exchange gains		**1**	—	—
rivatives not in a hedge relationship		**20**	—	2
ıance income		**42**	50	41
t finance costs		**(26)**	(57)	(43)

Net movement in the fair value of hedges is further explained in note 16. Derivatives not in a hedge relationship include fair value movements in the interest rate and cross-currency interest rate swaps.

7. Income tax

All figures in £ millions	Notes	**2021**	2020	2019
ırrent tax				
arge in respect of current year		**(96)**	(18)	(51)
justments in respect of prior years		**(12)**	4	21
tal current tax charge		**(108)**	(14)	(30)
ferred tax				
respect of temporary differences		**98**	(28)	59
ıer adjustments in respect of prior years		**13**	(2)	5
tal deferred tax credit/(charge)	13	**111**	(30)	64
tal tax credit/(charge)		**3**	(44)	34

Table of Contents

Notes to the consolidated financial statements
7. Income tax continued

The adjustments in respect of prior years in 2021 2020 and 2019 primarily arise from revising the previous year's reported tax provision to reflect the tax returns subsequently filed. This results in a change between deferred and current tax as well as an absolute benefit to the total tax charge

.

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the UK tax rate as follows:

All figures in £ millions	**2021**	2020	2019
fit before tax	**157**	354	232
x calculated at UK rate (2021: 19%, 2020: 19%: 2019: 19%)	**(30)**	(67)	(44)
ect of overseas tax rates	**(23)**	(6)	(2)
ect of UK rate change	**25**	(5)	—
nt venture and associate income reported net of tax	**—**	1	10
ra-group financing benefit	**7**	14	11
vement in provisions for tax uncertainties	**—**	24	3
t expense not subject to tax	**(9)**	(7)	(10)
ins and losses on sale of businesses not subject to tax	**4**	21	57
recognised tax losses	**6**	(21)	(17)
nefit from changes in local tax law	**11**	—	—
nefit from US accounting method changes	**11**	—	—
justments in respect of prior years	**1**	2	26
tal tax credit/(charge)	**3**	(44)	34
	27	23	(12)
erseas	**(24)**	(67)	46
tal tax credit/(charge)	**3**	(44)	34
x rate reflected in earnings	**(1.8)%**	12.5%	(14.7)%

Key judgements

– The application of tax legislation in relation to provisions for uncertain tax positions.

Key areas of estimation

– The level of provisions required in relation to uncertain tax positions is complex and each matter is separately assessed. The estimation of future settlement amounts is based on a number of factors including the status of the unresolved matter, clarity of legislation, range of possible outcomes and the statute of limitations.

Included in net expense not subject to tax are foreign taxes not creditable, the tax impact of share-based payments and other expenses not deductible.

Factors which may affect future tax charges in tax legislation, transfer pricing regulations, the level and mix of profitability in different countries, and settlements with tax authorities.

The movement in provisions for tax uncertainties primarily reflects releases due to the expiry of relevant statutes of limitation, settlement of certain audits and the establishment of provisions for new uncertain tax positions. The current tax liability of £125m (2020: £84m; 2019: £55m) includes £104m (2020: £104m; 2019: £152m) of provisions for tax uncertainties principally in respect of several matters in the US, the UK and China. The matters provided for include the allocation between territories of proceeds of historical business disposals and the potential disallowance of intra-group recharges.

The Group is currently under audit in several countries, and the timing of any resolution of these audits is uncertain. Of the balance of £104m, £80m relates to 2017 and earlier. In most countries, tax years up to and

Table of Contents

Notes to the consolidated financial statements

7. Income tax continued

including

2017 are now statute barred from examination by tax authorities. Of the remaining balance, £ 3 m relates to 2018 , £ 13 m to 2019 , £ 6 m to 2020 and £ 2 m to 2021 . If relevant enquiry windows pass with no audit, management believes it is reasonably possible that provision levels will reduce by an estimated £ 70 m within the next 12 months. However, the tax authorities any take a different view from management and the final liability may be greater than provided.

Contingent liabilities relating to tax are disclosed in note 34.

The tax benefit/(charge) recognised in other comprehensive income is as follows:

All figures in £ millions	**2021**	2020	2019
t exchange differences on translation of foreign operations	**10**	(13)	5
r value gain on other financial assets	**(3)**	(6)	(4)
measurement of retirement benefit obligations	**(61)**	2	22
	(54)	(17)	23

8. Earnings per share

Basic

Basic earnings per share is calculated by dividing the profit or loss attributable to equity shareholders of the company (earnings) by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by the company and held as treasury shares.

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares to take account of all dilutive potential ordinary shares and adjusting the profit attributable, if applicable, to account for any tax consequences that might arise from conversion of those shares. A dilution is not calculated for a loss.

All figures in £ millions	**2021**
rnings for the year	**160**

n-controlling :erest	**(1)**
rnings attributable to equity shareholders	**159**
ːighted average number of shares (millions)	**754.1**
̃ect of dilutive shares options (millions)	**5.0**
ːighted average number of shares (millions) for diluted earnings	**759.1**
rnings per share (in pence per share)	
sic	**21.1p**
ːuted	**20.9p**

9. Dividends

All figures in £ millions	**2021**	2020	2019
ıal paid in respect of prior year 13.5p (2020: 13.5p; 2019: 13.5p)	**102**	101	101
erim paid in respect of current year 6.3p (2020: 6.0p; 2019: 6.0p)	**47**	45	46
	149	146	147

The Directors are proposing a final dividend in respect of the financial year ended 31 December 2021 of 14.2p per equity shares which will absorb an estimated £107m of shareholders' funds. It will be paid on 6 May 2022 to shareholders who are on the register of members on 25 March 2022. These financial statements do not reflect this dividend.

10. Property, plant and equipment

	Right-of-use assets		Owned assets		
All figures in £ millions	Land and buildings	Plant and equipment	Land and buildings	Plant and equipment	Asse the cou constru
st					
1 January 2020	460	23	300	325	
change differences	(11)	(2)	(7)	(11)	
ditions	62	—	7	5	
sposals and retirements	(13)	(9)	(23)	(29)	
classifications and transfers	—	—	20	21	
ınsfer to assets classified as held for sale	(59)	—	(1)	(3)	
31 December 2020	439	12	296	308	
change differences	**—**	**—**	**2**	**(3)**	
ditions	**32**	**—**	**8**	**17**	
sposals and retirements	**(6)**	**(7)**	**(100)**	**(72)**	
classifications and transfers	**—**	**—**	**35**	**—**	
ınsfer to assets classified as held for sale	**—**	**—**	**(15)**	**—**	
31 December 2021	**465**	**5**	**226**	**250**	

10. Property, plant and equipment continued

	Right-of-use assets		Owned assets		
All figures in £ millions	Land and buildings	Plant and equipment	Land and buildings	Plant and equipment	As the c cons
preciation and impairment					
1 January 2020	(58)	(16)	(200)	(252)	
change differences	2	1	6	9	
arge for the year	(65)	(3)	(25)	(32)	
sposals and retirements	1	9	22	29	
classifications and transfers	—	—	(2)	2	
pairment of assets to be classified as held for sale	(4)	—	—	—	
insfer to assets classified as held for sale	14	—	—	1	
31 December 2020	(110)	(9)	(199)	(243)	
change differences	**(1)**	**1**	**(1)**	**1**	
arge for the year	**(46)**	**(3)**	**(16)**	**(30)**	
sposals and retirements	**7**	**6**	**99**	**71**	
classifications and transfers	**—**	**—**	**(5)**	**7**	
pairment	**(119)**	**—**	**(22)**	**(5)**	
insfer to assets classified as held for sale	**—**	**—**	**8**	**—**	
31 December 2021	**(269)**	**(5)**	**(136)**	**(199)**	
rrying amounts					
1 January 2020	402	7	100	73	
31 December 2020	329	3	97	65	
31 December 2021	**196**	**—**	**90**	**51**	

Key areas of estimation – The recoverability of right-of-use assets and in particular assumptions related to the ability to sublease vacant leased assets in the future.

Depreciation expense of £40m (2020: £44m) has been included in the income statement in cost of goods sold and £55m (2020: £81m) in operating expenses. The impairment charge of £146m (2020: £nil) has been included within operating expenses within the income statement.

Property, plant and equipment assets are assessed for impairment triggers annually or when triggering events occur. In 2021, as part of a major restructuring programme, the Group simplified its property portfolio, reducing the overall office space required. All property related assets were assessed for impairment as a result of this triggering event and impairment charges of £141m have been recognised within costs of major restructuring (see note 4 for details). The recoverability of certain of the Group's right-of-use assets is now based on the Group's ability to sublease vacant space.

This involves the use of assumptions related to future subleases including the achievable rent, lease start dates, lease incentives such as rent free periods and the discount rate applied. Should the future sublease outcomes be more or less favourable than the assumptions used by management this could result in additional impairment charges or reversals of impairment charges.

Table of Contents

10. Property, plant and equipment continued

Where there is vacant space in the

right-of-use-assets, the Group estimates that a 1% increase/decrease in the discount rate used would reduce/increase the recoverable value of the right-of-use assets by £10m. In addition, the Group estimates that a three month reduction/increase in the net sublet income (which could arise from changes to the achievable rent, lease incentives or sublet start dates) would reduce/increase the recoverable value of the right-of-use assets by £6m.

11. Intangible assets

All figures in £ millions	Goodwill	Software	Acquired customer lists, contracts and relationships	Acquired trademarks and brands	Acquired publishing rights	Ot intan acq
st						
1 January 2020	2,139	1,039	793	238	179	
change differences	(45)	(24)	(25)	(19)	(2)	
ditions – internal development	—	80	—	—	—	
ditions – purchased	—	1	—	—	—	
sposals and retirements	—	(6)	(17)	(21)	(80)	
ansfers	—	14	—	—	—	
31 December 2020	**2,094**	**1,104**	**751**	**198**	**97**	
change differences	**8**	**5**	**4**	**(2)**	**—**	
ditions – internal development	**—**	**110**	**—**	**—**	**—**	
ditions – purchased	**—**	**2**	**—**	**—**	**—**	
sposals and retirements	**—**	**(135)**	**—**	**(25)**	**—**	
quisition of subsidiary	**43**	**—**	**—**	**—**	**—**	
sposal of subsidiary	**—**	**—**	**(14)**	**(3)**	**—**	
ansfers	**—**	**1**	**—**	**—**	**—**	
31 December 2021	**2,145**	**1,087**	**741**	**168**	**97**	

11. Intangible assets continued

All figures in £ millions	Goodwill	Software	Acquired customer lists, contracts and relationships	Acquired trademarks and brands	Acquired publishing rights	Oth intang acqu
ortisation and impairment						
1 January 2020	—	(588)	(588)	(178)	(176)	(
change differences	—	18	23	13	2	
arge for the year	—	(112)	(44)	(14)	(2)	
pairment charge	—	—	(2)	—	—	
sposals	—	6	17	21	81	
31 December 2020	**—**	**(676)**	**(594)**	**(158)**	**(95)**	**(**
change differences	**—**	**(5)**	**(4)**	**1**	**(1)**	
arge for the year	**—**	**(113)**	**(34)**	**(8)**	**—**	
pairment charge	**—**	**(4)**	**—**	**—**	**—**	
sposals and retirements	**—**	**135**	**—**	**25**	**—**	
sposal of subsidiary	**—**	**—**	**12**	**2**	**—**	

nsfers	—	**6**	—	—	—
31 December 2021	—	**(657)**	**(620)**	**(138)**	**(96)**
rrying amounts					
1 January 2020	2,139	451	205	60	3
31 December 2020	2,094	428	157	40	2
31 December 2021	**2,145**	**430**	**121**	**30**	**1**

Goodwill

The goodwill carrying value of £2,145m (2020: £2,094m) relates to acquisitions completed after 1 January 1998. Prior to 1 January 1998, all goodwill was written off to reserves on the date of acquisition. For acquisitions completed between 1 January 1998 and 31 December 2002, no value was ascribed to intangibles other than goodwill which was amortised over a period of up to 20 years. On adoption of IFRS on 1 January 2003, the Group chose not to restate the goodwill balance and at that date the balance was frozen (i.e. amortisation ceased). If goodwill had been restated, then a significant value would have been ascribed to other intangible assets, which would be subject to amortisation, and the carrying value of goodwill would be significantly lower. For acquisitions completed after 1 January 2003, value has been ascribed to other intangible assets which are amortised.

Software and acquired intangible assets

Acquired intangible assets are valued separately for each acquisition and the primary method of valuation used is the discounted cash flow method. The majority of acquired intangibles are amortised using an amortisation profile based on the projected cash flows underlying the acquisition date valuation of the intangible asset, which generally results in a larger proportion of amortisation being recognised in the early years of the asset's life. The Group keeps the expected pattern of consumption under review. Other intangibles acquired includes technology.

Amortisation of £25m (2020: £22m) is included in the income statement in cost of goods sold and £138m (2020: £158m) in operating expenses. Impairment charges of £4m (2020: £12m) are included in operating expenses within the income statement, of which £4m (2020: £nil) relates to software, £nil (2020: £2m) relates to customer lists, contracts and relationships, and £nil (2020: £10m) to other intangibles acquired.

Notes to the consolidated financial statements
11. Intangible assets continued
Software and acquired intangible assets continued

The range of useful economic lives for each major class of intangible asset (excluding goodwill and software) is shown below:

	2021 Useful economic life
ass of intangible asset	
quired customer lists, contracts and relationships	**3-20 years**
quired trademarks and brands	**2-20 years**
quired publishing rights	**5-20 years**
er intangibles acquired	**2-20 years**

The expected amortisation profile of acquired intangible assets is shown below:

All figures in £ millions	2021 One to five years	 Six to ten years	 Total
ass of intangible asset			
quired customer lists, contracts and relationships	**92**	**29**	**121**
quired trademarks and brands	**24**	**6**	**30**
quired publishing rights	**1**	—	**1**

er intangibles acquired	**27**	**15**	**42**

Impairment tests for cash-generating units (CGUs) containing goodwill

Impairment tests have been carried out where appropriate as described below. Goodwill was allocated to CGUs, or an aggregation of CGUs, where goodwill could not be reasonably allocated to individual business units. CGUs have been revised in 2021. Impairment reviews were conducted on these revised CGUs as summarised below:

2021 CGUs

All figures in £ millions	**2021 Goodwill**
sessment & Qualifications	**1,198**
tual Learning	**395**
glish Language Learning	**153**
rkforce Skills	**223**
her Education	**68**
ategic Review (includes the separate CGUs of China, India, South Africa, Canada and Other Strategic Review)	**108**
tal	**2,145**

Notes to the consolidated financial statements
11. Intangible assets continued

2020 CGUs

All figures in £ millions	2020 Goodwill
rth American Courseware	—
M	18
tual Schools	374
sessments	1,002
ernational (includes the separate CGUs of Brazil, China, India and South Africa)	700
tal	2,094

Goodwill is tested at least annually for impairment. The recoverable amount of each aggregated CGU is based on the higher of value in use and fair value less costs of disposal. The value in use was higher than the fair value less costs of disposal in each of the CGUs. Other than goodwill there are no intangible assets with indefinite lives. No impairments of goodwill were recorded in 2021 or 2020. In 2020, impairment charges of £12m were recognised in relation to acquired intangibles.

Key judgements

– The allocation of goodwill to the cash-generating units and groups of cash-generating units.

Key areas of estimation

– The recoverability of goodwill balances. Key assumptions used in goodwill impairment testing are discount rates, perpetuity growth rates, forecast sales growth rates and forecast operating profits.

Determination of CGUs and reallocation of goodwill

Pearson identifies its CGUs based on its operating model and how data is collected and reviewed for management reporting and strategic planning purposes in accordance with IAS 36 ‘Impairment of Assets’. In 2021, the CGUs and aggregations of CGUs were revised to take into account the announcement and implementation of a new strategy including five new business divisions and a strategic review division. The newly created CGUs and CGU aggregations reflect the level at which goodwill is monitored by management.

Goodwill has been reallocated to the new CGUs and aggregations of CGUs. The majority of the goodwill balances have been directly mapped from one previous CGU (or CGU aggregation) to one newly created CGU (or CGU aggregation). Where it was not possible to directly map the goodwill it has been reallocated using a relative value method. The key area where the relative value method has been used is for the goodwill related to the previous

International CGU aggregation which has been reallocated across the newly created CGU aggregations where applicable.

Key assumptions

For the purpose of estimating the value in use of the CGUs, management has used an income approach based on present value techniques. The calculations use cash flow projections based on financial budgets approved by management covering a five-year period.

Table of Contents

11. Intangible assets continued

Key assumptions continued

The key assumptions used by management in the value in use calculations were:

Discount rates – The discount rate is based on the risk-free rate for government bonds, adjusted for a risk premium to reflect the increased risk in investing in equities. The risk premium adjustment is assessed for each CGU. Where CGUs cover multiple territories, blended inputs are used. The average pre-tax discount rates range from 8.9% to 17.1% (2020: pre-tax 9.3% to 17.2%). Discount rates are generally lower for those businesses which operate in more mature markets with low inflation and generally higher for those operating in emerging markets with higher inflation.

Perpetuity growth rates – The perpetuity growth rates are based on inflation trends. A perpetuity growth rate of 2% (2020: 2%) was used for cash flows subsequent to the approved budget period for CGUs operating primarily in mature markets. This perpetuity growth rate is a conservative rate and is considered to be lower than the long-term historical growth rates of the underlying territories in which the CGU operates and the long-term growth rate prospects of the sectors in which the CGU operates. CGU growth rates between 2.0% to 5.0% (2020: 2.2% to 4.5%) were used for cash flows subsequent to the approved budget period for CGUs operating in emerging markets with higher inflation. These growth rates are also generally below the long-term historical growth rates in these markets.

The key assumptions used by management in setting the financial budgets were as follows:

Forecast sales growth rates – Forecast sales growth rates are based on past experience adjusted for the strategic direction and near-term investment priorities within each CGU. Key assumptions include continued growth in Virtual Learning, post COVID-19 recovery in Assessment & Qualifications and English Language Learning, growth driven by recent acquisitions in Workforce Skills, and ongoing pressures in Higher Education partially offset by recapture of the secondary market. The sales forecasts use average nominal growth rates of low-mid single digits for mature businesses in mature markets, mid-high single digits for emerging businesses in mature markets, low-high single digits for mature businesses in emerging markets, and low double digits for Workforce Skills where there is significant organic investment and inorganic investment related to the acquisition of Faethm.

Operating profits – Operating profits are forecast based on historical experience of operating margins, adjusted for the impact of changes to product costs, committed restructuring plans, strategic developments and new business cases to the extent they have been formally approved prior to the balance sheet date. Management applies judgement in allocating corporate costs on a reasonable and consistent basis in order to determine operating profit at a CGU level. Forecasts generally assume a return to normality from 2022 onwards following the COVID-19 pandemic. Management have considered the impact of climate change risks (including physical and transition risks and the costs associated with achieving the Group's net zero commitment) and are satisfied that any related costs will not materially impact the Group's profit forecasts or impairment judgements at 31 December 2021.

The table below shows the key assumptions used by management in the value in use calculations.

	Discount rate	Perpetuity growth rate
sessment & Qualifications	**11.2%**	**2.0%**
tual Learning	**10.9%**	**2.0%**
glish Language Learning	**9.1%**	**3.0%**
rkforce Skills	**8.9%**	**2.0%**
her Education	**11.1%**	**2.0%**
ategic Review	**8.9 - 17.1%**	**2.0 - 5.0%**

Table of Contents

Notes to the consolidated financial statements

11. Intangible assets continued

Sensitivities

Impairment testing for the year ended 31 December 2021 has shown none of the CGUs, or groups of CGUs, as being sensitive to reasonably possible changes in key assumptions, including those related to climate change.

The assets held in the Strategic Review CGUs are subject to a possible disposal process. Given the stage of the process the related assets have not been classified as held for sale at 31 December 2021. Valuation estimates obtained as part of this process were used by management to determine a fair value less costs to dispose valuation. This fair value less costs to dispose valuation results in a lower headroom position than the value in use method, however, it does not indicate impairment in any of the Strategic Review CGUs.

12. Investments in joint ventures and associates

The amounts recognised in the balance sheet are as follows:

All figures in £ millions	2021	2020
sociates	**24**	6
tal	**24**	6

The amounts recognised in the income statement are as follows:

All figures in £ millions	2021	2020
sociates	**1**	5
tal	**1**	5

The Group has no material associates or joint ventures.

In 2021, the Group acquired two associates. The largest of these is a 40% interest in the Academy of Pop (AOP) that was entered into on 31 August 2021, and had a year end carrying amount of £10m, of which £7m was still to be paid as at 31 December 2021 (see note 36). AOP is incorporated in Delaware and is a Limited Liability Company. It was set up with XIX Entertainment to create a new entertainment driven performing arts learning platform, which will offer coaching from renowned instructors, with a combination of physical locations and online learning.

The Group's 25% interest in Penguin Random House was disposed of in April 2020 (see note 31). Funds loaned to Penguin Random House were repaid at the point of disposal. Prior to the completion of the sale of Penguin Random House, the Group received dividends of £1m from Penguin Random House.

There were no other material transactions with associates or joint ventures during 2021 or 2020.

13. Deferred income tax

All figures in £ millions	2021	2020

ferred income tax assets	**57**	**32**
ferred income tax liabilities	**(40)**	**(62)**
t deferred income tax asset/(liability)	**17**	**(30)**

Substantially all of the deferred income tax assets are expected to be recovered after more than one year.

Notes to the consolidated financial statements
13. Deferred income tax continued

Deferred income tax assets and liabilities shall be offset when there is a legally enforceable right to offset current income tax assets with current income tax liabilities and where the deferred income taxes relate to the same fiscal authority. At 31 December 2021, the Group has gross tax losses for which no deferred tax asset is recognised of £166m (2020: £166m) in respect of UK losses, £391m (2020: £369m) in respect of US losses and approximately £164m (2020: £300m) in respect of losses in other territories. The UK losses are capital losses which can be carried forward indefinitely. The US losses relate to federal and state taxes. Federal tax losses can be carried forward indefinitely; certain state tax losses may have expiry periods between one and 20 years.

In the UK March Budget 2021, the Government announced that from 1 April 2023 the UK corporation tax rate will increase to 25%, and this was substantively enacted on 24 May 2021. UK deferred tax balances have been remeasured at the enacted rate. The UK corporation tax rate increase has resulted in an increase of £27m in the UK deferred tax liability associated with the UK Group pension plan asset position, which has been recognised in other comprehensive income. The UK corporation tax rate change is beneficial to the Group’s statutory tax rate as it increases the value of certain UK tax attributes of the Group, such as tax losses.

Other gross deductible temporary for which no deferred tax asset is recognised total £22m (2020: £56m). The amount of temporary differences associated with subsidiaries for which no deferred tax has been provided is not material.

Deferred income tax assets of £19m (2020: £20m) have been recognised in countries that reported a tax loss in either the current or preceding year. This primarily arises in Brazil in respect of tax deductible goodwill and tax losses. It is considered more likely than not that there will be sufficient future taxable profits to realise these assets.

The recognition of the deferred income tax assets is supported by management’s forecasts of the future profitability of the relevant countries. In some cases deferred income tax assets are forecast to be recovered through taxable profits over a period that exceeds five years. Management consider these forecasts are sufficiently reliable to support the recovery of the assets. Where there are insufficient forecasts of future profits, deferred income tax assets have not been recognised.

The movement in deferred income tax assets and liabilities during the year is as follows:

All figures in £ millions	Trading losses	Accruals and other provisions	Retirement benefit obligations	Deferred revenue	Goodwill and intangibles	Interest limitations
ferred income tax assets/ (liabilities)						
1 January 2020	89	34	(38)	41	(199)	57
change differences	2	(3)	(1)	(2)	2	(4)
ome statement (charge)/benefit	(44)	4	(12)	6	(12)	23
x benefit/(charge) in other comprehensive income	—	—	2	—	—	—
31 December 2020	**47**	**35**	**(49)**	**45**	**(209)**	**76**
change differences	**—**	**(1)**	**—**	**—**	**(2)**	**—**
quisition of subsidiaries	**1**	**—**	**—**	**—**	**4**	**—**
ome statement benefit/(charge)	**34**	**30**	**2**	**7**	**29**	**(21)**
x charge in other comprehensive income	**—**	**—**	**(61)**	**—**	**—**	**—**
31 December 2021	**82**	**64**	**(108)**	**52**	**(178)**	**55**

Notes to the consolidated financial statements
13. Deferred income tax continued

Other deferred income tax items include temporary differences in respect of share-based payments, depreciation and royalty advances.

As at 31 December 2021, no deferred income tax assets or liabilities were classified as held for sale (2020: £nil).

14. Classification of financial instruments

The accounting classification of each class of the Group's financial assets, and their carrying values, is as follows:

		2021					2020		
		Fair value			**Amortised cost**		Fair value		
All figures in £ millions	Notes	**Fair value through other comprehensive income**	**Fair value through profit and loss**	**Fair value – hedging instrument**	**Financial assets**	**Total carrying value**	Fair value through other comprehensive income	Fair value through profit and loss	Fair value – hedging instrument
estments in unlisted securities	15	**113**	**—**	**—**	**—**	**113**	138	—	—
h and cash equivalents	17	**—**	**84**	**—**	**853**	**937**	—	93	—
ivative financial instruments	16	**—**	**—**	**32**	**—**	**32**	—	2	61
de receivables	22	**—**	**—**	**—**	**854**	**854**	—	—	—
estment in finance lease receivable	22	**—**	**—**	**—**	**115**	**115**	—	—	—
er receivable		**—**	**87**	**—**	**—**	**87**	—	96	—
al financial assets		**113**	**171**	**32**	**1,822**	**2,138**	138	191	61

The carrying value of the Group's financial assets is equal to, or approximately equal to, the market value. The other receivable relates to the receivable which arose on the disposal of the US K-12 business and is included in current other receivables in note 22.

The accounting classification of each class of the Group's financial liabilities, together with their carrying values and market values, is as follows:

		2021					2020		
		Fair value		**Amortised cost**			Fair value		Amortised cost
All figures in £ millions	Notes	**Fair value through profit and loss**	**Fair value – hedging instrument**	**Other financial liabilities**	**Total carrying value**	**Total market value**	Fair value through profit and loss	Fair value – hedging instrument	Other financial liabilities
ivative financial instruments	16	**(12)**	**(22)**	**—**	**(34)**	**(34)**	(30)	(22)	—
de payables	24	**—**	**—**	**(351)**	**(351)**	**(351)**	—	—	(340
k loans and overdrafts	18	**—**	**—**	**—**	**—**	**—**	—	—	(3
er borrowings due within one year	18	**—**	**—**	**(155)**	**(155)**	**(155)**	—	—	(251
rowings due after more than one year	18	**—**	**—**	**(1,245)**	**(1,245)**	**(1,276)**	—	—	(1,397
al financial liabilities		**(12)**	**(22)**	**(1,751)**	**(1,785)**	**(1,816)**	(30)	(22)	(1,991

The market value of leases has been stated at book value.

Notes to the consolidated financial statements
14. Classification of financial instruments continued

Fair value measurement

As shown above, the Group’s derivative assets and liabilities, unlisted securities and marketable securities are held at fair value. Financial instruments that are measured subsequently to initial recognition at fair value are grouped into levels 1 to 3, based on the degree to which the fair value is observable, as follows:

Level 1 fair value measurements are those derived from unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 fair value measurements are those derived from inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Group’s bonds valued at £767m (2020: £965m) and money market funds of £84m (2020: £93m) included within cash and cash equivalents are classified as level 1. The Group’s derivative assets valued at £32m (2020: £63m) and derivative liabilities valued at £34m (2020: £52m) are classified as level 2. The Group’s investments in unlisted securities are valued at £113m (2020: £138m) and the other receivable is valued at £87m (2020: £96m); both are classified as level 3.

The following table analyses the movements in level 3 fair value remeasurements:

	2021		
All figures in £ millions	**Other receivable**	**Investments in unlisted securities**	**Total**
beginning of year	**96**	**138**	**234**
change differences	**1**	**1**	**2**
quisition of investments and other receivable	**—**	**4**	**4**
sposal of investments and other payables	**(16)**	**(54)**	**(70)**
r value movements	**6**	**24**	**30**
end of year	**87**	**113**	**200**

The fair value of the investments in unlisted securities is determined by reference to the financial performance of the underlying asset, recent funding rounds and amounts realised on the sale of similar assets.

On initial recognition, the fair value of the other receivable, which arose on the disposal of the US K-12 business, was determined using present value techniques whereby the expected value of future cash flows was discounted using a rate which is representative of the creditworthiness of the US K-12 business. During the year, the Group received £16m as a partial repayment, with the remaining amounts reclassified as a current asset. The receivable was repaid in January 2022 (see note 37).

15. Other financial assets

All figures in £ millions	2021	2020
beginning of year	**138**	122
change differences	**1**	(4)
quisition of investments	**4**	6
sposal of investments	**(54)**	—
r value movements	**24**	14
end of year	**113**	138

Table of Contents

15. Other financial assets continued

Other financial assets are unlisted securities of £113m (2020: £138m) that are classified at fair value through other comprehensive income (FVOCI). The assets, which are not held for trading, relate to the Group’s interests in new and innovative educational ventures across the world. These are strategic investments and the Group considers the classification as FVOCI to be more relevant. None of the investments are individually significant to the financial statements and therefore sensitivities have not been provided.

16. Derivative financial instruments and hedge accounting

The Group's approach to the management of financial risks is set out in note 19. The Group's outstanding derivative financial instruments are as follows:

All figures in £ millions	2021 **Gross notional amounts**	**Assets**	**Liabilities**	202 Gross notional amounts	A
erest rate derivatives – in a fair value hedge relationship	**168**	**5**	**—**	354	
erest rate derivatives – not in a hedge relationship	**217**	**—**	**(9)**	550	
oss-currency rate derivatives – in a hedge relationship	**331**	**24**	**(21)**	516	
derivatives – in a hedge relationship	**237**	**3**	**(1)**	193	
derivatives – not in a hedge relationship	**193**	**—**	**(3)**	361	
tal	**1,146**	**32**	**(34)**	1,974	
alysed as expiring:					
less than one year	**393**	**2**	**(4)**	1,238	
ter than one year and not later than five years	**679**	**30**	**(26)**	663	
ter than five years	**74**	**—**	**(4)**	73	
tal	**1,146**	**32**	**(34)**	1,974	

The Group's treasury policies only allow derivatives to be traded where the objective is risk mitigation. These are then designated for hedge accounting using the following criteria:

- Where interest rate and cross-currency interest rate swaps are used to convert fixed rate debt to floating and we expect to receive the fixed rate debt interest, these are classified as fair value hedges
- Where derivatives are used to create a future foreign currency liability to provide protection against currency movements affectin an overseas investment, these are designated as a net investment hedge
- If the derivative and the underlying hedged exposure would normally be revalued through the income statement and valuation ch expected to be perfectly or near perfectly equal and opposite, these will not be classified in a hedge relationship.

The Group's fixed rate USD debt is held as fixed rate instruments at amortised cost.

At 31 December 2021, £173m of the Group's fixed rate euro debt is converted to a floating rate exposure using interest rate and cross-currency swaps. The Group receives interest under its euro debt related swap contracts to match the interest of 1.375% on its euro 2025 notes and, in turn, pays a floating USD LIBOR+ a spread of 1.36%.

Table of Contents

16. Derivative financial instruments and hedge accounting continued

USD interest rate swaps are subsequently used to fix an element of the interest charge. The all-in rates (including the spread above LIBOR) that the Group pays is circa 3.6%. In addition to this, the Group has executed additional interest rate swaps to offset the floating rate borrowings paying circa 2%. At 31 December 2021, the Group had interest rate swap contracts to fix £217m of debt and a further £590m of outstanding fixed rate bonds, bringing the total fixed rate debt to £807m. These fixed interest rate derivatives are not designated in hedging relationships. Additionally, the Group uses FX derivatives including forwards, collars and cross-currency swaps to create synthetic USD debt as a hedge of its USD assets and to achieve certainty of USD currency conversion rates, in line with the Group's FX hedging policy. Outstanding contracts as at 31 December 2021 were held at an average GBP:USD rate of 1.46. The Group also uses FX derivatives to create synthetic BRL debt as a hedge of BRL assets; these are held at an average GBP:BRL rate of 7.71. These derivatives are in designated net investment hedging relationships. The weighted average rate achieved for the bonds in a net investment hedge relationship was

GBP:USD 1.59 for the USD bonds and EUR:GBP 0.86 for the euro bonds. Outstanding contracts on the cross-currency swaps at 31 December 2021 were held at an average EUR:GBP rate of 0.72. These derivatives are in designated fair value hedging relationships.

The Group's portfolio of rate derivatives is diversified by maturity, counterparty and type. Natural offsets between transaction within the portfolio and the designation of certain derivatives as hedge significantly reduce the risk of income statement volatility. The sensitivity of the portfolio to changes in market rates is set out in note 19.

Fair value hedges

The Group uses interest rate swaps and cross-currency swaps as fair value hedges of the Group's euro issued debt. Interest rate exposure arises from movements in the fair value of the Group's euro debt attributable to movements in euro interest rates. The hedged risk is the change in the euro bonds fair value attributable to interest rate movements. The hedged items are the Group's euro bonds which are issued at a fixed rate. The hedging instruments are fixed to floating euro interest rate swaps where the Group receives fixed interest payments and pays three-month Euribor.

As the critical terms of the interest rate swaps match the bonds, there is an expectation that the value of the hedging instrument and the value of the hedged item will move in the opposite direction as a result of movements in the zero coupon Euribor curve. The hedge ratio is therefore expected to be 100%. Potential sources of hedge ineffectiveness are a reduction or modification in the hedged item or a material change in the credit risk of swap counterparties.

A foreign currency exposure arises from foreign exchange fluctuations on translation of the Group's euro debt into GBP. The hedged risk is the risk of changes in the GBPEUR spot rate that will result in changes in the value of the euro debt when translated into GBP. The hedged items are a portion of the Group's euro bonds. The hedging instruments are floating cross currency swaps which mitigates an exposure to the effect of euro strengthening against GBP within the hedge item.

As the critical terms of the cross-currency swap match the bonds, there is an expectation that the value of the hedging instrument and the value of the hedged item move in the opposite direction as a result of movements in the EUR:GBP exchange rate. The hedge ratio is 100%. Potential source of hedge ineffectiveness are a reduction or modification in the hedge item or a material change in the credit risk of swap counterparties.

Notes to the consolidated financial statements

16. Derivative financial instruments and hedge accounting continued

Fair value hedges continued

The Group held the following instruments to hedge exposures to changes in interest rates and foreign currency risk associated with borrowings:

	2021	
All figures in £ millions	**Carrying amount of hedging instruments**	**Change in fair value of hedging instrument used to determine hedge ineffectiveness**
rivative financial instruments for interest rate risk	**5**	**(5)**
rivative financial instruments for currency risk	**24**	**(20)**

	2020	
All figures in £ millions	**Carrying amount of hedging instruments**	**Change in fair value of hedging instrument used to determine hedge ineffectiveness**
rivative financial instruments for interest rate risk	12	—
rivative financial instruments for currency risk	44	19

The amounts at the reporting date relating to items designated as hedge items were as follows:

All figures in £ millions	2021 Carrying amount of hedged items	Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount	Change in fair value of hedged item used to determine hedge ineffectiveness	Hedge ineffectiveness
erest rate risk				
ancial liabilities – borrowings	**(173)**	**(4)**	**5**	**—**
rrency risk				
ancial liabilities – borrowings	**(173)**	**n/a**	**20**	**—**

All figures in £ millions	2020 Carrying amount of hedged items	Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount	Change in fair value of hedged item used to determine hedge ineffectiveness	Hedge ineffectiveness
erest rate risk				
ancial liabilities – borrowings	(367)	(9)	—	—
rrency risk				
ancial liabilities – borrowings	(367)	n/a	(19)	—

16. Derivative financial instruments and hedge accounting continued

Hedge of net investment in a foreign operation

A foreign currency exposure arises from the translation of the Group’s net investments in its subsidiaries which have USD, EUR and BRL functional currencies. The hedged risk is the risk of changes in the GBPUSD, GBPEUR and GBPBRL spot rates that will result in changes in the value of the Group’s net investment in its USD, EUR and BRL assets when translated into GBP. The hedged items are a portion of the Group’s assets which are denominated in USD, EUR and BRL. The hedging instruments are debt and derivative financial instruments, including cross-currency swaps, FX forwards (including non-deliverable forwards) and FX collars, which mitigates an exposure to the effect of a weakening USD, EUR or BRL on the hedged item against GBP.

It is expected that the change in value of each of these items will mirror each other as there is a clear and direct economic relationship between the hedging instrument and the hedged item in the hedge relationship.

Hedge ineffectiveness would arise if the value of the hedged items fell below the value of the hedging instruments; however, this is unlikely as the value of the Group’s assets denominated in USD, EUR and BRL is significantly greater than the proposed net investment programme.

The amounts related to items designated as hedging instruments were as follows:

All figures in £ millions	2021 Carrying amount of hedging instruments	Change in value of hedging instrument used to determine hedge ineffectiveness	Nominal amounts of hedging instruments	Hedging gains/(losses) recognised in OCI

ivative financial instruments	**(19)**	**(2)**	**(400)**	**(2)**
ancial liabilities – borrowings	**(240)**	**4**	**(240)**	**4**

	2020			
All figures in £ millions	**Carrying amount of hedging instruments**	**Change in value of hedging instrument used to determine hedge ineffectiveness**	**Nominal amounts of hedging instruments**	**Hedging gains/(losses) recognised in OCI**
ivative financial instruments	(17)	3	(355)	3
ancial liabilities – borrowings	(246)	1	(246)	1

In addition to the above, £9m (2020: £15m) of hedging gains were recognised in OCI in relation to derivative financial instruments that matured during the year. In 2020, £14m of losses accumulated in the translation reserve are reclassified to the income statement as a result of the disposal of Penguin Random House. Included in the translation reserve is a cost of hedging reserve relating to the time value of FX collars which is not separately disclosed due to materiality. The value of that reserve will decrease over the life of the hedge transaction. The balance as at 1 January and 31 December 2021 was £1m.

Table of Contents

Notes to the consolidated financial statements
16. Derivative financial instruments and hedge accounting continued

Offsetting arrangements with derivative counterparties

All of the Group’s derivative financial instruments are subject to enforceable netting arrangements with individual counterparties, allowing net settlement in the event of default of either party. Derivative financial assets and liabilities subject to offsetting arrangements are as follows:

	2021			**2020**	
All figures in £ millions	**Gross derivative assets**	**Gross derivative liabilities**	**Net derivative assets/ liabilities**	**Gross derivative assets**	**Gross derivativ liabilities**
unterparties in an asset position	**17**	**(12)**	**5**	35	(1
unterparties in a liability position	**15**	**(22)**	**(7)**	28	(4
tal as presented in the balance sheet	**32**	**(34)**	**(2)**	63	(5

All of the Group’s derivative financial instruments are subject to enforceable netting arrangements with individual counterparties, allowing net settlement in the event of default of either party. Offset arrangements in respect of cash balances are described in note 17.

Counterparty exposure from all derivatives is managed, together with that from deposits and bank account balances, within credit limits that reflect published credit ratings and by reference to other market measures (e.g. market prices for credit default swaps) to ensure that there is no significant exposure to any one counterparty’s credit risk.

The Group has no material embedded derivatives that are required to be separately accounted for in accordance with IFRS 9 ‘Financial Instruments’.

17. Cash and cash equivalents (excluding overdrafts)

All figures in £ millions	**2021**	**2020**
sh at bank and in hand	**660**	599
ort-term bank deposits	**277**	498
	937	1,097

Short-term bank deposits are invested with banks and earn interest at the prevailing short-term deposit rates.

At the end of 2021, the currency split of cash and cash equivalents was US dollar 37% (2020: 14%), sterling 24% (2020: 64%), and other 39% (2020: 22%).

Cash and cash equivalents have fair values that approximate to their carrying value due to their short-term nature.

Cash and cash equivalents include the following for the purpose of the cash flow statement:

All figures in £ millions	2021	2020
sh and cash equivalents	**937**	1,116
nk overdrafts	—	(3)
	937	1,113

Notes to the consolidated financial statements

17. Cash and cash equivalents (excluding overdrafts) continued

There is no cash and cash equivalents balance classified as held for sale (2020: £19m). The Group has certain cash pooling arrangements in US dollars, sterling and Canadian dollars where both the company and the bank have a legal right of offset. Offsetting amounts are presented gross in the balance sheet. Offset arrangements in respect of derivatives are shown in note 16.

18. Financial liabilities – borrowings

The Group's current and non-current borrowings are as follows:

All figures in £ millions	2021	2020
n-current		
5% US dollar notes 22 ominal amount $ 7	—	86
5% US dollar notes 2023 (nominal amount $94m)	**70**	69
75% euro notes 2025 (nominal amount €300m)	**257**	279
5% GBP notes 2030 (nominal amount £350m)	**353**	353
ase liabilities (see note 35)	**565**	610
	1,245	1,397
rrent (due within one year or on demand)		
nk loans and overdrafts	—	3
75% euro notes 2021 (nominal amount €195m)	—	178
5% US dollar notes 2022 (nominal amount $117m)	**87**	—
ase liabilities (see note 35)	**68**	73
	155	254
tal borrowings	**1,400**	1,651

Included in the non-current borrowings above is £10m of accrued interest (2020: £11m). Included in the current borrowings above is £0.5m of accrued interest (2020: £2m). In addition to the above, there are no non-current borrowings (2020: £66m) or current borrowings (2020: £

3
m) classified as held for sale. The maturities of the Group’s non-current borrowings are as follows:

All figures in £ millions	2021	2020
tween one and two years	**140**	160
tween two and five years	**435**	531
er five years	**670**	706
	1,245	1,397

Notes to the consolidated financial statements
18. Financial liabilities – borrowings continued

The carrying amounts and market values of borrowings are as follows:

	2021			2020	
All figures in £ millions	Effective interest rate	Carrying value	Market value	Effective interest rate	Ca v
nk loans and overdrafts	**n/a**	**—**	**—**	n/a	
75% euro notes 2021	**n/a**	**—**	**—**	2.04%	
5% US dollar notes 2022	**3.94%**	**87**	**87**	3.94%	
5% US dollar notes 2023	**3.36%**	**70**	**71**	3.36%	
75% euro notes 2025	**1.44%**	**257**	**260**	1.44%	
5% GBP notes 2030	**3.93%**	**353**	**380**	3.93%	
		767	**798**		

The market values stated above are based on clean market prices at the year end or, where these are not available, on the quoted market prices of comparable debt issued by other companies. The effective interest rates above relate to the underlying debt instruments.

The carrying amounts of the Group’s borrowings before the effect of derivatives (see notes 16 and 19 for further information on the impact of derivatives) are denominated in the following currencies:

All figures in £ millions	2021	2020
dollar	**434**	458
rling	**674**	686
ro	**268**	472
er	**24**	35
	1,400	1,651

The Group has $1.19bn (£0.9bn) of undrawn capacity on its committed borrowing facilities as at 31 December 2021 (2020: $1.19bn (£0.9bn) undrawn). In addition, there are a number of short-term facilities that are utilised in the normal course of business. All of the Group’s borrowings are unsecured. In respect of lease obligations, the rights to the leased asset revert to the lessor in the event of default.

19. Financial risk management

The Group’s approach to the management of financial risks together with sensitivity analyses of its financial instruments is set out below.

Treasury policy

Pearson’s treasury policies set out the Group’s principles for addressing key financial risks including capital risk, liquidity risk, foreign exchange risk and interest rate risk, and sets out measurable targets for each. The Audit Committee receives quarterly reports incorporating compliance with measurable targets and reviews and approves any changes to treasury policies annually.

The treasury function is permitted to use derivatives where their use reduces a risk or allows a transaction to be undertaken more cost effectively. Derivatives permitted include swaps, forwards and collars to manage foreign exchange and interest rate risk, with foreign exchange swap and forward contracts the most commonly executed. Speculative transactions are not permitted.

Notes to the consolidated financial statements
19. Financial risk management continued

Capital risk

The Group's objectives when managing capital are:

- To maintain a strong balance sheet and a solid investment grade rating;
- To continue to invest in the business organically and through acquisitions; and
- To have a sustainable and progressive dividend policy.

In September 2021, Standard & Poor's Financial Services LLC withdrew its ratings at the request of the Group. Fitch Ratings Limited assigned a first-time Long-Term Issuer Default Rating ("IDR") of 'BBB-' (stable outlook) to the Group. The Group's bonds are rated Baa3 (stable outlook) and BBB- (stable outlook) by Moody's Investors Service and Fitch Ratings Limited respectively.

Net debt

The Group's net debt position is set out below:

All figures in £ millions	2021	2020
sh and cash equivalents	**937**	1,116
rivative financial instruments	**(2)**	11
nk loans and overdrafts	**—**	(3)
nds	**(767)**	(965)
restment in finance lease receivable	**115**	130
ase liabilities	**(633)**	(752)
t debt	**(350)**	(463)

At 31 December 2020, net debt presented above includes borrowings of £69m and cash and cash equivalents of £19m which are included in assets and liabilities held for sale. There are no balances held for sale as at 31 December 2021.

Interest and foreign exchange rate management

The Group's principal currency exposure is to the US dollar which represents more than 60% of the Group's sales. The Group's long-term debt is primarily held in US dollars to provide a natural hedge of this exposure, which is achieved through issued US dollar debt or converting euro debt to US dollars using cross-currency swaps, forwards and collars. As at 31 December 2021 and 2020, the Group's debt of £1,400m (2020: £1,651m) is all held at fixed rates.

See note 16 for details of the Group's hedging programme which addresses interest rate risk and foreign currency risk.

Overseas profits are converted to sterling to satisfy sterling cash outflows such as dividends at the prevailing spot rate at the time of the transaction. To the extent the Group has sufficient sterling, US dollars may be held as dollar cash to provide a natural offset to the Group's debt or to satisfy future US dollar cash outflows.

The Group does not have significant cross-border foreign exchange transactional exposures.

Notes to the consolidated financial statements

19. Financial risk management continued

Interest and foreign exchange rate management continued

As at 31 December 2021, the sensitivity of the carrying value of the Group's financial instruments to fluctuations in interest rates and exchange rates is as follows:

	2021			
All figures in £ millions	**Carrying value**	**Impact of 1% increase in interest rates**	**Impact of 1% decrease in interest rates**	**Impact of 10% strengthening in sterling**
estments in unlisted securities	**113**	**—**	**—**	**(9)**
er receivable	**87**	**—**	**—**	**(8)**
sh and cash equivalents	**937**	**—**	**—**	**(43)**
rivative financial instruments	**(2)**	**6**	**(6)**	**(1)**
nds	**(767)**	**5**	**(5)**	**37**
er borrowings	**(633)**	**—**	**—**	**57**
estment in finance lease receivable	**115**	**—**	**—**	**(11)**
er net financial assets	**503**	**—**	**—**	**(42)**
tal	**353**	**11**	**(11)**	**(20)**

	2020			
All figures in £ millions	**Carrying value**	**Impact of 1% increase in interest rates**	**Impact of 1% decrease in interest rates**	**Impact of 10% strengthening in sterling**
estments in unlisted securities	138	—	—	(11)
er receivable	96	—	—	(9)
sh and cash equivalents	1,097	—	—	(55)
rivative financial instruments	11	17	(19)	3
nds	(965)	9	(9)	54
er borrowings	(686)	—	—	62
estment in finance lease receivable	130	—	—	(12)
er net financial assets	463	—	—	(44)
tal	284	26	(28)	(12)

The table above shows the sensitivities of the fair values of each class of financial instrument to an isolated change in either interest rates or foreign exchange rates. Other net financial assets comprises trade receivables less trade payables. A significant proportion of the movements shown above would impact equity rather than the income statement due to the location and functional currency of the entities in which they arise and the availability of net investment hedging.

The Group's income statement is reported at average rates for the year while the balance sheet is translated at the year-end closing rate. Differences between these rates can distort ratio calculations such as debt to EBITDA and interest cover. Adjusted operating profit translated at year-end closing rates would be £6m higher (2020: £25m lower) than the reported figure of £385m (2020: £313m) at £391m (2020: £288m). Adjusted EBITDA translated at year-end closing rates would be £8m higher (2020: £38m lower) than the reported figure of £598m (2020: £550m) at £606m (2020: £512m).

Liquidity and refinancing risk management

The Group regularly reviews the level of cash and debt facilities required to fund its activities. This involves preparing a prudent cash flow forecast for the next three to five years, determining the level of debt facilities

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Notes to the consolidated financial statements
19. Financial risk management continued
Liquidity and refinancing risk management continued

required to fund the business, planning for shareholder returns and repayments of maturing debt, and identifying an appropriate amount of headroom to provide a reserve against unexpected outflows.

At 31 December 2021, the Group had cash of £0.9bn (2020: £1.1bn) and no outstanding drawings (2020: £nil) on the US dollar denominated revolving credit facility due 2025 of $1.19bn (2020: $1.19bn).

The $1.19bn facility contains interest cover and leverage covenants which the Group has complied with for the year ended 31 December 2021. The maturity of the carrying values of the Group's borrowings and trade payables are set out in notes 18 and 24 respectively.

At the end of 2021, the currency split of the Group's trade payables was US dollar £199m (2020: £195m), sterling £76m (2020: £76m) and other currencies £76m (2020: £69m). Trade payables are all due within one year (2020: all due within one year).

The table below analyses the Group's bonds and derivative assets and liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. Short dated derivative instruments have not been included in this table. The amounts disclosed in the table are the contractual undiscounted cash flows (including interest) and as such may differ from the amounts disclosed on the balance sheet.

Financial counterparty and credit risk management

Financial counterparty and credit risk arises from cash and cash equivalents, favourable derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables. Counterparty credit limits, which take published credit rating and other factors into account, are set to cover the Group's total aggregate exposure to a single financial institution. The limits applicable to published credit rating bands are approved by the Chief Financial Officer within guidelines approved by the Board. Exposures and limits applicable to each financial institution are reviewed on a regular basis.

	Analysed by maturity				**Analysed by curr**	
All figures in £ millions	**Greater than one month and less than one year**	**Later than one year but less than five years**	**Five years or more**	**Total**	**USD**	**GBP**
31 December 2021						
nds	**107**	**386**	**403**	**896**	**162**	**468**
te derivatives – inflows	**(7)**	**(331)**	**—**	**(338)**	**(9)**	**(150)**
te derivatives – outflows	**12**	**339**	**4**	**355**	**203**	**150**
forwards – inflows	**(148)**	**—**	**—**	**(148)**	**—**	**(148)**
forwards – outflows	**148**	**—**	**—**	**148**	**90**	**—**
tal	**112**	**394**	**407**	**913**	**446**	**320**
31 December 2020						
nds	200	497	416	1,113	166	481
te derivatives – inflows	(186)	(350)	(1)	(537)	(12)	(152)
te derivatives – outflows	180	350	12	542	209	330
forwards – inflows	(68)	—	—	(68)	—	(68)
forwards – outflows	68	—	—	68	36	—
tal	194	497	427	1,118	399	591

Notes to the consolidated financial statements
19. Financial risk management continued
Financial counterparty and credit risk management continued

Cash deposits and derivative transactions are made with approved counterparties up to pre-agreed limits. To manage counterparty risk associated with cash and cash equivalents, the Group uses a mixture of money market funds as well as bank deposits. As at 31 December 2021, 81% (2020: 88%) of cash and cash equivalents was held with investment grade bank counterparties, 9% (2020: 9%) with AAA money market funds and 10% (2020: 3%) with non-investment grade bank counterparties.

For trade receivables and contract assets, the Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, risk associated with the industry and country in which customers operate may also influence the credit risk. The credit quality of customers is assessed by taking into account financial position, past experience and other relevant factors. Individual credit limits are set for each customer based on internal ratings. The compliance with credit limits is regularly monitored by the Group. A default on a trade receivable is when the counterparty fails to make contractual payments within the stated payment terms. Trade receivables and contract assets are written off when there is no reasonable expectation of recovery. The carrying amounts of financial assets, trade receivables and contract assets represent the maximum credit exposure.

Trade receivables and contract assets are subject to impairment using the expected credit loss model. The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected credit loss allowance for all trade receivables and contract assets. To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. See note 22 for further details about trade receivables and contract assets including movements in provisions for bad and doubtful debts.

Amendments to IFRS 9 and IFRS 7 Interest Rate Benchmark Reform

In August 2020, the IASB published 'Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)' with amendments that address financial reporting after the reform of an interest rate benchmark, including its replacement with alternative benchmark rates. The amendments were effective for annual periods beginning on or after 1 January 2021, with earlier application permitted.

The Group has limited exposure to changes in the IBOR benchmark. At 31 December 2021, the Group holds interest rate and cross-currency interest rate swaps (£29m assets in fair value hedge relationships and £29m liabilities of which £21m are in net investment hedge relationships). In addition, the Group has a revolving credit facility which was not drawn on 31 December 2021, for which the terms were updated in the period in accordance with industry standards. The Group has signed up to the ISDA protocol. For GBP exposures the Group transitioned GBP LIBOR to SONIA. The Group's risk management strategy has not changed as a result of IBOR reform and the Group considers the impact of IBOR reform to be immaterial to the financial statements.

Notes to the consolidated financial statements

20. Intangible assets – product development

All figures in £ millions	2021	2020
st		
1 January	**2,514**	2,275
change differences	**—**	(48)
ditions	**287**	323
sposals and retirements	**(92)**	(31)
sposal of subsidiary	**(9)**	—
ınsfers	**(2)**	(5)
31 December	**2,698**	2,514

ıortisation		
1 January	**(1,609)**	(1,405)
change differences	**(3)**	45
arge for the year	**(260)**	(280)
pairment	**(19)**	—
sposals and retirements	**92**	31
sposal of subsidiary	**3**	—
ınsfers	**(8)**	—
31 December	**(1,804)**	(1,609)
rrying amounts at 31 December 2021	**894**	905

Included in the above are product development assets amounting to £601m (2020: £607m) which will be realised in more than one year. Amortisation is included in the income statement in cost of goods sold.

Product development assets are assessed for impairment triggers on an annual basis or when triggering events occur. In 2021, of the £19m impairment charges, £14m have been recognised as a result of asset write-offs related to the major restructuring programme. The full annual impairment test showed that there is adequate headroom across all product development assets and accordingly no further impairment charges were recognised in 2021 (2020: £nil ; 2019: £nil).

21. Inventories

All figures in £ millions	2021	2020
w materials	**7**	5
ɔrk in progress	**2**	2
ıished goods	**84**	116
turns asset	**5**	6
	98	129

The cost of inventories recognised as an expense and included in the income statement in cost of goods sold amounted to £171m (2020: £219m) including £22m (2020: £41m) of inventory provisions. None of the inventory is pledged as security. Included within the inventory balance is the estimation of the right to receive goods from contracts with customers via returns. The value of the returns asset is measured at the carrying amount of the assets at the time of sale aligned to the Group's normal inventory valuation methodology less any expected costs to recover the asset and any expected reduction in value. Impairment charges against the inventory returns asset are £nil in 2021 (2020: £nil). The returns asset all relates to finished goods. The obsolescence provision takes account of the Group's digital first strategy and the increasing shift towards print on demand. The year-on-year

21. Inventories continued

reduction in inventories is due to increased provisions for obsolescence and a reduction in the production of inventory due to the Group's digital first strategy and the increasing shift towards print on demand.

22. Trade and other receivables

All figures in £ millions	2021	2020
ırrent		
ıde receivables	**853**	795
yalty advances	**2**	2
·payments	**198**	189
·estment in finance lease receivable	**15**	18
crued income	**14**	12
ıer receivables	**175**	102

	1,257	1,118
n-current		
de receivables	**1**	8
yalty advances	**5**	3
payments	**10**	13
estment in finance lease receivable	**100**	112
crued income	**1**	1
erest receivable	**8**	—
er receivables	**4**	86
	129	223

Accrued income represents contract assets which are unbilled amounts generally resulting from assessments and services revenue streams where revenue to be recognised over time has been recognised in excess of customer billings to date. Impairment charges on accrued income assets are £nil (2020: £nil). The carrying value of the Group's trade and other receivables approximates its fair value. Trade receivables are stated net of provisions for bad and doubtful debts. In addition to the above, there are trade receivables of £nil (2020: £6m) classified as held for sale (see note 32).

The movements in the provision for bad and doubtful debts are as follows:

All figures in £ millions	**2021**	**2020**
beginning of year	**(74)**	(92)
change differences	**—**	6
ome statement movements	**(15)**	(26)
lised	**26**	32
sposal of subsidiary	**—**	6
end of year	**(63)**	(74)

Concentrations of credit risk with respect to trade receivables are limited due to the Group's large number of customers, who are internationally dispersed.

22. Trade and other receivables continued

The ageing of the Group's gross trade receivables is as follows:

All figures in £ millions	**2021**	**2020**
thin due date	**766**	687
to three months past due date	**58**	73
ree to six months past due date	**20**	12
to nine months past due date	**13**	30
e to 12 months past due date	**5**	18
re than 12 months past due date	**55**	57
oss trade receivables	**917**	877

The Group reviews its bad debt provision at least twice a year following a detailed review of receivable balances and historical payment profiles, and assessment of forward-looking risk factors including, where relevant, factors specifically related to COVID-19. Management believes all the remaining receivable balances are fully recoverable.

The increase in trade receivables held by the Group is driven by revenue growth which has increased debtors despite strong collections and an overall reduction in the bad debt provision. Other non-current receivables have decreased due to the receipt of deferred proceeds in relation to the US

K-12
disposal; this receivable is now classified as current. Prepayments have increased due to timing differences on certain significant payments and lease receivables have decreased primarily due to payments received during the year.

23. Provisions for other liabilities and charges

All figures in £ millions	Property	Disposals and closures
1 January 2021	**8**	**4**
change differences	**—**	**—**
ovisions made during the year	**9**	**1**
ovisions reversed during the year	**(2)**	**—**
ovisions used during the year	**—**	**—**
sposal of subsidiary	**—**	**(3)**
31 December 2021	**15**	**2**

23. Provisions for other liabilities and charges continued

Analysis of provisions:

All figures in £ millions	Property	Disposals and closures
	2021	
rrent	**11**	**2**
n-current	**4**	**—**
	15	**2**
	2020	
rrent	2	4
n-current	6	—
	8	4

Property provisions in 2021 relate to the simplification of the Group’s property portfolio (see note 4) and in 2020 relate primarily to dilapidations. Disposals and closures relate to the disposal of the Pearson Institute of Higher Education.

Legal and other includes legal claims, contract disputes and potential contract losses with the provisions utilised as the cases are settled. Also included in legal and other are other restructuring provisions that are generally utilised within one year.

The year on year increase in provisions is mainly due to the new property provisions (see note 10) and the 2021 major restructuring programme (see note 4).

24. Trade and other liabilities

All figures in £ millions	2021	2020
ade payables	**351**	340
es return liability	**83**	86
cial security and other taxes	**13**	17
cruals	**317**	290
ferred income	**386**	356
erest payable	**42**	30

ıer liabilities	**159**	157
	1,351	1,276
ss: non-current portion		
cruals	**1**	—
ferred income	**56**	52
ıer liabilities	**38**	28
	95	80
rrent portion	**1,256**	1,196

Notes to the consolidated financial statements

24. Trade and other liabilities continued

The carrying value of the Group’s trade and other liabilities approximates its fair value. The deferred income balance comprises contract liabilities in respect of advance payments in assessment, testing and training businesses; subscription income in school and college businesses; and obligations to deliver digital content in future periods. In addition to the above, there are accruals of £nil (2020: £2m) and deferred income of £nil (2020:£3m) classified as held for sale (see note 32). The increase in trade and other liabilities held by the Group is driven by timing differences which have increased deferred income, an increase in accruals related to severance and the recognition of deferred consideration in relation to acquisitions made in 2021.

25. Retirement benefit and other post-retirement obligations

Background

The Group operates a number of defined benefit and defined contribution retirement plans throughout the world. The largest plan is the Pearson Pension Plan (UK Group plan) in the UK, which is sectionalised to provide both defined benefit and defined contribution pension benefits. The defined benefit section was largely closed to new members from 1 November 2006. The defined contribution section, opened in 2003, is open to new and existing employees. Finally, there is a separate section within the UK Group plan set up for auto-enrolment.

The defined benefit section of the UK Group plan is a final salary pension plan which provides benefits to members in the form of a guaranteed level of pension payable for life. The level of benefits depends on the length of service and final pensionable pay.

The defined contribution section of the UK Group plan operates a Reference Scheme Test (RST) pension underpin for its members. Where a member’s fund value is insufficient to purchase the RST pension upon retirement, the UK Group plan is liable for the shortfall to cover the member’s RST pension. In addition, in recent years, the scheme rules were amended to enable members who have sufficient funds to purchase an RST pension the ability to convert their fund value into a pension in the UK Group plan as an alternative to purchasing an annuity with an insurer. The Group recognises any assets and liabilities relating to these features of the defined contribution section as part of the overall UK Group plan obligation. From 1 January 2021, the Group also recognized the assets and liabilities for all members of the defined contribution section of the UK Group plan, accounting for the whole defined contribution section as a defined benefit scheme under IAS 19 ‘Employee Benefits’ as there is a risk the underpin will require the Group to pay further contributions to the scheme. The net impact of this on the balance sheet is £nil.

The UK Group plan is funded with benefit payments from trustee-administered funds. The UK Group plan is administered in accordance with the Trust Deed and Rules in the interests of its beneficiaries by Pearson Group Pension Trustee Limited.

At 31 December 2021, the UK Group plan had approximately 26,500 members, analysed in the following table:

All figures in%	**Active**	**Deferred**	**Pensioners**	**Total**
fined benefit	—	**18**	**33**	**51**
fined contribution	**11**	**38**	—	**49**
tal	**11**	**56**	**33**	**100**

The other major defined benefit plans are based in the US. These are also final salary pension plans which provide benefits to members in the form of a guaranteed pension payable for life, with the level of benefits dependent on length of service and final pensionable pay. The majority of the US plans are fully funded.

Notes to the consolidated financial statements
25. Retirement benefit and other post-retirement obligations continued
Background continued

The Group also has several post-retirement medical benefit plans (PRMBs), principally in the US. PRMBs are unfunded but are accounted for and valued similarly to defined benefit pension plans.

The defined benefit schemes expose the Group to actuarial risks, such as life expectancy, inflation risks and investment risk including asset volatility and changes in bond yields. The Group is not exposed to any unusual, entity-specific or plan-specific risks.

Key judgements

– Whether the Group will be eligible to receive the surplus associated with the UK Group Pension Plan in recognising a pension asset.

Key areas of estimation

– The determination of the pension cost and defined benefit obligation of the Group's defined benefit pension schemes depends on the selection of certain assumptions, which include the discount rate, inflation rate, salary growth and longevity.

Assumptions

The principal assumptions used for the UK Group plan and the US PRMB are shown below. Weighted average assumptions have been shown for the other plans, which primarily relate to US pension plans.

	2021			2020			
All figures in %	**UK Group plan**	**Other plans**	**PRMB**	**UK Group plan**	**Other plans**	**PRMB**	**UK Grou plan**
lation	**3.3**	**1.4**	**—**	2.9	0.6	—	3
te used to discount plan liabilities	**1.9**	**2.8**	**2.6**	1.4	2.2	2.1	2
pected rate of increase in salaries	**3.8**	**2.7**	**—**	3.4	2.2	—	3
pected rate of increase for pensions in payment and deferred pensions	**2.35 to 5.10**	**—**	**—**	2.05 to 5.05	—	—	1.85 to 5.
tial rate of increase in healthcare rate	**—**	**—**	**6.3**	—	—	6.5	—
imate rate of increase in healthcare rate	**—**	**—**	**5.0**	—	—	5.0	—

The UK discount rate is based on corporate bond yields adjusted to reflect the duration of liabilities.

The inflation rate for the UK Group plan of 3.3% (2020: 2.9%; 2019: 3.0%) reflects the RPI rate. In line with changes to legislation in 2010, certain benefits have been calculated with reference to CPI as the inflationary measure and in these instances a rate of 2.6% (2020: 2.2%; 2019: 2.0%) has been used. The CPI rate is determined as a weighted average deduction from the RPI rate, and allows for the expected change to the formula for calculating RPI to be in line with CPIH from 2030 onwards.

The expected rate of increase in salaries has been set at 3.8% for 2021 (2020: 3.4%; 2019: 3.5%).

Notes to the consolidated financial statements
25. Retirement benefit and other post-retirement obligations continued
Assumptions continued

For the UK Group plan, the mortality base table assumptions have been updated and are derived from the SAPS S3 for males and females, adjusted to reflect the observed experience of the plan, with CMI model improvement factors. A 1.5% long-term rate improvement on the CMI 2020 model is applied for both males and females. The analysis of experience, and standard tables, do not reflect the impact of the ongoing

COVID-19
pandemic, the ultimate impact of which remains uncertain.

For the US plans, the mortality table (Pri – 2012) and 2021 improvement scale (MP – 2021) with generational projection for male and female annuitants has been adopted.

Using the above tables, the remaining average life expectancy in years of a pensioner retiring at age 65 on the balance sheet date for the UK Group plan and US plans is as follows:

	UK		US	
All figures in years	**2021**	**2020**	**2021**	**2020**
le	**22.6**	24.0	**20.5**	20.4
nale	**24.8**	24.3	**22.5**	22.4

The remaining average life expectancy in years of a pensioner retiring at age 65, 20 years after the balance sheet date, for the UK and US Group plans is as follows:

	UK		US	
All figures in years	**2021**	**2020**	**2021**	**2020**
le	**24.2**	**25.6**	**22.0**	**21.9**
nale	**26.5**	**26.1**	**23.9**	**23.8**

Although the Group anticipates that plan surpluses will be utilised during the life of the plan to address member benefits, the Group recognises its pension surplus in full in respect of the UK Group plan on the basis that it is management's judgement that there are no substantive restrictions on the return of residual plan assets in the event of a winding up of the plan after all member obligations have been met.

Financial statement information

The amounts recognised in the income statement are as follows:

			2021	
All figures in £ millions	**UK Group plan**	**Defined benefit other**	**Sub-total**	**Defined contribution**
rrent service cost	**17**	**2**	**19**	**37**
t service cost	**—**	**—**	**—**	**—**
rtailments	**—**	**—**	**—**	**—**
ministration expenses	**6**	**—**	**6**	**—**
tal operating expense	**23**	**2**	**25**	**37**
erest on plan assets	**(55)**	**(2)**	**(57)**	**—**
erest on plan liabilities	**49**	**3**	**52**	**—**
t finance (income)/expense	**(6)**	**1**	**(5)**	**—**
t income statement charge	**17**	**3**	**20**	**37**

Notes to the consolidated financial statements

25. Retirement benefit and other post-retirement obligations continued

Financial statement information continued

			2020	
All figures in £ millions	**UK Group plan**	**Defined benefit other**	**Sub-total**	**Defined contribution**
rrent service cost	6	2	8	47
t service cost	1	—	1	—
rtailments	—	(1)	(1)	—
ministration expenses	5	—	5	—
tal operating expense	12	1	13	47
erest on plan assets	(66)	(3)	(69)	—
erest on plan liabilities	57	5	62	—

t finance (income)/expense	(9)	2	(7)	—
t income statement charge	3	3	6	47

	2019			
All figures in £ millions	**UK Group plan**	**Defined benefit other**	**Sub-total**	**Defined contribution**
:rent service cost	6	3	9	57
:t service cost	—	—	—	—
:tailments	(2)	—	(2)	—
ministration expenses	6	—	6	—
tal operating expense	10	3	13	57
:rest on plan assets	(89)	(5)	(94)	—
:rest on plan liabilities	73	6	79	—
t finance (income)/expense	(16)	1	(15)	—
t income statement charge	(6)	4	(2)	57

The amounts recognised in the balance sheet are as follows:

	2021				202		
All figures in £ millions	**UK Group plan**	**Other funded plans**	**Other unfunded plans**	**Total**	**UK Group plan**	**Other funded plans**	**u**
r value of plan assets	**4,125**	**120**	**—**	**4,245**	3,588	119	
sent value of defined benefit obligation	**(3,588)**	**(123)**	**(20)**	**(3,731)**	(3,178)	(135)	
t pension asset/(liability)	**537**	**(3)**	**(20)**	**514**	410	(16)	
ıer post-retirement medical benefit obligation				**(34)**			
ıer pension accruals				**(9)**			
t retirement benefit asset				**471**			
alysed as:							
:irement benefit assets				**537**			
:irement benefit obligations				**(66)**			

Notes to the consolidated financial statements
25. Retirement benefit and other post-retirement obligations continued
Financial statement information continued

The following gains/(losses) have been recognised in other comprehensive income:

All figures in £ millions	**2021**	**202 0**	**2019**
ıounts recognised for defined benefit plans	145	(24)	(148)
ıounts recognised for post-retirement medical benefit plans	4	1	3
tal recognised in year	**149**	**(23)**	**(145)**

The fair value of plan assets comprises the following:

	2021			2020	
All figures in %	**UK Group plan**	**Other funded plans**	**Total**	**UK Group plan**	**Ot funde**
urance	**35**	**—**	**35**	42	
uities	**11**	**1**	**12**	1	
‹ed interest securities	**7**	**2**	**9**	5	
›perty	**5**	**—**	**5**	5	

oled asset investment funds	**30**	**—**	**30**	34
ner	**9**	**—**	**9**	11

The plan assets do not include any of the Group’s own financial instruments, or any property occupied by the Group. The table below further disaggregates the plan assets into those assets which have a quoted market price in an active market and those that do not:

	2021		**2020**	
All figures in %	**Quoted market price**	**No quoted market price**	**Quoted market price**	**No qu marke**
urance	**35**	**—**	42	
uities	**11**	**1**	—	
ed-interest securities	**9**	**—**	6	
perty	**—**	**5**	—	
oled asset investment funds	**30**	**—**	34	
ner	**—**	**9**	—	
tal	**85**	**15**	82	

The liquidity profile of the UK Group plan assets is as follows:

All figures in %	**2021**	**2020**
uid – call <1 month	**51**	39
ss liquid – call 1–3 months	**—**	—
quid – call >3 months	**49**	61

Notes to the consolidated financial statements
25. Retirement benefit and other post-retirement obligations continued
Financial statement information continued

Changes in the values of plan assets and liabilities of the retirement benefit plans are as follows:

	2021			
All figures in £ millions	**UK Group plan**	**Other plans**	**Total**	**UK Group plan**
ir value of plan assets				
ening fair value of plan assets	**3,588**	**119**	**3,707**	3,341
cognition of Money Purchase assets	**513**	**—**	**513**	—
change differences	**—**	**2**	**2**	—
erest on plan assets	**55**	**2**	**57**	66
turn on plan assets excluding interest	**71**	**6**	**77**	297
ntributions by employer	**14**	**1**	**15**	3
nefits paid	**(123)**	**(10)**	**(133)**	(119)
ntributions by employees	**7**	**—**	**7**	—
sing fair value of plan assets	**4,125**	**120**	**4,245**	3,588
esent value of defined benefit obligation				
ening defined benefit obligation	**(3,178)**	**(156)**	**(3,334)**	(2,912)
cognition of Money Purchase liabilities	**(513)**	**—**	**(513)**	—
change differences	**—**	**(1)**	**(1)**	—
rrent service cost	**(17)**	**(2)**	**(19)**	(6)
t service cost	**—**	**—**	**—**	(1)
rtailments	**—**	**—**	**—**	—
ministration expenses	**(6)**	**—**	**(6)**	(5)

erest on plan liabilities	**(49)**	**(3)**	**(52)**	(57)
tuarial (losses)/gains – experience	**(100)**	**3**	**(97)**	(18)
tuarial (losses)/gains – demographic	**(1)**	**—**	**(1)**	1
tuarial gains/(losses) – financial	**160**	**6**	**166**	(299)
ntributions by employee	**(7)**	**—**	**(7)**	—
nefits paid	**123**	**10**	**133**	119
›sing defined benefit obligation	**(3,588)**	**(143)**	**(3,731)**	(3,178)

From 1 January 2021, the Group has recognised the assets and liabilities for all members of the defined contribution section of the UK Group plan, accounting for the whole defined contribution section as a defined benefit scheme under IAS 19 ‘Employee Benefits’. The net impact on the balance sheet is £nil, however, the gross amounts of £513m can be seen in the table above. Subsequent movements to those assets and liabilities are included in the relevant lines in the table above.

The weighted average duration of the defined benefit obligation is 16 years for the UK and seven years for the US.

Notes to the consolidated financial statements

25. Retirement benefit and other post-retirement obligations continued

Financial statement information continued

Changes in the value of the US PRMB are as follows:

All figures in £ millions	**2021**	**2020**
ening defined benefit obligation	**(39)**	(43)
change differences	**(1)**	1
erest on plan liabilities	**(1)**	(1)
tuarial gains – experience	**2**	3
tuarial gains – demographic	**—**	1
tuarial gains/(losses) – financial	**2**	(3)
nefits paid	**3**	3
›sing defined benefit obligation	**(34)**	(39)

Funding

The UK Group plan is self-administered with the plan’s assets being held independently of the Group in trust. The trustee of the UK Group plan is required to act in the best interest of the plan’s beneficiaries. The most recent triennial actuarial valuation for funding purposes was completed as at 1 January 2021 and this valuation revealed a technical provisions funding surplus of £160m. The UK Group plan expects to be able to provide benefits (in accordance with the plan rules) with a very low level of reliance on future funding from the Group.

Assets of the UK Group plan are divided into two elements: matching assets, which are assets that produce cash flows that can be expected to match the cash flows for a proportion of the membership, and include a liability-driven investment mandate (UK bonds, interest rate/inflation swaps and other derivative instruments), pensioner buy-in insurance policies, inflation-linked property and infrastructure, and return-seeking assets, which are assets invested with a longer-term horizon to generate the returns needed to provide the remaining expected cash flows for the beneficiaries, and include diversified growth funds, property and alternative asset classes. The UK Group plan’s long-term investment strategy allocates 95% to matching assets and 5% to return-seeking assets.

Following the purchase of buy-in policies with Legal & General and Aviva in 2017 and 2019, 95% of the UK Group plan’s pensioner liabilities are now matched with buy-in policies. These transfer significant longevity risk to Aviva and Legal & General, reducing the pension risks being underwritten by the Group and providing additional security for members.

Regular employer contributions to the UK Group plan in respect of the defined benefit sections are estimated to be £3m for 2022.

Sensitivities

The effect of a one percentage point increase and decrease in the discount rate on the defined benefit obligation and the total pension expense is as follows:

All figures in £ millions	2021 1% increase	1% decre
fect:		
ecrease)/increase in defined benefit obligation – UK Group plan	**(450)**	
ecrease)/increase in defined benefit obligation – US plan	**(9)**	

Notes to the consolidated financial statements

25. Retirement benefit and other post-retirement obligations continued

Sensitivities continued

The effect of members living one year more or one year less on the defined benefit obligation is as follows:

All figures in £ millions	2021 One year increase	One yea decreas
fect:		
rease/(decrease) in defined benefit obligation – UK Group plan	**107**	(
rease/(decrease) in defined benefit obligation – US plan	**4**	

The effect of a half percentage point increase and decrease in the inflation rate is as follows:

All figures in £ millions	2021 0.5% increase	0.5% decrease
fect:		
rease/(decrease) in defined benefit obligation – UK Group plan	**142**	**(141)**
rease/(decrease) in defined benefit obligation – US plan	**—**	**—**

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant, although in practice this is unlikely to occur and changes in some assumptions may be correlated. When calculating these sensitivities, the same method has been applied to calculate the defined benefit obligation as has been applied when calculating the liability recognised in the balance sheet. This methodology is the same as prior periods.

26. Share-based payments

The Group recognised the following charges in the income statement in respect of its equity-settled share-based payment plans:

All figures in £ millions	2021	2020	2019
arson plans	**28**	29	25

The Group operates the following equity-settled employee option and share plans:

Worldwide Save for Shares Plan – Since 1994, the Group has operated a Save-As-You-Earn plan for UK employees. In 1998, the Group introduced a Worldwide Save for Shares Plan. Under these plans, employees can save a portion of their monthly salary over periods of three or five years. At the end of this period, the employee has the option to purchase ordinary shares with the accumulated funds at a purchase price equal to 80% of the market price prevailing at the time of the commencement of the employee’s participation in the plan. Options that are not exercised within six months of the end of the savings period lapse unconditionally.

Employee Stock Purchase Plan
– In 2000, the Group established an Employee Stock Purchase Plan which allows all employees in the US to save a portion of their monthly salary over six-month periods. At the end of the period, the employee has the option to purchase American Depositary Receipts (ADRs) with their accumulated funds at a purchase price equal to 85% of the lower of the market prices prevailing at the beginning or end of the period.

Table of Contents

Long-Term Incentive Plan
– The plan was first introduced in 2001 and from time to time the plan rules are renewed. The plan consists of restricted shares. The vesting of restricted shares is normally dependent on continuing service over a three to five-year period, and in the case of Executive Directors and senior management upon the satisfaction of corporate performance targets over a three-year period. These targets may be based on market and/or non-market performance criteria. Restricted shares awarded to Executive Directors in May 2021 and May 2020 and May 2019 vest dependent on relative total shareholder return, return on invested capital and adjusted earnings per share growth. These awards are in addition to the 2020 one-off co-investment award for the Chief Executive, vesting in three equal tranches based on market and non-market performance criteria. The applicable market condition for the vesting of the final tranche is on total shareholder return. Other restricted shares awarded in 2021, 2020 and 2019 generally vest depending on continuing service over periods of up to three years.

Management Incentive Plan
– The plan was introduced in 2017 combining the Group’s Annual Incentive Plan and Long-Term Incentive Plan for senior management. The number of shares to be granted to participants is dependent on Group performance in the calendar year preceding the date of grant (on the same basis as the Annual Incentive Plan). Subsequently, the shares vest dependent on continuing service over a three-year period, and additionally, in the case of the Pearson Executive Management team, upon satisfaction of non-market based performance criteria as determined by the Remuneration Committee. Restricted shares awarded as part of the 2020 Management Incentive Plan were granted in April 2021 and those awarded as part of the 2019 management Incentive Plan were granted in April 2020. In 2021 this scheme has been replaced by the Long-Term Incentive Plan for senior management.

The following shares were granted under restricted share arrangements:

	2021		20
	Number of shares 000s	Weighted average fair value £	Number of shares 000s
ng-Term Incentive Plan	**6,394**	**7.27**	5,598
ınagement Incentive Plan	**630**	**7.71**	696

The fair value of shares granted under the Long-Term Incentive Plan and the Management Incentive Plan that vest unconditionally is determined using the share price at the date of grant. The number of shares expected to vest is adjusted, based on historical experience, to account for potential forfeitures. Participants under the plans are entitled to dividends during the vesting period and therefore the share price is not discounted.

Restricted shares with a market performance condition were valued by an independent actuary using a Monte Carlo model. Restricted shares with a non-market performance condition were fair valued based on the share price at the date of grant.

Non-market performance conditions are taken into consideration by adjusting the number of shares expected to vest based on the most likely outcome of the relevant performance criteria.

Notes to the consolidated financial statements

27. Share capital and share premium

	Number of shares 000s	**Sh cap £**
1 January 2020	782,099	
ue of ordinary shares – share option schemes	1,236	
rchase of own shares	(30,077)	
31 December 2020	753,258	
ue of ordinary shares – share option schemes	**3,544**	
rchase of own shares	**—**	
31 December 2021	**756,802**	

The ordinary shares have a par value of 25p per share (2020: 25p per share). All issued shares are fully paid. All shareholders are entitled to receive dividends and vote at general meetings of the company. All shares have the same rights.

On 24 February 2022, the Board approved a £350m share buyback programme in order to return capital to shareholders. The programme will commence in 2022. The shares bought back will be cancelled and the nominal value of the shares will be transferred to the capital redemption reserve. In 2020, approximately 30m shares were bought back and cancelled at a cost of £176m. The nominal value of these shares, £7m was transferred to the capital redemption reserve.

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of debt (see note 18), cash and cash equivalents (see note 17) and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings.

The Group reviews its capital structure on a regular basis and will balance its overall capital structure through payments of dividends, new share issues as well as the issue of new debt or the redemption of existing debt in line with the financial risk policies outlined in note 19.

28. Treasury shares

	Number of shares 000s	**£m**
1 January 2020	3,258	24
rchase of treasury shares	1,105	6
lease of treasury shares	(3,460)	(23)
31 December 2020	903	7
rchase of treasury shares	**2,158**	**16**
wly issued treasury shares	**2,500**	**1**

lease of treasury shares	**(3,990)**	**(12)**
31 December 2021	**1,571**	**12**

The Group holds Pearson plc shares in trust to satisfy its obligations under its restricted share plans (see note 26). These shares, representing 0.2% (2020: 0.1%) of called-up share capital, are treated as treasury shares for accounting purposes and have a par value of 25p per share.

Table of Contents

Notes to the consolidated financial statements

28. Treasury shares continued

The nominal value of Pearson plc treasury shares amounts to £0.4m (2020: £0.2m). Dividends on treasury shares are waived.

At 31 December 2021, the market value of Pearson plc treasury shares was £10m (2020: £6m).

29. Other comprehensive income

	2021			
	Attributable to equity holders of the company			
All figures in £ millions	Fair value reserve	Translation reserve	Retained earnings	Total
ms that may be reclassified to the income statement				
t exchange differences on translation of foreign operations – Group	**—**	**(6)**	**—**	**(6)**
rrency translation adjustment disposed	**—**	**4**	**—**	**4**
:ributable tax	**—**	**—**	**10**	**10**
ms that are not reclassified to the income statement				
:r value gain on other financial assets	**24**	**—**	**—**	**24**
:ributable tax	**—**	**—**	**(3)**	**(3)**
measurement of retirement benefit obligations - Group	**—**	**—**	**149**	**149**
:ributable tax	**—**	**—**	**(61)**	**(61)**
her comprehensive income/(expense) for the year	**24**	**(2)**	**95**	**117**

	2020			
	Attributable to equity holders of the company			
All figures in £ millions	Fair value reserve	Translation reserve	Retained earnings	Total
ms that may be reclassified to the income statement				
t exchange differences on translation of foreign operations – Group	—	(109)	—	(109)
rrency translation adjustment disposed	—	(70)	—	(70)
:ributable tax	—	—	(13)	(13)
ms that are not reclassified to the income statement				
:r value gain on other financial assets	14	—	—	14
:ributable tax	—	—	(6)	(6)
measurement of retirement benefit obligations - Group	—	—	(23)	(23)
:ributable tax	—	—	2	2
her comprehensive income/(expense) for the year	14	(179)	(40)	(205)

Notes to the consolidated financial statements

29. Other comprehensive income continued

All figures in £ millions	2019 Attributable to equity holders of the company Fair value reserve	Translation reserve	Retained earnings	Total
ms that may be reclassified to the income statement				
t exchange differences on translation of foreign operations – Group	—	(113)	—	(113)
t exchange differences on translation of foreign operations – associates	—	(2)	—	(2)
rrency translation adjustment disposed	—	4	—	4
:ributable tax	—	—	5	5
ms that are not reclassified to the income statement				
:r value gain on other financial assets	20	—	—	20
:ributable tax	—	—	(4)	(4)
measurement of retirement benefit obligations – Group	—	—	(145)	(145)
measurement of retirement benefit obligations – associates	—	—	(4)	(4)
:ributable tax	—	—	22	22
her comprehensive (expense)/income for the year	20	(111)	(126)	(217)

30. Business combinations

In September 2021, Pearson completed the acquisition of 100% of the share capital of Faethm Holdings Pty Limited (Faethm), having already held 9% of the share capital previously. Faethm uses artificial intelligence and analytics services to help governments, companies and workers understand the dynamic forces shaping the labour market. Faethm will be part of the Workforce Skills division. The total consideration for the transaction was £65m, which included £10m of contingent consideration which is payable after two years, dependent upon meeting certain earnings targets. The contingent consideration has been valued at the net present value of the Group's best estimate of the amount that will be payable.

In addition, the Group made two additional acquisitions of subsidiaries for total consideration of £11m. In both cases, the Group acquired 100% of the share capital of the respective entities. Opinion Interactive LLC (also known as Spotlight Education) was acquired in February 2021. MZ Development Inc. was acquired in July 2021. Both will be part of the Assessment & Qualifications division.

The Group also made additional investments in associates, which are detailed in note 12, and are not included below.

Details of the fair values of the assets and liabilities recognised at the acquisition date and the related consideration is shown in the table below. The fair values of Faethm's net assets are provisional at this stage as management are finalising their review of the asset valuations. The provisional goodwill arising from the acquisition of Faethm represents assets and benefits that cannot be separately recognised. The goodwill is not deductible for tax purposes and at the acquisition date there were no material contingent liabilities.

Notes to the consolidated financial statements

30. Business combinations continued

There were no significant acquisitions in 2020. In 2019, the Group made some small acquisitions, including Lumerit Education and Smart Sparrow, for total consideration of £40m.

All figures in £ millions	2021 Faethm	2021 Other	2021 Total	2020 Total	2019 Total
angible assets	**21**	**6**	**27**	—	23
ferred tax asset	**11**	**—**	**11**	—	—

ıde and other receivables	**1**	**1**	**2**	—	1
sh	**4**	**—**	**4**	—	—
ıde and other liabilities	**(4)**	**(1)**	**(5)**	—	(2)
ferred tax liabilities	**(6)**	**—**	**(6)**	—	—
t assets acquired	**27**	**6**	**33**	—	22
odwill	**38**	**5**	**43**	—	18
tal	**65**	**11**	**76**	—	40
tisfied by:					
sh consideration	**49**	**5**	**54**	—	40
ntingent consideration	**10**	**6**	**16**	—	—
ır value of existing investment	**6**	**—**	**6**	—	—
tal consideration	**65**	**11**	**76**	—	40

Faethm generated revenues of £1m and a loss before tax of £1m for the period from the acquisition date to 31 December 2021. If the acquisition had occurred on 1 January 2021, the Group's revenue and profit before tax for the year ended 31 December 2021 would not have been materially different. Total acquisition-related costs relating to the three transactions of £2m were recognised within other net gains and losses, in the consolidated income statement, all of which was recognised in the year ended 31 December 2021, and are excluded from adjusted operating profit.

The net cash outflows related to the acquisitions are set out in the table below. In addition to the current year acquisitions, the other net cash outflows on acquisition of subsidiaries in 2021, 2020 and 2019 relate to deferred payments for prior year acquisitions.

All figures in £ millions	**2021 Faethm**	**2021 Other**	**2021 Total**	**2020 Total**	**2019 Total**
sh flow on acquisitions					
sh – current year acquisitions	**(49)**	**(5)**	**(54)**	—	(40)
sh and cash equivalents acquired	**4**	**—**	**4**	—	—
ferred payments for prior year acquisitions and other items	**—**	**(4)**	**(4)**	(6)	(5)
quisition costs paid	**(1)**	**—**	**(1)**	—	—
t cash outflow	**(46)**	**(9)**	**(55)**	(6)	(45)

Table of Contents

31. Disposals and business closures

The Group completed two significant disposals in 2021 and one in 2020. None of the disposals met the criteria to be considered a discontinued operation on the basis that they did not represent major lines of business or geographical areas of operations.

In February 2021, the Group completed the sale of its interests in the Pearson Institute of Higher Education (PIHE) in South Africa resulting in a pre-tax loss of £5m.

In October 2021, the sale of the Group's interests in K12 Sistemas in Brazil was also completed for consideration of £108 million, resulting in a gain on sale of £84m.

There were no other business disposals in 2021 and additional losses of £14m relate to other disposal costs including costs related to the wind-down of certain businesses under strategic review.

In April 2020, the Group completed the sale of the remaining 25% interest in Penguin Random House resulting in a

pre-tax
profit of £
180
m.

There were no other material disposals in 2020. Deferred proceeds relating to the K12 sale were received in 2021 and 2020 (see note 14).

In 2019, the only material disposal was the sale of the US K-12 business.

The table below shows a summary of the assets and liabilities disposed of:

All figures in £ millions	**Notes**	**2021**
sposal of subsidiaries and associates		
angible assets		**(3**
perty, plant and equipment		**(48**
estments in joint ventures and associates		**—**
angible assets – product development		**(6**
entories		**(2**
de and other receivables		**(6**
sh and cash equivalents (excluding overdrafts)		**(24**
t deferred income tax assets		
visions for other liabilities and charges		**3**
de and other liabilities		**4**
ancial liabilities – borrowings		**67**
mulative currency translation adjustment	29	**(4**
t assets disposed		**(19**
sh proceeds		**108**
ferred proceeds		**—**
sts of disposal		**(24**
in on disposal		**65**

Notes to the consolidated financial statements

31. Disposals and business closures continued

All figures in £ millions	**2021**	**2020**	**2019**
sh flow from disposals			
ceeds – current year disposals	**108**	531	20
ceeds – prior year disposals	**16**	105	—
sh and cash equivalents disposed	**(24)**	—	(104)
sts and other disposal liabilities paid	**(17)**	(5)	(17)
t cash inflow	**83**	631	(101)
alysed as:			
sh inflow from sale of subsidiaries	**83**	100	(101)
sh inflow from disposal of joint ventures and associates	**—**	531	—

32. Held for sale

Following the announcement of the sale of the Group’s interests in K12 Sistemas (included within the Strategic Review segment) in March 2021, the business was classified as held for sale until the disposal completed in October 2021. At 31 December 2021, only one property, which is expected to be disposed of in 2022, was classified as held for sale. The businesses that are included in the Strategic Review segment did not meet the criteria for classification as held for sale as at 31 December 2021 on the basis that the Group was not sufficiently advanced in the sales process as at 31 December 2021 for the sale to be considered highly probable.

The held for sale assets and liabilities in 2020 are the Group’s interests in the Pearson Institute of Higher Education in South Africa, which was completed on 5 February 2021.

The held for sale balances are analysed as follows:

All figures in £ millions	**2021 Total**	**2020 Total**
n-current sets		
›perty, plant and equipment	**7**	48
	7	48
ırrent assets		
ıde and other receivables	**—**	6
sh and cash equivalents	**—**	19
	—	25
sets classified as held for sale	**7**	73
n-current ıbilities		
ıancial liabilities – borrowings	**—**	(66)
	—	(66)
ırrent liabilities		
ıde and other liabilities	**—**	(5)
ıancial liabilities – borrowings	**—**	(3)
	—	(8)
ıbilities classified as held for sale	**—**	(74)
t assets/(liabilities) classified as held for sale	**7**	(1)

Notes to the consolidated financial statements

33. Cash generated from operations

All figures in £ millions	**Notes**	**2021**
›fit		**160**
ˌjustments for:		
:ome tax		**(3)**
preciation and impairment of property, plant and equipment	10	**241**
ıortisation and impairment of acquired intangibles and goodwill	11	**50**
ıortisation and impairment of software	11	**117**
t finance costs	6	**26**
ıare of results of joint ventures and associates	12	**(1)**
›fit on disposal of subsidiaries, associates, investments and fixed assets		**(61)**
ıer net gains and losses		**2**
t profit on disposal of ht-of-use sets including transfers to investment in finance lease receivable		**—**
t foreign exchange adjustment from transactions		**9**
ʼestment income		**—**
ıare-based payment costs	26	**28**
›duct development assets		**(6)**

ventories	**22**
ade and other receivables	**(71)**
ade and other liabilities	**37**
tirement benefit obligations	**6**
ovisions for other liabilities and charges	**14**
t cash generated from operations	**570**

Notes to the consolidated financial statements
33. Cash generated from operations continued

Net cash generated from operations is translated at an exchange rate approximating the rate at the date of cash flow. The difference between this rate and the average rate used to translate profit gives rise to a currency adjustment in the reconciliation between net profit and net cash generated from operations. This adjustment reflects the timing difference between recognition of profit and the related cash receipts or payments.

In the cash flow statement, proceeds from sale of property, plant and equipment comprise:

All figures in £ millions	**2021**	**2020**	**2019**
t book amount	**4**	2	3
ss on sale of property, plant and equipment	**(4)**	(2)	(2)
oceeds from sale of property, plant and equipment	**—**	—	1

The movements in the Group’s current and non-current borrowings are as follows:

All figures in £ millions	**2020**	**New leases/ disposal of leases**	**Transfer from non-current to current**	**Financing cash flows**	**Foreign exchange movements**	**Fair value and other movements**	**20**
ancial liabilities							
n-current rrowings	1,458	**(36)**	**(160)**	**—**	**3**	**(20)**	**1,**
rrent borrowings	248	**(1)**	**160**	**(255)**	**(4)**	**9**	
tal	1,706	**(37)**	**—**	**(255)**	**(1)**	**(11)**	**1,**

All figures in £ millions	**2019**	**New leases/ disposal of leases**	**Transfer from non-current to current**	**Financing cash flows**	**Foreign exchange movements**	**Fair value and other movements**	**20**
ancial liabilities							
n-current borrowings	1,567	30	(260)	116	(22)	27	1,
rrent borrowings	79	(6)	260	(92)	5	2	
tal	1,646	24	—	24	(17)	29	1,

All figures in £ millions	**2018**	**IFRS 16 Transition**	**New leases/ disposal of leases**	**Transfer from non-current to current**	**Financing cash flows**	**Foreign exchange movements**	**Fair value and other movements**
ancial liabilities							
n-current rrowings	643	792	61	(88)	230	(80)	9
rrent borrowings	25	89	—	88	(139)	16	—
tal	668	881	61	—	91	(64)	9

Non-current borrowings include bonds, derivative financial instruments and leases. Current borrowings include loans repayable within one year, derivative financial instruments and leases, but exclude overdrafts classified within cash and cash equivalents.

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34. Contingencies and commitments

Key judgements

– The application of tax legislation in relation to provisions for uncertain tax positions.

Key areas of estimation

– The level of provisions required in relation to uncertain tax positions is complex and each matter is separately assessed. The estimation of future settlement amounts is based on a number of factors including the status of the unresolved matter, clarity of legislation, range of possible outcomes and the statute of limitations.

There are contingent Group liabilities that arise in the normal course of business in respect of indemnities, warranties and guarantees in relation to former subsidiaries and in respect of guarantees in relation to subsidiaries, joint ventures and associates. In addition, there are contingent liabilities of the Group in respect of unsettled or disputed tax liabilities, legal claims, contract disputes, royalties, copyright fees, permissions and other rights. None of these claims are expected to result in a material gain or loss to the Group.

On 25 April 2019, the European Commission published the full decision that the United Kingdom controlled foreign company group financing partial exemption (FCPE) partially constitutes State Aid. The Group has lodged an appeal. The Group has benefited from the FCPE in 2018 and prior years by approximately £116m (which does not include any additional interest that would be due if the appeal is lost). In February 2021, the Group received Charging Notices requiring a payment on account of materially all of the alleged State Aid to be made. Payments totalling £105m (comprising tax and interest) were made during 2021 and the Group expects to recover the funds in due course. The Group continues to be of the view that no provision is required in respect of this issue.

The Group is under assessment from the tax authorities in Brazil challenging the deduction for tax purposes of goodwill amortisation for the years 2012 to 2017. Similar assessments may be raised for other years. Potential total exposure (including possible interest and penalties) could be up to BRL 1,079m (£143m) up to 31 December 2021, with additional potential exposure of BRL 98m (£13m) in relation to deductions expected to be taken in future periods. Such assessments are common in Brazil. The Group believes that the likelihood that the tax authorities will ultimately prevail is low and that the Group's position is strong. At present, the Group believes no provision is required.

At the balance sheet date there were no commitments for capital expenditure contracted for but not yet incurred. Commitments in respect of leases are shown in note 35.

35. Leases

The Group's lease portfolio consists of approximately 730 property leases, mainly offices and test centres, together with a number of vehicle and equipment leases. The Group adopted IFRS 16 'Leases' at 1 January 2019 and applied the modified retrospective approach. The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

---

35. Leases continued

As a lessee:

The amounts recognised in the income statement are as follows:

All figures in £ millions	Note	2021	2020	2019
erest on lease liabilities		**(27)**	(41)	(45)
penses relating to short-term leases		**—**	(1)	(2)
preciation of ht-of-use sets	10	**(49)**	(68)	(64)
pairment of ht-of-use sets	10	**(119)**	(4)	—

Lease liabilities are included within financial liabilities – borrowings in the balance sheet, see note 18. The maturities of the Group's lease liabilities are as follows:

All figures in £ millions	2021	2020
ss than one year	**92**	100
e to five years	**318**	333
›re than five years	**394**	441
tal undiscounted lease liabilities	**804**	874
ase liabilities included in the balance sheet	**633**	683
alysed as:		
rrent	**68**	73
n-current	**565**	610

In addition to the above, there are current lease liabilities of £nil (2020: £3m) and non-current lease liabilities of £nil (2020: £66m) classified as held for sale (see note 32).

The amounts recognised in the cash flow statement are as follows:

All figures in £ millions	2021	2020	2019
tal cash outflow for leases as a lessee	**115**	133	136

At the balance sheet date commitments for capital leases contracted for but not yet incurred were £3m (2020: £3m). Extension and termination options and variable lease payments are not significant within the lease portfolio. Short-term leases to which the Group is committed at the balance sheet date are similar to the portfolio of short-term leases to which the short-term lease expense is disclosed above.

As a lessor:

In the event that the Group has excess capacity in its leased offices and warehouses, the Group subleases some of its properties under operating and finance leases.

The amounts recognised in the income statement are as follows:

All figures in £ millions	2021	2020	2019
erest on lease receivables	**6**	9	11
›ome from subleasing ht-of-use sets (within other income)	**2**	7	17

The amounts recognised in the cash flow statement are as follows:

All figures in £ millions	2021	2020	2019
tal cash inflow for leases as a lessor	**27**	50	37

Notes to the consolidated financial statements
35. Leases continued

The following table sets out the maturity analysis of lease payments receivable for subleases classified as operating leases, showing the undiscounted lease payments to be received after the reporting date, and subleases classified as finance leases showing the undiscounted lease payments to be received after the reporting date and the net investment in the finance lease receivable. During the year the investment in finance lease receivable decreased by £15m (2020: decreased £66m), primarily due to payments received.

All figures in £ millions	**Operating leases**	**Finance leases**	**2021 Total**	**2020 Total**
ss than one year	**1**	**20**	**21**	24
e to two years	**—**	**18**	**18**	24
o to three years	**1**	**19**	**20**	18
ree to four years	**2**	**19**	**21**	18
ur to five years	**1**	**19**	**20**	18
re than five years	**2**	**39**	**41**	56
tal undiscounted lease payments receivable	**7**	**134**	**141**	158
earned finance income		**(19)**		
t investment in finance lease receivable		**115**		

36. Related party transactions
Joint ventures and associates

In 2021, the Group acquired a 40% interest in Academy of Pop and is accounting for the investment as an associate. At 31 December 2021, the Group had a current liability payable to Academy of Pop of £7m which relates to the Group’s initial capital contribution that has not yet been paid. This balance is expected to be paid in the first half of 2022.

In 2020, the Group disposed of its interests in Penguin Random House and therefore Penguin Random House is no longer a related party. Prior to the completion of the sale of Penguin Random House, the Group received dividends of £1m (2019: £64m) and repaid loans to Penguin Random House at the point of disposal.

Key management personnel

Key management personnel are deemed to be the members of the Pearson Executive Management team. It is this committee which had responsibility for planning, directing and controlling the activities of the Group in 2021. Key management personnel compensation is disclosed below:

All figures in £ millions	**2021**	**2020**
ort-term employee benefits	**6**	6
tirement benefits	**1**	1
are-based payment costs	**8**	6
tal	**15**	13

There were no other material related party transactions. No guarantees have been provided to related parties.

Notes to the consolidated financial statements

37. Events after the balance sheet date

On 28 January 2022, the Group acquired 100% of the share capital in Credly Inc, having previously held a 19.9% interest in the company. Total consideration is c$200m comprising upfront cash consideration of c$142m, Pearson’s existing interest valued at c$42m and c$16m of deferred consideration. Net assets acquired will mainly comprise of acquired intangible assets. The full acquisition accounting disclosures have not been provided as the valuation of acquired intangibles has not yet been completed.

In January 2022, the Group received $117m in relation to full and final payment of the remaining receivable balance which arose on the disposal of the US K-12 business in 2019.

In February 2022, the Group renegotiated its revolving credit facility, extending the maturity of $1bn of the facility by one year to 2026.

On 24 February 2022, the Board approved a £350m share buyback programme in order to return capital to shareholders. The programme will commence in 2022.

SIGNATURES

The registrant hereby certifies that it meets the requirements for filing a Form 20-F and that it has caused and authorized the undersigned for sign this annual report on its behalf.

Pearson plc

/s/ Sally Johnson
Sally Johnson
Chief Financial Officer
Date: March 30, 2022

Pearson

Strategic progress. Sustainable profitable growth.

Annual report and accounts 2023

We are the world's leading learning company

Strategic report

Governance report

Financial statements

Other information

The strategic report, up to and including page 65, was approved for issue by the Board on 13 March 2024 and signed on its behalf by:

Sally Johnson Chief Financial Officer

Use this QR code to visit our Pearson plc website where you can find the online version of this report.

SCAN ME

https://plc.pearson.com/en-GB/investors/2023-annual-report-accounts

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

At a glance

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 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 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.

Chair’s note

> **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.

Chair's note *continued*

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.

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* 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

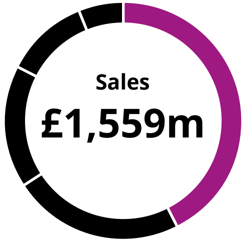
> **“The opportunities to use AI as a tool for better learning, while driving growth in our business are immense. With our vast, high quality data sets and our trusted IP, we are well positioned to lead on creating value from AI in the future.**

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.

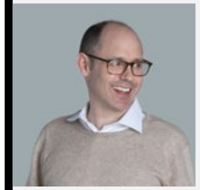
In 2023, Pearson was the first major higher education publisher to integrate generative AI study tools into its propriety academic content. It also grew Pearson+ subscriptions, adding over 1 million eTextbook subscriptions during the calendar year. In the upcoming year, the focus is on scaling AI-enhanced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

English Language Learning

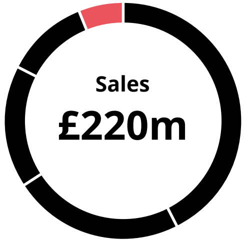
Our vision is to become the world's leading destination for committed learners to build and prove their proficiency in English, offering comprehensive English learning and assessment solutions, including the Pearson Test of English (PTE). Catering to a wide range of learners, including those in workplaces, 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



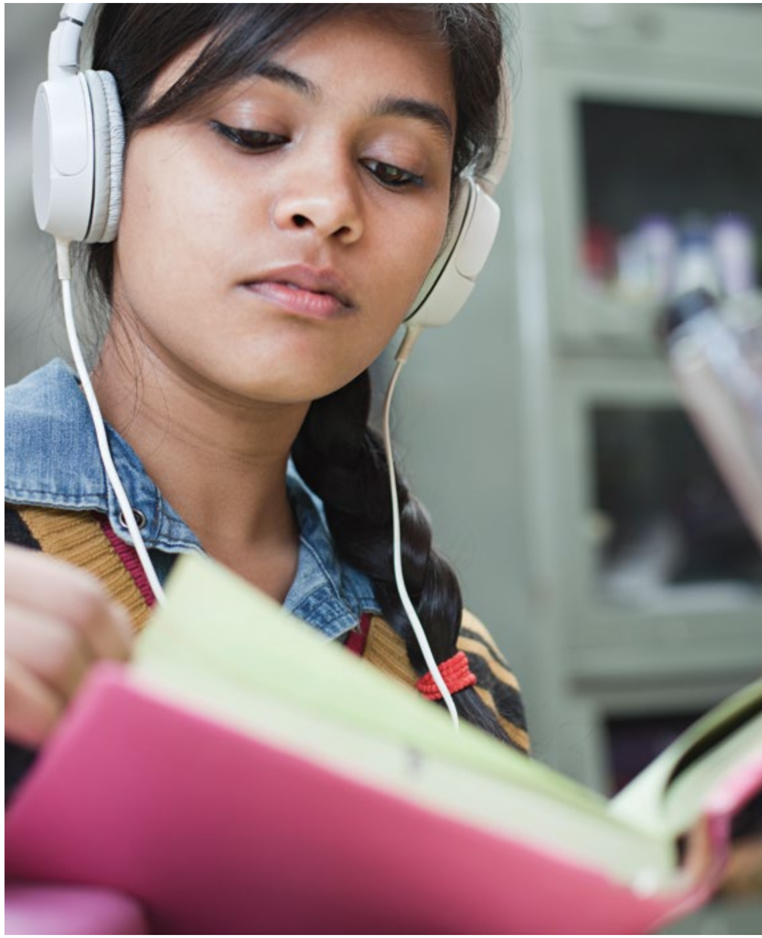
Workforce Skills



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

> **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

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

An integrated strategy

Key

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

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	AQ	Acquired PDRI in March 2023, leading to major federal contract wins with the TSA and US Air Force	AQ	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
	HE	Invested in product improvements and implemented new sales teams and processes, in addition to achieving a profitability increase of 3% driven by cost savings	HE	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
	EL	Grew PTE volumes c.50% to over 1m tests administered and earned recognition for the Student Direct Stream and Migration in Canada	EL	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
	VL	Launched and enrolled over 1k students in an innovative career readiness offering	VL	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
	WS	Expanded workforce reach to 66 of the Fortune 500 companies, achieving a growth rate of 11%	WS	Invest in skills intelligence, credentialing, and assessment solutions, and evolve corporate solutions from single to multi-product sales
	DC	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	DC	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

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

Delight our customers and be obsessed with meeting their expectations	AQ 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	AQ 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
	HE Piloted and launched AI-enhanced eText and Mastering titles, incorporating cutting-edge technology	HE Increase the selection of AI-enhanced titles and invest in the channels component of Pearson+ with diverse formats, including integrated videos
	EL 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	EL Implement more advanced Mondly content and expand reach to institutional and enterprise customers by harnessing synergies with the wider ELL portfolio
	VL 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	VL Improve overall customer satisfaction by integrating content directly onto the Virtual Learning platform, in addition to driving operational improvements and expanding programme offerings
	WS 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	WS Develop customised solutions and professional services that align with enterprise requirements, and launch the Official GED App by Summer 2024
	DC Invested in AI and introduced AI-generated content summarisation, explanations, and practice quizzes to enhance the user experience within Pearson+	DC Leverage the interconnectedness of Pearson+ with Higher Education's courseware to enhance personalisation and trial career-focused propositions

Divisional spotlights

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:

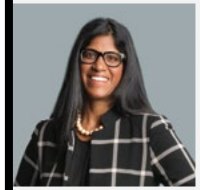
— Expanding DALS in Canada, Australia, and the UK, where we have already introduced the model in 2023 and received positive feedback from customers. We will continue to market and promote DALS in these regions, as well as explore opportunities in other international markets.

— 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.

Educational institutions and educators

Why and how we engage

Educators are a cornerstone of our business and they maintain a close relationship with learners. Our engagement with educators helps to improve the teaching and learning experience, and often provides them with valuable professional development and gives Pearson insights on the needs of learners at all levels.

In our Virtual Schools business, part of our Virtual Learning division, our annual teacher and school leader conferences bring together teachers, school staff, and Pearson teams to attend sessions facilitated by experts from across the learning and education industry.

In our US Student Assessment business, we hold working sessions with educator committees in customer states as assessments are being developed.

In our Higher Education business, we employ a full-time team of active faculty advisors dedicated to supporting instructors in the setup and use of our products. Our Higher Education business has also conducted two surveys with faculty this year, measuring and tracking educator sentiment on the use of generative AI in learning. The division runs an ongoing, weekly AI webinar series to serve as professional development opportunities for faculty, awarding them a Credly badge for their participation.

In the UK, we brought together the perspectives of over 6,000 educators and 1,000 students to create and release the second Pearson School Report. The report takes an in-depth look at life in schools and how educators are pioneering change. It shares their invaluable insights on challenges, opportunities, diversity, equity and inclusion, plus sustainability and digital innovation. The report has reached a vast audience through accompanying media articles, free support and events.

Outcome of engagement

All of our educator engagement leads to a better understanding of how products are used in market and also raises the profile of Pearson in this important customer segment. Through our engagement, we build trust with educators and we help them see us as a true partner in their work.

Many of our more than 2,000 Pearson authors are also educators, along with being experts in their fields. They give us valuable insights about how their own students use our products. And, they help us test new ways of using digital tools in the courseware they author.

Across the board, our work with educators contributes directly to the quality of our products. Specifically, our engagement with educator committees at the US state level ensures that our US school assessments are aligned to state standards and free of bias.

Our Virtual Schools' conferences ensure that educators learn from one another in peer-to-peer engagement, tailoring solutions and exploring learnings that support the needs of students.

In our Higher Education business, our faculty engagement provides ongoing feedback on new AI product features such as generative AI and helps us understand how to best tailor those features to the needs of faculty and students, helping both become more effective users of AI.

The Pearson Schools report is another example of how listening to and engaging with educators builds trust and visibility with this important customer group.

Employers

Why and how we engage

Employers have always been a key stakeholder for Pearson and they are becoming even more important as the need for reskilling grows in our changing economy and jobs are being increasingly augmented by AI and other technology. Throughout our businesses, ongoing consultation and conversation with employers helps shape our offerings, with an eye toward the growth of our enterprise business. In addition, Pearson can provide useful insights and information that help employers understand the wider labour market and build important customer relationships.

Our Workforce Skills division works with employers to design solutions that fit their unique place in the labour market and help learners progress in their career goals. In our Vocational Qualification business, Pearson's BTEC qualifications are designed with relevant sector experts and employers, to ensure they cover the most relevant content. When expanding our Esports BTECs into Higher Nationals, we worked closely with the British Esports Federation to ensure that the qualifications offer students progression to entry-level jobs in the sector. We also created a bespoke BTEC qualification for opticians, specifically at the request of, and in consultation with, one of the UK's largest eyeglasses and contact lens retailers.

We also provide employers with data and thought leadership which helps them shape their decisions and helps to raise the profile of Pearson as a leader in workforce and career learning. In 2023, Pearson VUE completed its third Value of IT Certification report, which surveyed IT hiring managers and people managers in the US and India to understand their views on certification trends in the workplace. Not only does the research help inform the work of Pearson VUE, but it is also shared with employers so they can see the larger picture of the IT industry. The Pearson Skills Outlook, a thought leadership series that uses Faethm data to forecast skills trends, became an important outreach and engagement tool across the company with employers. The Skills Outlook reports help with lead generation and also provides data and information to employers and HR managers looking to better understand today's most in demand skills. English Language Learning also fielded a large piece of research in 2023, to be released in the coming year, that looks at the habits of English learners in five countries and how employers can better support them in the workplace.

Outcome of engagement

Engagement with employers helps us create offerings that meet the needs of more technology driven labour markets and appeal to large enterprise customers. By doing that, we further expand our presence in the growing workforce learning market. Specifically, feedback from enterprise customers is helping us refine our offering and go-to-market approach- including cross divisional sales to support the needs of these large accounts. For example, we identified a need for talent development assessments to support employees at a large telecommunications company. The team successfully matched a package of Pearson TalentLens, a Workforce Skills product, with our Versant language learning, an English Language Learning product, to meet the customer's needs.

Business partners

Why and how we engage

Working with partners who share our commitment to doing business responsibly strengthens our supply chain relationships and reduces risk. This helps Pearson improve our product offerings and make progress on our climate and diversity commitments.

We continue to analyse the carbon performance of our major suppliers. We have also introduced new language in all of our supplier contracts, ensuring they have provisions for increasing carbon maturity and increased visibility of emissions reporting.

We also engaged directly with a targeted pool of higher carbon impact suppliers, whose contracts don't yet include sustainability requirements. This is an effort to make them aware that alignment with our carbon targets is now a differentiating factor in our sourcing strategy.

In 2023 we spent £47.2m with diverse-owned suppliers (owners of businesses from historically underrepresented groups) and we are on track to meet our goal of spending £500m with diverse-owned suppliers by 2030.

Outcome of engagement

These actions are having a direct impact on how we execute our procurement strategies and help grow our reputation as a responsible business.

By collaborating with partners across our supply chain, we can prioritise decarbonisation efforts where they can make the biggest difference and demonstrate community level benefits of supply chain decarbonisation efforts.

Pearson's sustainable procurement maturity score, assessed by EcoVadis, improved from good to advanced, outperforming the EcoVadis customer average across all industries.

Government and regulators

Why and how we engage

Government policymakers across the world are charged with implementing policies to grow and sustain productive economies, ensuring that individuals have the educational and skill-development opportunities to achieve their life goals. Pearson acts as an important partner with governments, schools, colleges, universities, and the business sector to help achieve those economic and educational goals within the countries in which we operate. Governments everywhere are focused on how to position themselves for the future of work, to take advantage of advancements in technology to provide residents with the requisite high-quality education and training to meet the needs of a rapidly evolving workforce. Increasingly, the rise of AI in society and in the labour market challenges governments to devise sound policies to take advantage of opportunities and mitigate against risks to the labour force. Pearson is well positioned to share its expertise and knowledge with governments as they look to enact policies to regulate AI in their countries.

Given governments' need of support as economies face labour shortages, particularly in high-demand sectors, and students and workers seek accelerated learning opportunities and skill development, we engage, through meetings and presentations with elected and appointed government officials, discussing key concepts including skills-based hiring, certifications, and apprenticeships vital to their region.

Outcome of engagement

Our engagement helps inform policy decisions and share best practices on areas of focus for education, training, and recruitment. Many countries and students are looking to undertake English Language courses and proficiency assessments. Accordingly, we share our expertise and work with government leaders in key markets as they develop policies and programmes to meet this demand. In addition, AI, digital transformation, and energy transition are topics which countries from all regions are prioritising when developing policy and allocating investments on education and skills.

Communities

Why and how we engage

Pearson increases access to education around the world, ensuring our products and services enable more people to learn and develop new skills through a lifetime of learning. Learning is a key factor in empowering individuals and communities, improving social and economic outcomes, and creating a more equitable and sustainable world.

In addition to maintaining relationships with key organisations, we participate in multi-stakeholder initiatives to promote lifelong learning opportunities for all and ensure the lasting protection of our planet.

This year, we launched a skills-based social impact initiative for our employees, that focuses on learning, mobilising and building community. As part of the initiative, we evolved our volunteering policy to five days for causes aligned to our purpose and values, and award a Credly volunteering badge to recognise the skills learned while serving our communities.

Outcome of engagement

We strive to make a positive and meaningful impact in the communities in which we operate.

To support that, we gave over £477k in humanitarian aid support.

Additionally, our employees have given over 20,000 volunteer hours and supported 55 causes. You can find more detail on Learning for Impact on pages 34-43.

Employees

Why and how we engage

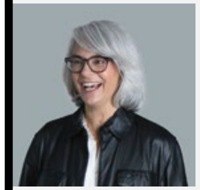
Pearson's greatest asset is its people. Our business success and ability to positively impact society heavily rely on our colleagues. We also know that managers account for as much as 70% of the variance in employee team engagement. That's why we continue empowering our managers with ongoing tools and training to support them and their teams, which is pivotal in driving engagement throughout Pearson.

At the enterprise level, we regularly communicated with our people through interactive forums, town halls, newsletters, and regular storytelling.

Outcome of engagement

Throughout 2023, we encouraged managers to hold regular one-to-one meetings with their direct reports. Additionally, 82% of employees actively participated in our engagement survey with a GrandMean score of 4.09 on a 5-point Likert scale. This is up from 72%.and 3.96 respectively in 2022 and is considered 'meaningful' improvement by Gallup.

> **We are incredibly proud of the diverse talent we have within Pearson and believe that highly engaged employees act as a powerful driver for the business. We will continue to invest in our people, in attracting new talent, and in seeking ways to create a culture of belonging.**
>
> **Ali Bebo** Chief Human Resources Officer



Investors / shareholders

Why and how we engage

Our shareholders play an important role in both the monitoring and safeguarding of the governance of our company and in providing access to capital. Some are also employees who have a critical role to play in the continued success of our business.

We have strong and constructive relationships with our key institutional investors and shareholders and regularly communicate with them on key issues, including at our financial results, our AGM and at investor meetings and conferences. We held 505 meetings with 272 institutions over the course of 2023, both virtually and in person. We discussed financial, operational and strategic matters.

Outcome of engagement

Our investors appreciate the time we spend with them to give them updates on our strategy and progress, and we continue to develop how we communicate effectively across a range of formats.

Our 2023 AGM was held as a hybrid (combined physical and electronic) meeting, enabling shareholders, should they so wish, to participate in the AGM, ask questions and vote on resolutions via a live webcast without being physically present at the AGM. The physical element of the meeting was held, for the first time, at our 80 Strand office in London.

Directors’ duties statement

In accordance with Section 172 of the Companies Act 2006 (see box to the right), the Directors fulfil their duties to promote the success of the company through a well-established governance framework. Typically, in large and complex businesses such as Pearson, this framework includes delegation of day-to-day decision-making to employees of the Group.

This governance framework, summarised throughout this document, is far more than a simple delegation of financial authority, and includes the values and behaviours expected of our employees and business partners, including the standards to which they must adhere; how we engage with stakeholders, including understanding and taking into account their views and concerns; and how the Board ensures that we have a robust system of control and assurance processes in place.

In this annual report, we provide examples of how the Directors promote the success of Pearson while taking into account the consequences of decisions in the long-term, building relationships with stakeholders (including our eight key stakeholder groups, as mentioned previously), and ensuring that business is conducted ethically and responsibly.

While there are many parts of this annual report which illustrate how the Directors do this, with the support of the wider business, the following sections in particular are relevant:

- Learning from our stakeholders (pages 16-20), which outlines:
  - how we serve and engage with each of our eight key stakeholder groups, listen to their key concerns and provide our responses
  - how we have adapted our business to meet their needs
  - how we have had regard to the need to foster the company’s business relationships with each of the stakeholder groups
- Understanding our stakeholders (pages 81-83), which summarises:
  - how Directors have engaged with employees and shareholders, and had regard to their interests
- Sustainability (pages 34-55), which describes:
  - Initiatives through which we strive to enable more engaging learning experiences, that are accessible to more people, and with a smaller carbon footprint
  - Our commitment to creating a culture that prioritises human rights, our employees, DEI, and socially responsible sourcing
  - How we align with widely accepted ESG reporting frameworks including GRI, SASB and TCFD. For further details on TCFD reporting, please see page 44

A continued understanding of the key issues affecting stakeholders is an integral part of the Board’s decision-making process. The insights that the Board gains through its engagement mechanisms form an important part of the context for all the Board’s discussions and decision-making processes. For an insight into how the Board has considered the interests of various stakeholders in its decision-making, and what matters the Directors considered when balancing various stakeholder perspectives, please see our case study on the Chief Executive appointment process on page 83.

Section 172 of the Companies Act

In summary, as required by Section 172 of the Companies Act 2006, a Director of a company must act in the way they consider, in good faith, would most likely promote the success of the company for the benefit of its shareholders as a whole. In doing this, the Director must have regard, among other matters, to:

- the likely consequences of any decisions in the long term,
- the interests of the company’s employees,
- the need to foster the company’s business relationships with suppliers, customers and others,
- the impact of the company’s operations on the community and environment,
- the company’s reputation for high standards of business conduct, and
- the need to act fairly as between members of the company.

Creating value

Our foundations

Committed people and partners

Our talented employees and fantastic partners share Pearson's values and commitment to education. Our relationships with governments, customers, non-governmental organisations (NGOs) and other global organisations help us to amplify our positive impact on learners around the world.

R&D and product innovation

Our product team, with expertise in learning science, is committed to creating learning products which offer a great user experience and improved learning outcomes. Through ongoing innovation and Research and Development (R&D), we develop and incorporate the most advanced technologies, including generative AI, into our products and services.

Financial assets

Our shareholders entrust us with their capital in order to invest on their behalf for the long term.

Our physical footprint

Our products and services are available in most countries and territories around the world. At the same time we are progressing in simplifying our property portfolio and strengthening our digital and flexible ways of working.

Data and insight

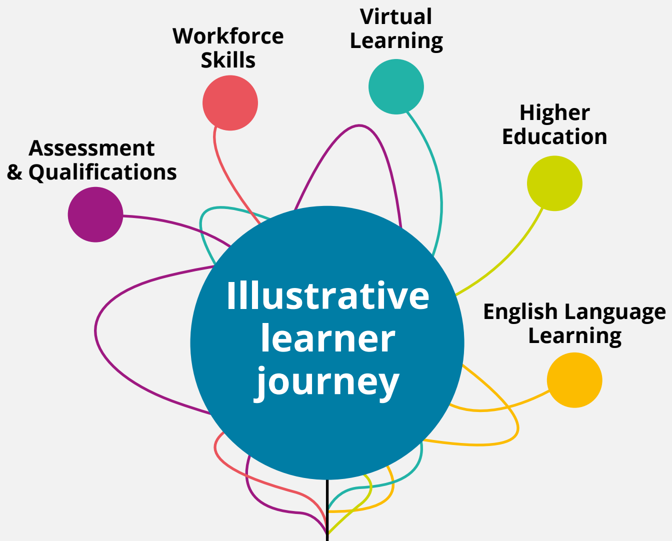
Through the effective and responsible use of data we are able to know our customers better and serve them more effectively. We are further building our capabilities in data analytics and AI such as those acquired through Faethm, which enable us to use data insights to help identify skill gaps and provide compelling solutions to workforce challenges.

Strong market fundamentals

We are well-placed to benefit from structural tailwinds in the global learning market including three big market opportunities:

1. Online and digital tools for schools and education
2. Solutions to evaluate and address workforce skills gaps
3. Academic and professional skills accreditation and certification

Pearson supports learners throughout their learning journey



VL (Virtual Schools)
Attend virtual K-12 school

WFS (GED)
Pass GED to gain high school equivalency diploma

ELL (Pearson Test of English)
Apply for student visa using Pearson Test of English to prove English proficiency

HE (Courseware / Pearson+)
Access eTexts and college level materials through AI-enhanced P+ and MyLab and Mastering homework platform

WFS (TalentLens)
Take 'fit-to-role' test as part of job application

WFS (Faethm)
Through employer, identify skills gaps and develop a learning plan to upskill and access future opportunities

ELL (Mondly by Pearson, Workplace English)
Refine language skills tailored to IT industry

A&Q (VUE)
Upskill, take practice tests and exams to obtain credentials in profession (e.g. tech)

WFS (Credly)
Leverage new IT badge to demonstrate skills proficiency and enhance career prospects

Direct to Consumer

Through initiatives across divisions we are expanding our offerings which go directly to consumers. This is in addition to our existing models whereby we reach the consumer via an educational institution, employer or other partner.

For example, we are scaling Pearson+, our digital learning service in Higher Education, expanding features such as Channels, to provide learners with tutorial videos and practice questions. We are also growing our Direct to Consumer language learning platform Mondly and introducing even more advanced AI features. Both of these services will be an important customer acquisition tool underpinning our direct to consumer offerings across the Group.

Partners and support functions

Technology is enabling consumers to learn virtually and in a more personalised and effective manner. This means we can improve accessibility to education, reach a larger market at a lower cost and be at the forefront of the evolving learning marketplace. This enables us to reach our ambition to be the leading, trusted provider of educational tools and services, and enhance learning outcomes globally.

> **We've made real progress building a tech strategy that supports a cross-functional approach to data, content delivery and product development.**

MaryKay Wells
Chief Information Officer

How we create long-term stakeholder value

Consumers

We empower learners across the globe with high-quality, trusted learning products and services.

Educators

We work with educators, from teachers to institutions, across all stages of education to support their learners in achieving their goals.

Employers

We partner with employers to empower their employees to learn and succeed in the future of work.

Business partners

We nurture long-term collaboration with our business partners to create shared value, building on our deep relationships and mutual trust.

Governments

We partner with local, federal and national government bodies around the world to develop learning solutions.

Communities

We prize our role in shaping the future of education and its impact on society, and strive to meet the expectations that accompany this responsibility.

Employees

We unlock the potential of our human capital by investing in our people's growth and providing opportunities to learn and progress.

Shareholders

We strive to deliver long-term value creation for our shareholders.

Sustainability

As a learning company, creating a more sustainable world is part of everything we do. Starting with the millions of users who already trust our products, we want to help more people create a better life for themselves and a better world for society. We recognise our responsibility to reduce our environmental impact and are making progress on our Climate Action Plan (see page 42). Our sustainability strategy is shaped by our stakeholders, and in line with the outcomes of our 2022 materiality assessment (see page 34).

Measuring progress

We measure our progress against five non-financial KPIs:

- ▌ **Digital Growth**
- ▌ **Consumer Engagement**
- ▌ **Product Effectiveness**
- ▌ **Culture of Engagement & Inclusion**
- ▌ **Sustainability Strategy**

Monitoring progress

Non-financial measures

Digital Growth

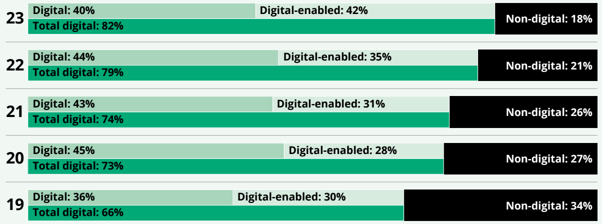
Objective: Drive digital revenue growth

Digital sales*

Underlying growth in group digital and digital-enabled sales

+3%
(2022: +9%)

+8%**
**Excluding OPM and Strategic Review



Partner Schools US enrolments[a]

100k
(2022: 105k)

OnVUE volumes

2.7m
(2022: 3.0m)

PTE volume

1,231k
(2022: 827k)

Higher Education US digital registrations

9.8m
(2022: 9.9m)

Consumer Engagement

Objective: Create engaging and personalised consumer experiences

NPS for Connections Academy

+67
(2022: +67)

NPS for PTE

+55
(2022: +52)

Mondly paid subscriptions

432k
(2022: 446k)

Workforce Skills new registered users

5.3m
(2022: 4.7m)

Pearson+ registered users

3.03m
(2022: 2.83m)

Product Effectiveness

Objective: Improve the effectiveness of our products to deliver better outcomes

PTE speed of score return

1.0 days
(2022: 1.3 days)

VUE Test volumes[b]

20.7m
(2022: 19.4m)

VUE partner retention

94%
(2022: 99.9%)

Workforce Skills number of enterprise customers

1,547
(2022: 1,503)

Workforce Skills enterprise customer net retention rate

66%
(2022: 74%)

Higher Education Product usage - text units

4.5m
(2022: 4.8m)

Culture of Engagement & Inclusion

Objective: Build an inclusive culture and increase diverse representation

Employee Engagement

Pearson uses the Gallup Q^{12}® survey to measure engagement, annually

4.09
grand mean on a 5 point Likert scale

(2022: 3.96)

Investing in diverse talent

The % of responses who agree or strongly agree to Gallup Q^{12}® survey questions

In the last six months, someone at work has talked to me about my progress

73%
(2022: 67%)

This last year, I have had opportunities at work to learn and grow

76%
(2022: 72%)

Culture of inclusion index

The grand mean of 3 Gallup Q^{12}® survey questions

— At work, I am treated with respect
— My company is committed to building the strengths of each employee
— If I raised a concern about ethics and integrity, I am confident my employer would do what is right

4.21
grand mean on a 5 point Likert scale

(2022: 4.12)

Increasing diverse talent[c]

R Objective: Increase BIPOC/BAME representation at all manager levels and maintain overall gender parity

Representation of BIPOC/BAME employees at Manager level and above

22.0%
(2022: 20.7%)

Global % of female employees

59.1%
(2022: 59.0%)

Sustainability Strategy

Objective: Achieve net zero carbon by 2030

Reduction in total tCO_2e in 2023

16%
vs 2022[d]

Reduction in total tCO_2e in 2022

3%
vs 2021[d]

R **Progress against achieving net zero carbon by 2030, as measured through percentage carbon reduction**

---

a. Measure definition has changed to number of government-funded student enrolments at partner schools within the US as of 30th September. Excludes private-pay students at Pearson Online Academy and district partnerships. This is more closely aligned to business processes.

b. VUE test volumes include PTE and GED tests but sales for each of these tests are reflected in the English Language Learning and Workforce Skills divisions respectively. PDRI test volumes are not currently included in this metric.

c. Previously reported 'Increasing diverse talent' metrics retired and new strategic remuneration measures incorporated.

d. The net emissions reduction figures have been assured by an independent third-party, SLR Consulting Ltd. % reduction in total tCO_2e above is calculated using a location-based methodology. Within the 2023 number, 4% is due to portfolio changes. These will be removed following the normal rebasing exercise in 2024.

* Historical figures restated to exclude US K-12 Courseware (sold in 2019).

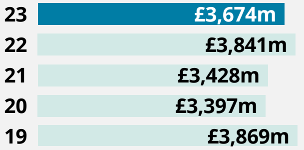
Please find further details on our Strategic KPIs here **https://plc.pearson.com/en-GB/company/our-targets-kpis**

R **See how this aligns strategy to management reward: page 112**

Financial measures

Sales[b] R

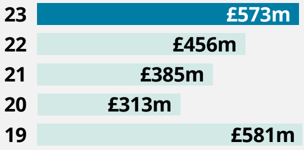
£3,674m



This is our revenue as reported in our income statement.

Adjusted operating profit[a] R

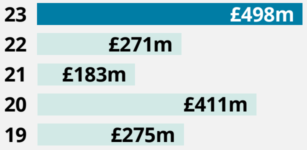
£573m



A non-GAAP financial measure that enables management to consistently track the underlying operational performance of the Group.

Operating profit[b]

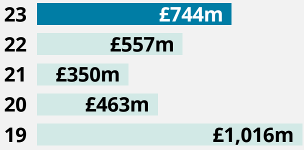
£498m



This is our operating profit as reported in our income statement.

Net debt[a]

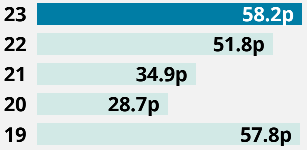
£744m



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

Adjusted earnings per share[a] R

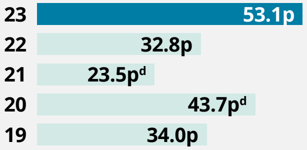
58.2p



A non-GAAP financial measure used to evaluate performance.

Basic earnings per share[b]

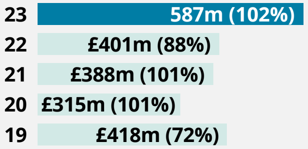
53.1p



A measure of the amount of profit that can be allocated to one share of our common stock.

Operating cash flow and cash conversion[a] R

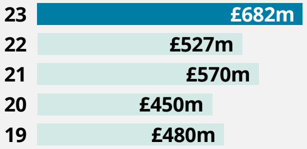
£587m



Operating cash flow is an adjusted measure and is presented in order to align the cash flows with corresponding adjusted operating profit measures.

Net cash generated from operations[b]

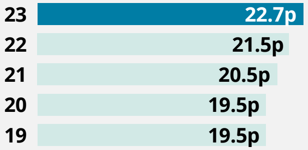
£682m



This is our net cash generated from operations as reported in our cash flow statement.

Dividend per share

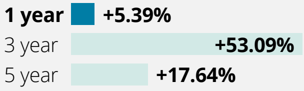
22.7p



This is the proposed full year dividend. Our dividend policy is to be progressive and sustainable.

Total shareholder returns[c] R

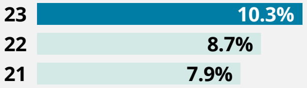
+5.39%



This is a measure of financial performance of shares over time.

Return on Capital[a] R

10.3%



A non-GAAP measure of how efficiently we are generating returns from our asset base.

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a. See pages 221-226 for an explanation and reconciliation of these alternative performance measures and non-GAAP measures.

b. Statutory measure.

c. Source: Bloomberg.

d. Comparatives were restated in 2022

Note: See pages 221-226 for full reconciliation of the alternative performance measures to the equivalent statutory measure.

R **See how this aligns strategy to management reward: page 112**

We've delivered another strong set of results in 2023. This continued progress underpins our confidence that we're set for another good year in 2024 and on track to meet our 2025 objectives.

Sally Johnson Chief Financial Officer

Financial Summary

£m	2023	2022
Business performance		
Sales	**3,674**	3,841
Adjusted operating profit	**573**	456
Operating cash flow	**587**	401
Free cash flow	**387**	222
Adjusted earnings per share	**58.2p**	51.8p

£m	2023	2022
Statutory results		
Sales	**3,674**	3,841
Operating profit	**498**	271
Profit for the year	**380**	244
Net cash generated from operations	**682**	527
Basic earnings per share	**53.1p**	32.8p

Throughout this section: a) Growth rates are on an underlying basis unless otherwise stated. Underlying growth rates exclude currency movements and portfolio changes; b) The 'business performance' measures are non-GAAP measures, and reconciliations to the equivalent statutory heading under IFRS are included in the financial key performance indicators section on pages 221-226; c) Constant exchange rates are calculated by assuming the average FX in the prior year prevailed through the current year.

Group Financial Expectations

2024 expectations				Underlying sales 3-year CAGR 2022 to 2025*	2025 Margin expectations**
Sales growth	Adjusted operating profit	Tax	Interest		
Expect to be in line with current market expectations		c.24%	c.£45m***	Mid-single digits	16-17%

* Excluding the OPM and Strategic Review businesses.

** Adjusted operating profit margins.

*** Our interest charge will be c.£45m given our £300m share buyback and its extension by a further £200m.

NB: 2024 consensus on the Pearson website: underlying sales growth 3.7%, adjusted operating profit of £621m at £:$ 1.22, effective tax rate c.24%. For reference, each 1c move in USD FX rate equates to c.£5m of adjusted operating profit.

Operating results

On a headline basis, sales decreased by £167m or 4% from £3,841m in 2022 to £3,674m in 2023 and reported operating profit increased by £227m from £271m in 2022 to £498m in 2023. In addition, adjusted operating profit increased by £117m or 26% from £456m in 2022 to £573m in 2023 (for a reconciliation of this measure see page 28 and note 2 to the consolidated financial statements).

The increase in reported operating profit in 2023 is mainly due to increased trading profits and a reduction in the costs of major restructuring, partially offset by a net loss related to acquisitions and disposals compared to a net gain in 2022.

The headline basis simply compares the reported results for 2023 with those for 2022. We also present sales and adjusted operating profit on an underlying basis which exclude the effects of exchange, the effect of portfolio changes arising from acquisitions and disposals and the impact of adopting new accounting standards that are not retrospectively applied. Our portfolio change is calculated by excluding sales and profits made by businesses disposed in either 2022 or 2023 and by ensuring the contribution from acquisitions is comparable year on year. Portfolio changes mainly relate to the disposals of the Group's interests in POLS, Pearson College, our international courseware local publishing business in India and businesses within Higher Education in 2023, the disposal of our international courseware local publishing businesses in Europe, French-speaking Canada, South Africa and Hong Kong in 2022, the acquisition of PDRI in 2023 and the acquisitions of Credly and Mondly in 2022.

On an underlying basis, sales increased by 5%, excluding OPM and Strategic Review, and by 1% in aggregate, in 2023 compared to 2022 and adjusted operating profit increased by 31%. Currency movements decreased sales by £33m and decreased adjusted operating profit by £10m. Portfolio changes decreased sales by £175m and decreased adjusted operating profit by £8m. There were no new accounting standards adopted in 2023 that impacted sales or statutory or adjusted operating profits.

2024 outlook

We expect Group underlying sales growth, adjusted operating profit and tax will be in line with current market expectations. Our interest charge will be c.£45m given our ongoing £300m share buyback and extension by a further £200m.

- In Assessment & Qualifications we expect sales growth of low to mid-single digit.
- In Virtual Schools we expect sales to decline at a similar rate to 2023, given the previously cited loss of a larger partner school for the 2024/25 academic year. We are pleased to have secured two new schools in the States impacting the 2023/24 and 2024/25 academic years and therefore expect the division to return to growth beyond 2024.
- In Higher Education we expect to return to sales growth.
- In English Language Learning we continue to expect high single digit sales growth.
- In Workforce Skills we expect to achieve high single digit sales growth.
- We expect a free cash flow conversion of 95-100%.

2025 ambition

We continue to expect the Group to achieve mid-single digit underlying sales 3-year CAGR from 2022 to 2025, excluding OPM and Strategic Review businesses, and remain on track to achieve our 16-17% adjusted operating profit margin guidance.

Financial review *continued*

All figures in £ millions	2023	2022
Operating profit	498	271
Add back: Cost of major restructuring	-	150
Add back: Property charges	11	-
Add back: Intangible charges	48	56
Add back: UK pension discretionary increases	-	3
Add back: Other net gains and losses	16	(24)
Adjusted operating profit	**573**	456

Adjusted operating profit includes the results from discontinued operations when relevant but excludes charges for intangible amortisation and impairment, acquisition related costs, gains and losses arising from disposals, the cost of major restructuring, certain property charges and one-off costs related to the UK pension scheme. A summary of these adjustments is included below and in more detail in note 2 to the consolidated financial statements.

In 2023, there are no costs of major restructuring. Property charges of £11m relate to impairments of property assets arising from the impact of updates in 2023 to assumptions initially made during the 2022 and 2021 restructuring programmes. In 2022, restructuring costs of £150m mainly related to staff redundancies and impairment of right-of-use property assets including the impact of updated assumptions related to the recoverability of right-of-use assets made in 2021.

Intangible amortisation charges in 2023 were £48m compared to a charge of £56m in 2022. This is due to decreased amortisation from recent disposals partially offset by additional amortisation from recent acquisitions.

UK pension discretionary increases in 2022 related to one-off pension increases awarded to certain cohorts of pensioners in response to the cost of living crisis.

Other net gains and losses in 2023 relate largely to the gain on disposal of the POLS business and gains on the releases of accruals and a provision related to previous acquisitions and disposals, partially offset by losses on the disposal of Pearson College and costs related to current and prior year disposals and acquisitions. Other net gains and losses in 2022 largely related to the gain on disposal of the international courseware local publishing business in French-speaking Canada and a gain arising on a decrease in the deferred consideration payable on prior year acquisitions, offset by costs related to disposals and acquisitions.

Divisional Results

£m	2023	2022	Headline growth	CER Growth	Underlying growth
Sales					
Assessment & Qualifications	**1,559**	1,444	8%	9%	7%
Virtual Learning	**616**	820	(25)%	(24)%	(20)%
Higher Education	**855**	898	(5)%	(4)%	(3)%
English Language Learning	**415**	321	29%	32%	30%
Workforce Skills	**220**	204	8%	8%	11%
Strategic Review	**9**	154	(94)%	(94)%	(74)%
Total	**3,674**	3,841	(4)%	(3)%	1%
Total, excluding OPM[1] and Strategic Review[2]					5%

Adjusted operating profit/loss					
Assessment & Qualifications	**350**	258	36%	36%	33%
Virtual Learning	**76**	70	9%	9%	(17)%
Higher Education	**110**	91	21%	22%	20%
English Language Learning	**47**	25	88%	116%	112%
Workforce Skills	**(8)**	(3)	(167)%	(167)%	(400)%
Strategic Review	**(2)**	15	(113)%	(107)%	94%
Total	**573**	456	26%	28%	31%

Assessment & Qualifications

In Assessment & Qualifications, sales increased 8% on a headline basis and 7% on an underlying basis. Adjusted operating profit increased 33% in underlying terms due to operating leverage on sales growth and margin and opex cost efficiencies, partially offset by inflation and 36% in headline terms due to this, portfolio changes and currency movements.

Pearson VUE sales were up 10% in underlying terms with particularly strong growth in the IT and healthcare segments, alongside the commencement of new contracts. VUE test volumes grew 6% to 20.7m. We maintained our high contract renewal track record, reporting a rate of 93.6% across the business for 2023.

In US Student Assessment, sales increased 4% in underlying terms driven by the commencement of new contracts following new business wins.

In Clinical Assessment, sales increased 5% in underlying terms supported by pricing, good government funding and continued focus on health and wellbeing.

In UK and International Qualifications, sales increased 6% in underlying terms driven by price increases and good international growth.

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1. We have completed the sale of the POLS business and as such have removed from underlying measures throughout. Within this specific measure we exclude our entire OPM business (POLS and ASU) to aid comparison to guidance.
2. Strategic Review is sales in international courseware local publishing businesses being wound down. There will be no sales or profits reported in the division going forwards.

Virtual Learning

In Virtual Learning, sales decreased 25% on a headline basis and 20% on an underlying basis, primarily due to the expected decrease in our OPM business. Adjusted operating profit decreased 17% in underlying terms due to trading performance partially offset by cost efficiencies and increased 9% in headline terms due to this and portfolio changes.

Sales in our OPM business were down 87% on an underlying basis, as expected, following the wind down of the ASU contract. Pearson Online Learning Services sales are no longer included in underlying measures following the completion of the disposal in the first half of the year.

Virtual Schools sales were down 2%, driven by lower enrolments and lower district partnership renewals, partially offset by good retention rates, improvements in funding and growth associated with the launch of our Connections Academy Career Pathways. Enrolments for the 2023/24 academic year were down 5% due to the previously cited loss of a larger partner school. Excluding the impact of this school, enrolments were up 1%.

Higher Education

In Higher Education, sales decreased 5% on a headline basis due to trading, currency movements and portfolio changes, and declined 3% for the full year on an underlying basis, in line with expectations. Adjusted operating profit increased 20% in underlying terms driven primarily by cost efficiencies, partially offset by trading performance and inflation, and increased 21% in headline terms due to this, currency movements and portfolio changes.

In the US, sales declines were driven by the loss of adoptions to non-mainstream publishers in the first half of the year, as well as pricing mix. There was strong growth in Inclusive Access with 22% sales growth to not-for-profit institutions and the total number of institutions increasing to c1,250. We delivered 2% growth in platform units in 2023 enabled by changes we have made to our sales team and go to market strategy with the support of increasing platform stability. Pearson+ performed well in the Fall semester with 3.03m registered users and 516k paid subscriptions, representing 27% growth compared to the prior year Fall semester. Pearson+ passed the milestone of 1 million cumulative paid subscriptions for the calendar year.

English Language Learning

In English Language Learning, sales were up 29% on a headline basis and 30% on an underlying basis. Adjusted operating profit increased by 112% in underlying terms due to sales growth partially offset by increased investment in brand awareness and testing capacity and inflation, and was up 88% in headline terms due to this and currency movements.

PTE volumes were up 49% supported by favourable migration policy in Australia as well as market share gain in India. Our Institutional business performed well, with strong performance across Latin America and Middle East markets. Our Mondly business also contributed to growth with an increase in consumer billings.

Workforce Skills

In Workforce Skills, sales were up 8% on a headline basis and 11% on an underlying basis. Adjusted operating profit declined by £8m in underlying terms due to investment in the business across our Workforce Solutions product suite partially offset by trading and decreased £5m in headline terms due to this and portfolio changes.

Sales growth was driven by solid performances in both the Vocational Qualifications and Workforce Solutions businesses. The Vocational Qualifications business grew by 10% in underlying terms. The Workforce Solutions business grew by 13% in underlying terms. Pearson has 1,547 enterprise clients in its Workforce Skills portfolio, up 3% on last year.

Strategic Review

Sales in our international courseware local publishing businesses under strategic review were down 94% on a headline basis for the full year and declined 74% on an underlying basis. Operations in these businesses have now been wound down in line with our previous communications. There will be no sales or profits reported in this division going forwards.

Net Finance Costs

Net finance costs increased on a headline basis from a net income of £52m in 2022 to a net cost of £5m in 2023. The increase is primarily due to the release, in 2022, of £35m of interest recorded in respect of provisions for uncertain tax positions, a reduction in gains arising from mark to market movements on investments and derivatives, partially offset by additional finance income in respect of retirement benefits.

Net interest payable reflected in adjusted earnings in 2023 was £33m, compared to £1m in 2022. The difference is primarily due to the items noted above. In addition, in 2023, there were increased interest costs related to the drawdown during the year of the revolving credit facility, partially offset by reduced bond interest due to the bond repayments made in 2022.

Net finance income in respect of retirement benefits has been excluded from our adjusted earnings as we believe the income statement presentation does not reflect the economic substance of the underlying assets and liabilities. Also included in the net finance costs (but not in our adjusted measure) are interest costs relating to acquisition or disposal transactions, fair value movements on investments classified as fair value through profit and loss, foreign exchange and other gains and losses on derivatives. Interest relating to acquisition or disposal transactions is excluded from adjusted earnings as it is considered part of the acquisition cost or disposal proceeds rather than being reflective of the underlying financing costs of the Group. Foreign exchange, fair value movements and other gains and losses are excluded from adjusted earnings as they represent short-term fluctuations in market value and are subject to significant volatility. Other gains and losses may not be realised in due course as it is normally the intention to hold the related instruments to maturity (for more information see the financial key performance indicators section on pages 221–226). Interest on certain tax provisions is excluded from our adjusted measure in order to mirror the treatment of the underlying tax item.

In 2023, the total of these items excluded from adjusted earnings was income of £28m compared to income of £53m in 2022. Net finance income in respect of retirement benefits increased from £9m in 2022 to £26m in 2023 reflecting the comparative funding position of the plans at the beginning of each year and there were higher prevailing discount rates. Interest costs in respect of deferred and contingent consideration are £4m in 2023 compared to £5m in 2022, these costs relate to recent acquisitions. Fair value gains on investments in unlisted securities are £13m in 2023 compared to £28m in 2022. In addition, there were losses year on year on long-term interest rate hedges and an interest charge on tax provisions of £5m was recognised in 2022 in relation to the EU State Aid matter.

all figures in £ millions	**2023**	2022
Net interest payable	**(33)**	(1)
Finance income in respect of retirement benefits	**26**	9
Fair value movements on investments held at FVTPL	**13**	28
Other net finance costs	**(11)**	16
Net finance costs	**(5)**	52

Taxation

The reported tax charge on a statutory basis in 2023 was £113m (23.0%) compared to a £79m charge (24.5%) in 2022.

The tax on adjusted earnings in 2023 was a charge of £124m (2022: £71m), corresponding to an adjusted effective tax rate on adjusted profit before tax of 23.0% (2022: 15.6%). The increase in the effective rate from prior year is primarily due to the release of tax provisions following the expiry of the statute of limitations in the US driving a lower tax rate in 2022 which is not recurring in 2023. For a reconciliation of the adjusted measure see financial key performance indicators section on pages 221–226.

In 2023, there was a net tax payment of £97m (2022: £109m). The overall amount decreased primarily as a result of one-off disposal events in 2022 that are not recurring in 2023.

A net deferred tax liability of £11m is recognised in 2023 compared to a net £20m deferred tax asset in 2022. The overall amount decreased mainly due to the acquisition of PDRI during the year and ongoing utilisation of tax losses.

The current tax creditor principally consists of provisions for tax uncertainties. See note 34 to the consolidated financial statements for details of other uncertain tax positions.

Earnings per share

Basic earnings per share is 53.1p in 2023 compared to 32.8p in 2022. The increase in 2023 is mainly due to increased operating profits and a decrease in the number of shares following the share buy back, partially offset by increased interest and tax charges.

Adjusted earnings includes adjusted operating profit and adjusted finance and tax charges. The reconciling items between the statutory inputs to earnings per share and the adjusted inputs are discussed in the previous sections.

Adjusted earnings per share is 58.2p in 2023 compared to 51.8p in 2022 reflecting adjusted operating profit growth, normalisation of tax and interest charges and the reduction in issued shares as a result of share buybacks.

Other comprehensive income

Included in other comprehensive income are the net exchange differences on translation of foreign operations. The loss on translation of £177m in 2023 compares to a gain in 2022 of £330m. The loss in 2023 arises from an overall weakening of the currencies to which the Group is exposed and in particular the US dollar. A significant proportion of the Group's operations are based in the US and the US dollar weakened in 2023 from an opening rate of £1:$1.21 to a closing rate at the end of 2023 of £1:$1.27. At the end of 2022, the US dollar had strengthened from an opening rate of £1:$1.35 to a closing rate of £1:$1.21. The gain in 2022 was driven by this movement in the US dollar.

Also included in other comprehensive income in 2023 is an actuarial loss of £85m in relation to the retirement benefit obligations of the Group. The loss arises largely from returns on assets below the discount rate and changes in actuarial assumptions including the discount rate and inflation. The actuarial loss in 2023 of £85m compares to an actuarial gain in 2022 of £54m.

Fair value gains of £1m (2022: £18m) have been recognised in other comprehensive income and relate to movements in the value of investments in unlisted securities held at FVOCI.

In 2023, a gain of £122m was recycled from the currency translation reserve to the income statement in relation to the disposal of the POLS business. In 2022, a gain of £5m was recycled from the currency translation reserve to the income statement in relation to various businesses disposed.

Cash flow and working capital

Net cash generated from operations, was £682m in 2023 compared to £527m in 2022. The increase is largely explained by the drop-through of increased trading profits, good cash collections and the impact of disposals, partially offset by increased restructuring cash outflows.

Our operating cash flow measure is an adjusted measure used to align cash flows with our adjusted profit measures. Compared to net cash generated from operations, this measure excludes restructuring costs and acquisition costs but includes regular dividends from associates. It also includes capital expenditure on property, plant, equipment and software, and additions to right-of-use assets as well as disposal proceeds from the sale of property, plant, equipment and right-of-use assets (including the impacts of transfers to/from investment in finance lease receivable). In 2023, restructuring cash outflow was £63m compared to £35m in 2022.

Operating cash inflow increased on a headline basis by £186m from £401m in 2022 to £587m in 2023. The increase is largely explained by the drop-through of increased trading profits, good cash collections and reduced investment spend in Higher Education connected to the 2022 efficiency programme, as well as the impact of disposals.

In 2023, there was an overall £234m decrease in cash and cash equivalents compared to a decrease of £394m in 2022. The decrease in 2023 is primarily due to payments for acquisitions of subsidiaries of £171m, dividends paid of £154m, share buyback programme of £186m, other own share purchases of £35m, tax paid of £97m, capital expenditure of £126m, and repayments of lease liabilities of £84m. These were offset by the cash inflow from operations of £682m.

all figures in £ millions	**2023**	2022
Net cash generated from operations	**682**	527
Dividends from joint ventures and associates	**-**	1
Purchase / disposal of PPE and software	(121)	(133)
Net addition of right-of-use assets	(41)	(29)
Net costs paid for major restructuring	63	35
Other net gains and losses	4	-
Operating cash flow	**587**	401
Tax paid	(97)	(109)
Net finance costs paid	(40)	(35)
Net cost paid for major restructuring	(63)	(35)
Free cash flow	**387**	222

Liquidity and capital resources

The Group's net debt increased from £557m at the end of 2022 to £744m at the end of 2023. The increase is largely due to the share buyback programme, cash outflows on acquisitions and disposals, dividend payments and tax payments, partially offset by strong operating cash flow.

The Group's borrowings fluctuate by season due to the effect of the school year on working capital requirements. Assuming no share buyback prorammes, acquisitions or disposals, the maximum level of net debt normally occurs in the third quarter, and the minimum level of net debt normally occurs in December.

In May 2022, the Group repaid the remaining $117m (£95m) of its 2022 US dollar bond upon maturity. In December 2022, the Group repaid the remaining $94m (£76m) of its 2023 US dollar bond.

At 31 December 2023, the Group had approximately £1.0bn in total liquidity immediately available from cash and its Revolving Credit Facility maturing February 2027. In assessing the Group's liquidity and viability, the Board analysed a variety of downside scenarios including a severe but plausible downside scenario where the Group is impacted by a combination of all principal risks, as well as reverse stress testing to identify what would be required to either breach covenants or run out of liquidity. The Group would maintain comfortable liquidity headroom and sufficient headroom against covenant requirements during the period under assessment in the severe but plausible scenario, even before modelling the mitigating effect of actions that management would take in the event that these downside risks were to crystallise. In all scenarios it is assumed that the Revolving Credit Facility is available and that the €300m bond with a maturity due within the going concern assessment period is refinanced ahead of time with a £250m bond or bank facility.

At 31 December 2023, the Group was rated BBB- (positive outlook) with Fitch and Baa3 (stable outlook) with Moody's.

Net debt

all figures in £ millions	**2023**	2022
Cash and cash equivalents (excluding overdrafts)	**312**	558
Overdrafts	**(3)**	(15)
Investment in finance lease	**100**	121
Derivative financial instruments	**5**	(6)
Bonds	**(611)**	(610)
Lease liabilities	**(547)**	(605)
Net debt	**(744)**	(557)

Post-retirement benefits

Pearson operates a variety of pension and post-retirement plans. The UK Group pension plan has by far the largest defined benefit section. The Group has some smaller defined benefit sections in the US and Canada but, outside the UK, most of the companies operate defined contribution plans.

The charge to profit in respect of worldwide pensions and post-retirement benefits amounted to £45m in 2023 (2022: £66m), of which a charge of £71m (2022: £75m) was reported in operating profit and income of £26m (2022: £9m) was reported in other net finance costs. In 2022, a charge of £3m related to one-off discretionary pension increases has been excluded from adjusted operating profit.

The overall surplus on UK Group pension plans of £574m at the end of 2022 has decreased to a surplus of £491m at the end of 2023. The decrease has arisen principally due to the actuarial loss noted above in the other comprehensive income section. In total, the worldwide net position in respect of pensions and other post-retirement benefits decreased from a net asset of £520m at the end of 2022 to a net asset of £455m at the end of 2023.

Businesses acquired

In March 2023, the Group completed the acquisition of 100% of the share capital of Personnel Decisions Research Institutes, LLC (‘PDRI’) for cash consideration of £152m ($187m). There is no contingent or deferred consideration. Net assets acquired of £91m were recognised on the Group’s balance sheet including £117m of acquired intangible assets. Goodwill of £61m was also recognised in relation to the acquisition.

The cash outflow in 2023 relating to acquisitions of subsidiaries was £171m plus £4m of acquisition costs. In addition, there were cash outflows relating to the acquisition of associates of £5m and investments of £8m.

The cash outflow in 2022 relating to acquisitions of subsidiaries was £228m arising primarily from the acquisitions of Credly and Mondly. In addition, there were cash outflows relating to the acquisition of associates of £5m and investments of £12m.

Businesses disposed

In 2023, the Group disposed of its interests in its POLS businesses in the US, UK, Australia and India. The business disposed excludes Pearson’s contract with ASU. The consideration to be received is deferred and comprises a 27.5% share of positive adjusted EBITDA in each calendar year for 6 years and 27.5% of the proceeds received by the purchaser in relation to any future monetisation event. The consideration has been valued at £12m and a pre-tax gain on disposal of £13m has been recognised.

In addition, £19m of losses arose from the disposals of Pearson College and the international courseware local publishing business in India, £12m of costs related to previous disposals were recognised and a gain of £9m has been recognised in relation to the release of a provision related to a historical disposal.

In 2023, the cash outflow from the disposal of businesses of £38m mainly relates to the disposals described above. In 2022, the cash inflow from disposals of £333m mainly related to the disposal of the Group's international courseware local publishing businesses and the receipt of deferred proceeds from the US K12 Courseware sale in 2019.

In addition, proceeds of £7m (2022: £17m) were received in relation to the disposal of investments.

Dividends

The dividend accounted for in our 2023 financial statements totalling £155m represents the final dividend in respect of 2022 (14.9p) and the interim dividend for 2023 (7.0p). We are proposing a final dividend for 2023 of 15.7p bringing the total paid and payable in respect of 2023 to 22.7p. This final 2023 dividend which was approved by the Board in February 2024, is subject to approval at the forthcoming AGM. For 2023, the dividend is covered 2.6 times by adjusted earnings.

Share buyback

On 28 April 2023, the Group announced its intention to commence a £300m share buyback programme in order to return capital to shareholders. The programme commenced on 21 September 2023. At 31 December 2023, approximately 20m shares had been bought back at a cash cost of £186m. The liability for the remainder of the £300m programme plus related costs has been accounted for in 2023. The nominal value of the cancelled shares of £5m has been transferred to the capital redemption reserve.

The £300m share buy back programme completed on 7 March 2024 with a total of 32m shares repurchased across the programme. We intend to extend our share buy back programme by £200m.

Climate change

The Group has assessed the impacts of climate change on the Group's financial statements. The assessment did not identify any material impact on the Group's significant judgements or estimates, the recoverability of the Group's assets at 31 December 2023 or the assessment of going concern for the period to June 2025.

Conclusion

We delivered another strong set of financial results, exceeding financial expectations in 2023 and achieving cost savings of £120m. We are on track to meet expectations in 2024 and remain committed to our targets out to 2025. We have a strong balance sheet, providing optionality, and are extending our share buy-back programme by £200m. Free cash flow has improved and we expect 95-100% conversion in 2024.

My colleagues across finance have once again helped the business successfully respond to opportunities and challenges that have arisen, through appropriate financial control, critical insights and value creation. I would like to thank them for their hard work and commitment throughout the year.

> **We have a strong balance sheet providing optionality and are extending our share buyback by £200m. We have improved our free cash flow and expect 95-100% conversion in 2024.**
>
> **Sally Johnson** Chief Financial Officer

Learning for Impact

Why sustainability matters to Pearson

Learning spurs human progression. It's the greatest force for change in our world, and helping people gain knowledge and skills is, inherently, a way to improve our planet and our communities.

We recognise that Pearson can play a unique role in increasing access to education around our world. Not only can we reach learners at scale throughout their lifetime, but we also strive for all learning experiences to be high quality, vibrant and enriching, with greater representation. Our approach is learner-led, powered by technology and developed responsibly.

Learning for Impact framework

Our Learning for Impact framework, published in 2021, outlines our commitment to leading sustainably across three pillars:

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

Our strategy is shaped by our stakeholders. Our 2022 materiality assessment incorporated a view of Pearson's most significant impacts on people and the environment as well as the most material sustainability risks and opportunities for the company. The findings highlighted the importance of assessing and developing the skills of learners and colleagues, protecting our users' data, and our role in driving positive change through climate action. For more information see: https://plc.pearson.com/en-GB/purpose/our-esg-reporting.

Our Learning for Impact framework is underpinned by Pearson's robust corporate governance, strong culture, and effective policies to ensure we achieve our ambitions.

The metrics used to track our performance against this framework are also our corporate non-financial KPIs as shown on page 24 of this report.

This illustrates the connection between our corporate strategy and our mission to create learning experiences for real-life impact.

The Board reviews our non-financial KPIs regularly, and these are also linked to remuneration.

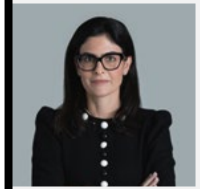
Additionally, we maintain positive results in rankings and ratings, including Moody's, MSCI, Sustainalytics, Dow Jones Sustainability Indices (DJSI), and others.

A strong governance structure

Pearson has a strong governance structure that supports our sustainability strategy. Our Reputation & Responsibility Committee (RRC) is a standing Board Committee, and it works alongside other Board Committees to oversee a range of environmental and social impact topics, including climate-related risks and opportunities. Read more about our governance approach on page 66. We will continue to evolve how we govern sustainability matters, to ensure our structures remain fit for purpose in this fast-moving landscape.

The RRC circulates its conclusions and minutes to the Board, and the Committee Chair is responsible for ensuring action points are followed up. In 2023, the RRC approved the introduction of a new sustainability data platform and received an update on sustainability regulation from its legal counsel. Priorities for 2024 include submission of our net zero long-term targets to 2050 to the Science Based Targets initiative (SBTi) for validation, the publication of a standalone climate transition plan in line with the Disclosure Framework of the UK Transition Plan Taskforce which expands on our existing Climate Action Plan, and overseeing the development of Learning for Impact initiatives and thought leadership, as well as strengthening the way we embed social impact in data. For more information see page 94.

> **Our approach is learner-led, powered by technology and developed responsibly.**
>
> **Cinthia Nespoli** Chief Legal Officer and Executive Leader for Sustainability



Outlook

For the coming year, our priorities are to continue with our decarbonisation journey including energy efficiency and paper procurement, evolve our skills-based volunteering programme, and undergo a double materiality assessment to further define our sustainability strategy alongside our corporate strategy.

More information on Directors' remuneration reporting requirements can be found on page 107, and a link to our Directors' Remuneration Policy can be found in our non-financial and sustainability information statement on page 55.

Measuring progress on commitments

Our purpose — Add life to a lifetime of learning

Learning for Impact pillars

1 Driving learning for everyone with our products

Achieved through:

consumer engagement* product effectiveness*
digital growth* affordability and access
data privacy, cyber security, and safeguarding
responsible and sustainable content

2023 progress

— Continued to increase access to learning through the ethical use of technology. Regularly update and improve our data privacy and security systems.

Read more on page 36

2 Empowering our people to make a difference

Achieved through:

culture of engagement and inclusion*

2023 progress

— Maintained our focus on employee engagement and made progress on our commitment to build a more diverse pipeline of talent

Read more on page 39

3 Leading responsibly for a better planet

Achieved through:

reducing our environmental impact*
investing with purpose

2023 progress

— Advanced our Climate Action Plan by reducing our carbon emissions, and increased the use of 100% renewable electricity consumption

Read more on page 42

Robust governance, a strong culture and effective policies

* See our non-financial KPI section page 24 for more on how these link to our strategy.

Rankings and Recognition

Sustainalytics
Received a negligible risk ranking and are ranked #1 in our industry.

FTSE 4 Good Index
Remain a constituent of the FTSE 4 Good Index Series.

Dow Jones Sustainability Indices (DJSI)
Included in both the DJSI World and DJSI Europe Indices.

Moody's ESG Solutions
Award above sector average score performance.

MSCI ESG
Maintained a rating of AA.

The Sustainable Development Goals (SDGs) linked to our ESG framework:

4 QUALITY EDUCATION
8 DECENT WORK AND ECONOMIC GROWTH
10 REDUCED INEQUALITIES

Driving learning for everyone with our Products

New technologies are shaping the way that students of all ages are learning and accessing information - and we believe that those technologies can have a positive impact on teaching and learning, and how we serve our customers. Digital product growth and the responsible application of technology also have the capacity to reach more learners. During the year, our Group digital and digital-enabled sales grew by 8%, excluding the OPM and Strategic Review businesses.

Our differentiator in this space is the combination of deep subject matter expertise, teaching experience, and learning science knowledge that our authors, faculty, and content creators bring to the table. The structures, methods, and pedagogy behind our intellectual property make it unique. We also have proprietary content and data that we leverage to create rich learning experiences.

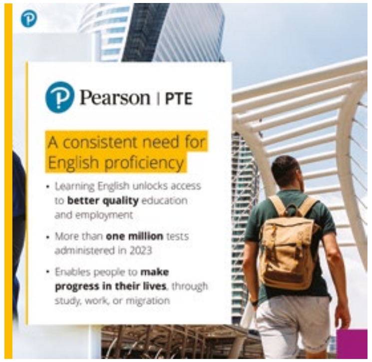
Access powered by technology

We have been using our deep experience with AI for many years, and embedding AI technology across key products in a way that enhances the teaching and learning experience and improves lives.

In 2023, we focused on developing beta versions of generative AI tools in select higher education Pearson+ eTextbooks that will support the learning process. This includes being able to summarise eTextbook content and generate practice quiz questions. In MyLab and Mastering, we are developing tools that provide practice questions that support teaching by guiding students through complex problems, moving them towards mastery of challenging concepts in a personalised way.

We believe that finding ways to safely introduce generative AI tools needs to involve regulation, training, policies and support for everyone. We need to ensure that when we use these tools they are truthful, reliable, safe, fair and can be trusted for the purpose we set. When thoughtfully developed and implemented, generative AI can have a positive impact on students and teachers. Its improvement over time can only benefit teaching, learning and assessment. You can learn more about how we're approaching AI to safeguard learners here: https://plc.pearson.com/en-GB/news-and-insights/blogs/bringing-ai-life-empowering-students-their-learning-journey

We acknowledge that it's our responsibility to tap our global expertise to inform policymakers around technology and education, as we all work to develop products that improve the lives of learners globally. Details on our approach are outlined in our Global Government Relations Policy, and our Code of Conduct references political activity guidance for employees and business partners. Both of these policies can be found here: https://plc.pearson.com/en-GB/corporate-policies, along with our list of trade associations.



Pearson | PTE

A consistent need for English proficiency

- Learning English unlocks access to **better quality** education and employment
- More than **one million** tests administered in 2023
- Enables people to **make progress in their lives**, through study, work, or migration

Pearson Test of English (PTE)

What is the societal opportunity?

There is a consistent need for English proficiency in global employment and education, a growing demand for online language learning, and renewed global mobility.

How does PTE help solve this?

For many, learning English unlocks access to better quality education and employment. PTE helps people learn and prove their English proficiency, which enables them to make progress in their lives, whether through study, work opportunities or migration.

What is our unique learning design?

PTE is the first completely computer-based English test, although we take a human approach to automated scoring. We use sophisticated algorithms based on tens of thousands of real-world data points to score each test. This allows us to match the expertise and accuracy of a human examiner, but with the precision, consistency, and objectivity that only machine learning can achieve. We've done extensive research to ensure the validity, reliability and fairness of the test.

What's the impact?

More than 1m tests were administered in 2023. These tests allow test takers to study, work, or migrate, including taking part in academic courses with language requirements, applying for jobs with specific language requirements, and migrating to certain countries that have language requirements. The NPS score for 2023 is +55.

> **Learning English is vital in today's global economy. With education now a lifelong pursuit, language skills are essential for both academic success, career advancement and achieving the life you imagine.**
>
> **Gio Giovannelli** President – English Language Learning

Pearson and Forage are teaming up to offer innovative virtual job simulations to millions of US college students who use MyLab and Pearson+. This first-of-its-kind partnership is one more way we're helping to bridge the gap between the college classroom and the workplace. Forage job simulations allow students to gain skills and explore careers while they study, helping level the playing field for students who are not able to obtain an internship or gain access to certain career fields.

Pearson+

Promoting engagement and active learning

- Gives students access to **all Pearson eTextbooks** in one place
- In the 2023 academic year, there were **3 million registered users** on Pearson+
- **Interactive study tools** allow students to retain what they learn

Responsible and sustainable content

Learning for sustainability equips learners with the confidence, values, knowledge, attitudes, capabilities, and skills that will enable us to contribute effectively to building socially just, sustainable, and equitable communities.

This year, we have delivered learning and credentialing to our corporate customers, and we recognise the crucial role they play in the achievement of sustainable goals.

For example, we are partnering with the IFRS Foundation, a public interest organisation established to develop unified and globally accepted accounting and sustainability disclosure standards. Working with the IFRS, Pearson has accredited thousands of professionals worldwide in the Fundamentals of Sustainability Accounting (FSA) Credential®.

Similarly, Credly partners with many other corporate organisations to issue a number of badges that recognise an understanding of current sustainability trends including the application of sustainability strategy within organisations, sustainable finance, regulatory policies, as well as the tools needed to achieve impact on a global stage.

Pearson | VUE

Turning learners into earners

- Progresses workers in their careers through **professional credentials**
- We're delivering an exam **every 1.6 seconds**

The Pearson Positive Impact

Designed to deliver

Learn how our digital products and services play a role in future-proofing individuals and the workforce.

Editorial guidelines

We are committed to content that is grounded in fact, inclusive and free from discrimination, and is ethical and adheres to legal requirements. The Global Content Policy is at the heart of how we act on this commitment and provides clear and consistent guidance for our content contributors. It applies to all Pearson-owned content, whoever creates it, in any format. The Policy goes through a periodic review process designed to help content contributors keep pace with the latest developments in educational concepts, terminology, laws and regulations, technology, and best practices in diversity, equity and inclusion.

> **Generative AI has opened up some exciting opportunities in product development. With our unique IP and extraordinary talent, we want to build AI tools that help students learn and help teachers teach.**
>
> **Tony Prentice** Chief Product Officer and Co-President, Direct to Consumer

Credly by Pearson

Building a diverse and inclusive workforce

- Proves verifiable skills to **reduce inequality** in talent sourcing
- Over **80 million credentials** earned and managed
- **650k+** digital credentials shared every month

Designing accessibility requirements into our products and services

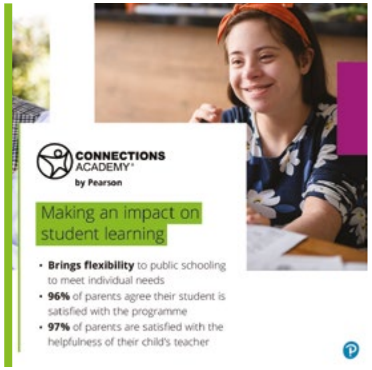
We strive to incorporate accessible thinking into everything we do, from ensuring accessibility is woven into our culture and training, to innovating and using technology to design and deliver our products.

The work of Pearson's Braille Services team provides an example of our commitment to creating learning experiences that build a more inclusive world. The team – some of whom themselves went through school using Braille – work to ensure that blind and visually impaired students have the best experiences possible to learn and succeed. They meticulously transcribe assessments into Braille, examining test questions to determine how they need to be modified. In addition to textual content, they consider how to transcribe any charts, graphs and images into tactile graphics, thinking critically, for example, about the elements of a map that might be essential to answer a question without compromising the integrity of what it might be assessing. Additionally, our GCSE English 2.0 and Level 2 Ext. Maths Cert qualifications have been designed to be accessible. Our focus is always to ensure that onscreen assessments are accessible.

Data privacy and cyber security

In addition to ensuring our products are effective, we are committed to ensuring the personal data we hold on individuals worldwide remains safe and secure, and we continuously update and improve our standards of data management. In 2023, we evolved our security strategy to align to the NIST Cyber Security Framework (an industry-recognised framework of cyber security standards, guidelines and best practices) built around five key principles: Identify, Protect, Detect, Respond and Recover. We have also started the process of aligning our data privacy programme to the NIST Privacy Framework both for consistency and to ensure that the business can effectively gauge its practices against a respected external framework which will also be recognised by external stakeholders.

The governance structure originally created to support the data protection programme has been expanded into a wider framework for trust and safety at Pearson. Business leads are able to leverage holistic, real-time metrics that include data privacy, end-of-life hardware, phishing failure rates, vulnerability management, and audit compliance to prioritise and take actions that lower our risk. Our clear system of escalation gives senior management greater awareness and oversight of key areas and activities, and better visibility over managing data privacy and security risks.



CONNECTIONS ACADEMY® by Pearson

Making an impact on student learning

- **Brings flexibility** to public schooling to meet individual needs
- **96%** of parents agree their student is satisfied with the programme
- **97%** of parents are satisfied with the helpfulness of their child's teacher

We also provide all colleagues with training on our updated and strengthened data privacy and cyber security principles and processes and conduct monthly phishing exercises designed to educate employees to recognise malicious web links or attachments. We have created a product development playbook which will help us adhere to high standards of data management, and a consistently considered approach to the adoption and expansion of AI in our products and services.

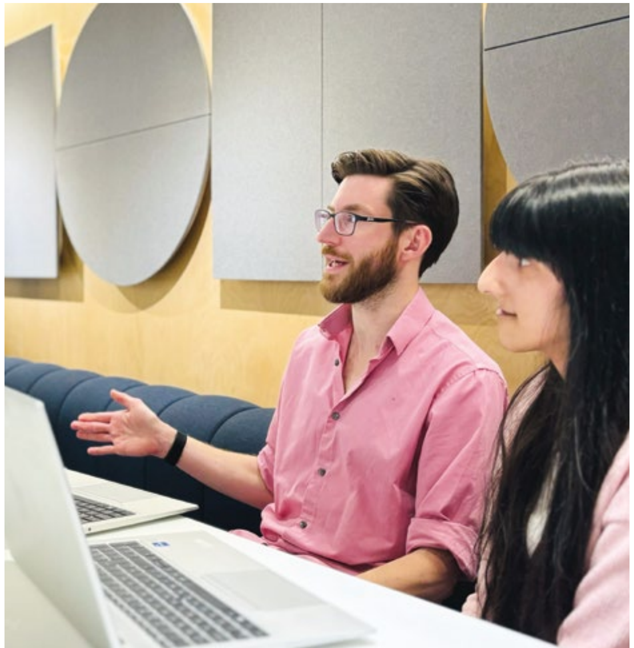
Empowering our People to make a difference

We recognise that our success and our ability to have a real-life impact on the world is highly dependent upon our colleagues. Our goal is to be a world class place to work, offering an inclusive environment where everyone can leverage their strengths to drive high performance.

Our people strategy has three focus areas:

1. Employee engagement: driving better employee engagement and high performance.
2. Investing in talent: providing continuous learning, growth, and progress for our people.
3. Diversity, equity, and inclusion: driving a culture of belonging and aiming for increasingly diverse representation throughout the company.

These areas are reflected in our non-financial KPIs on page 24, which highlight the progress we made in 2023 on delivering on our people strategy. Key human resources policies, including our human rights statement and modern slavery statement, can be found here: https://plc.pearson.com/en-GB/corporate-policies



Our values

Our **values** begin with 'we' because they **apply to all of us**. They help guide how we show up every day for our customers, each other, and the communities we serve.

1. We ask 'why'?

We challenge the status quo by challenging ourselves.

2. We ask 'what if'?

We spark curiosity to innovate new possibilities for everyone.

3. We earn trust.

We build credibility by acting with integrity every day.

4. We deliver quality.

We hold our customers and consumers in the highest regard, and our work to the highest standards.

5. We make our mark.

We execute with speed and agility to leave a lasting impact on everyone we serve.

Employee engagement

We continued to prioritise employee engagement across our business, and we made progress in our mean scores for all 12 questions in the engagement survey conducted on our behalf by Gallup. We also made a meaningful overall improvement, with our engagement GrandMean score increasing to 4.09 out of 5 (from 3.96 in 2022). As a result, we now rank in the 70th percentile in Gallup's global company database for engagement.

We have 10 employee and business resource groups (ERGs) - voluntary, employee-led groups that aim to foster a diverse, inclusive and equitable workplace culture for Pearson employees. The ERGs support leadership to champion inclusive efforts and promote collaboration and community between all Pearson employees. More information on each group is provided on the Careers section of our website here: https://plc.pearson.com/en-GB/careers/diversity-equity-inclusion. This year, as part of the Stonewall Workplace Equality Index, the UK chapter of our Spectrum ERG received a 'High Commendation' award in recognition of its work to make real, impactful change in support of LGBT+ colleagues, customers, and students as well as our suppliers and partners.

In 2023, we launched a skills-based volunteering initiative for our people, that focuses on learning, mobilising, and building community. As part of the launch, we refreshed our volunteering policy to five days aligned to our purpose and values. We also launched a Credly by Pearson volunteering credential series, which recognises the impact that our employees make in their communities. Our employees around the world have participated in events at home, in the office, and on the road. To date, employees have completed over 20,000 hours of volunteering.

Investing in talent

We see upskilling managers as a priority because of the critical role they play in engaging our employees. In addition to offering new managers a formal development programme, over 700 existing employees participated in our Coaching for Performance series community, which focuses on developing our managers as coaches. 96% of attendees reported identifying an opportunity to use the skills they learned with their teams. We also measured our progress using Gallup's Coaching Index, which combines two questions from our database to assess the extent to which managers exhibit key coaching behaviours. Our coaching index score has improved to 3.95 from 3.75 in 2022 (out of 5) and this will again be a primary focus for us in 2024.

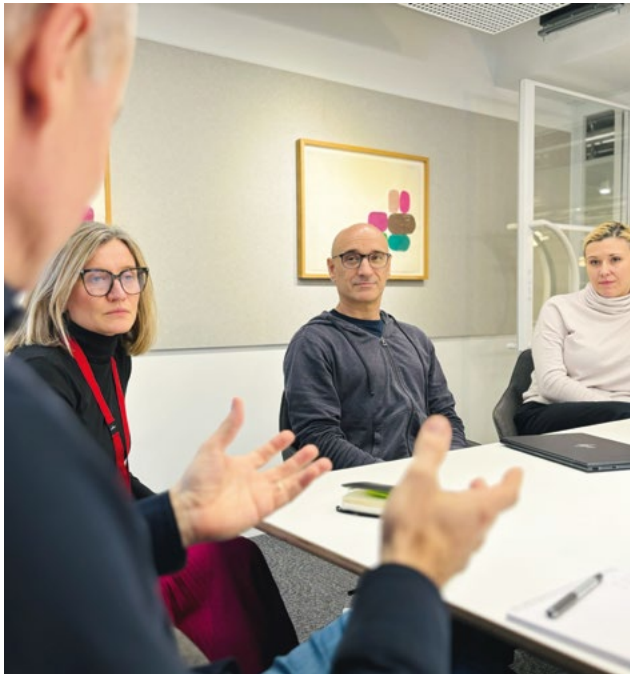
We also continued to enhance our workforce by bringing in new colleagues with critical skills that support our strategy. These skills included software development, sales and customer service. We also continued to offer alternative routes into Pearson such as internships and apprenticeships.

Our commitment to employee development is reflected in the increase in the percentage of employees who agree or strongly agree in the Gallup engagement survey that they have 'had opportunities to learn and grow'. This rose to 76% from 72% in 2022. Our approach to employee learning is underpinned by our capabilities framework. We are continuing to evolve this using Faethm, our proprietary AI. Employees use the capabilities framework to plan their own learning journeys aligned to the skills needed to drive the company strategy and equip them for the future of work.

We organised a global summit for 100 leaders to align on strategy and performance priorities and respond to developments in consumer culture and generative AI. Following this in-person event, we looked at input from employees via the engagement survey about their learning and skills needs. We combined this needs assessment with content from the summit to produce 31 live, virtual, learning sessions via our global Learning at Work series for all employees. This series leveraged Pearson authors as well as Pearson leaders as teachers.

In addition, we launched a new learning experience platform that integrates third-party content libraries, Pearson commercial content, bespoke learning content on a range of topics aligned to current priorities (e.g. generative AI), and digital credentials powered by Credly by Pearson. To date, 16,100 Pearson employees have earned a credential from Credly by Pearson.

Other Pearson commercial learning opportunities include our direct to consumer apps, Pearson+ and Mondly, and joint offerings with commercial partners, including Pearson eTextbooks via VitalSource, Golden Personality Profiler, Accelerated Pathways and Apprenticeships. These are all offered to employees free of charge. We offer reimbursement to US employees for tuition costs up to 18 credits, provided their education programme is related to a job or skills needed within Pearson. Tuition costs are reimbursed after pupils successfully complete a course with a grade C or above, or equivalent mark.



Diversity, equity and inclusion

We fully integrated a focus on inclusion into our manager development and continued to offer a learning experience to all employees designed to promote an inclusive culture. Training uptake was high at 92%, and feedback showed that it was highly effective in conveying the benefits to Pearson and catalysing individual action. As a result of its impact, this programme was recognised at the Women in Technology Excellence Awards UK as the best Diversity and Inclusion initiative 2023.

We continued our commitment to build a more diverse pipeline of talent via Board mentoring, coaching from Hult Ashridge Business School, the McKinsey Management Accelerator Programme and McKinsey Executive Management Programme. This year, we have seen some improvements in both female representation and in under-represented people of colour in the US and UK.

More detailed information can be found on our performance section on page 49.

We have aligned metrics focusing on and incentivising increased diversity in our executive remuneration. Female representation at Board level has improved with the additions of Alison Dolan and Alex Hardiman, counterbalancing Linda Lorimer's retirement. Our Board diversity reporting can be found on page 53 and our gender pay gap reporting can be found on page 41.

We also maintained the level of diverse representation on our Executive Management team. Notably we have maintained our position of having surpassed the FTSE Women Leaders Review target for 40% of leadership roles (defined as the Executive Committee and their direct reports) to be filled by women, well ahead of the end of 2025 deadline. This includes a 50:50 gender split on the Pearson Executive Management team.

In March 2023, the Parker Review Committee launched a new ethnic diversity target for FTSE 350 companies. All FTSE 350 companies were asked to set a percentage target for senior management positions that will be occupied by ethnic minority executives by December 2027 and to report on the target annually. Currently, 18% of our Executive Management and the senior leaders that report directly into them (SVPs and VPs) have self-identified as ethnically diverse – this includes only US and UK employees. We have set a global target of 20% ethnic diversity for the Executive Management team and the senior leaders that report directly into them (SVPs and VPs) by 2027.

The combined percentage of under-represented people of colour in the US and UK, at all levels, is 28%, a 0.1% decrease versus 2022, primarily due to the divestment of our POLS business. Investing in increasing recruitment of under-represented people of colour at all career levels, and of women at senior levels, will continue to be a focus area in 2024.

We also give full and fair consideration to all applicants and support the continued employment of disabled persons, having regard to their aptitudes and abilities, and making reasonable adjustments to address individual needs. Recruitment, promotion, and training are conducted on the basis of merit, against objective criteria that avoid discrimination. We are also proud that 'Disability:IN' (https://disabilityin.org/what-we-do/disability-equality-index/2023companies/) recognised Pearson as a Best Place to Work on its 2023 Disability Equality Index.

Workforce engagement

Our workforce includes regular and limited-term employees, (full-time and part-time), casual/seasonal employees (primarily for scoring), and contingent workers (individual contractors, consultancy workers, and agency workers). We follow local labour and human rights regulations, including works councils, in each jurisdiction in which we operate.

Most of our workforce is in the UK and US, and we communicate with our employees in several ways. They hear regularly from their divisional leaders and the CEO through virtual and in-person town halls. They also have access to regular CEO updates through the corporate intranet. Employees receive news on the company's share price via the corporate intranet, and through regular communications and town halls with the CEO and their respective business leaders. You can learn more about how the Board engages with employees on pages 82, and our Employee Resources Groups on page 39.

In 2023, our Group employee turnover was 34% (16% voluntary / 18% involuntary). At a Pearson-wide level, this is in line with expectations and broadly comparable to the previous two years. However, as we continue to make progress with our three focus areas, our voluntary turnover is reducing, with the in-year increase in involuntary turnover largely due to strategic divestitures and sales, most notably Pearson Online Learning Services and Pearson College London.

Reward, benefits and wellbeing

At Pearson, our reward, benefits and wellbeing proposition stands in support of our ambition to become the destination for the world's best talent, able to attract and retain talent to execute our digital-first strategy. To ensure this is the case, we make a significant investment in our people by offering a holistic Total Reward package, underpinned by our guiding pay principles.

These principles ensure that our people know that there is a consistent approach to how pay and benefits are managed and understood at Pearson – no matter where they are, with consistent and robust reward structures and clear guidelines for determining and rewarding individuals' contributions. We are committed to providing fair and equitable pay and benefits for our employees across the world.

Our commitment to pay equity was the guiding force behind the decision to publish Pearson's first Fair Pay Report and ethnicity pay gap data on a voluntary basis in April 2023. This is initially focused on the UK from a data perspective, but the report aims to tell a more holistic story of the ways that we lead on diversity and honour our commitments as an inclusive employer. We are committed to greater transparency and want this to be a reason the best talent joins, and stays at, Pearson. We released our 2023 Fair Pay Report as part of our transparency efforts, and plan to continue making this analysis available on an annual basis.

We evaluate our benefit programmes annually to ensure they are meeting the needs of a diverse range of demographics and life stages. In 2023, we added several benefits for our employees in the UK in an effort to align with our commitment to inclusivity. These new benefits include: (i) a Mental Health Pathway which provides assessment, support and, if necessary, referrals to the appropriate clinical setting with either outpatient or inpatient treatment under the care of a treating mental health specialist, (ii) menopause support including expert guidance from trained health professionals, (iii) gender affirmation services to support a patient's journey from assessment pre-surgery up to and including gender confirmation surgery, and (iv) fertility and family planning services that reimburses members up to £20,000 for the costs of a wide range of fertility treatments.

In addition, we have continued to strengthen our strong culture of employee share ownership. Over 1 in 4 of our employees now choose to save to purchase Pearson shares via our savings-related employee share plans ('Save For Shares' and the 'Employee Stock Purchase Plan'). This enables them to become shareholders and owners of Pearson, and share in the value they help to create.

Health and safety

Our employee health and safety KPIs are reflected in the nine standards in our policy here: https://plc.pearson.com/en-GB/careers/diversity-equity-inclusion, and performance on those standards is reported to the Board's Reputation & Responsibility Committee (RRC). Our strategy has been modelled against ISO 45001 standards and other relevant regional and national standards, and our 80 Strand headquarters holds ISO 45001 certification. Over the past year, our health and safety approach has evolved in line with our risk profile and strategic business changes, with our Protective Services team reporting on its activities to the Reputation & Responsibility Committee.

Leading responsibly for a better planet

We recognise our responsibility to reduce our environmental impact and are making progress on key commitments, aided by our transition from one of the world's largest print publishers to becoming a digital-first organisation. We are making progress on our Climate Action Plan and our response to the TCFD recommendations can be found on page 44. Our latest materiality assessment, conducted in 2022, ensures our areas of environmental focus align with our stakeholders' concerns.

Climate Action Plan

In 2018, we set ambitious carbon targets which include a reduction commitment approved under the Science Based Targets Initiative to reduce scope 1, 2 and 3 emissions by 50% by 2030 against a 2018 baseline; and another target of becoming a net zero company by 2030.

Central to our decarbonisation strategy is our shift towards a more environmentally beneficial product portfolio. Our Climate Action Plan is underpinned by three main areas of work:

- Achieving a decrease in the overall quantity of paper purchased and increasing the share of ethically sourced material.
- Increased the use of 100% renewable electricity consumption, while reducing reliance on renewable energy certificates to achieve this target.
- Engaging with our suppliers in the climate transition.

Environmental impact targets are assigned to the business divisions and central functions, with progress reviewed internally on a quarterly basis and validated by an external third party once a year. Our headquarters, as well as three major sites in the UK, are also ISO 14001:2015 certified.

We believe that the most meaningful and important contribution that Pearson can make to society's journey to net zero is by focusing on reducing our absolute emissions as described in the following sections.

We will also continuously review our long-term decarbonisation plans and net zero targets to ensure they remain aligned with global best practice, the latest climate science, and reflect continual improvements in our data quality. That's why this year we are considering options for revising the company's long-term science-based targets.

Emissions reduction

Pearson achieved a 16.3% reduction during 2023 compared to 2022, which led to a 44% reduction of our GHG emissions overall (vs a market-based target of 50% reduction in 2030 against a 2018 baseline).

Our progress was ahead of expectations, partly due to portfolio changes below our rebaselining threshold (5%), and the knock on effect of cost reductions reflected in our carbon accounting.

These reductions also highlight the work that we have been building to achieve better data quality across the business. In 2024, we will continue to prioritise data accuracy and plan to rebaseline our figures as we bring on board a new data collection system, as detailed on page 43.

In 2023, actual emission reductions were driven by an accelerating demand for our digital solutions; and operational efficiencies in our properties, workforce, and paper-related purchasing, including transport and distribution.

Resource use

Responsible environmental stewardship helps to create a healthy and sustainable planet for our learners and all of society. Our biggest direct impacts are carbon emissions from our use of energy, so we need to ensure we manage our own operations responsibly.

Energy

Improving the energy efficiency of our buildings is a key component of our Climate Action Plan. In 2023, we began a programme of decommissioning utility-intensive buildings – with a reduction in our physical footprint of 8% – and have implemented ESG guidelines on the selection of new buildings. Since 2016, over 100% of our electricity has been purchased through green tariffs, onsite generation, or renewable energy certificates (RECs).

Next year, we are seeking to reduce our use of RECs as pricing has been volatile and they do not necessarily support the development of new renewable capacity. While they will continue to have a role to play – for example where we do not expect to be long-term occupiers of a building – we will focus our efforts on reducing energy consumption and driving procurement from sustainable and renewable sources.

As we continue to invest in technology and innovation, renewable energy technology will be increasingly important for us. We are committed to designing our products and services to be as eco-friendly as possible, as this has a direct influence on the emissions generated in our own operations.

This year, we assessed the carbon footprint of our English Language Learning app, Mondly, to better understand the environmental impact of our digital products. Our findings confirmed what we had already suspected – that emissions from digital products such as Mondly are much lower than traditional print language learning books.

Most of Mondly's use-phase emissions come from the consumption of energy from end-user devices, which is difficult for us to control. Therefore, we will need to establish the correct partnerships to drive change as an industry going forward.

However, another significant portion of emissions are held in data centres used by Mondly. This is an area where we can have more direct influence. For example, during the year, we streamlined the number of data centres we use, including closing six, opening two new more efficient centres, and optimising two. We are also moving to cloud-based data centres that provide more efficiency on resource use, where possible.

Waste and water

As reported last year, we saw a sharp upward trend during 2022 in total water and waste consumption partly due to the estimation methodology used. Even though our office-based operations have a limited impact on water use and waste, we continue to focus on data improvements by using more accurate methodologies of calculation for estimations.

Next year, we are planning a water risk assessment and the continued certification of our largest offices. For example, the Berger Tower, one of Pearson's main Indian offices has been certified LEED Platinum which is the highest rating and awarded only to the best-in-class properties in terms of sustainability management.

In terms of our indirect impacts, we are increasing our investment in print-on-demand services, instead of holding paper-based inventory. This helps us to reduce the risk of out of date content and enables us to become more efficient in managing our waste resources. As well as this drive to be ‘inventory free’, we are also promoting the expansion of print service agreements to expand local printing and avoid the environmental impacts of shipping product to different locations. As a result, we have achieved a reduction of approximately 15m book miles.

We are also prioritising a reduction in goods we transport by air. By consolidating orders (regrouping orders from different locations into single shipments) and shifting to an ocean-freight-first strategy, we have reduced the quantity of goods shipped by air. Next year, we will intensify our efforts alongside our key logistics partners.

We are also exploring options to shift to sustainable fuel for our ocean freight.

Building sustainable supply chains

In 2023 we purchased over £1.4bn of goods and services. Around 80% of our global spend is represented by 190 large-scale suppliers. We believe in doing business with partners who share our commitment to human rights and the environment — strengthening our supply chain through shared values and commitments such as carbon reduction and diverse representation. We conduct detailed analysis of our larger suppliers through a third-party sustainability ratings platform (EcoVadis) as well as our own maturity criteria for carbon reduction and diversity practices based on publicly available data.

Supplier engagement

The great majority of our GHG emissions come from our indirect emissions that occur in upstream and downstream activities, which represent over 95% of our total market-based emissions. Our Global Procurement team has resources dedicated to developing our ethical and sustainable procurement practices.

Working with and providing education to our business divisions, they have implemented an end-to-end process to engage suppliers in assessment, growth and accountability to accelerate our decarbonisation journey.

This year, we have updated our Responsible Procurement policy to further strengthen the minimum standards we expect of our suppliers and third parties. We continue to review and update our ways of working to embed carbon maturity considerations into every stage of the supplier lifecycle from sourcing through to ongoing governance, and we seek diverse perspectives to enrich Pearson’s products and services.

Paper sourcing and nature-related impacts

While we have a growing technology-enabled supply chain reflecting our increasing shift to digital, some of our customers still require traditional paper-based products, and will continue to do so for the foreseeable future. Therefore, we continue to manage the use of paper and print production to minimise any potentially negative environmental impacts further down our supply chain.

During 2023, our overall paper consumption decreased (2023: 22,859 tonnes; 2022: 24,187 tonnes), due to our digitalisation strategy. We are also maintaining our commitment to source 100% of our paper from ethically certified papers. This year, we sourced 69% (2022: 62%) of our paper from certified sources (FSC, PEFC and SFI).

In addition to purchasing ethically sourced papers, which put an emphasis on banning deforestation, enhancing biodiversity and protecting nature, we maintain strong due diligence procedures in our direct supply chain, as this is a key component in how we manage nature-related risks.

We rate suppliers as medium or high-risk based on a Book Chain tool designed specifically to help companies identify labour and environmental risks in the supply chain. We use Book Chain’s Forest Sourcing and Chemicals & Materials tools to reduce the likelihood of purchasing paper from sources associated with endangered species, reduce our exposure to deforestation and ensure our suppliers are complying with safety legislation. The audits are carried out by third-party auditors and shared via the Book Chain platform. In 2024, we will conduct a third-party audit of nature-related risks to include our wider supply chain, beyond paper sourcing.

Strengthening data and reporting

Following a rigorous and comprehensive selection process, we will implement a new data management system in 2024. The internationally recognised, best-in-class, integrated platform covers emissions tracking and reporting, and we expect that the adoption of the system will provide us with significantly enhanced visibility and a more accurate view of our footprint. This is supported by the system’s ownership of the CEDA multi-regional input-output (MIRO) database of emissions factors, which covers over 95% of global emissions. It will also support our emission-reduction initiatives within our operations and along our value chain.

Task Force on Climate-related Financial Disclosures

Below we set out our climate-related financial disclosures consistent with the four Task Force on Climate-related Financial Disclosures (TCFD) recommendations, and 11 recommended disclosures in the 2017 report 'Recommendations of the Task Force on Climate-related Financial Disclosures', together with its subsequent annex and implementation guidelines. The statement includes the climate-related financial disclosures required by section 414CB (A1) and (2A) of the Companies Act 2006. Additional information on climate-related issues (beyond the recommended TCFD disclosures)" can be can be found in other parts of this document. Where this is the case, it is referenced within the relevant paragraphs.

Governance

Board oversight

The Board continues to have ultimate oversight of Pearson's climate change strategy and achievement of our targets. Day-to-day responsibility for Pearson's environmental, social and governance issues is delegated to the Board's Reputation & Responsibility Committee (RRC). The RRC receives updates on emissions on a regular basis and met four times in 2023 to develop plans for delivering and embedding the Learning for Impact strategy across the Group (including the climate strategy), monitor and track progress against plans, support management, Group leadership and functions on sustainability-related matters, and discuss recommendations for the wider Board.

As a group, the RRC brings a deep understanding of climate and sustainability. For information on the Board's composition and skills profile please see page 68. Pearson's other Board Committees work alongside the RRC on several ESG topics, for example, the link between climate and remuneration and reporting compliance and audit. Read more about our governance structure and approach, including our organisational structure on climate governance on page 94.

Strategy management and implementation

The role of assessing and managing climate-related risks and opportunities is a shared responsibility across Pearson. Our Chief Legal Officer is the Executive sponsor of our ESG strategy and chairs the environmental steering group, which includes our Chief Financial Officer and Chief Strategy Officer. She also participates in the RRC. The steering group meets quarterly and directs the implementation of our overall carbon reduction plan, oversees climate-related risks and opportunities and communicates objectives to the rest of the Executive Management team.

Each business division and corporate function has appointed senior representatives to lead sustainability actions and ensure that risks and opportunities are embedded into their planning and divisional oversight. The sustainability team meets quarterly with the management of divisions and corporate functions to provide expertise and guidance on the implementation of carbon reduction activities both at a central and individual business unit level. The sustainability team also holds responsibility for monitoring and reporting on our goals and representing the company in wider partnerships aimed at achieving transformational change.

Throughout the business, Pearson has subject matter expertise that touches on various areas of our climate-related agenda. For example, our Responsible Procurement team engages with our suppliers on a regular basis and ensures relevant policies and procedures exist to enable a transition to a green economy.

Strategy and risk management

Identified risks and management approach

Last year, we commissioned the specialist consultancy ERM to undertake a climate risk assessment to identify and quantify the potential impacts of climate change risks and opportunities on our businesses, strategy and financial planning. The process undertaken included assessing the materiality of climate-related risks; identifying the range of scenarios described in the following sections; evaluating business impacts and shortlisting the most meaningful risks accordingly, and finally, identifying Pearson's management responses and mitigation actions to each of the key risks identified.

In order to prioritise the nine key risks identified, we took an evidence-based approach, drawing on climate scenarios and Pearson's financial data, to assess their materiality, likelihood and velocity.

This year, we refreshed ERM's assessment internally, updating for changes in the sustainability strategy and refreshing the risks through discussions with management, and leadership. The conclusion of this exercise was that the risks remain consistent with last year. The various climate risks identified are integrated into the organisation's overall risk management processes, dependent on the nature of the risk. For example, physical risks are integrated into business continuity planning by the central workplace team, costs and availability of paper by the centralised procurement team, and other transition risks such as changes in regulations are managed by regulatory alert systems held in the Legal function. Managing wider stakeholder expectations and stakeholder engagement is managed by the sustainability team and respective communications team, whether it is internal or external.

The Group has assessed the impact of climate change on the Group's financial statements, including our commitment to achieve net zero by 2030, and the actions the Group intends to take to achieve those targets. The assessment did not identify any material impact on the Group's significant judgements or estimates as at 31 December 2023, or the assessment of going concern for the period to June 2025 and the Group's viability over the next five years.

Risk description	Scale	Pearson mitigation actions
Physical risks		
Facility damage due to acute hazards: Two of the assets included in the physical risk screening have relevant exposure to acute hazards. — Melbourne has present day exposure to a flood; and — Manila experiences a hurricane once every three years on average, with a maximum observed wind speed of 127mph.	Time frame – short Likelihood – possible Magnitude of impact before any mitigation action – low Magnitude of impact with mitigation actions – low	We have insurance policies in place that would cover the costs of structural damage and some lost revenue. Therefore, the impact is expected to be minimal.
Wildfire interruption to Assessment & Qualifications: Wildfire is the physical climate hazard that has the potential to trigger widespread disruptions to transportation and facility accessibility. The Assessment & Qualifications business unit is not fully digitised and relies on physical locations for instruction and examinations. Under a pessimistic warming scenario, wildfire risk may increase across the US, Canada and Australia.	Time frame – medium Likelihood – likely Magnitude of impact before any mitigation action – low Magnitude of impact with mitigation actions - low	We have insurance policies in place that would cover the costs of structural damage. Therefore, the impact is expected to be partially mitigated.
Increased water scarcity: According to data from WRI Aqueduct, Pearson has a relatively low number of properties with exposure to water scarcity across its portfolio of operating locations.	Time frame – medium Likelihood – likely Magnitude of impact before any mitigation action – low Magnitude of impact with mitigation actions - low	We expect water usage to remain minimal, and any increased costs or consumption will be offset by property upgrades (e.g. taps automatically switching off).
Increased paper costs: The global paper market is inherently exposed to physical risk, such as exposure to potential increased destruction from thunderstorms, wildfires, hurricanes and flooding. These events can also cause logistical disruptions that further impact the paper market. Accordingly, paper costs may increase.	Time frame – long Likelihood – likely Magnitude of impact before any mitigation action – moderate Magnitude of impact with mitigation actions - low	In the short-term pricing changes will be reflected in operational and strategic plans. In the medium term we expect digital product/services alternatives to be widely available.
Increased use of cloud services: Data centres require ever-increasing quantities of electricity and water to cool their systems. As Pearson increases its reliance on digitisation, exposure to the physical risks of data centres owned by cloud service providers may materialise in the form of increased costs to use their services, should they face increased costs to run and cool their systems.	Time frame – short Likelihood – likely Magnitude of impact before any mitigation action – low Magnitude of impact with mitigation actions - low	Mitigation actions would include shifting services to alternative locations or servers. Any incremental increase in costs would be reflected in operational and strategic plans.

* Impact scales:

Time frame	Magnitude of impact
Short: within 5 years	Low: below £5m
Medium: between 5 – 10 years	Moderate: £5m - £20m
Long: more than 10 years	High: £20m or above

Risk description	Scale	Pearson mitigation actions
Transition risks		
Building efficiency standards: Building efficiency and performance standards are becoming more stringent across the globe and are being imposed by regulation potentially increasing costs of occupied space.	Time frame – short Likelihood – likely Magnitude of impact before any mitigation action – low Magnitude of impact with mitigation actions - low	Our property strategy is continuously updated, and our selection criteria for newly leased properties is well above building efficiency minimal requirements.
Procurement of sustainably-certified paper: Prices and supply chain shortages may continue affecting the procurement of sustainably-certified paper.	Time frame – short Likelihood – likely Magnitude of impact before any mitigation action – low Magnitude of impact with mitigation actions - low	We expect a reduction of paper use based on our ongoing digitalisation strategy and availability of digital alternatives. Impact will also be decreased through improved product design and appropriate pricing strategies. Therefore, the impact is expected to be minimal.
Increased cost in EU ETS certificates for paper mills in Italy, Sweden, Germany and Belgium: As a result of the Paris Climate Agreement and the resulting Nationally Determined Contributions (NDCs) framework, there will be an increase in cost of EU Emissions Trading System (ETS) certificates as more EU countries work to meet their decarbonisation commitments. This is due to the limited supply of, and growing demand for, ETS certificates.	Time frame – medium Likelihood – likely Magnitude of impact before any mitigation action – low Magnitude of impact with mitigation actions - low	The risk of impact is decreased through digitalisation, which assumes a lower ETS exposure level through product design.
Reputational risk of having a non-SBTi approved "net zero" target What it means to reach 'net zero carbon' continues to evolve and concerns have been raised that companies claiming carbon neutral status are simply buying carbon credits, rather than taking concrete steps towards minimising their own carbon footprint. As a result, companies are revisiting their net zero target.	Time frame – medium Likelihood - possible Magnitude of impact before any mitigation action – moderate Magnitude of impact with mitigation actions - low	We will continue to focus on our own decarbonisation actions in alignment with the latest globally recognised standards. Pearson will submit a net zero long-term target to 2050 to the Science Based Targets Initiative (SBTi) for validation to mitigate this risk.

* Impact scales:

Time frame	Magnitude of impact
Short: within 5 years	Low: below £5m
Medium: between 5 – 10 years	Moderate: £5m - £20m
Long: more than 10 years	High: £20m or above

Opportunities

Pearson's strategy focuses on empowering individuals and communities by acquiring and credentialing skills across all life stages. Last year, our products and services impacted the lives of around 160 million global users, and we now have 1547 enterprise learning clients in Workforce Skills. Learning encourages action, promotes collaboration, supports innovation, and facilitates data-driven decisions for adopting more sustainable practices.

Urgent, beyond value chain mitigation activities are essential in the achievement of societal climate goals. By the very nature of our purpose, Pearson has an opportunity to provide the learning, credentialing and tools needed for a more sustainable future. However, measuring the impact that learning has on a global sustainability transformation is not a straightforward endeavour and one that requires continuous improvement in data and technology.

Nonetheless, the continuous decarbonisation of Pearson's products and operations through digitisation, energy efficiency, and flexible working continue to put us on the right path to achieving our long-term climate goals.

Resilience to climate change

Our climate risk analysis ran across multiple time periods up to 2050, to help us assess the speed of impact on our business model of various scenarios, and to reflect the critical future dates for reducing carbon emissions. The articulation of short-, medium, and long-term time horizons aligns with our goals and processes. The short-term horizon reflects our risk forecasting process, including our going concern and viability statements. The medium-term horizon to 2030 alludes to the date of our reduction targets, and the long-term horizon marks societal goals of achieving carbon neutrality by 2050.

The physical risk of Pearson's business was assessed using both the RCP 2.6 scenario (low GHG emissions that keep the world below 2°C warming by 2100, aligned to current commitments under the Paris Climate Agreement), and the RCP 7 scenario (high GHG emissions with average warming greater than 3°C by 2100). Our financial quantification above was based on the pessimistic scenario such as RCP 7 and IEA Beyond 2°C.

Six physical assets were assessed for exposure to material physical risk. These were chosen because they represent a sample of assets providing a range of critical Pearson services that, if disrupted, could result in delivery failures caused or aggravated by climate physical risks. Each physical hazard was mapped on a materiality matrix and changes in materiality from 2023 to 2050 were projected.

The analysis concluded that Pearson's business is moderately vulnerable to climate change from physical risks in the medium and long-term. The main areas of exposure are climate change-driven extreme heat and water scarcity which may affect the operations of cloud-based data centres that play a central role in our business strategy. Some of Pearson's physical locations, such as testing centres, are also moderately vulnerable to wildfires or flooding that could impact normal business operations. However, we have business contingency plans in place, including insurance, to reduce our potential financial exposure to such impacts.

The transition risk of Pearson's business was also assessed, using four scenarios from the IEA's World Energy Outlook 2021, (WEO-2021). The analysis concluded that Pearson is minimally vulnerable to transition risk in the 2030 time frame, but risk increases for longer time horizons across all risk categories.

The main transition risks include the reputational risk associated with having a net zero target which is reliant on offsetting unabated emissions, and the increasing cost of ethically sourced paper. The transition risks identified in the table on page 46, are largely mitigated by the opportunities also identified in the analysis. They include the further digitisation of our business, developing climate-related educational content and services, and adopting more ambitious reduction plans.

Impacts of climate-related risks and opportunities

The Board of Directors has undertaken a robust assessment of the current risks facing Pearson as disclosed in the risk section on pages 56-65 of this report. This assessment identifies principal risks, as well as several emerging risks and risks which, while more modest, could have a significant near-term impact. The corporate risk register reflects the following conclusions:

- Climate change overall does not represent a principal risk for Pearson. The financial impact of the aggregate climate-change-related risks and opportunities individually and in aggregate are well below the threshold for an item to be considered a principal risk.
- The physical and transition risk assessment highlighted no significant material risks arising from climate change in the short term (within the next five years).
- There were no substantial transition risks in the short term. However, in the medium term, the key risk is the reputational risk associated with maintaining a net zero target to 2030. We are mitigating this by realigning our long term targets with updated guidance produced by the SBTi.
- On physical risks, there are no material short-term substantial risks identified once the impact of mitigating activities is taken into account. In the medium to longer term, the most significant physical risk is water scarcity. In addition, whilst certain sites were identified with exposure to impacts from wildfire such as on closure of VUE test centres, or storms, the impact of these is currently expected to be mitigated through insurance policies and business continuity insurance.

In making this assessment, we considered the actions needed to achieve our commitments, as well as the strategic and financial impact of potential risks and opportunities. We concluded that these did not have a material impact on the carrying value of any assets and liabilities as of 31 December 2023, as we explain in further detail in note 1c to the financial statements.

Strategic outlook

Our business model places the consumer at the heart of everything we do, and we are integrating our products to create a learning ecosystem that reaches our consumers across all of their life stages. As we build out our digital learning capabilities, we will continue to shift away from physical paper-based products and services, in turn accelerating our decarbonisation trajectory. In addition, we continue to reduce our property footprint which also contributes to reducing our risk exposure to physical and transitional risks, and we expect these trends to continue. This year, we will be conducting a refreshed materiality review in preparedness for climate-related reporting regulations. This analysis will be closely integrated into broader corporate strategy work and decision making.

By the end of 2023, we had achieved a reduction of 44% in our Group emissions across our Scopes 1-3 (market-based) against our 2018 baseline, putting us on track to achieve our 2030 target of a reduction of at least 50%.

We believe that the most meaningful and important contribution that Pearson can make to society's journey to net zero is by focusing on reducing our absolute emissions, both in our own activities and along our value chain, with scope 3 emissions accounting for more than 95% of our total. Last year, we published our Climate Action Plan, and we are currently advancing our plans to do this beyond 2030 – mapping out the carbon reduction actions that the business will need to take as wider society does the same, in the context of developments in and the evolution of carbon offset markets and in line with the latest science-based guidance.

Metrics and targets

Our primary target is to reduce our absolute scope 1, 2 and 3 carbon emissions by 50% by 2030 (validated by the Science Based Targets initiative) using a 2018 baseline. We have made good progress this year, achieving a 44% reduction in emissions since 2018.

Climate-related metrics

In addition to carbon reduction targets, Pearson has business-relevant non-financial KPIs that address the climate-related risks and opportunities discussed throughout this report, namely:

Metric category	Metrics	Pages
GHG emissions	Sustainability strategy Progress against achieving net zero carbon by 2030, as measured through percentage carbon reduction	42-43
Strategy	Digital growth	24
Governance	Remuneration ESG weighting of 10% into LTIP	107

Our full set of environmental data and methodology for calculations can be found in the ESG performance tables on pages 48-55, and categories of scope 3 emissions included in our targets are also detailed in our independent assurance statement, see https://plc.pearson.com/en-GB/sustainability/our-esg-reporting. Our emissions data is calculated following the GHG Protocol Corporate Accounting and Reporting Standard and can be summarised as follows:

Our emissions data

tCO_2e	**2023**	2022
Scope 1	**4,661***	4,622
Scope 2 location-based	**14,052**	29,034
Scope 2 market-based	**14**	182
Scope 3	**302,572**	362,473
Total location-based	**321,285**	396,128
Total market-based	**307,247**	367,276
Intensity ratio – tCO_2e/sales (Scopes 1,2 market-based and 3)	**83.6**	95.6

* Small increase in Scope 1 emissions primarily driven by an increase in activity for company vehicles in the US.

Table of contents

Section	Section	Page Reference
Governance	Board's oversight of climate-related risks and opportunities	44-48
	Management's role in assessing and managing climate-related risks and opportunities	44
Strategy	Climate-related risks and opportunities over the short, medium and long term	44-48
	Impact of climate-related risks and opportunities	47
	Pearson's resilience taking into consideration different climate-related scenarios	47
Risk management	Processes for identifying and assessing climate-related risks	44
	Processes for managing climate-related risks	44
	Integration of climate-related risks into the organisation's overall risk management	44
Metrics and targets	Metrics used to assess climate-related risks and opportunities	48
	Scope 1, scope 2, and scope 3 GHG emissions	48
	Performance against targets	48

Our performance

About our reporting

This report provides a summary of Pearson's sustainable business strategy and our environmental, social, and governance (ESG) performance for the calendar year ended 31 December 2023. The Board's Reputation & Responsibility Committee has reviewed the reported information, including the list of material topics on page 94.

Global Reporting Initiative (GRI)

Our report is in accordance with the GRI standards, using the GRI 1: Foundation 2021 guidance. There is no relevant GRI sector standard for our industry.

Sustainability Accounting Standards Board (SASB)

We continue to report in line with the SASB's standards to provide industry-based insights into the most relevant sustainability-related risks and opportunities for the media, and professional services sectors.

UN Global Compact (UNGC) and the UN Sustainable Development Goals (SDGs)

We were proud to participate in the Early Adopter Programme of the UN Global Communication on Progress (CoP) designed to add value and streamline sustainability reporting for all participating companies of the UNGC. Our CoP is publicly available on our participant profile at: https://unglobalcompact.org/what-is-gc/participants/7319-Pearson-plc

Lifelong learning and education have an important role to play in achieving all the UN SDGs, but we focus our efforts on those where we have the greatest impact. Our priority SDGs are: 4 quality education, 8 decent work and economic growth, and 10 reducing inequalities.

ESG material issues reporting against GRI and SASB

Material issues	GRI	SASB	Page/web reference	Comments/omissions
Product effectiveness	GRI 203-2: significant indirect impacts		Risks, opportunities, and management approach: Pages 34-38 Performance: non-financial KPIs Page 24	
Consumer engagement	GRI 203-2: significant indirect impacts		Risks, opportunities, and management approach: Pages 34-38, 16-17 Performance: non-financial KPIs Page 24	
Digital growth	GRI 203-2: significant indirect impacts		Risks, opportunities, and management approach: Pages 34-38 Performance: non-financial KPIs - Page 24	
Employee learning and development	GRI 404-1: average hours of training per year, per employee GRI 404-2: programmes for upgrading employee skills and transition assistance programmes GRI 404-3: percentage of employees receiving regular performance and career development reviews		Risks, opportunities, and management approach: Pages 39-41 Performance: Pages 24, 39-41	We do not report on average hours of training, or % of employees receiving reviews. 100% of direct employees are covered by the Gallup survey.

ESG data *continued*

Material issues	GRI	SASB	Page/web reference	Comments/omissions
Employee engagement		SV-PS-330a.2. (1) voluntary and (2) involuntary turnover rate for employees SV-PS-330a.3. employee engagement %	Risks, opportunities, and management approach: Pages 39-41 Performance: Page 34	
Inclusion and diversity	405-1 Diversity of governance bodies and employees	SV-PS-330a.1. & SV-ME-260a.1. percentage of gender and racial/ethnic group representation for: (1) Executive Management (2) professionals (3) all other employees SV-ME-260a.2. description of policies and procedures to ensure pluralism in news media content	Risks, opportunities, and management approach: Pages 40-41 Performance: Pages 24, 39-40 Social Equity portal: https://www.pearson.com/content/global-store/sites/en-us/social-equity.html	
Reducing our environmental impact	GHG Emission scope 1, 2, 3. Baseline and methodology. Any offsets including type, amount, criteria		Risks, opportunities, and management approach: Pages 35, 42-43 TCFD Report: Pages 44-48 Performance: Pages 24, 42-43	
Data privacy and cyber security	GRI 418 -1 Substantiated complaints received concerning breaches of customer privacy and losses of customer data	SV-PS-230a.1description of approach to identifying and addressing data security risks SV-PS-230a.2. description of policies and practices relating to collection, usage, and retention of customer information SV-PS-230a.3. number of data breaches percentage involving customers' confidential business information or personally identifiable information number of customers affected	The following sections of our report detail: — our approach to data security risks: Page 100 — governance of data privacy, cyber security and technology resilience: Page 96 — approach to customer data and safeguarding and training provided: Pages 34, 38 — consumer-facing privacy centre explaining how Pearson uses personal information: https://www.pearson.com/en-gb/privacy-center.html	In the event of a reportable breach, we would disclose information about the incident and commit to contact any affected data subjects in a timely way. In line with regulations, we will disclose material lapses to the relevant regulators. To the extent that any relevant regulator should find fault with our data management and/or data security practices, they will publish their findings/sanctions.
Journalistic integrity & sponsorship identification		SV-ME-270a.3 Description of approach for ensuring journalistic integrity of news programming related to: (1) truthfulness, accuracy, objectivity, fairness, and accountability, (2) independence of content and/or transparency of potential bias, and (3) protection of privacy and limitation of harm	— Business Partner Global Content Policy, on page 94	

GRI General Disclosures Index

Disclosure	Page/Location	Comment
2-1 Organisational details	68, 72,74	
2-2 Entities included in the organisation's sustainability reporting	94-96	
2-3 Reporting period, frequency and contact point		2023 annual report, sustainability@pearson.com
2-4 Restatements of information	81	
2-5 External assurance		https://plc.pearson.com/en-GB/purpose/our-esg-reporting
2-6 Activities, value chain and other business relationships	11	
2-7 Employees	53-54	
2-8 Workers who are not employees		We do not currently report on workers who are not employees. Most common type of workers are regular employees (17,128) and most common type of work performed is in testing centres, technology, sales, customer services, and professional development
2-9 Governance structure and composition	66-80	
2-10 Nomination and selection of the highest governance body	88-90	
2-11 Chair of the highest governance body	66	
2-12 Role of the highest governance body in overseeing the management of impacts	68-80	
2-13 Delegation of responsibility for managing impacts	80	
2-14 Role of the highest governance body in sustainability reporting	94-96	
2-15 Conflicts of interest	76	
2-16 Communication of critical concerns	94	
2-17 Collective knowledge of the highest governance body	74-77	
2-18 Evaluation of the performance of the highest governance body	85-87	
2-19 Remuneration policies	107-135	
2-20 Process to determine remuneration	110	
2-21 Annual total compensation ratio	110	
2-22 Statement on sustainable development strategy	34	
2-23 Policy commitments	16	
2-24 Embedding policy commitments	16-20	
2-25 Processes to remediate negative impacts	94	https://plc.pearson.com/en-GB/corporate-policies
2-26 Mechanisms for seeking advice and raising concerns	94	https://plc.pearson.com/en-GB/corporate-policies
2-27 Compliance with laws and regulations	94	
2-28 Membership associations	92	We are also members of the Global Business Coalition for Education, and the Corporate Consultative Group of the World Resource Institute (WRI).
2-29 Approach to stakeholder engagement	16-20	
2-30 Collective bargaining agreements	134	Board members engage with employees on a regular basis.

ESG performance tables

Environment

Methodology: We follow the requirements from the GHG Protocol Corporate Accounting and Reporting Standard (revised edition) to calculate our emissions.

For scope 2, we use the dual reporting methodology (location and market-based approach), together with some of the latest emission factors from recognised public sources, including, but not limited to, the UK Department for Business, Energy and Industrial Strategy, the International Energy Agency, the US Energy Information Administration, the US Environmental Protection Agency, and the Intergovernmental Panel on Climate Change (IPCC). Energy use includes gas and electricity consumption in MWh and vehicle fuel use converted from mileage into MWh using BEIS conversion factors. We are also using the latest global warming potential from the IPCC's Sixth Assessment Report.

An independent third party has verified and provided limited assurance of our energy consumption; scope 1, 2 and 3 GHG emissions; and renewable electricity claims, as well as our social KPIs. See SLR Consulting assurance statement here: https://plc.pearson.com/en-GB/sustainability/our-esg-reporting

Greenhouse gas (GHG) (carbon dioxide equivalent) emissions overview (metric tons CO_2e)

	2023	2022
Scope 1	**4,661**	4,622
Scope 2 (market-based [1])	**14***	182
Scope 2 (location-based [2])	**14,052**	29,034
Scope 3	**302,572**	362,473
Total - location-based	**321,285**	396,128
Total - market-based	**307,247**	367,276
Total global scope 1 and 2 (location-based)	**18,713**	33,656
Total UK scope 1 and 2 (location-based)	**2,280**	5,671
Total global scope 1 and 2 (market-based)	**4,675**	4,804
Total UK scope 1 and 2 (market-based)	**821**	1,662

1. The market-based approach reflects emissions from electricity purposefully chosen. It derives emission factors from a contract for the sale and purchase of energy.
2. The location-based approach reflects the average emissions intensity of grids on which energy consumption occurs.

* We purchase renewable electricity in countries of consumption. For American Samoa, Bangladesh, Kenya, Republic of Korea, Northern Marina Islands and Romania, Pearson was not able to purchase country-specific Energy Attribute Certificates and we had to buy from neighbouring countries/regions such as United States, India, Uganda, China and Poland. However, this represents only 0.1% of Pearson total electricity consumption.

Intensity ratio	2023	2022
tCO_2/ m £ sales revenue (scope 1, 2 market-based and 3)	**83.6**	95.6

Energy	2023	2022
% electricity from renewable sources	**100%**	99%
Total electricity consumption from renewable sources only (MWh)	**36,321**	83,523
Total electricity consumption from non-renewable sources only (MWh)	**0**	957
On-site generated electricity (MWh)	**177**	184
Total gas consumption (MWh)	**18,309**	24,170
Total fuel oil consumption (MWh)	**49**	159
Vehicles (MWh)	**4,693****	347
Total energy consumption (MWh)	**59,372**	109,340
Global (gas, electricity and transport)	**59,323**	108,997
UK (gas, electricity and transport)	**11,519**	29,811

Resource use	2023	2022
Paper used (t)	**22,859**	24,187
% FSC	**50%**	33%
% PEFC	**6%**	20%
% SFI	**13%**	9%

Waste	2023	2022
Total waste generated (t)	**680*****	1,298
Share of waste recycled in office space	**23.9%**	17.7%

Water	2023	2022
Total water consumption (m^3)	**84,857*****	538,556

** An increase in activity for company vehicles in the US is included in this year's figures.

*** We report estimated water and waste in some of our properties by applying an intensity ratio per sqm based on all actual data available. This year, the intensity ratio per sqm for waste generated and water consumption was much lower than 2022.

Social

All employee figures, with the exception of total average number of employees (as noted below) are based on employee volumes as at 31 December 2023.

Our employees	2023	2022
Total average number of employees for the year†	18,360	20,438
Employees by geography (regional representation)	**17,612**	20,169
US as of 31 December	**9,241**	10,694
UK as of 31 December	**3,359**	3,931
Rest of world as of 31 December	**5,012**	5,544

† Total average number of employees is calculated using a Full-time Equivalent (FTE) methodology, as an average across the reporting period. Seasonal/temporary staff are excluded from calculation.

Gender diversity breakdown	2023	2022
Total number of permanent, regular employees	**97%**	97%
Male	**40%**	40%
Female	**59%**	59%
Non-binary	**0%**	0%
No data	**1%**	1%
Total number of temporary, limited-term employees	**3%**	3%
Male	**36%**	32%
Female	**63%**	66%
Non-binary	**0%**	0%
No data	**1%**	2%

Total full-time, regular employees	**79%**	79%
Male	**44%**	44%
Female	**56%**	55%
Non-binary	**0%**	0%
Not disclosed	**1%**	1%
Total part-time, regular employees	**21%**	21%
Male	**27%**	27%
Female	**72%**	72%
Non-binary	**0%**	0%
Not disclosed	**1%**	1%

Board and Executive Management team's gender identity or sex	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in Executive Management*	Percentage of Executive Management
Men	5	45.5	3	6	54.5
Women	6	54.5	1	5	45.5
Other categories					
Not specified / prefer not to say					

Board and Executive Management team's ethnic background	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in Executive Management*	Percentage of Executive Management
White British or other White (including minority-white groups)	8	73	4	8	73
Mixed/Multiple Ethnic Groups	2	18		1	9
Asian/Asian British	1	9		1	9
Black/African/Caribbean/Black British					
Other ethnic group, including Arab				1	9
Not specified/ prefer not to say					

* Prepared in accordance with UK Listing Rule 9.8.6R(10) as at 31 December 2023. As prescribed by this rule and for the purpose of this disclosure, the Executive Management includes the Company Secretary. The data contained in the tables above was collected as part of the annual declaration process, whereby the Board and the Executive Management team received declaration forms for self-completion. The declaration forms included, for all individuals whose data is being reported, the same questions relating to ethnicity and gender. The data is used for statistical reporting purposes and is provided with consent.

Female leadership breakdown	2023	2022
Senior leadership	**47%**	41%
VP and Director	**47%**	48%
Manager	**51%**	51%
Percentage of women in technology roles (IT/engineering)	**30%**	31%

Employee racial and ethnic diversity breakdown	2023	2022
Total workforce (US and UK)	**32% (US) / 17% (UK)**	32% (US) / 18% (UK)
Senior leadership (US and UK)	**15% (US) / 14% (UK)**	19% (US) / 12% (UK)
VP and Director (US and UK)	**18% (US) / 16% (UK)**	18% (US) / 13% (UK)
Manager (US and UK)	**27% (US) / 18% (UK)**	25% (US) / 14% (UK)

ESG data *continued*

Employee racial and ethnic diversity breakdown - US	2023	2022
% of total workforce	**32%**	32%
Asian	**11%**	10%
Black or African American	**11%**	11%
Hispanic or Latino	**9%**	9%
Other	**2%**	2%
White	**68%**	67%
Not stated	**0%**	1%

Employee racial and ethnic diversity breakdown - UK	2023	2022
% of total workforce	**17%**	18%
Asian	**10%**	10%
Black	**4%**	4%
Hispanic or Latino	**0%**	0%
Other	**4%**	4%
White	**64%**	66%
Not stated	**18%**	16%

% of total management workforce (US and UK)	2023	2022
Asian	**12%**	10%
Black or African American	**4%**	4%
Hispanic or Latino	**4%**	4%
Other	**2%**	2%
White	**76%**	77%
Not stated	**2%**	3%

Turnover	2023	2022
Turnover rate, total average for the year[1]	**6,446 / 34%**	6,974 / 33%
Voluntary turnover	**3,037 / 16%**	4,658 / 22%
Involuntary turnover	**3,409 / 18%**	2,316 / 11%

[1] % calculated using average 2023 H/C of 18,360, not 2023 year-end position.

Turnover by gender	2023	2022
Total female	**3,840 / 20%**	4,233 / 20%
Total male	**2,475 / 13 %**	2,659 / 12%
Non-binary	**21 / 0%**	6 / 0%
Not disclosed	**110 / 1%**	76 / 0%

Turnover by age group	2023	2022
Under 30 years old	**1,693 / 9%**	1,720 / 8%
30-50 years old	**3,324 / 18%**	3,449 / 16%
Over 50 years old	**1,414 / 7%**	1,785 / 8%
No date	**15 / 0%**	20 / 0%

New hires	2023	2022
Total number and rate of new employee hires (number of hires/ average headcount)[2]	**3,770 / 20%**	5,600 / 26%
Total number of new hires - female	**2,289 / 61%**	3,378 / 60%
Total number of new hires - male	**1,374 / 36%**	2,076 / 37%
Total number of new hires - non-binary	**19 / 1%**	24 / 0%
Total number of new hires - not-disclosed	**88 / 2%**	122 / 2%

[2] % calculated using average 2023 H/C of 18,360, not 2023 year-end position.

New hires by age group	2023	2022
Under 30 years old	**38%**	38%
30-50 years old	**44%**	44%
Over 50 years old	**18%**	17%
No date	**0%**	1%

Employee engagement measures[3]	2023	2022
Engagement	**4.09^**	3.96^
Inclusion	**4.21^**	4.12^
Progress	**73%**	67%
Learning and growth	**76%**	72%
Volunteering hours	**20,694**	n/a

[3] Sourced from Gallup Access. Propriety data.

^ GrandMean on a five-point Likert scale.

BTEC International Registrations	2023	2022
	65,033[4]	37,994

Governance	2023	2022
Total number of concerns raised and investigated	**92**	92
Percentage of employees completing code of conduct certification or training	**100%**	100%

[4] Increase due to partnership with the Ministry of Education in Jordan to offer BTEC qualifications in public schools.

Non-financial and sustainability information statement

In accordance with Sections 414CA and 414CB of the Companies Act 2006, which outline requirements for non-financial reporting, the table below signposts to content in this strategic report, relevant to the management, performance and position of the company, and the impact of our activities in specific non-financial areas.

Non-financial matter and relevant sections of Annual Report	Page/link reference
Business model	Business model: Page 22 Stakeholders: Page 16 ESG-linked remuneration: Page 113
Environmental matters Climate Resource use	Policies: Addressed in the following pages, with full policies for Pearson Plc available at: https://plc.pearson.com/en-GB/corporate-policies Position and performance: Pages 42-43 Risks/opportunities: Pages 45 KPIs: Pages 24 Climate-related financial disclosure as defined in section 414CA(2a) Companies Act 2006': Governance – (a) on page 40; Strategy – (d), (e) and (f) on pages 41-43; Risk management – (b) and (c) on page 42; Metrics and Targets – (g) and (h) on page 48.
Social and community matters Driving learning for everyone with our product Social engagement	Policies: Addressed in the following pages, with full policies for Pearson Plc available at: https://plc.pearson.com/en-GB/corporate-policies Position and performance: Pages 39-41 Risks/opportunities: https://plc.pearson.com/sites/pearson-corp/files/pearson/esgmateriality2023-14-04.pdf KPIs: Page 24
Employee matters Employee engagement Investing in talent Diversity, equity and inclusion	Policies: Addressed in the following pages, with full policies for Pearson Plc available at: https://plc.pearson.com/en-GB/corporate-policies Position and performance: Pages 39-41 Risks/opportunities: https://plc.pearson.com/sites/pearson-corp/files/pearson/esgmateriality2023-14-04.pdf KPIs: Page 24
Human rights matters Customer welfare (data privacy, security, and safeguarding) Empowering our people to make a difference Sustainable procurement	Policies: Addressed in the following pages, with full policies for Pearson Plc available at: https://plc.pearson.com/en-GB/corporate-policies Position and performance: Page 39 Risks/opportunities: https://plc.pearson.com/sites/pearson-corp/files/pearson/esgmateriality2023-14-04.pdf KPIs: Page 24
Anti-corruption and bribery matters	Policies: https://plc.pearson.com/en-GB/corporate-policies Position and performance: Page 99 Risks/opportunities: Pages 100-101 KPIs: Page 24

Pearson has a wide range of policies that underpin our sustainability commitments, including:

- Pearson Code of Conduct
- Pearson Business Partners' Code of Conduct (Partner Code)
- Responsible Procurement Policy; and our Modern Slavery and Human Rights Statement
- Anti-Bribery and Corruption (ABC) Policy; Raising Concerns and Anti-Retaliation Policy
- Pearson's safeguarding principles (include data privacy/security)
- Global Content Policy

The implementation of these policies are discussed throughout the report and on our website.

Risk management

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

The table below sets out the Group's governance structure for risk management.

Plc Board (oversight)

- Responsible for the Group's strategy
- Ultimately responsible for reviewing management's assessment of the Group's principal risks
- Approves the annual budget and long-range financial plans
- Determines risk appetite in line with the Group's strategy

Audit Committee (oversight)

- Provides oversight and assurance to the Board concerning the integrity of the company's procedures for identifying, assessing, managing, and reporting on risk
- Monitors and evaluates the Group's compliance and risk management processes and control programmes
- Conducts targeted reviews of key risks
- Approves the Group risk management framework
- Approves internal audit plans

Reputation & Responsibility Committee (oversight)

- Considers the Group's impact on the communities in which Pearson operates, including ensuring that risk management processes are in place to manage relevant risks

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

- Comprises the CEO, CFO, and other senior leaders as shown on page 68
- Accountable for ensuring that risks are mitigated in line with risk appetite
- Responsible for the execution of the Group's strategy
- Responsible for reviewing and approving the principal risks, mitigation plans and controls
- Reports to the Audit Committee on risks where required

The internal audit function (Assurance)

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

Enterprise Risk Management function (identification, assessment, and mitigation)

- Prepares the Group risk management framework
- Maintains the Group risk register and the list of principal risks
- Reviews risks with divisions to assess and monitor risk exposures
- Prepares a consolidated risk view for the Executive Management
- Provides oversight over Group risk management activity
- Reports to the Audit Committee on risks

Senior leadership (identification, assessment, and mitigation)

- Senior leadership is responsible for monitoring, mitigating, and reporting on risk
- Risk committees within each division assess the principal risks and implement further sub-committees as appropriate for division-specific exposures

Technical specialists (identification, assessment, and mitigation)

- Functional heads work in conjunction with group technical experts to monitor and manage significant Group risks. These experts provide operational support, guidance, policy, and advice

Risk management experts (identification, mitigation, and assurance)

- Dedicated teams providing guidance, review, and assurance over key operational and financial risks including finance, legal, and compliance

Pearson Personnel (identification, assessment, and mitigation)

- Personnel across the company are trained in relevant risk management to identify, assess, mitigate and escalate risks

Risk oversight

Risks are managed by members of the Pearson Executive Management team (PEM), either on a divisional basis or by function (as set out in the accountability for principal risks section on page 63).

Risk owners conduct regular risk reviews with their leadership teams, consulting others where appropriate, including technical specialists, either within their division or operating in one of the centres of expertise. Risk reports are shared with key stakeholders, including the Enterprise Risk Management team, and are discussed at PEM team meetings.

The Audit Committee has the delegated responsibility for reviewing the effectiveness of the Group's procedures for the identification, assessment, management, and reporting of risk.

Each division is expected to present an overview of its risk register to the Audit Committee at least annually and to provide an annual deep dive on key risks, supported by central risk team experts as required. Deep dive sessions are also held with enterprise-wide functions such as tax, treasury and cyber security.

The Audit Committee uses these deep dive sessions to understand the rigour of management's risk scanning and to challenge any judgements being made in response to risks.

The internal audit team provides independent assurance to the Audit Committee on the design and effectiveness of internal processes, to mitigate strategic, financial, operational and compliance risks. Internal audit plans are aligned to the principal risks but also consider other key risk areas and other assurances available. Plans are agreed in advance with the PEM team and the Audit Committee.

Risk environment

The Group operates in markets in learning, content, assessment and qualifications where it has held leading positions over several years and where the businesses and markets have progressively become more digital.

Factors affecting the markets in which the Group operates include the Group's position as an accredited provider of high-stakes tests, organisational capability, competitive dynamics, learner preferences, delivery methods including the growing adoption of AI tools and the reputation of companies operating in the market. The Group seeks to maximise the opportunities from changing market conditions while balancing its expansion with appropriate monitoring and understanding of associated risks.

Further information on the Group's divisions and key markets can be found in the strategy section on pages 12-21.

Risk identification and monitoring

Our risk identification processes follow a dual approach. Firstly, we take a top-down view which considers strategic risks relevant across the whole of Pearson. Secondly, we take a bottom-up approach at a divisional or functional level, to identify and assess a complete list of each business unit's risks, with key risks highlighted in management reporting and in each division's long-range plan.

Detailed interviews are conducted throughout the year with each division to assist with risk assessment and management. Risks are then ranked according to their likely impact as principal risks, significant near-term risks, emerging risks, or other risks.

Classification as principal risks, significant near-term risks, and emerging risks

We define our principal risks as those which could have a significant and ongoing effect on the Group's valuation by reducing the demand for, or profitability of, its products and services. This assessment considers multiple dynamics including the duration, velocity, and size of the potential impact. Effective management of these risks is essential to executing our strategy, achieving sustainable shareholder value, maintaining our reputation, and ensuring good governance. However, they do not comprise all the risks associated with our business, and are not set out in priority order. Additional risks not known to management, or currently deemed to be less material, may also have an adverse effect on our business.

Significant near-term risks are risks which could have a significant near-term cash impact or affect the Group's short-term results, but would not be expected to have a significant ongoing effect on company valuation.

Emerging risks are risks which we believe are well mitigated in the short term but may represent a significant future opportunity or threat. These include company-specific risks and risks affecting the macro economy.

Principal risks

The Board of Directors has undertaken a robust assessment of the current risks facing Pearson, in accordance with Provision 28 of the 2018 UK Corporate Governance Code. This assessment identified the following principal risks, as well as a number of emerging risks and risks which while more modest could have a significant near-term impact. For each of our principal risks, the tables below identifies:

- the change in the risk over the last 12 months
- the movement and outlook for that risk
- management actions
- the link between the risk and Group strategy
- our risk tolerance
- examples of the risk
- risk 'contagion', i.e. the extent to which issues in one area could increase the risk in other areas
- the assessed risk 'velocity', i.e. an indication of the speed at which a risk could materially impact the Group.

Risk *continued*

Accreditation risk

Description	Termination or modification of accreditation due to policy changes or failure to maintain the accreditation of our courses and assessments by states, countries, and professional associations, reducing their eligibility for funding or attractiveness to learners. Awarding bodies may also require modification of tests to continue to receive accreditation which may reduce the convenience to learners or increase the cost of delivery.
Movement and outlook	The risk has increased to a high level, from moderate-high, due to an uncertain political environment with upcoming elections in the UK and US and upcoming contract renewals in a number of assessments businesses during 2024. During the year the Group achieved accreditation to deliver the Pearson Test of English in Canada for study and migration. BTEC results season was successfully executed. The risk is expected to remain at an elevated level for the foreseeable future.
Management actions	1. Focus on creating a culture where learners and awarding bodies can depend on Pearson and know that we will meet their standards. We recognise our obligations, particularly in the testing space, to ensure prompt and accurate exam grading, and take actions accordingly. 2. Continuing the evolution and enhancement of security, data and governance standards to ensure the Group continues to meet and exceed the required standards to be an accredited provider. 3. Broadening the range of services offered and the range of stakeholders. During the year, Pearson Test of English won recognition for Canadian Student Direct Stream and economic migration visa applications and the Group acquired PDRI which provides recruitment assessment for Federal employees. 4. Continue to grow full-service offering, including online proctoring. This helps to ensure the Group has offerings that can cater for customers' many needs, especially in the global assessment market. 5. Focus on flawless or near flawless execution of marking and delivering assessment results.
Link to strategy	Ensuring we can participate in satisfying the growing need for accreditation and certification.
Risk tolerance	Low – Pearson seeks to operate in stable, well-regulated markets with known requirements to be accredited, and then has a low tolerance for taking risks which may jeopardise that accreditation.
Examples of risks	Political and regulatory.
Risk contagion	Accreditation risks are likely to have a financial impact but have limited risk of contagion.
Risk velocity	Changes in regulation or loss of contracts could occur within a 12 month period.

Artificial Intelligence, Content and Channel risks

Description	The risk that Pearson's intellectual property is harder to protect as a result of increased content generation through artificial intelligence and that Pearson's content and method of delivery (channel) is, or is perceived to be, insufficiently differentiated in terms of outcomes or learner experience. This could lead to lost sales and a significant decline in the market value of Pearson.
Movement and outlook	The risk has increased from a moderate to a moderate-high level. The Group is demonstrating capability in leveraging improvements in AI but the accelerating pace of change increases the risk. The risk is expected to remain at a similar level for the next 12 months, as more companies bring new products and services to market. The Group is also anticipating revenue growth from a number of new products, including Channels, which have not yet been proven on a large scale.
Management actions	1. Use of AI in both developing content and delivering outcomes, such as the successful beta launch of AI study tools in Higher Education and use of large language models in English Language Learning. 2. Increasing use of interactivity and multi-channel content, particularly on Pearson+, including by offering podcast content and videos (Pearson+ Channels). 3. Launch of content offerings in Pearson VUE to aid test takers in their test preparation. 4. Deployment of new curriculum materials in Virtual Schools and launch of the Connections Academy Career Pathways programme. 5. Actions to reduce piracy and to manage and enforce intellectual property rights including legal enforcement where appropriate. 6. Investment in acquisitions offering new methods for testing or delivering content.
Link to strategy	Managing AI, content and channel risk helps achieve our offering of high-quality, affordable products which lead to better access and outcomes, protecting revenue.
Risk tolerance	Medium – This is a strategic risk and Pearson should be rewarded for successfully developing and delivering products and services that consumers value. Some risk is accepted to ensure the consumer remains at the centre of what we do.
Examples of risks	— Intellectual property protection — Method of delivery — Balance of content creation and content purchased
Risk contagion	Failure to deliver high-quality and engaging products and services may have an impact on reputation and responsibility risks and on meeting customer expectations.
Risk velocity	Significant short-term impacts are possible but due to longer-term contracts or the time required for instructors, or consumers themselves, to learn how to use the new products and services, it is more likely that the impact will be felt over years.

Capability risk

Description	Inability to meet our contractual obligations or to transform as required by our strategy due to infrastructure, systems or organisational challenges.
Movement and outlook	The risk continues to be rated at moderate. The Group has successfully executed its cost efficiency programme resulting in a lower cost base, albeit ongoing maintenance of cost levels needs constant and rigorous monitoring and control. The Group's financial plan assumes that costs will be successfully managed in all divisions, despite the lower cost base. Further improvements have been made in data and cyber governance and resilience during the year. The Group is undergoing a migration process that will enhance its system resilience and reduce the risk of outages. The migration involves moving key servers to the cloud or to a new consolidated US site, with the major remaining work streams expected to be completed during 2024. Agility has been demonstrated in the use of new technology such as the use of generative AI. Capability remains a foundational requirement to continue to meet the Group's objectives, with greater risk where the Group is entering new markets, such as Workforce Skills, which has experienced some delivery challenges.
Management actions	1. Risk ratings are applied to each system and plans put in place to maintain system up time. Recovery plans are in place in the event of downtime to allow customers to maintain as much functionality as possible or to get back online as soon as possible. 2. Regular patching, activity, employee training and security measures such as multi-factor authentication help to ensure the stability and security of key Group systems. 3. Migration of servers for platform products to the cloud to enhance resilience. 4. Enhanced agility, notably in how the Group has been able to develop and deploy beta tests of products using large language models. 5. Dedicated resources to focus on testing and developing AI products and to understand evolving market capabilities. 6. Supply chain planning to ensure that the Group is able to respond should a key customer or supplier fail. 7. Enhanced focus on developing products to serve new markets and user groups and cross-selling between divisions. 8. Employee engagement monitoring and learning development programmes to help retain key talent. Senior management has undertaken leadership capability assessments and changes have been made to enhance capability, including new hires and development training. 9. Acquisitions such as Faethm and Mondly have been made to build the Group's capability in key strategic areas, such as AI and direct to consumer language learning. 10. The Group regularly reviews its cost base to ensure its competitiveness and identify operations for efficiencies.
Link to strategy	Capability relates to the three priorities to unlock growth: — Consumer-focused and technology-enhanced approach — Portfolio and organisational structure — Talent and culture
Risk tolerance	Medium – the Group aims to ensure it has the capability to deliver strategic objectives, requiring strong coordination and planning, but without stifling innovation.
Examples of risks	— Business resilience — Business transformation and change — IT resilience — Safety and corporate security — Talent
Risk contagion	Failures in capability could result in increased reputation and responsibility risk and failures to meet customer expectations.
Risk velocity	Failures of capability could impact within a six-month period.

Competitive marketplace

Description	Significant changes in our target markets could make those markets less attractive. This could be due to significant changes in demand or in supply which impact the addressable market, market share and margins (e.g. changes in enrolments, in-sourcing of learning and assessment by customers, open educational resources, a shift from in-person to virtual learning or vice versa, or innovations in areas such as generative AI).
Movement and outlook	The risk has remained at a moderate-high level. The largest risk to the Group relates to the large value of customer contracts scheduled for renewal during 2024, particularly in US Student Assessment. Pearson's Virtual Schools business faces revenue headwinds following the termination of one of its major customers and with another due to terminate in the fall of 2024. Both have decided to operate services in-house. In Higher Education, the courseware market includes channel partners who operate at low margins, as well as competition from various sources including, open education resources and new entrants. The Group faces a risk of financial loss should a channel partner fail with balances outstanding to the Group. Market share loss in Higher Education stabilised during 2023. Channels was launched as an additional paid product potentially offering a new revenue stream. The risk is expected to remain elevated for the next 12 months, due to the level of competitor activity being observed, as well as continued investment in educational technology.
Management actions	1. The Group's Assessment & Qualifications and Virtual Learning businesses, as service businesses, have a particular focus on working in partnership with customers, including IP owners, to ensure that their needs are being met, resulting in high retention rates on the long-term contracts in place. 2. A significant proportion of the Group's revenue comes from governments or bodies funded by governments (for example, schools and colleges) where higher retention rates are typically observed, provided accreditation and customer expectations risks are well managed (see Accreditation for further information). 3. The strategy in Higher Education has been focused on reducing reliance on channel partners and the opportunity for secondary resale by providing digital solutions.
Management actions continued	4. The Group invests in emerging and evolving technologies to lead and respond to changes in market dynamics. Examples include the launch of AI products using large language models in Higher Education in beta and use of AI in workforce. 5. The Group's strategy is to address learners wherever they choose to learn, reducing reliance on learners' choosing particular types of institution. Direct to consumer offerings such as Mondly and Pearson+ can be accessed via smartphone by anyone, and VUE's international test centre network (also used by Pearson Test of English) allows test takers to sit exams close to home. This complements our existing businesses such as Higher Education and US Student Assessment where the Group is introduced to learners through their college or school. 6. Competitive analysis is undertaken to monitor and respond to competitive threats, with decentralised teams able to mobilise quickly to maximise opportunities and manage risk.
Link to strategy	We have identified three big global opportunities and associated marketplaces: — Technology disruption in education — The workforce skills gap — The growing need for accreditation and certification
Risk tolerance	Medium – This is a strategic risk associated with successfully selecting attractive global opportunities and seizing them. Pearson seeks to lead the shift to digital ways of learning and consequently to maintain strong market positions.
Examples of risks	— Substitutes — Market pricing — Product differentiation — Consumer learning preferences
Risk contagion	Changes in the competitive marketplace could increase portfolio change.
Risk velocity	Changes are to be expected in the global learning market over the Group's five-year planning horizon, but the timing and pace of such changes is uncertain. Pearson's Assessment & Qualifications and Virtual Schools businesses benefit from long-term contracts, which reduce the potential velocity in these divisions in particular.

Customer expectations

Description	Rising end-user expectations increase the need to offer differentiated value propositions, risking margin pressure to meet these expectations and potential loss of sales if not successful.
Movement and outlook	The risk has remained at a moderate level. While the risk is well managed within many of our businesses, as demonstrated by strong NPS scores and retention rates, cost pressures and a changing technology landscape are leading to changes in customer expectations. Evidence of higher customer expectations has been observed in the direct to consumer market, particularly for Mondly, where the cost of acquiring and retaining new learners is high, leading to some re-balancing towards offering language tuition for enterprises. Concerns about identity verification and the risk of cheating have resulted in some increase in demand for in-person testing in our VUE and PTE businesses. In Workforce Skills, feedback from customers led to a re-focus on modular solutions rather than a fully integrated platform as previously envisaged. The outlook is expected to be similar for the next 12 months.
Management actions	1. Monitoring and targeting strong NPS scores, responding to customer feedback. 2. The Group's direct to consumer offerings of Mondly and Pearson+ provide valuable insights about usage. 3. Our service businesses conduct regular reviews with customers to ensure that their expectations are well understood and met and where gaps arise, steps are taken to address these concerns.
Link to strategy	Focus on delighting our customers and meeting their expectations.
Risk tolerance	Medium – This is a strategic risk and Pearson should be rewarded for successfully developing and delivering products and services that consumers value. Some risk is accepted to ensure the consumer remains at the centre of what we do.
Examples of risks	— Customer experience — Data architecture and usage — Accessibility
Risk contagion	Failure to produce products and services meeting customer expectations could also impact reputation and responsibility risks.
Risk velocity	Typically, one to three years, as long-term contracts run off.

Portfolio change

Description	Failure to effectively execute desired or required portfolio changes to promote scale or capability and increase focus on key divisional and geographic markets, due to either execution failures or inability to secure transactions at appropriate valuations.
Movement and outlook	The risk has reduced to moderate-low as recent acquisitions are largely integrated and disposals have been successfully executed. The risk level will remain at a similar level until further portfolio activity is undertaken.
Management actions	1. Investment plans included in strategic plans, aligning requirements with divisional structure. 2. Disposal of the Pearson Online Learning Services business, helping to focus the group on future growth opportunities. 3. Acquisition of PDRI, significantly expanding Pearson's services to the US federal government. 4. An experienced Corporate Finance team to execute transactions, supported by a dedicated post-deal Operations team. 5. Pearson Ventures allows Pearson to take stakes in companies in early funding rounds supporting growth through innovation.
Link to strategy	Portfolio and organisational structure to unlock growth.
Risk tolerance	Medium – The Group seeks to balance carefully the opportunity to achieve growth through increasing capability and/or scale with the execution risk of portfolio change.
Examples of risks	— Identification of requirements — Achieving value on acquisitions/disposals — Integration of acquisitions
Risk contagion	Failures in managing portfolio change could impact capability and the ability to meet customer expectations.
Risk velocity	The speed of achieving the full benefits of an acquisition will vary depending on the size and scope of the acquisition, but typically from six months for a simple small acquisition to two years for a larger complex transaction.

Risk *continued*

Reputation & responsibility

Description	The risk of serious reputational harm through failure to meet obligations to key stakeholders. These include legal and regulatory requirements, the possibility of serious unethical behaviour and serious breaches of customer trust.
Movement and outlook	The risk remains at a moderate to high level, due to high ongoing cyber security threats and reputational risks, including data privacy and biometric risks, and the complexity of navigating different regional regulatory environments. The Group's aim is to operate in a highly reputable and responsible manner and so we intend to maintain strong mitigations to reputation and responsibility risks. However, numerous threats exist including from those who seek to do harm to the Group or to its customers, including nation-state actors, organised criminal rings, and ransomware attackers, so constant vigilance is required.
Management actions	1. Dedicated risk management teams throughout the organisation monitor and respond to key risks. These teams provide regular updates to senior management and report to the Reputation & Responsibility Committee or Audit Committee as relevant. 2. Mandatory training for all staff covers key reputational risks including cyber and data risks. 3. Insurance cover, where available, supports the Group financially in the event of major incidents. 4. The Group makes significant investments to ensure high levels of IT resilience, including migrating systems to the cloud. Tools are in place to repel cyber threats and safeguard customer information. 5. Cyber security and data privacy are topics which are always reviewed as part of the divisional risk deep dive exercises undertaken and reported to the Audit Committee. This work highlights any issues which have arisen and the relative vulnerability of platforms and software. 6. Strong financial controls are in place which are monitored by the controls steering committee and compliance teams as well as local management. 7. Reviews are undertaken after incidents and significant near misses to allow lessons to be learned and any remedial actions put in place. Internal Audit are asked to provide assurance around remediation actions for key risks in a timely manner.
Link to strategy	Our reputation and commitment to behaving responsibly underpin our strategy to be a trusted partner for consumers, businesses and educators.
Risk tolerance	Low – the Group seeks to be a highly trusted consumer learning brand. Any significant failures could negatively affect our relationship with consumers today and in the future.
Examples of risks	— Compliance with laws and regulations — Cyber security — Data privacy — Safeguarding — Test failure — Use of third parties
Risk contagion	Significant failures in this area could increase Pearson's capability and accreditation risks and weaken our position in the competitive marketplace.
Risk velocity	Reputational risks could have a significant impact in a short period in the event of a significant issue.

Accountability for principal risks

For each of our principal risks (shown in bold), the table below lists the accountable senior executive(s) for each sub-risk. Since 2022, the Group has created a new position of Chief Product Officer, which has led to the changes in accountability marked in the table below.

Risks	Accountability	Change since 2022
Accreditation risk		
Political and regulatory	Chief Legal Officer and Divisional Presidents	No
Artificial Intelligence, Content and Channel risk		
Effective method of delivery (podcast, video, test, in-person, online)	Chief Product Officer and Divisional Presidents	Yes
Intellectual property protection	Chief Legal Officer and Divisional Presidents	No
Products and services – effective investment in own and third-party content	Chief Product Officer and Divisional Presidents	Yes
Balance of content creation vs content purchased	Chief Product Officer and Divisional Presidents	Yes
Capability risk		
Business resilience	Chief Legal Officer and Divisional Presidents	No
Business transformation and change	Chief Executive Officer and Divisional Presidents	No
IT resilience	Chief Information Officer and Divisional Presidents	No
Safety and corporate security	Chief Legal Officer and Divisional Presidents	No
Talent	Chief Human Resources Officer and Divisional Presidents	No
Competitive marketplace risk		
Consumer learning preferences	Divisional Presidents	No
Market pricing	Divisional Presidents	No
Product differentiation	Divisional Presidents	No
Substitutes	Divisional Presidents	No

Risks	Accountability	Change since 2022
Customer expectations risk		
Customer experience	Chief Product Officer and Divisional Presidents	Yes
Accessibility	Chief Human Resources Officer, Chief Product Officer and Divisional Presidents	Yes
Data architecture and usage	Chief Information Officer, Chief Strategy Officer and Divisional Presidents	Yes
Portfolio change risk		
Achieving value on acquisitions/disposals	Chief Financial Officer and Chief Strategy Officer	No
Identification of requirements	Chief Executive Officer, Chief Financial Officer and Chief Strategy Officer	No
Integration of acquisitions	Chief Financial Officer	No
Reputation and responsibility risk		
Compliance with laws and regulations	Chief Legal Officer and Divisional Presidents	No
Cyber security	Chief Information Officer	No
Safeguarding	Chief Legal Officer and Divisional Presidents	No
Test failure	Assessment & Qualifications, English Language Learning and Workforce Skills Divisional Presidents	No
Data privacy	Chief Legal Officer and Divisional Presidents	No
Use of third parties	Chief Financial Officer and Divisional Presidents	No

Significant near-term and emerging risks

The main near-term and emerging risks are shown in the table below, which also notes accountabilities and where the risk represents a change since the previous year.

Risks	Description	Accountability	Classification and change since 2022
Climate transition	Risks relating to sustainability and climate are outlined in pages 45-46. Expectations around climate change commitments and measurements change on a regular basis.	Chief Legal Officer and Divisional Presidents	Emerging risk. No change.
Inflation & interest rates	High global inflation risks increasing the cost of production for Pearson, which the Group may not be able to fully pass on. High interest rates also increase the risk of the failure of a key customer or supplier, although the Group has a well-diversified customer and supplier base. The Group has a significant proportion of its debt held at fixed interest rates, but faces the risk of increased costs when refinancing.	Chief Financial Officer and Divisional Presidents	Significant near-term risk. Previously classified as emerging but reclassified due to ongoing elevated inflation and interest rates.
Recession	Recession in global markets could put pressure on school, enterprise and consumer budgets, reducing demand for our products and services. This has particular potential to negatively impact our English Language Learning and Workforce Skills divisions, unless disruption in the labour market encourages more people to retrain. Historically, demand for certain Pearson businesses, such as Higher Education, has been counter-cyclical, but there is no guarantee this will continue to be the case.	Chief Executive Officer	Emerging risk. No change.
Supply chain	Disruption at ports globally and challenges for suppliers due to war or economic stress may lead to business interruption if not fully planned for and mitigated.	Chief Financial Officer and Divisional Presidents	Significant near-terms risk. Previously classified as an emerging risk but reclassified due to ongoing disruption.
Tax	The outcome of tax decisions relating to prior year transactions in Brazil could lead to significant cash costs. The UK/EU State Aid case has been partially provided for and the potential liability paid, but there is potential for near-term change.	Chief Financial Officer	Significant near-term risk. No change.
Sanctions and geopolitics	High levels of geopolitical volatility has led to the increased use of sanctions, which could inhibit the Group's ability to trade (as happened with our small business in Russia) or if inadvertently breached could lead to fines, penalties and actions against officers. The company also has offices in Israel which could be affected by the ongoing conflict in the region.	Chief Executive Officer, Chief Legal Officer	Significant near-term risk. Previously classified as an emerging risk but reclassified due to ongoing disruption.

Risk assessment of prospects and viability

Corporate planning process

The board assessed the prospects of the company using the company's five-year plan, reviewing going concern over the period to 30 June 2025 and viability to 31 December 2028. The five-year period corresponds with Pearson's strategic planning process which is discussed by the board at least annually and represents the time over which the company can reasonably predict market dynamics and the impact of additions to the product portfolio.

The strategic plan takes account of a range of factors including market conditions, the likely impact of principal risks to the Group, product and capital investment levels, as well as available funding. Pearson's strategy and business model is discussed in more detail on pages 12-23.

Viability assessment approach and outputs

Base case five-year plan

In considering the long term prospects of the company, the five-year plan was used as the base case model for assessment. Sales, profits and cash are forecast to grow in the base case. The company's subsidiary Pearson Funding plc has a debt maturity of €300m due within the going concern assessment period and it is assumed that this is refinanced ahead of time with a £250m bond or bank facility.

Severe but plausible downside model

In considering the viability of the Company, a severe but plausible model was prepared based on the base case adjusted for the probability weighted impact of all principal risks as well as other significant risks. The net impact of the risks modelled was to reduce adjusted operating profit by around 40% in each year.

At 31 December 2023, the group had available liquidity of £1bn comprising central cash balances and its undrawn $1bn Revolving Credit Facility (RCF) which matures in February 2027. The RCF can be extended by a further year in December 2024, extending the maturity to February 2028. It is assumed that the facility is then refinanced for the same value to beyond December 2028.

Under the severe but plausible downside case, the company would maintain comfortable liquidity headroom and sufficient headroom against covenant requirements during the period under assessment. That is, even before modelling the mitigating effect of actions that management would take if these downside risks were to crystalise. Such measures could include discretionary cost cutting measures, reducing dividends and reducing investment.

Reverse stress tests

Two reverse stress tests were modelled to determine the reduction in profit versus the plan that would be required to exhaust liquidity.

In the case of the going concern assessment, the profit reduction needed before 30 June 2025 was calculated. The model showed that operating losses were required in both 2024 and 2025 to exhaust liquidity.

For viability, the profit reduction and consequent reduction in cashflow needed to exhaust liquidity in 2028 was calculated, requiring cumulative losses of £300m more than identified in the severe but plausible downside case.

In each case, the downside required to exhaust liquidity significantly exceeded the downside in the severe but plausible scenario, even before allowing for any mitigation.

Conclusion

Based on the results 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 2028. Further details of the Group's liquidity are shown in the "Financial Review" on pages 26-33.

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

Accreditation Risk

- Loss of accreditation for Pearson Test of English in a major market
- Risks associated with potential political and regulatory changes in US Student Assessment and UK & International Qualifications
- Risks associated with potential political and regulatory changes in Virtual Schools

Capability Risk

- Capability challenges in sales and technology reduce sales and result in increased costs
- Additional costs to recruit teachers and students due to market conditions

Competitive Marketplace

- Revenue declines in Higher Education due to enrolment and competition pressures
- Loss of Virtual Schools due to insourcing
- Impact of major distributor failing/bankruptcy

AI, Content and Channel Risk

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

Customer Expectations

- Additional costs to provide higher than planned functionality and levels of user experience
- Challenges achieving customer expectations in Workforce Skills
- Failure to achieve desired growth in Channels revenue

Portfolio Change

- Failure to achieve anticipated acquisition synergies

Reputation and Responsibility

- Potential cyber and data breaches negatively impacting reputation on an ongoing basis
- Potential safeguarding incidents negatively impacting reputation on an ongoing basis

Recession and inflation

- Potential for increased costs and lower sales because of a weak macro environment

Chair’s letter

> **The Board is focused on strategic progress, operational discipline and sustainable success for the benefit of all stakeholders.**

Omid Kordestani Chair

Dear shareholders,

It is a pleasure to introduce our Governance Report for 2023. During the year, we have continued to accelerate our strategic goals, in which the Board and its Committees have played a critical role. This was also an exciting year with the appointment of a new Chief Executive and two independent Non-Executive Directors joining the Board, which you can read more about throughout this report.

Strategy and performance

The Board has continued to be heavily engaged with the management team in overseeing the continued implementation of our growth strategy, with a particular focus on embedding operational discipline around the business divisions.

The Board also continued to reshape and refine Pearson’s portfolio in support of our strategy through both acquisitions and divestitures. In 2023, we completed the sale of Pearson Online Learning Services (POLS), the international Online Program Management business, to conclude the strategic review of the business announced in 2022, demonstrating further progress in reshaping Pearson's portfolio towards future growth opportunities, centred around lifelong learning.

Further, we completed our acquisition of PDRI, a trusted provider of workforce assessment services with significant expertise in providing assessment solutions to the US federal government, one of the largest employers in the US. PDRI has built a strong reputation for delivering quality talent assessments, including tailored assessments to support hiring practices for US federal government agencies. The acquisition of PDRI has expanded Pearson’s portfolio, accelerated our strategy to capture new market opportunities and grown our presence with large employers in the US. We are now fully focused on executing against the growth opportunity ahead and there is significant opportunity to learn from each other to further improve our products and reach more customers with our proven assessment and talent solutions.

The Board continued to pay close attention to maintaining a strong financial position, which enabled us to increase the dividend again in 2023, in line with our progressive dividend policy. We were also able to launch a £300m share buyback programme to return capital to shareholders, in line with our capital allocation priorities and disciplined approach to capital allocation, which enables Pearson to create sustainable, long-term value for every stakeholder. We have also announced an extension of our share buyback programme by £200m.

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 page 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 97-106, including 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.

Sustainability, stakeholder engagement and culture

As the world’s leading learning company, Pearson recognises its enormous potential to make a positive impact on people and the planet, as outlined in our sustainability framework, which you can learn more about on page 35. 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 94.

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 Understanding our stakeholders section on page 81.

During the year, the Board held engagement sessions with employees in London and Hoboken to hear employee views. Read more about this engagement, and plans for Board engagement with the workforce in 2024, on page 82. Promoting a diverse and inclusive 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 progress on improving our workforce diversity, but we always recognise there is more to be done.

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 (both through the work of the Reputation & Responsibility Committee and as a full Board) the results of the engagement survey and annual deep dives into succession and the talent pipeline. 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 diverse backgrounds, perspectives and skill sets, whose range of expertise includes digital and direct to consumer strategy and business models, sustainability, education and workforce learning, and leadership of global, complex organisations through periods of transformation and disruption, as well as financial acumen. You can read more about the Board's skills and experience on page 90.

A key area for the Board's attention in 2023 was the selection process for Pearson's new Chief Executive, following Andy Bird's indication to the Board of his intention to retire. This was a thorough and considered process in which all Board members participated and, as a Board, we are delighted to have appointed Omar Abbosh as Chief Executive. You can read more about the Board's decision-making and selection processes for the appointment on pages 83 and 91 respectively. On behalf of the Board, I would like to thank Andy for his outstanding leadership over the last three years, during which he implemented an ambitious strategy, successfully transitioned Pearson into a more consumer-focused business, orientated around lifelong learning, and delivered consistently strong financial performance. We send Andy our very best wishes for the future.

We also appointed two new independent Non-Executive Directors to the Board during 2023, further enhancing the skill set and diversity of our Board, as you can see on page 71. 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.

On behalf of all Directors, I extend our deepest gratitude to Tim Score who, after serving for nine years on the Board, will step down at the AGM in April 2024. During his tenure, Tim has held several key roles on the Board, including as Deputy Chair, Senior Independent Director and Chair of both the Audit Committee and Nomination & Governance Committee, as well as a member of the Remuneration Committee. Tim has been a stable and knowledgeable voice on the Board, during periods of transformation and restructure. Every one of us on the Board will greatly miss Tim's wise counsel, warmth and commitment to the company. We send Tim our very best wishes for the future. I am delighted that Graeme Pitkethly has agreed to succeed Tim as Deputy Chair and Senior Independent Director, alongside his existing key role as Chair of the Audit Committee – the company and I are fortunate to have such an outstanding colleague stepping into Tim's shoes in that role.

Alison Dolan and Alex Hardiman joined the Board as independent Non-Executive Directors in June 2023, both bringing significant leadership experience in high-profile and respected digital brands, along with deep expertise in digital and consumer products. They have each already made strong contributions to the Board and as members of the Audit Committee, and for Alex as a member of the Reputation & Responsibility Committee. More detail on their induction processes can be found on page 84.

The Board is fully engaged in planning for future succession needs, and closely monitors the evolution of skill sets needed to drive the company forward. More detail about the Board's succession planning can be found in the Nomination & Governance Committee report on pages 88-93.

The annual Board evaluation process in 2023 was externally facilitated by Manchester Square Partners, in accordance with our three-year evaluation cycle. The results demonstrate that our Board is collaborative, while providing constructive challenge and independent judgement, and operates a robust governance approach that will support Pearson in continuing to drive strategic progress. Good progress has also been made on the recommendations from the 2022 review. You can read more about the 2023 evaluation, and how the Board implemented recommendations from the previous evaluation, on pages 85-87.

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

The principles set out in the UK Corporate Governance Code (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. 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 2023 the company was in full compliance with all applicable principles and provisions of the Code, save that, as described last year, Pearson is not fully compliant with Provision 36 of the Code on the basis that the shares awarded under the previous Chief Executive's co-investment award made in 2020, and approved by shareholders at the time, were subject to a post-vesting holding period until 31 December 2023, rather than the total vesting and holding period of five years or more required by the Code. Further detail is provided in the Directors' remuneration report on pages 108 and 119.

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: 60

Omar Abbosh

Chief Executive
Age: 57

Sally Johnson

Chief Financial Officer
Age: 50

Appointment

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

Chief Executive Officer
since 8 January 2024

Chief Financial Officer
since 24 April 2020

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 has a career spanning more than 30 years driving growth and transformation for leading multinational companies. He comes to 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 where he 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 also serves as a non-executive board member for 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.

Current notable commitments

Zuora, Inc. (Non-Executive Director)

Sally joined Pearson in 2000 and has held various finance and operations roles across the business, both at a corporate level and within the divisions, 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 and acquisitions. She has held various senior-level roles across the business, most recently as Deputy CFO of Pearson.

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)

R NG

Sherry Coutu, CBE

Non-Executive Director
Age: 60

A

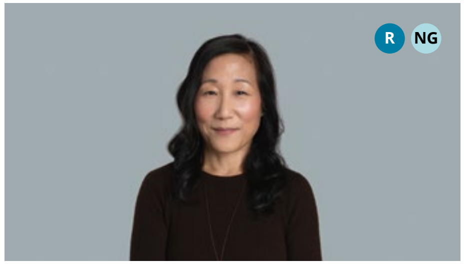
Alison Dolan

Non-Executive Director
Age: 54

A RR

Alex Hardiman

Non-Executive Director
Age: 42



R NG

Esther Lee

Non-Executive Director
Age: 65

Appointment

Non-Executive Director
since 1 May 2019

Non-Executive Director
since 1 June 2023

Non-Executive Director
since 1 June 2023

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.

Presently, Sherry also Chairs the Remuneration Committee at Raspberry Pi, the world's largest single-board computer company and Founders4Schools, the UK's largest transition-to-work charity.

Sherry is an experienced non-executive director which includes 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 previously acted as an advisor 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.

Alison is the Chief Financial Officer of Rightmove plc, a position she has held since September 2020. She brings to the Board extensive commercial and operational finance experience, specifically in digital businesses. Prior to Rightmove, 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 the Chief Strategy Officer at the forefront of the business's digital transformation.

Current notable commitments

Rightmove plc (Chief Financial Officer)

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

Alex currently serves as The New York Times' Chief Product Officer where she oversees the company's News, Cooking, Games and Audio products that power its digital business. She also leads The Times's 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 their 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

Non-Executive Director
Age: 57

Tim Score

Deputy Chair and Senior Independent Director
Age: 63

Annette Thomas

Non-Executive Director
Age: 58

Lincoln Wallen

Non-Executive Director
Age: 63

Appointment

Non-Executive Director
since 1 May 2019

Non-Executive Director since 1 January 2015

Senior Independent Director since 30 April 2021

Deputy Chair since 29 April 2022

Non-Executive Director
since 1 October 2021

Non-Executive Director
since 1 January 2016

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 Vice Chair of the Task Force on Climate-related Financial Disclosures, a Member of the Strathclyde University Centre for Sustainable Development and is a Chartered Accountant.

Tim has extensive experience of the technology sector in both developed and emerging markets, having served for 13 years as CFO of ARM Holdings plc, the world's leading semiconductor IP company. He is an experienced Non-Executive Director and was appointed as a Non-Executive Director of Bridgepoint Group PLC in 2021, alongside his roles as Chair of The British Land Company plc, a Non-Executive Director of the Football Association, and a Trustee of the National Theatre. Tim has garnered extensive financial and listed company experience during previous and current positions. He served on the board of National Express Group plc from 2005 to 2014, including time as interim Chair and six years as SID. Earlier in his career, Tim held senior finance roles with Rebus Group, William Baird, LucasVarity plc and BTR plc.

Current notable commitments

The British Land Company plc (Chair)

Bridgepoint Group PLC (Non-Executive Director)

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 this, 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 advisor to Creative Commons and Bain Capital.

Current notable commitments

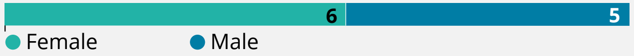
Schroders plc (Non-Executive Director)

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.

He was previously CTO of Improbable Worlds, a technology start-up supplying cloud hosting, networking and technology services to the video game industry. Lincoln was CEO of DWA Nova, a Software-as-a-Service spin-out of DreamWorks Animation Studios in Los Angeles, a position he held until 2017. 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.

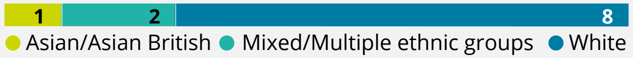
Board composition

Gender



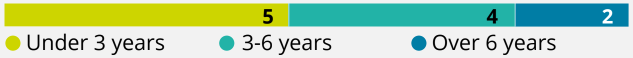
Nationality

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 2023. To learn more about Board diversity, please see page 92. For diversity data in the format prescribed by LR 9.8.6R(10), please see page 53.

Independence of Directors

All of the Non-Executive Directors who served during 2023 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, Mr Wallen will reach nine years' service on the Pearson Board. Upon or in anticipation of 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. The Nomination & Governance Committee gave particular consideration to Mr Wallen's independence in February 2024, ahead of proposing to shareholders that he be re-appointed for a further year at the forthcoming Annual General Meeting, recognising that he will reach nine years' service during the coming year, if re-elected. 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.

Tim Score will be retiring from the Board at the 2024 AGM and will not be seeking re-election. In 2023, the Committee assessed Mr Score's independence, having regard to, among other factors, the Financial Reporting Council's Guidance on Board Effectiveness, and concluded that Mr Score remained independent. In assessment of his own independence, undertaken in January 2024 to address the requirements of the NYSE and the Code, Mr Score did not declare any matters which may cause his independence to be questioned.

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)

Key to Committees

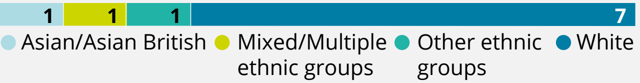
○ **Internal appointment**
◉ **External appointment**

					
	Ali Bebo ◉	**Lynne Frank** ◉	**Gio Giovannelli** ○	**Mike Howells** ◉	**Sulaekha 'Sue' Kolloru Barger** ◉
	Chief Human Resources Officer Age: 55	Chief Marketing Officer and Co-President, Direct to Consumer Age: 57	President – English Language Learning Age: 51	President – Workforce Skills Age: 47	Chief Strategy Officer Age: 48
Appointment	Joined Pearson 13 December 2021 Appointed to the PEM 13 December 2021	Joined Pearson 16 November 2020 Appointed to the PEM 16 November 2020	Joined Pearson 1 February 2014 Appointed to the PEM 1 April 2016	Joined Pearson 1 December 2020 Appointed to the PEM 1 December 2020	Joined Pearson 16 May 2022 Appointed to the PEM 16 May 2022
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.	Lynne has over 25 years of experience in the global media industry. Previously, she has worked in companies such as WarnerMedia, ESPN/Disney and Turner Broadcasting. She holds a degree in economics and business, and a certificate in corporate board governance from the University of California, Los Angeles (UCLA).	Gio has over 25 years of international business experience, including four CEO roles in Brazil. Previous board roles include BOVESPA-listed Natura and CVC Viagens. Gio graduated from Bocconi University, holds an Economics PhD and is an OPM graduate of Harvard Business School.	After 3 years' service, Mike is stepping away from his role as President of Workforce Skills in 2024. Mike has more than 20 years of international business experience. Prior to joining Pearson, he held senior leadership roles in the British Diplomatic Service and worked in international law. Mike holds a Master's degree in International Law from the University of Nottingham and an Anthropology Degree from University College London.	Sue has more than 20 years of global strategy and corporate experience. Previously, 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.

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. The Chief Executive and Chief Financial Officer have been excluded and are counted in the Board metrics on page 71. For diversity data in the format prescribed by LR 9.8.6R(10), please see page 53.

Cinthia Nespoli ○

Chief Legal Officer
Age: 43

Tony Prentice ◉

Chief Product Officer and Co-President, Direct to Consumer
Age: 51

Tom ap Simon ○

President – Higher Education and Virtual Learning
Age: 45

Art Valentine ○

President – Assessment & Qualifications
Age: 59

Marykay Wells ○

Chief Information Officer
Age: 61

Appointment

Cinthia Nespoli	Tony Prentice	Tom ap Simon	Art Valentine	Marykay Wells
Joined Pearson 1 February 2014	Joined Pearson 1 May 2023	Joined Pearson 1 December 2004	Joined Pearson 23 January 2006	Joined Pearson 14 July 2014
Appointed to the PEM 21 May 2020	Appointed to the PEM 1 May 2023	Appointed to the PEM 1 April 2021	Appointed to the PEM 1 February 2022	Appointed to the PEM 16 March 2022

Skills and experience

Cinthia has over 20 years of international legal and compliance experience. Previously, 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.

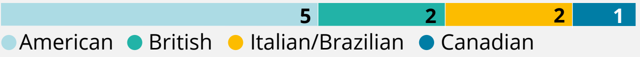
Tony has more than 25 years of experience in consumer-led product management in companies, including SEMA4, American Express, and Starbucks. He brings extensive expertise in strategic product development, and consumer marketing. He holds an MBA from Columbia Business School and a BS in Mechanical Engineering 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.

Art has more than 30 years of leadership experience in assessments, testing, and technology. Prior to his 16 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 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 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).

Nationality



External/Internal Appointment

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, Board experience and diversity; 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 diverse 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 and diversity, equity and inclusion (DEI) initiatives
- reviewing and determining the company's strategy, including in relation to sustainability matters, 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
- 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 considerable 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 divisions or the vision and wider strategy of the company 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 portfolio changes during 2023, 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 81-83 about how the Board engages with stakeholders and takes their views into account when making decisions.

Portfolio changes

The Board receives regular updates on portfolio and corporate finance activities throughout the year, including regular updates on live transactions (disposals, acquisitions and corporate joint venture activity) and outputs of periodic portfolio reviews. 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 executive and divisional management, supported by the Corporate Development team and, where necessary, external advisers. 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. In 2023, such portfolio updates included the disposal of the Pearson Online Learning Services (POLS) business and the completion of the acquisition of PDRI, as well as a review of potential pipeline opportunities.

Board meetings

The Board held six scheduled meetings in 2023, 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, including the developments in generative AI, more detail on which can be found on page 78. Major items covered by the Board in 2023 are shown in the table on page 76. In addition to its scheduled meetings, the Board convenes as necessary to consider matters of a time-sensitive nature. In 2023, the Board also held several additional discussions regarding the Chief Executive recruitment process.

Reflecting on the level and quality of engagement by the Board in 2023, the Board is satisfied that each Director contributed to Board discussions and demonstrated sufficient commitment to be able to meet their responsibilities. As shown in the table on page 77, each of the Non-Executive Directors attended all scheduled Board meetings during 2023, with the exception of Graeme Pitkethly who was unable to attend the meeting in April due to a pre-existing commitment. 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 activities *continued*

Board attendance

Directors are expected to attend all Board and Committee meetings, but in certain circumstances, such as pre-existing business or personal commitments, 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 2023, as shown in the table on page 77 and in the Committee reports that follow.

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, 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 & 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. 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 reviews any authorisations previously granted on an annual basis.

Board meeting focus 2023

Strategy	Performance	Leadership and people	Governance and risk	Shareholder engagement
— Ongoing digital transformation — Enterprise ecosystem and direct to consumer growth opportunities and strategies — AI strategy — Strategy implementation — Oversight of Five-Year Strategic Plan and approval of 2024 annual operating plan — M&A pipeline and post-acquisition reviews, as well as consideration, approval and regular updates of major transactions — Product updates and demos, including Pearson+ Channels and Workforce Skills — Data strategy	— Approving 2022 preliminary results and annual report and accounts — Approving 2023 performance expectations and guidance to the market — Approving the 2023 interim results and Q1 and Q3 trading statements — Monitoring 2023 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 — Business unit and corporate function operational deep dives	— Talent review, pipeline development and succession planning, including overseeing Chief Executive succession process — Culture — DEI initiatives — Employee engagement sessions with Board — Employee engagement survey assessments	— Legal, regulatory and governance matters — Data privacy and cyber security matters — Board and Committees' effectiveness evaluation — Regular review and annual confirmation of Directors' commitments and/or potential conflicts of interest — Approval of Committees' terms of reference — Risk management report	— Investor relations strategy, updates, and share price performance — Shareholder issues and voting — AGM and related shareholder interactions — Feedback from Board member meetings with shareholders — Major shareholders and share register analysis

When making new appointments in 2023, the Board considered other demands on the proposed Directors' time. The Board considered Alison Dolan's existing commitment as Executive Director and Chief Financial Officer of Rightmove plc, a UK-listed online real-estate portal, and Alex Hardiman's existing commitment as Chief Product Officer for The New York Times, as part of their appointment process. The Board agreed that Alison and Alex's existing commitments would not have a negative impact on their ability to contribute to Pearson.

Omar Abbosh's existing commitments were considered as part of his appointment process. The Board was of the opinion that Omar's additional notable commitment as a Board member of Zuora, Inc. was acceptable. The Board noted that the Higher Education division of the company has an existing relationship with Zuora, Inc. but this was deemed to be non-material in terms of Omar's role as Chief Executive. The Board also concluded that Omar's existing commitments would not prevent him from giving the time and attention that his role as the Chief Executive would require.

On 1 April 2023, Sally Johnson was appointed to the Board of Rentokil Initial plc as a Non-Executive Director and took on the role of Chair of its Audit Committee on 10 May 2023. When considering this new commitment, the Board assessed any potential conflicts of interest and the time commitment required, as well as taking into consideration the requirements under Provision 15 of the UK Corporate Governance Code. The Board agreed that Sally's new commitment would not have a negative impact on her role as Chief Financial Officer of Pearson.

The Board believes that the experience gained by Directors through their other commitments brings valuable perspectives to the Pearson Board.

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

1. Alison Dolan and Alex Hardiman joined the Board on 1 June 2023.
2. Linda Lorimer retired from the Board on 28 April 2023.
3. Graeme Pitkethly was unable to attend the Board meeting on 27 April 2023 due to a pre-existing commitment. He reviewed the papers and provided his perspectives to the Chair prior to 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.

AI

AI plays an important role across Pearson's product portfolio. For instance, large language models within Workforce Skills which develop proprietary predictive algorithms designed to assess trends in demand for skills and occupations globally and recommend career and learning pathways for consumers, enterprises and governments. Within English Language Learning there are AI-based open response assessments. We have also recently brought to market a generative AI tool within our Pearson+ service, which you can read more about on page 15, which enables users to automatically summarise the content of Channels videos into simple bullet points. Additional generative AI study tools designed to help students better learn and understand challenging subjects launched in the latter part of 2023. Opportunities to consider how we can continue to leverage innovative AI technology to drive further efficiency and generate additional cost savings are also being explored.

As generative AI develops, we expect it to create significant positive opportunities for Pearson, due to our unrivalled depth of content and data. Learners and educators place enormous trust in us so we have a responsibility to be thoughtful and considered in how we use this technology, whilst continuing to move at pace to enhance our products with the customer in mind.

During the past year, the Board, the Audit Committee, the Reputation & Responsibility Committee and the Executive Management team have been focused on keeping informed on AI developments both within Pearson and in the wider market, considering both opportunities and implications of the technology for Pearson.

The Board regularly receives updates on AI capabilities and developments within the business, particularly as part of the divisional deep dives. Such deep dives included the integration of AI into Mondly's capabilities as part of the English Language Learning division, and how greater harnessing of AI and machine learning technologies could impact the Higher Education division.

In May 2023, Pearson provided an update to the market and external stakeholders on the generative AI enhancements in products across its portfolio.

These enhancements, when combined with Pearson's unparalleled collection of high-quality proprietary intellectual property assets, further strengthen the Company's position as a digital-first learning company focused on delivering an unmatched experience for the consumer across their lifetime of learning. The Board was updated on the progress against our generative AI strategy announced in May 2023, which further embeds AI technology across key products throughout our portfolio in a way that enhances the teaching and learning experience. The Board is actively focused on the significant opportunities across the company and the work to embed generative AI across a number of key products within Workforce Skills, Mastering and MyLab, Pearson+ and English Language Learning.

The Board was updated on considerations around the development of AI technology, including discussing the company's IP protection strategies with management. The Board also discussed the impact of wider market statements regarding the potential effects and opportunities of generative AI, and management conducted a number of meetings with investors and analysts on the impact the acceleration of generative AI technology could have for the company.

The Board was also frequently updated on 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, and Common ID – the development of singular customer profiles and log-in capabilities.

In addition to considering AI through specific lenses, in July 2023, the Board conducted an enterprise-wide strategic deep dive into AI, including: its use in PTE scoring in the English Language Learning division; its use in Faethm's skill ontology analysis; VUE's deployment of AI technology as part of its security capabilities; and Higher Education's use of AI in content creation, in partnership with authors.

The Audit Committee was provided with updates on AI workstreams within the legal and government relations function, as well as ongoing work being undertaken to understand potential risks and opportunities relating to IP rights enforcement, including by monitoring the landscape in other sectors and having careful regard for Pearson's future strategy and business model.

The Audit Committee considered the risks associated with generative AI, and reviewed its status as part of the risk management update and Group risk review. In particular, as part of the Audit Committee's strategic risk sessions:

- The Assessment & Qualifications deep dive included an overview of risks associated with AI and the competitive marketplace, as well as perspectives on the use of AI in the Assessment & Qualifications business, drawing a distinction between the AI techniques that had been in use for some time and the recent developments in generative AI, where possibilities were still being assessed.
- The Higher Education deep dive included an overview of Pearson's capabilities relating to AI in personalisation of materials and consideration of Pearson's thinking regarding IP, licensing and royalties in an AI-powered environment.

Across multiple sessions, the Reputation & Responsibility Committee considered the AI landscape from a regulatory, policy and media perspective, including:

- Conducting a government relations deep dive, which highlighted the significant amount of regulatory and policy focus on this topic. Alongside this, the Committee noted the programme of engagement with government offices and participation in notable forums and events to share the company's perspectives in this field.
- Considering Pearson's positioning and engagement strategy in terms of corporate voice on AI-related matters, with more work to be done on this.

The Reputation & Responsibility Committee also discussed AI as part of its session on online trust and safeguarding. Overall, the Committee noted AI as a potential reputational risk and agreed that it should therefore continue to be a matter for the Committee's attention.

You can read more about how we manage AI from a risk perspective on page 56.

Talent and culture

Ensuring that we have both a talented, engaged workforce that is focused on delivering our strategy and an inclusive 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 inclusive and high-performing, and in which our people can leverage their strengths. We track Group-wide progress through our 'Culture of engagement and inclusion' non-financial KPI (see page 24 for more details on our KPIs). Pearson's purpose, vision, mission and values (set out on page 2) are key to developing our culture to support our strategic vision, particularly in driving a culture of performance.

The Board monitors culture and organisational health, together with its Committees, and receives regular updates from the Chief Executive and Chief Human Resources Officer. In addition to tracking culture as a non-financial KPI, the Board monitors other Group-wide initiatives that underpin our culture, including employee engagement, the code of conduct programme, compliance, health & safety and talent attraction and retention (see table below for further information).

The Reputation & Responsibility Committee's remit includes oversight of culture and employee engagement, increasing the Board-level focus on these matters. 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 83), and in conducting their business more broadly.

During the year, the Reputation & Responsibility Committee conducted a deep dive into the results of Pearson's employee engagement survey, to establish the trends and actions that needed to be taken to improve engagement with employees, with the key themes and indicators also discussed with the full Board. The Board also has a particular focus on the current and future leaders of Pearson, including our talent pipeline for leadership and other pivotal roles, and we conducted our annual deep dive into talent and succession planning in December 2023. Read more on page 89.

Cultural indicator	How it is overseen	Board level responsibility
Employee engagement	The Board ensures engagement through multiple channels, including the employee engagement survey (the results of which were discussed by the Reputation & Responsibility Committee and the Board), town hall sessions and in-person engagement events, such as the face-to-face listening sessions with employees in London and Hoboken. Read more on page 82.	RR 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 in 2023. We also have mandatory training for all employees on cyber security and data privacy, with targeted training for employees in certain roles, divisions or geographies.	A
Compliance, including whistleblowing and investigations	The Chief Compliance Officer 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.	A
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.	A
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.	RR
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.	R
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 56.	R

How the Board is kept informed *continued*

Sustainability

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

Indicative sustainability duties falling within remits of Board Committees

Board

Reputation & Responsibility Committee

- Overseeing 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 sustainable business 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 sustainable business 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 2023 throughout this Governance Report, in particular in the Reputation & Responsibility Committee's report on pages 94-96.

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: consumers, educational institutions and educators, employers, business partners and institutions, government and regulators, employees, shareholders, and our communities.

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 2023, is in the strategic report on pages 16-20. Further information on how the Directors discharge their duties under Section 172 of the Companies Act 2006 is on page 21.

Engagement in 2023

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. The use of digital technology allowed for broader engagement, helping to ensure that stakeholders retained a voice within the Boardroom.

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 2023. A detailed review of the Chief Executive recruitment process, and how it relates to our stakeholders and Pearson's long-term success, is on page 83.

Shareholders

Shareholders are a key consideration in the Board's decision-making. We have continued our focus on driving shareholder engagement through in-person meetings and events, while also using digital technology to reach a wider base of shareholders.

The Board is committed to fostering shareholder engagement by making it easier for all types of shareholder to attend annual general meetings (AGMs), recognising that they represent an opportunity for shareholders to interact with the Board and share their views, concerns, and feedback. Following the success of our first hybrid AGM in 2022, we held a hybrid AGM in 2023 for the first time 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 believe that the hybrid approach enables a broader cross-section of our shareholders to participate in general meetings and will therefore be holding a hybrid AGM in 2024 and look forward to welcoming our shareholders. Further details will be shared in our notice of the 2024 AGM.

The Board ensured a continued shareholder dialogue throughout the year. We undertook an extensive engagement exercise on our remuneration arrangements and proposed Directors' remuneration policy prior to our 2023 AGM. Further, in accordance with the UK Corporate Governance Code, following a significant minority vote against our Directors' remuneration policy at our 2023 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 Directors' remuneration policy, and shareholder engagement prior to and after our 2023 AGM, is on page 108. 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.

Shareholder engagement at a glance

Over 2023, our Chief Executive, Chief Financial Officer and Divisional Presidents, as well our investor relations team, participated in meetings, conferences, roadshows and events across the world. This included a seminar at the New York Stock Exchange on the Assessment & Qualifications business, conference participation across the US, Europe and the UK and concluded with a Q4 roadshow.

Over **500** meetings **with** Over **270** institutions

Understanding our stakeholders *continued*

Employees

The Reputation & Responsibility Committee leads on employee engagement on behalf of the Board. 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 strengthen their voice. Examples of how the Board engaged with employees in 2023 to ensure that they are listened to, supported and rewarded, are illustrated below.

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. During the year, the Board evolved its approach to employee engagement to include a wider programme of engagement activities with employees, including in-person, structured listening sessions, which complemented existing executive employee engagement and expanded opportunities for direct engagement by Non-Executive Directors. During the year, the Board held two structured, face-to-face listening sessions with employees in London and Hoboken, facilitating meaningful interactions between Board members and various groups of employees. The invitations to attend both events were open to all employees based in the 80 Strand and Hoboken offices, with approximately 40-50 employees attending in each location. The sessions were held informally over breakfast, with Board members sharing tables with small groups of employees to hear their thoughts, feedback and questions. Board members engaged on a variety of topics, including the appointment of the new Chief Executive, the shape of Pearson and our strategy going forward. Both events were received very positively by employees and the Board spent time after both sessions sharing their feedback and discussing what they had heard from employees.

Omid Kordestani also engaged in a virtual fireside chat with a global audience of Pearson leaders, fostering an open dialogue and sharing perspectives across the organisation.

Looking ahead, the Board intends to hold similar events, including in-person and structured listening sessions, as well as virtual events, in 2024 to ensure we continue to be inclusive, authentic and representative of our diverse employee base.

> **This is a golden chance for professionals like me to bridge the gap with our top decision-makers.**
>
> **Mrunal Bhagat** a UK schools marketing executive
>
> *(Attended the London engagement event)*

Town halls

Throughout 2023, the Chief Executive, Chief Financial Officer and the Executive Management team held virtual town hall meetings, which 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 financial results announcements.

Surveys

During 2023, we conducted a further Pearson employee engagement survey, following the launch of a refreshed approach in 2022. We heard from c. 13,600 employees, with an overall response rate of 82% compared with 72% in 2022. The Reputation & Responsibility Committee received a detailed update on the survey results, including additional insights on the culture of inclusion, coaching effectiveness, and opportunities to increase engagement, which were also discussed at Board level. Further information on the outcomes of the Pearson employee engagement survey is on page 39.

> **I had such an insightful conversation with Lincoln Wallen about the hiring process of our new CEO, and what Omar will hopefully bring to Pearson when he joins us.**
>
> **Emma Devlin** UK BTEC & apprentices senior marketing executive
>
> *(Attended the London engagement event)*

> **The board members genuinely seemed interested in hearing from employees on the front line, I never had this type of opportunity in previous companies.**
>
> **Nichol DeGruccio** a Pearson VUE real estate administrator, based in New Jersey
>
> *(Attended the Hoboken engagement event)*

Our Board's decision-making in action

This case study on the Chief Executive appointment process illustrates how the Directors considered the various aspects of their statutory duties in making the decisions related to Omar Abbosh's appointment and the implications for stakeholders. This case study should be read in conjunction with the Directors' duties statement on page 21 and the Nomination & Governance Committee report on pages 88-93. In its decision-making, the Board considered Pearson's key stakeholders in the following ways:

Consumers

When the profile of the desired candidate and the role specification were developed for the Chief Executive recruitment process, the Board took into account the key skills and attributes that would be needed to expand upon and accelerate Pearson's digital transformation and continue Pearson's commitment to its purpose of adding life to a lifetime of learning, offering our consumers and learners new and exciting ways of learning. Omar has extensive experience in driving service and solutions for customers and delivering high-quality services and products. He is passionate about learning and education, having worked across many sectors in his career.

Communities

We strive to make a positive and meaningful impact in the communities in which we operate and the Board considered this in assessment of the candidates, to ensure that the successful candidate was aligned with the importance of this to Pearson and in driving this forward. Omar is a dynamic and innovative leader, who has the skills to ensure we continue to widen access to education in our global communities through innovation. He is a highly mission-driven and people-centric leader.

Employees

As part of the extensive selection process, the Board was focused on ensuring that the chosen candidate aligned with Pearson's values and ambition, that they saw Pearson's employees as the company's greatest asset driving our success and ability to make a positive impact. The Board sought a candidate who was a strong cultural fit with Pearson, with the ability to effect and accelerate change. Omar is an inspirational, dynamic and growth-oriented leader, who the Board believes will help drive the future success of the business. He has strong people engagement skills and his personal values are very much aligned with those of Pearson.

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. The Board agreed that the candidate would need to have highly successful experience in leading a large, high-performing, purpose-driven international business, with experience in brand building and a passion for education. Omar has deep commercial and operational expertise focused on delivering high-quality services and products across diverse markets and customer sets. His most recent position as President of Microsoft's Industry Solutions business, together with his experience on the board of NYSE-listed, enterprise SaaS company, Zuora, Inc., mean that he is ideally positioned to understand the diverse needs of employers that Pearson seeks to serve through its products and services.

Shareholders

In considering the candidates, the Board paid particular attention to ensuring the successful candidate had sufficient depth of experience to continue to build on our strategy across our global markets and deliver long-term value, thereby promoting the success of the company for the benefit of its members. Omar has a wealth of experience with global enterprises, deep expertise in digital transformations and a proven track record of delivering growth and value creation. Following the announcement of Omar's appointment, Omid Kordestani engaged with a number of our key shareholders.

The Board is confident in Omar's ability to deliver on strategy and execution, which ultimately will be for the benefit of all our stakeholders and is delighted to have secured such an outstanding candidate as Chief Executive of Pearson.

Directors' induction

> **I received a detailed induction, including divisional deep dives and tailored meetings with colleagues, which helped me better understand Pearson's priorities and enabled me to engage and contribute at Board meetings effectively from the start of my tenure as a Non-Executive Director.**
>
> **Alex Hardiman**
>
> Appointed to the Board on 1 June 2023

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 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.

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; Divisional Presidents	Overview of the strategic priorities of the company and each division, 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.

Inductions for Alison Dolan and Alex Hardiman

Alison Dolan and Alex Hardiman joined the Board as Non-Executive Directors on 1 June 2023. As part of their onboarding arrangements, Alison and Alex received comprehensive and engaging induction programmes that included a series of meetings.

In addition to meeting the Chair, Chief Executive and Chief Financial Officer, Alison and Alex met with each of the Executive Management team members, key representatives of our corporate functions, and our brokers. Both induction programmes also included one-to-one meetings with each of their fellow Non-Executive Directors and a comprehensive introduction to the activities of each of the Board's Committees, including their objectives and priorities and, as they have both joined the Audit Committee, they met with the company's audit partner. Alison and Alex also held meetings with the company's legal advisers to discuss directors' duties, corporate governance and external reporting, among other topics.

Board evaluation

The Board operates a three-yearly evaluation cycle which employs a variety of methodologies to ensure the most effective results.

Following internally facilitated reviews in 2021, led by the Senior Independent Director, and in 2022, led by the Chair, in accordance with the three-year evaluation cycle, the 2023 review was externally facilitated.

Typical three-yearly evaluation cycle

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

Approach and methodology

The 2023 evaluation was carried out by Manchester Square Partners, which operates as an independent advisory firm. Manchester Square Partners was selected following consideration by the Nomination & Governance Committee of various providers and the potential scope of the evaluation. Manchester Square Partners has no other connections to the company or individual Directors beyond this process.

The review was conducted through a series of one-to-one conversations with each Director and anchored in a set of questions shared with Directors in advance. One-to-one meetings were also held with each member of the Executive Management team and selected other senior executives. The review process also included observation by the evaluator of a full set of Board and Committee meetings, including the private sessions. The one-to-ones were conducted in a 'free-format' style, to allow organic discussions and to provide ample opportunity for Directors and executives to raise matters of importance.

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

In reporting back to the Board, Manchester Square Partners opined that, based on their experience of evaluating the effectiveness of boards in a variety of industries, including many FTSE 100 companies, the Pearson Board operates highly effectively. It was found to be well chaired and comprised of high-quality Non-Executive Directors who provide an appropriate balance of challenge and support to the Executive Directors and management team.

The Chair discussed the report with the evaluator and subsequently the Board reviewed the detailed findings from the report with the evaluator at its meeting in February 2024. The Board will develop an action plan to address recommendations and areas for improvement and the Nomination & Governance Committee will monitor progress during the year.

Board evaluation process

▼ The format of the review was agreed by the Deputy Chair & Senior Independent Director (including in their capacity as Chair of the Nomination & Governance Committee).

▼ The scope of the review was finalised by the Deputy Chair & Senior Independent Director with support from the Company Secretary.

▼ Manchester Square Partners interviewed each of the Directors on a confidential and unattributable basis, as well as the Executive Management team and other senior executives.

▼ Manchester Square Partners observed the Board and Committee meetings held in December 2023.

▼ The output of the evaluation was captured in a report to the Board in February 2024, with the Board then discussing the points raised by the review.

▼ Progress on the findings of the evaluation will be monitored by the Nomination & Governance Committee throughout 2024.

Board evaluation *continued*

Key findings included:

- Directors are highly engaged and diligent, with a broad range of relevant business experience. The Board acknowledged the skills and valuable contribution of the newly appointed Non-Executive Directors and the opportunity for Graeme Pitkethly, in his new role as Deputy Chair and Senior Independent Director, to focus on maintaining strong engagement with UK shareholders. The Board further acknowledged the strength and diversity of contributions made by all, particularly from external experiences.
- Board meetings and discussions are considered to be dynamic, focused and relevant, with the Board as a whole considered to be collegial and respectful, with an open dialogue, while providing an appropriate amount of challenge to management. The Board is appreciative of the continued efforts by management to deliver focused, succinct meeting papers and materials.
- The Board recognised the progress that had been made and improved financial performance, and recognised that the new Chief Executive, Omar Abbosh, would have an important role to play in building out the strategy further.
- The Board acknowledged the quality of the Chief Executive recruitment process, while the two new Non-Executive Directors commended the induction process.
- Board members have relevant skills and experience, albeit the Board recognised the importance of focusing on succession planning and talent development at the Executive Management and senior leadership level.
- Directors would appreciate deeper dives at Board level on major customer relationships and the competitive landscape, recognising the challenges of the separation between the main buyers of Pearson's products and services and the end users.
- The Board welcomed the opportunity to reintroduce in-person employee engagement events to its calendar which involved the full Board and recognised the continued need to focus on ensuring an engaged workforce and healthy culture generally.
- The Board appreciates the access to, and engagement with, the Executive Management team.
- 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 he demonstrates objective judgement, promotes a culture of openness and debate, and facilitates constructive Board relations and the effective contribution of all Non-Executive Directors. This, in turn, supports 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 2024 were:

- Continuing to evolve Pearson's strategic direction, building on the optionality that has been created through recent work on the strategy and vision.
- Ongoing focus on succession planning, talent review and the culture of the company, at executive level as well as more broadly, to ensure Pearson has engaged employees with a performance mindset and the right skillset to deliver on the company's strategic vision, together with a strong pipeline of talent to allow continued execution in the future.
- 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.
- Continued development of customer and marketplace insights shared with the Board, to help increase the Board's understanding as these areas evolve.
- 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.
- 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.

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

Individual evaluation

In addition to the evaluation 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 evaluation. 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 & Senior Independent Director leading this review and providing feedback to the Chair.

Committee evaluation

All Committees undertake an annual evaluation process to review their performance and effectiveness. For 2023, the Committee evaluation process was facilitated externally by Manchester Square Partners, as part of the broader Board evaluation process. Read more in the Committee reports on the pages that follow.

Progress on findings of previous evaluation

A number of actions were taken during the year in response to findings from the 2022 Board evaluation process, 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 2024.

Finding or focus area	Response or action taken
Continued focus on execution of strategy, including clarity on how the Board can best monitor and measure the execution plan while maintaining its distance from operational matters.	The Board has reviewed strategic KPI metrics and processes during the year, in order to better align them with Pearson's strategic narrative and demonstrate our strategic progress more succinctly. Additionally, the Board discussed strategy as a regular item at Board meetings, with more focused sessions taking place at the July and October Board meetings.
Ensure accountability for execution in the next phase of the company's transformation.	The Board received operational plan presentations from the Divisional Presidents and also discussed financial dashboard reports at every Board meeting, in order to monitor performance and drive accountability.
Focus on post-acquisition integration and evaluation of the performance of the acquired businesses.	The Board conducted a post-acquisition review of Faethm and Credly in December 2022 and will conduct a review of Mondly and PDRI in April 2024, to consider the performance of these acquisitions and how they have integrated commercially, financially and operationally. These reviews also include considerations for changes in approach to M&A going forward and lessons learnt.
Ongoing development of roadmap for market visits and deep dives to ensure alignment with Group's aspirations and international footprint.	Divisional deep dives were integrated into the Board agenda throughout 2023. The December 2023 Board meeting took place in Hoboken, New Jersey, and was an opportunity for the full Board to visit the office and meet with employees. There is an action plan in place to take such engagement further forward in 2024.
Continued sharing of customer and marketplace insights with the Board.	Customer and marketplace insights shared as part of divisional updates, and deep dives and product demos such as the one held on Pearson+ Channels. There is an action plan in place to take this further forward in 2024.
Ongoing focus on succession planning and talent review at Board and executive level, as well as more broadly.	The Nomination & Governance Committee has reviewed the composition of the Board and its Committees throughout 2023, including as part of the appointment of two Non-Executive Directors in June 2023 and ongoing considerations for upcoming retirements in coming years, as well as focus on the recruitment of a new Chief Executive. The Board conducted a review of succession and talent at executive level at the December 2023 Board meeting.
Continue to pay close attention to culture and engagement in 2023.	There is an ongoing initiative throughout the organisation to evolve ways of monitoring culture and behaviours. Culture and employee engagement now sit within the remit of the Reputation & Responsibility Committee and the Chief Human Resources Officer attends all meetings. The Reputation & Responsibility Committee reviewed the results of the employee engagement survey on behalf of the Board and its perspectives were then discussed by the full Board.
Focus on the importance of the risks inherent in the technology, cyber and online spaces, including information security, safeguarding and reputation.	The Audit Committee conducts regular deep dives on technology resilience, data privacy and information and cyber security, and the Chief Information Officer is a regular attendee of Audit Committee meetings. There is attention to these themes through the work of Internal Audit, which the Audit Committee discusses. The Reputation & Responsibility Committee received a report on online safeguarding in April 2023. The full Board undertook a Technology deep dive session with the Chief Information Officer in 2023.
Identify and focus on the elements of sustainability that are particularly relevant and critical for Pearson's success.	The Reputation & Responsibility Committee reviewed investor perceptions on sustainability and agreed a strategy and action plan for 2023. The Reputation & Responsibility Committee received updates on progress throughout 2023.

Nomination & Governance Committee report

Tim Score 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, diversity 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 evaluation 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 in the Governance section of our website (www.pearsonplc.com).

Committee members and attendance

Attendance by Directors at scheduled Nomination & Governance Committee meetings throughout 2023:

Committee members	Meetings attended
Sherry Coutu	3/3
Omid Kordestani[1]	1/3
Esther Lee	3/3
Tim Score	3/3
Annette Thomas	3/3

1. Mr Kordestani was unable to attend the meetings held in March and July 2023 due to pre-existing commitments. He reviewed the papers and provided his perspectives to the Committee Chair outside the meetings.

Role and composition of the Committee

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 April 2024.

After serving nine years on the Board, I will be stepping down at the AGM in April 2024, therefore this will be my last report as Chair of the Nomination & Governance Committee. It has been a privilege to serve as Chair of the Committee and I would like to extend my thanks to my fellow Committee members for their input and commitment, particularly during the process to select a new Chief Executive. I am delighted that Omid Kordestani will succeed me as Chair of the Committee. Further to this, Graeme Pitkethly has agreed to succeed me as Deputy Chair and Senior Independent Director, alongside his existing key role as Chair of the Audit Committee – the company is fortunate to have such an outstanding colleague stepping into this role.

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 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. You can read more about the Chief Executive succession process that took place in 2023 on page 91. 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.

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 90) demonstrate that Pearson has a strong spread of skills across all areas identified as being of particular importance. 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.

Board search processes and appointments

The Committee has been very active over the past year in relation to Board search activity, conducting search processes resulting in the appointment of two new independent Non-Executive Directors, Alison Dolan and Alex Hardiman, and supporting the Board in the selection of a new Chief Executive, Omar Abbosh.

Before commencing the Non-Executive Director search process, the Committee considered the recent and anticipated Board retirements and the impact of these on the overall skills and expertise on the Board. These were mapped against the key areas of strategic importance to the business to ensure our Board has the appropriate balance of skills and experience to deliver our strategy, while also taking diversity considerations into account. The Committee agreed that it was particularly interested to identify two candidates, each with specific skills and expertise to complement the Board. The first category focused on established finance leaders, with a deep understanding of public company governance standards, ideally from a UK-listed business, who had capacity to serve on the Audit Committee. The second category focused on individuals with operating experience with subscription and/or enterprise SaaS business models, at a scale and complexity commensurate to Pearson, experience developing innovative digital products and/or driving digital business transformation and direct to consumer business engagement skills.

Taking into account the agreed specifications, the Committee engaged Spencer Stuart to undertake the search process. In line with the objectives of the Board's Diversity Policy, the Committee asked Spencer Stuart to ensure that the lists of candidates reflected diversity of gender, ethnicity, geography and age as well as diversity in its broadest sense. You can read more about the Board Diversity Policy and diversity across Pearson on pages 92-93. I worked closely with Spencer Stuart to develop the candidate lists, with the Committee then considering the candidate profiles in detail, including their current commitments, skills and previous experience. I met with all shortlisted candidates and provided my feedback to the Committee. A number of other Board members met with the preferred candidates, following which the Committee made its recommendation to the Board. The search processes culminated in the appointments of Alison Dolan and Alex Hardiman as Non-Executive Directors with effect from 1 June 2023. You can read about their induction on page 84.

In addition to the Non-Executive Director and Chief Executive search processes, 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. Following a review of talent and succession planning in December 2022, particularly the executive pipeline from which the future leaders of Pearson were likely to emerge, in December 2023 the Board held a discussion on the current Executive Management team and requirements to support the new Chief Executive in executing the next stage of the company's strategy. The company also has targeted development programmes for high-potential talent and mentorship programmes for diverse leaders, as well as development programmes for junior and middle management.

Other areas of focus during 2023

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 Code on page 67.

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 Tim Score prior to making a recommendation for his re-election at the 2023 AGM (recognising his length of service on the Board), Board diversity reporting and the approval of a new target for ethnic diversity in senior management to be achieved by December 2027, and the annual review of the contribution of each Director to the Board.

Committee evaluation

The Committee undertakes an annual evaluation process to review its performance and effectiveness. For 2023, feedback relating to the Committee was sought from Directors as part of the wider Board evaluation led by Manchester Square Partners. 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 effectiveness review process for 2023 indicated that the Committee is considered to be working well with appropriate agendas, papers produced to a good standard and high-quality discussions. Positive feedback was noted on the handling of the Chief Executive and Non-Executive Director recruitment processes. You can read more about the Board evaluation process on page 85.

Committee aims for 2024

The Committee's priorities for the coming year will be to ensure a smooth Chief Executive transition and the successful onboarding and induction of Omar Abbosh. The past year has required the Committee to be particularly focused on Board search activity and so, in 2024, we will look to focus on other areas of our governance framework, including monitoring progress against the latest Board evaluation findings, overseeing management's response to the revised UK Corporate Governance Code, and working with our HR colleagues to focus on diversity.

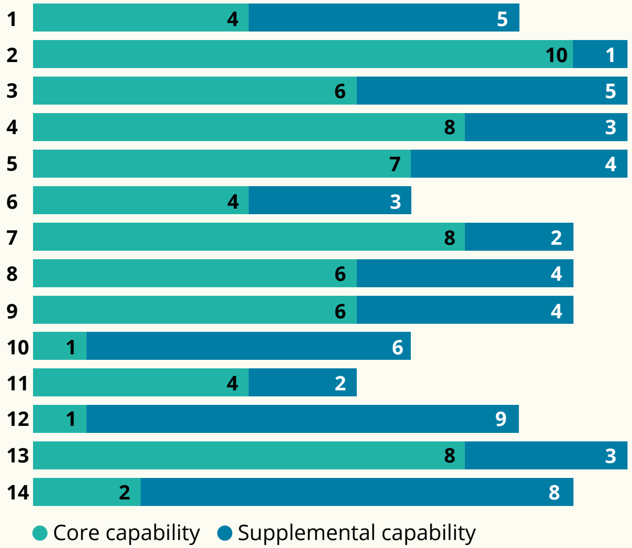
Tim Score Chair of Nomination & Governance Committee

Skills matrix

This matrix represents the number of Directors with core or supplemental capability in areas that are relevant to Pearson's strategy, business model and organisational characteristics. A core capability is one of the strongest areas of a Director's skill and expertise, where they bring considerable value to Board discussions. A supplemental capability is an area where the Director is competent or has experience, but is not one of the primary skills or attributes that they bring to the Pearson Board.

Category

1. Accounting and finance
2. Corporate strategic development (including value creation and M&A)
3. Digital and technology (including data and cyber security governance and AI)
4. Disruption management (including talent leadership through change, marketing and data insights, new business models and innovation)
5. Direct to consumer business models (including consumer brand, sales and marketing)
6. Education and public sector
7. Global markets
8. Listed company governance & regulation (particularly UK)
9. People / general talent focus (including workforce learning)
10. Policy and government relations
11. Prior CEO experience, particularly of multinational businesses
12. Remuneration
13. Scale and complexity
14. Sustainability



Appointment of Chief Executive

During 2023, the Board commenced a search process for a new Chief Executive, following notice from Andy Bird of his intention to retire from the Pearson Board, applying the ongoing succession planning processes which are regularly reviewed by the Board. The Chief Executive search process was led by the Chair of the Board, Omid Kordestani, and a working group of the Committee was appointed to manage the process, which was reviewed several times by the full Board. Spencer Stuart was selected by the Board to support the Chief Executive succession activity.

The search process resulted in the appointment of Omar Abbosh, who became Pearson's Chief Executive on 8 January 2024.

Spencer Stuart met with each member of the Board individually to seek their input into the profile of the desired candidate and to refine the role specification. The Directors agreed that the key attributes they were seeking in proposed candidates included:

— Passionate, results-oriented, collaborative, and mission-driven leader who can build on the current Pearson strategy and deliver value to Pearson's shareholders over the medium and long term

— Highly successful experience in leading a large, complex international business

— Extensive experience in one or multiple of the following sectors: enterprise technology, media, consumer or other tangential sectors with technology/digital as the core of the business

— Demonstrated track record of successfully developing and leading the commercialisation and go-to-market strategies within a business to deliver results and growth

— Proven global leader who can win in multiple markets, drive results and act strategically

— An agent of change who can communicate a mission and vision, inspiring hearts and minds to align stakeholders and bring the mission/vision to bear and a cultural fit with Pearson's values

— Experience of delivering high-quality products and services for both enterprises and consumers

— Strong reputation, integrity, independent thinker

The Board also made clear to Spencer Stuart that diversity, including gender and ethnicity, was an important consideration in the candidate search process.

The Board considered 43 candidates over the course of the process, of which 16 were women and 12 were from an ethnic minority background. As this progressed, the longlist of 43 was refined to a group of eight individuals (including three women and two individuals from an ethnic minority background), each of whom met with the working group of the Board. In the final stage of the process, Omid Kordestani and Tim Score, as well as a number of other Board members, met on both one-to-one and panel bases with each of the three shortlisted individuals. Each shortlisted individual was also invited to present to the full Board on their strategic vision for Pearson and to address questions from all Board members. The final shortlist included one woman and one individual from an ethnic minority background.

As a result of the comprehensive selection process, the Board identified Omar Abbosh as its preferred candidate for the role of Chief Executive. Once appropriate checks and referencing had been completed, the Board was satisfied that Mr Abbosh met and exceeded the selection criteria and approved the appointment of Mr Abbosh as Chief Executive, who took up the role on 8 January 2024.

The Board is pleased to welcome Omar, who has deep commercial, technology and operational expertise focused on delivering high-quality services and products across diverse markets and customer sets, with extensive experience in creating and executing strategies to enable companies to harness technology and succeed in a world of disruptive change.

Omar shares our values and our ambition and has a strong track record of execution. His expertise will help to further accelerate our strategy and continue to deliver value for all our stakeholders.

Andy Bird did not take part in the search and selection process save that he participated, firstly, in the initial individual scoping sessions with Spencer Stuart in terms of what the specification should focus on as the ideal future leader of Pearson and, secondly, in the final decision to appoint Omar, with this resolution being passed unanimously by the Board.

On behalf of the Board and Pearson colleagues, the Committee would like to thank Andy for his outstanding leadership during his time as Chief Executive. During his tenure, Andy implemented an ambitious vision and strategy, successfully transitioned Pearson into a more consumer-focused business and drove cultural and organisational change while delivering strong financial performance.

Diversity across Pearson

Over the past few years, we have been on an intentional journey to redefine what diversity, equity, and inclusion (DEI) mean at Pearson and to take action. We have reshaped our policies, practices, and principles around DEI and created a long-term strategy focusing on recruitment and promotion, retention, inclusive culture, and social impact.

Our ambition is to be an inclusive and high-performing place to work where everyone can leverage their unique strengths. That's why our people strategy has DEI as one of our three pillars with the aim of creating a culture of belonging and increasing diverse representation throughout the company. As part of the Pearson employee engagement survey, we have a culture of inclusion index to benchmark and measure against three principles: employees are treated with respect, managers value employees for their strengths, and our leaders do what is right.

In addition, Pearson's Code of Conduct in relation to ethical practices takes account of gender, age, race, ethnicity, disability, and sexual orientation, and applies to all employee levels, including the Executive Management team. It is underpinned by a global statement on DEI, along with country and business-specific policies. Standards are set consistently worldwide – both internally and externally – as part of our efforts to make Pearson a great place to work.

Together, our goal is to drive the transformation of learning, making it more diverse, equitable, and inclusive. It is a continuous combination of intentional bottom-up and top-down leadership across all levels of the company to foster a culture where everyone feels a sense of belonging.

Board diversity

We believe that Board diversity makes us a better and more sustainable business, contributing to high performance, enhanced commercial results, and an inclusive leadership culture. Research indicates that high-performing boards provide an increased competitive advantage and wider perspectives, while the needs for greater inclusion and diversity 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 Board embraces the UK Corporate Governance Code's underlying principles with regard to Board balance and diversity, including in respect of ethnicity, gender and age. The objectives set out in the Board's Diversity Policy and our progress towards these are shown in the table on page 93.

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. It requires appointments to be made on merit and relevant experience, while taking into account the broadest definition of diversity. In any Non-Executive Director search processes, the Nomination & Governance Committee encourages the retained search firms to place an emphasis on putting forward candidates who would enhance the overall diversity of the Board.

In light of recent changes to the UK Listing Rules put forward by the Financial Conduct Authority (FCA), the Nomination & Governance Committee updated the objectives that support the Board Diversity Policy, and which underpin Pearson's commitment to creating a more equitable and inclusive company. The objectives now include the following:

- 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 CFO is a woman

We also expanded our objectives to confirm that the Board will consider its own diversity, and that of its Committees, as part of the annual effectiveness review processes. Further, the Board will explore expanding its diversity considerations to include characteristics such as sexual orientation, disability and socio-economic background.

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 diverse 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.

As at 31 December 2023, 55% of Directors were women (2022: 50%), exceeding the target of 40% women's representation by the end of 2025, as recommended by the FTSE Women Leaders Review.

We are also satisfied that, ahead of the target implementation date, we are compliant with the new FCA requirements stating that boards should have at least one woman in the Chair, Chief Executive, Senior Independent Director or Chief Financial Officer role, and that at least one member of the Board should be from an ethnic minority background, among other targets.

During its evaluation process conducted in 2023, the Board considered the effectiveness of the organisation and dynamics of the Board, including in respect of diversity. The results and feedback provided by the evaluation indicated that the Directors believe the Board's diversity is strong. The Board recognised the increasing importance of DEI and acknowledged the progress being made. It noted that it would explore expanding its considerations to wider forms of diversity, such as sexual orientation, disability, age, and socio-economic background, when making new appointment decisions.

Diversity and talent at executive level

Five members of our Executive Management team of 10, excluding the Chief Executive and Chief Financial Officer who are counted in the Board's metric, are women (50%) (2022: 50%). Including the Chief Executive and Chief Financial Officer, this ratio stays at 50% (six women out of 12 members) (2022: 50%). As of 31 December 2023, 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 45 women, representing 47% of that group (2022: 50%). In response to the Parker Review's new 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 2023, the senior management team, as defined above, contained 17 individuals who identify as minority ethnic, representing 20% of that group, who have provided the company with ethnicity data. For diversity data in the format prescribed by LR 9.8.6R(10), please see page 53.

Board diversity objectives

The Nomination & Governance Committee monitors progress on the company's DEI framework, governance and measurement models, and priority areas. As part of this, the Nomination & Governance Committee reviewed and updated the objectives which underpin the Board Diversity Policy. The objectives in place during 2023 and Pearson's performance against them are set out below:

Objectives	Progress
We will strive to achieve and maintain a Board composition of: — at least 40% Directors are women — at least two Directors are from an ethnic minority background — at least one of the Chair, Chief Executive, Deputy Chair and Senior Independent Director or CFO is a woman	As at 31 December 2023: ✓ 54.5% Directors were women ✓ The Board included three Directors from an ethnic minority background ✓ One of the Chair, Chief Executive, Deputy Chair and Senior Independent Director or CFO is a woman
All Board appointments will be made on merit, in the context of the skills and relevant experience that are needed for the Board to oversee Pearson's strategic development and that reflect the global nature of our business.	✓ Our most recent Board search processes considered a wide range of candidates, including from diverse backgrounds, all of whom were evaluated on the basis of merit. The search processes resulted in the appointment of Omar Abbosh, Alison Dolan and Alex Hardiman, whom the Board believes possess the requisite skills and experience for their roles.
The Board will continue to incorporate a focus on a diverse pipeline in its succession and appointment planning, including to prioritise the use of search firms which adhere to the Voluntary Code of Conduct for Executive Search Firms (the Voluntary Code) when seeking to make Board-level appointments.	✓ The Committee actively includes diversity in its search criteria for Board appointments, and proactively encourages engaged search firms to include candidates from a range of diverse backgrounds in its candidate lists. Spencer Stuart assists Pearson with search activities, including for the recent Chief Executive and Non-Executive Director search processes. Spencer Stuart is a signatory to the Voluntary Code.
The Board will continue to adopt best practice, as appropriate, in response to the Parker Review, FTSE Women Leaders Review, FRC Board Director Effectiveness Review, and Financial Conduct Authority requirements.	✓ The Board is cognisant of the recommendations of the FTSE Women Leaders Review and Parker Review. The new FCA requirements in respect of gender and ethnic diversity are also reflected in the Board Diversity Policy.
The Board will consider its composition and diversity, and that of its Committees, as part of its consideration of effectiveness in the Board evaluation review process. The Board will also explore expansion of these considerations to cover ethnicity, sexual orientation, disability and socio-economic background characteristics.	✓ These matters were considered in the 2023 evaluation process. Read more on pages 85-86.
Where appropriate, we will assist with the development and support of initiatives that promote all forms of DEI in the Board, Pearson Executive Management team and other senior management.	✓ A mentoring programme where six mentees at the Senior Vice President (SVP) level were mentored by six Non-Executive Directors concluded in June 2023. 67% of SVP participants were female and/or persons of colour (target at 50%). The intention is for a new cohort to be identified for 2024.
We will review and report on our progress in line with the policy and our objectives in the annual report, including providing details of initiatives to promote DEI in the Board, Pearson Executive Management team and other senior management.	✓ Objectives that accompany the Board's Diversity Policy have been monitored. The Committee continues to monitor developments on DEI in the external landscape.
We will continue to make key DEI information about the Board, senior management and our wider employee population available in the annual report, and aim for ongoing transparency in this area in line with best practice.	✓ This information is included in the annual report. Read more about DEI matters in the wider employee population on page 40.

Key

✓ Target achieved

✗ Target not met

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 consumers, employees, shareholders, educational institutions and educators, employers, governments and regulators, communities and business partners.

Sustainability and associated non-financial KPIs: 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 the non-financial KPIs linked to the three pillars of the Learning for Impact strategy.

Culture and employee engagement: Assisting the Board in monitoring Pearson's approach to employee engagement and the company's culture, which stresses diversity and high performance.

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 2023:

Committee members	Meetings attended
Andy Bird[1]	4/4
Alex Hardiman[2]	2/2
Linda Lorimer[3]	1/1
Graeme Pitkethly	4/4
Annette Thomas	4/4
Lincoln Wallen	4/4

1. Mr Bird stepped down from the Committee with effect from 7 January 2024.
2. Ms Hardiman was appointed to the Committee with effect from 1 August 2023.
3. Ms Lorimer stepped down from the Committee with effect from 28 April 2023.

Reputation & Responsibility Committee role

I am pleased to present my first report as Chair of the Reputation & Responsibility Committee following my appointment to the role on 28 April 2023. I offer my sincere thanks on behalf of the Committee to my predecessor, Linda Lorimer, for her considerable contributions during her six years as Committee Chair. I also extend my thanks to Andy Bird who served as a member of the Committee until his retirement as Chief Executive in January 2024. We look forward to welcoming Omar Abbosh as a regular attendee at the Committee's meetings in the future.

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 sustainability at Pearson, providing important oversight of our sustainability framework; this includes climate change considerations. As part of this role, we promote and oversee Pearson's Learning for Impact strategy and assess progress against its commitments. We also monitor branding, employee engagement, culture and values, and provide ongoing oversight and scrutiny across all reputational matters.

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 April 2024.

Committee composition and attendees

The Committee currently has four members, including me as Chair. During the year, the Committee was pleased to welcome Alex Hardiman as a new member. Together, Committee members bring a range of expertise across key areas of our remit, including sustainability, product, stakeholder management, people and talent, and policy and government relations. You can read more about the Committee members' skills and experience on pages 68-70.

In addition, we benefit from the regular attendance of senior executives whose work is central to the remit of the Committee. These include the Chief Legal Officer, who is the executive leader responsible for the development, monitoring and execution of Pearson's sustainability strategy; the Chief Marketing Officer and Co-President of Direct to Consumer; the Chief Human Resources Officer; SVP – Investor Relations; and SVP – Corporate Communications.

Sustainability activities in 2023

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 34, our Learning for Impact strategy comprises three pillars that align with the interests of 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 also materially influential in helping Pearson succeed as a business. The pillars have a clear, natural fit to our non-financial KPIs, reflecting the common goal of alignment between our corporate and sustainability strategy. 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.

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:

Driving learning for everyone with our products

In the course of the year, we reviewed and provided input to the latest edition of the Global Content Policy, which provides a set of underpinning principles for Pearson employees and business partners alike on producing evidence and fact-based content which aligns with Pearson's purpose and values.

We also discussed with management their focus on successful delivery of the 2023 BTEC results, reflecting on changes to operations, enhanced ways of working with customers and proactive stakeholder engagement following challenges in the previous year's results season. Additionally, 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.

At each meeting, the Committee receives a report on recent incidents and issues that could have an impact on the company's reputation, including those relating to our products and business partners. We consider Pearson'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.

Empowering our people to make a difference

Following a refreshed approach to employee engagement introduced the previous year, during 2023 we conducted a deep dive with the Chief Human Resources Officer into the findings of our latest employee survey, recognising the importance of engagement as a driver of performance. It was pleasing to note the meaningful improvement in key metrics compared with 2022 and we endorsed a particular focus on upskilling managers and leaders. The Committee and Board alike will continue to monitor progress in this area, focusing on growth, performance and agility in our workforce, supported by a culture of diversity and trust.

Given world events, the Committee received an update from management on the status of Pearson's business operations in Israel and the Middle East, with a particular focus on our employees. We also conducted our annual review of health and safety across the company.

Leading responsibly for a better planet

In the past year, the Committee has monitored Pearson's climate related initiatives, including:

- Considering options for revising the company's long-term science-based targets. Based upon clear analysis from management covering feasibility, cost and external impact, the Committee unanimously agreed to support adoption of a new target which will now be taken forward for validation by SBTi and, once obtained, for formal Board approval.

- Approving the first iteration of Pearson's Climate Action Plan, being a high-level plan that sets out the actions that will help Pearson meet its decarbonisation targets and lays the foundation for successful longer-term carbon transition
- Receiving updates on progress in relation to emissions reduction, resource use, building sustainable supply chains and strengthening our data and reporting capabilities, the last being of increasing importance given developments in the regulatory and legislative landscape across many jurisdictions in which Pearson operates.

Sustainability governance and policies

The three pillars of our Learning for Impact strategy are underpinned by robust governance, a strong culture and effective policies. In this regard, during the year:

- We received an update from external legal advisers on developments in the global regulatory and legislative landscape, including the EU's Corporate Sustainability Reporting Directive, the recommendations of the UK's Transition Plan Taskforce and developments in other markets in which Pearson operates, including the US. As part of this session, we considered how this important topic would be communicated to key internal stakeholders, noting the importance of a robust organisational infrastructure relating to data gathering, reporting and disclosure, and we supported the introduction of a dedicated sustainability data reporting platform
- We reviewed insights gathered from an investor sustainability perception study together with the latest analyst rankings and ratings of Pearson's sustainability performance and credentials and a snapshot of areas for improvement. We considered how this information could support our external sustainability communications and action plans, in particular demonstrating the inherent social impact of certain Pearson products and services to support our investment case
- We reviewed the annual Modern Slavery Statement with management prior to recommending that the Board approve the statement for publication

You can read more about our overall Board framework for sustainability governance, including the related work of other Committees, on page 80.

Other areas of focus during 2023

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

- At every meeting during the year, we considered updates from our global government relations and policy team, recognising the importance of governments as both a customer and regulator of many of our products and services
- We discussed the strategy, engagement approach, risks and opportunities relating to data privacy and content, being two of the current major policy issues of significance to Pearson
- Looking ahead to the elections in both the UK and US, we reviewed a snapshot of the key learning, education and skills related issues for the major political parties and considered Pearson's approach to policy and engagement on these topics
- A significant theme in the Committee's work during the past year has related to the risks and opportunities presented by developments in AI, particularly generative AI, including policy and regulatory developments in that space. You can read more about the work of the Committee relating to AI as part of the case study on page 78
- The brand team shared with the Committee that, having reset Pearson's purpose, vision, mission and values in 2022, they were now beginning work on developing an evolved brand strategy, architecture and visual identity for the company

You can read more about stakeholder engagement at Pearson, including with governments and regulators, on page 16.

Committee evaluation

The Committee undertakes an annual evaluation to review its performance and effectiveness. In 2023, the Committee evaluation process was conducted as part of the externally facilitated Board effectiveness review, led by Manchester Square Partners. The process included:

- one-to-one interviews conducted by the independent reviewer with each of the Committee members, all other members of the Board and the Pearson Executive Management team
- observation of a full Committee meeting, including the private sessions, by the independent reviewer
- assessment of a sample of meeting papers
- discussion of the reviewer's findings and recommendations

You can read about the Board effectiveness review in more detail on pages 85-87.

Topics covered 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. The findings of the independent reviewer noted that the Committee was functioning well and has an appropriate level of focus on the key topics within its remit including attention to external stakeholders, matters relating to content in our products, and management of reputational risk factors.

The matters identified during the previous year's evaluation process have been addressed to the Committee's satisfaction during the year and adopted into our ongoing practices where appropriate.

Committee aims for 2024

Our priorities for the coming year include:

- Monitoring progress towards SBTi validation of our intended net-zero long-term targets beyond 2030
- Approval of a standalone climate transition plan in line with the disclosure framework of the UK Transition Plan Taskforce
- Reviewing the process and outputs of a double materiality assessment which will be undertaken by management to further define our sustainability strategy alongside our corporate strategy.

We will also continue our close attention to employee engagement and Pearson's social impact initiatives, undertake a horizon scanning exercise in respect of emerging risks and trends in the external landscape, and remain attentive to the fast-moving topic of generative AI, including regulatory, legislative and stakeholder perspectives.

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 auditor.

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 2023:

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

1. Ms Dolan was appointed to the Committee with effect from 1 August 2023.
2. Ms Hardiman was appointed to the Committee with effect from 1 December 2023.
3. Ms Lorimer stepped down from the Committee with effect from 28 April 2023.

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 auditor.

As at the date of this report, the Committee comprises five independent Non-Executive Directors, as more particularly set out on page 99. On behalf of the Committee, I offer my sincere thanks to Linda Lorimer, who stepped down from the Pearson Board in April 2023, for her significant contributions to the Committee's work during her tenure. During the year, the Committee was pleased to welcome two new members – Alison Dolan and Alex Hardiman – who are already making valuable contributions and bringing fresh perspectives across many areas of the Committee's remit. You can read more about Alison and Alex's skills and experience in their biographies on pages 68-70.

Pearson's Vice President – Internal Audit 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 April 2024.

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 2023 included:

- oversight of delivery of the audit action plan, a programme of work that sought to deliver on recommendations arising during the previous year's review of effectiveness of the external auditors. On behalf of the Committee, I extend my thanks to management and Pearson colleagues for their commitment to the successful delivery of this programme working collaboratively with the external auditors. You can read more on page 103
- 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 portfolio changes, including the acquisition of Personnel Decisions Research Institutes, LLC (PDRI) and disposal of Pearson Online Learning Services (POLS)
- important areas such as data privacy, cyber security 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
- focus on emerging developments in the regulatory landscape, including new or anticipated requirements relating to fraud prevention and internal assurance and control frameworks

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 2024 will include:

- Responding to the requirements of the recently published FRC minimum standard for audit committees, including reviewing our methodology for the oversight and assessment of external auditor effectiveness (read more on page 103)
- Following the publication of the revised UK Corporate Governance Code in January 2024, we will consider any impacts on Pearson's processes and practices relating to risk management and internal control and will ensure the company is ready for implementation of the new requirement with effect from the 2026 financial year
- Working closely with our colleagues on the Reputation & Responsibility Committee to remain abreast of developments in non-financial reporting, including in the UK, EU and US, and to provide any necessary input to Pearson's evolving sustainability assurance frameworks

Additional meeting attendees

The Chief Financial Officer, Deputy Chief Financial Officer, Chief Legal Officer, 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. We also meet regularly in private with the external auditors and with the Vice President – Internal Audit.

In addition to the Committee's formal meeting schedule, I meet as needed with the external auditors, Chief Financial Officer, Deputy Chief Financial Officer, Chief Legal Officer, Chief Compliance Officer and Senior Vice President – Treasury, 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. In 2023, the Committee evaluation process was conducted as part of the externally facilitated Board effectiveness review, led by Manchester Square Partners.

The process included:

- one-to-one interviews conducted by the independent reviewer with each of the Committee members, all other members of the Board, the Pearson Executive Management team, the Deputy Chief Financial Officer and the Vice President – Internal Audit
- observation of a full Committee meeting, including the private sessions, by the independent reviewer
- assessment of a sample of meeting papers
- discussion of the reviewer's findings and recommendations

You can read about the Board effectiveness review in more detail on pages 85-87.

Members

As at the date of this report, the Committee comprises five 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 2023, Graeme was Chief Financial Officer of Unilever plc and serves as Vice-Chair of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD). Graeme's full biography is on page 70.

The qualifications and relevant experience of the other Committee members are detailed on pages 68-70. You can read more on page 71 about the process through which the Board assesses the independence of Non-Executive Directors.

Topics covered 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. The findings of the independent reviewer included the following key points:

- The Committee is considered to be operating to a high level of performance with appropriate agendas, papers produced to a good standard and high-quality discussions
- The composition of the Committee is appropriate and includes the necessary skills, including three members who are current or former Chief Financial Officers of listed companies
- The Committee has a broad remit and a substantial workload but is considered to run very effectively with high levels of engagement by members and benefits from the attendance of relevant Executive Management

Reflecting the findings of the previous year's evaluation, the Committee was pleased to hold its December 2023 meeting in Pearson's office in Hoboken, New Jersey, allowing in-person access to US-based management and employees. We have also continued our focus on the risk management aspects of the Committee's remit and have benefited from insightful reports by, and discussions with, management across many elements of the company's principal and emerging risks, seeing clear alignment with the work and recommendations of the internal audit function.

Fair, balanced and understandable reporting

In response to the Code's Principle N, the Committee considered whether the 2023 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 134.

Financial reporting and policies

In February 2024, the Committee considered the 2023 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 2023 financial statements are set out on pages 105-106.

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 2023, the Committee had oversight of management's approach towards risk identification and monitoring. Pearson's enterprise risk management programme has evolved in line with the structure of the business, which is managed through five global operating divisions supported by enterprise-wide corporate functions. Through a series of business-focused risk deep dives, the President of each operating division provides an overview of its risk register to the Committee at least annually and leads a session on the key risks facing their particular division. 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 57-65.

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 divisional 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.

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 enterprise-wide functions including data privacy, cyber security, tax, treasury, anti-bribery and corruption, and business resilience. You can read more on some of these themes elsewhere in this report.

Additionally, during 2023, the Committee reviewed and endorsed a new enterprise risk framework document which brings together Pearson's existing principles, processes and methodology for risk management and aims to further embed such activity and practice within the organisation.

Data privacy, cyber security and technology resilience

Prudent management of data privacy, cyber security and Pearson's technology estate are fundamental to our success and to building and 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:

- considered developments in the global regulatory landscape and trends in enforcement actions, focusing on the importance of transparency and controls around the use of personal information, together with an elevated scrutiny of artificial intelligence which is increasingly used by businesses to provide customers with a personalised experience
- discussed the ways in which Pearson's privacy programme helps to monitor and manage these risks, including through provision of specialist guidance to the business in ensuring compliant product design
- noted the expansion of the data privacy governance framework into a broader programme governing customer trust and safety, with cyber security and online harms now managed under the umbrella of this newly expanded Trust & Safety governance framework
- noted the introduction of data privacy compliance reports for Pearson's core products and services that enable the business to take a proactive approach to addressing key risks
- considered the progress that continues to be made through implementing security processes, leveraging industry-leading tools and modernising the technology estate, as well as investing in defences against increasingly sophisticated threats and building a culture of security
- endorsed the adoption of the NIST cyber security framework, which will provide the Committee and management with clear visibility into the current status of Pearson's cyber security 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

Audit Committee meeting focus during 2023

Financial reporting	Policy and finance operations	External audit	Internal audit, risk and internal control	Compliance and governance
— Accounting and technical updates — Impact of legal claims and regulatory issues on financial reporting — Fair, balanced and understandable reporting — Going concern and viability statements including supporting analysis — Annual report and accounts: preliminary announcement, financial statements and income statement — Review of interim results and trading updates — Form 20-F and related disclosures, including annual Sarbanes-Oxley Act Section 404 attestation of financial reporting internal controls — Significant issues reporting	— Accounting matters and Group accounting policies — Treasury Policy and reporting — Tax update — Update on global deployment of ERP system	— Oversight of audit action plan (see page 103) — Provision of non-audit services by external auditor – approval of policy and regular reporting — Re-appointment of external auditors — Report on half-year review procedures — Confirmation of auditor independence — 2023 external audit plan — Remuneration and engagement letter of external auditors — Interim review report on H1 2023 — Review of the effectiveness of external auditors — EY feedback on internal controls over financial reporting (ICFR) — Receipt of external auditors' report on annual report and Form 20-F	— Internal audit activity reports and review of key findings — 2023 and 2024 internal audit plans including resourcing — Assessment of the effectiveness of internal audit function, internal control environment and risk management systems — Risk management including Group's principal and emerging risks — Strategic risk reviews led by Divisional Presidents — Group-wide risk deep dives on cyber security; technology resilience; data privacy; treasury and insurance; and business resilience and crisis management — Controls Centre of Excellence updates, including on ICFR and 2023 work plan	— Fraud, whistleblowing reports and compliance investigations — Anti-bribery and corruption and sanctions programmes — Compliance with accounting and audit-related aspects of the UK Corporate Governance Code — 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

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 continue to work to identify areas to further enhance its practices and protocols. In 2023, in addition to its regular review of compliance and employee relations investigations, we noted the continued enhancements made to the overall compliance programme, including:

- development of a new fraud policy, based upon a guiding principle of 'zero tolerance' towards any form of fraud. The Committee has approved this policy, which has a broad applicability across all Pearson businesses, employees and wider workforce, and business partners
- ongoing training for staff, including ethical decision-making and anti-trust modules for applicable employees and sanctions refresher training for Pearson's network of local compliance officers
- action taken by the legal and HR teams to establish processes tying compliance to remuneration, responding to a new requirement from the US Department of Justice
- implementation of a new platform and provider for our ethics and whistleblowing hotline, PearsonEthics.com

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 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. The audit plan and any changes thereto are also 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, 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 auditor 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 2023, internal audit carried out engagements across Pearson's business units and corporate functions, as well as Group-wide thematic audits, covering most of the principal risks. The audit plan changes throughout the year based on changes in Pearson's risk profile. Key themes in 2023 related to information security and data privacy, cyber security, assessment of integration progress and controls in recently acquired businesses, safeguarding, accessibility, payroll, and regulatory compliance.

Internal audit evaluation

At its December 2023 meeting, the Committee considered the findings of the review of the performance, effectiveness and independence of Pearson's internal audit function, a process which is undertaken annually. The 2023 review was conducted by distributing a questionnaire to the key stakeholders of the internal audit function – including Committee members, the lead external audit partner, members of the Executive Management team, and senior financial, legal and operational management.

The evaluation process sought views on an anonymised basis on the internal audit function's work programme, resource levels, skills and expertise, and ways of working. Based on the findings of the 2023 review, the Committee is of the opinion that the quality, experience and expertise of the internal audit function is appropriate for the business. The Committee further believes that the internal audit function operates with an appropriate degree of independence and has the ability to raise matters with the Committee without management present. The Committee recognised the findings of the review which noted that the internal audit function continues to engage proactively and constructively with management, providing assurance over key risks impacting the business and identifying related areas for improvement. The Committee will remain attentive to ensuring the internal audit function has access to the necessary skills, capabilities and knowledge to conduct specialist audits, supplementing its own resource, and that the function continues to consider Pearson's risk appetite and tolerance as part of their audit activities.

The Committee will ensure that an independent third-party assessment of the effectiveness and processes of the internal audit function is conducted at least once every five years, in line with the requirements of the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing. The most recent such assessment was undertaken in 2019 and it is therefore expected that the next such assessment will be undertaken during 2024.

Audit Committee report *continued*

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, including periodic audits of the risk processes across the organisation. It provides assurance on the management of risk (including via risk deep dives, as described on page 99), and receives reports at each meeting on the effectiveness and efficiency of internal controls with input from the Deputy Chief Financial Officer and external auditor. In 2023, Internal Audit provided assurance over several principal risk areas, most notably information security and data privacy, safeguarding, cybersecurity and integration of acquisitions.

Each business area maintains internal controls and procedures appropriate to its structure, business environment and risk assessment, while complying with company-wide policies, standards and guidelines. The financial 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 2023 to further enhance Pearson's control environment as part of the audit action plan. This included a refreshed training programme for control owners across the business to establish consistent standards and protocols for 'information provided by the entity' (IPE), being the evidence that underpins control operation, which was well-received by employees. You can read more about the audit action plan on page 103.

The Committee, acting on behalf of the Board, confirms that it has conducted 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 2023, 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, divisional and technology assurance teams
- work conducted by the external auditor
- 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 2023 year-end process. The Committee also reviewed all internal financial control deficiencies identified during the year and noted that the majority were remediated during 2023. 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 pages 57-65.

External audit

The Committee is responsible for overseeing and assessing Pearson's external audit and its auditors. Ernst & Young LLP (EY) was first appointed as Pearson's external auditor by shareholders at the AGM in April 2022, replacing PricewaterhouseCoopers LLP following a tender process. Pearson's 2023 audit was the second 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 ten 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 2023.

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.

In conducting its 2023 review of the effectiveness of the external auditors and making its recommendation to re-appoint EY for 2024, the Committee had regard to factors such as those set out in the FRC's guidelines entitled 'Audit Quality Practice Aid for Audit Committees'. In particular, the Committee considered its 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.

The review was conducted by distributing a questionnaire to key audit stakeholders, including members of the Committee and key management who interact with the external auditors on a regular basis, including the Chief Financial Officer, Deputy Chief Financial Officer, Senior Vice President – Treasury, Risk and Insurance, Vice President – Internal Audit, Senior Vice President – Finance for each business division, and other heads of corporate functions. The process sought views on an anonymised basis on many aspects of EY's work and interactions with the company, as well as their mindset, skills and knowledge. In the second year of EY's tenure as Pearson's external auditor, there was an additional focus on the effectiveness with which EY uses technology in its audit and review processes, and the extent to which EY has successfully delivered on the expectations and commitments set through the tender and selection process.

In considering the independence of the external auditor, the Committee has regard to, among other things, EY's challenge to management, the degree to which the external auditors demonstrate professional scepticism, integrity and judgement in their work, the amount of time passed since a rotation of audit partner and the volume of non-audit work that the external auditor undertakes (details of which can be found on page 104).

The responses to the evaluation indicated that the external audit partners and staff exhibit professional scepticism in their work and are robust in dealing with issues identified during the audit. Overall, having reviewed the effectiveness and independence of the external auditors during 2023, including taking into account the enhancements delivered through the audit action plan (described further below) and discussing the results of the questionnaire in a private session with the Chief Financial Officer and Deputy Chief Financial Officer, the Committee concluded that the auditors demonstrate independence and objectivity in their work and agreed to recommend the re-appointment of EY for 2024.

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.

Audit action plan

As described in last year's report, with 2022 having been a year of transition for the external auditor, a number of opportunities for incremental improvement were identified as a result of the 2022 effectiveness review. These primarily related to ways of working between the Pearson and EY teams. In early 2023, following the conclusion of the previous year's audit, Pearson and EY, led by the Deputy Chief Financial Officer and lead audit partner respectively, developed a joint action plan in response to the recommendations. The Committee oversaw implementation of this action plan throughout 2023 and was satisfied that all workstreams had either been successfully completed during the year or were on target for completion in early 2024. The Committee will remain attentive to the areas of focus considered by the plan during the coming year, to ensure any agreed enhancements become embedded into 'business as usual' practices. Additionally, we will continue to look at opportunities for an efficient and effective audit and ways of working with EY to support on this.

FRC Minimum Standard

In May 2023, the FRC introduced the 'Audit Committees and the External Audit: Minimum Standard' (the 'FRC Minimum Standard' or 'Standard'), which currently operates on a 'comply or explain' basis.

Following the introduction of the FRC Minimum Standard, the Committee updated its Terms of Reference to reflect the new requirements. In order to achieve full compliance with the FRC Minimum Standard, we intend to refresh the external audit effectiveness review methodology ahead of our 2024 process to ensure the factors described in provisions 15 to 23 of the Standard are considered in our assessment of the external auditors.

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 2023 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 2023 Committee meeting, explaining to the Committee that they had reduced their risk assessment in respect of goodwill impairment due to the level of headroom in the CGUs. At the February 2024 Committee meeting, the external auditors' risk assessment was further updated including the refinement of the significant risk in respect of the valuation of acquired intangibles to certain specific intangible assets, the removal of a significant risk in relation to School Assessments revenue recognition and the reduction in risk level over the useful economic lives of product development and internally developed software assets. These risks were then confirmed as final at the conclusion of their audit of the financial statements in February 2024.

The table on pages 105-106 sets out the significant issues considered by the Committee together with details of how these items have been addressed. The Committee discussed these issues with the auditors throughout the 2023 audit process.

In December 2023, 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, work over manual adjustments to revenue and work over modifications to certain contracts in the OPM business. 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 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

- their work in assessing management's judgements and assumptions regarding the impairment of its right-of-use assets and whether property assets should be classified as investment property
- their procedures performed to audit the material acquisition in the year and specifically their work over the valuation of the acquired intangible assets. Their work focussed on the valuations of certain specific acquired intangibles and their procedures included the use of EY valuation specialists. In addition, they reported on their work over disposals completed in the year including evaluating management's judgement that the POLS businesses should not be classified and presented as a discontinued operation
- 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 provision made in relation to the EU state aid tax matter
- the results of their controls testing for Sarbanes-Oxley Act Section 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 retirement benefit obligations 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 and approved annually 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. Any allowable services are in accordance with relevant UK and US legislation and auditor standards. The policy applies to all Pearson businesses globally, including associate companies. 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.

The Committee approves all audit and non-audit services provided by external auditors. Our policy on the use of the external auditors for non-audit services that was in operation during 2023 complied with the FRC's Revised Ethical Standard published in December 2019. The 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. The policy also 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. In particular, we expressly prohibit the provision of certain tax, HR and other services by the external auditor. The policy also complies with all relevant SEC independence rules. We review non-audit services on a case-by-case basis, including reviewing the ongoing effectiveness and appropriateness of our policy.

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 on a case-by-case basis by the Group finance team. Any such pre-approved services are presented for noting by the Committee at its next meeting.

The Committee receives regular reports summarising the amount of fees paid to the auditors. During 2023, Pearson spent a similar amount on non-audit fees when compared with 2022. For 2023, non-audit fees represented 2% of external audit fees (1% in 2022).

For all non-audit work in 2023, 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 2023 included:

- half-year review of interim financial statements
- audit-type procedures of a stub period in respect of a subsidiary entity in order to satisfy local requirements in advance of a cross-border merger

A full statement of the fees for audit and non-audit services is provided in note 4 to the financial statements on page 170.

Graeme Pitkethly Chair of Audit Committee

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.	— 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.
Acquisitions and disposals		
— Pearson acquired 100% of Personnel Decisions Research Institutes, LLC (PDRI). — Pearson disposed of its Pearson Online Learning Services (POLS) businesses in the US, UK, Australia and India.	— The Committee reviewed the accounting for the PDRI acquisition with specific focus on consideration, net assets acquired including the valuation of intangibles and the recognition of goodwill. The Committee noted the use of third-party valuation experts to value the acquired intangible assets and the controls performed over all aspects of the acquisition accounting, including but not limited to, the review of assumptions used by the third–party valuation experts. — The Committee reviewed the accounting for the disposal of the POLS businesses with specific focus on consideration, net assets disposed and disposal costs. The Committee also reviewed tax assumptions relating to the disposal transactions. In addition, the Committee reviewed the judgement related to whether the results and cash flows of the disposed businesses should be classified and presented as discontinued operations by reference to the criteria set out in IFRS 5.	— The Committee determined that the acquisition accounting for PDRI had been undertaken appropriately but notes that it remains provisional as at 31 December 2023. — The Committee determined that disposal accounting for the POLS businesses had been appropriately recorded. The Committee is satisfied with the judgement that the results and cash flows of the disposed businesses should not be classified and presented as discontinued operations and is also satisfied with the disclosures related to this item.
Revenue recognition		
— Pearson has a number of revenue streams where revenue recognition is complex. 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.	— The Committee is satisfied that revenue is being recognised appropriately.

Audit Committee report *continued*

Issue	Action taken by Audit Committee	Outcome
Recoverability of non-current assets		
— Pearson holds significant non-current assets including right-of-use assets (in relation to leased properties); property, plant and equipment; goodwill and intangible assets. — There are significant estimates and assumptions used in the impairment reviews. — In addition, assumptions made in previous years, regarding the ability to sublet right-of-use assets and sell owned assets, have been revisited.	— 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 and the properties classified as held for sale. Updates to key assumptions – including those arising from subleases signed in 2023 – were reviewed and challenged. The Committee considered the adequacy of related disclosures. The Committee noted the input of third-party property specialists in determining the key assumptions. — 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 management's view that the recoverability of goodwill is no longer an area of significant estimation.	— The Committee is satisfied with the results of the property impairment reviews and the subsequent impairment charges recognised in the income statement. — The Committee is satisfied that the property impairment charges relate to updates to assumptions made during the 2021 and 2022 major restructuring programmes and so meet the Group's criteria to be excluded from adjusted performance measures. — 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 no longer an area of significant estimation.
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 exposure. — 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 Pearson's ongoing response 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.	— The Committee is satisfied with Pearson's approach to the EU state aid matter including reconfirming the ongoing appropriateness of the provision made in 2022 in relation to amounts paid in 2021 and ongoing disclosure about this matter. — The Committee is satisfied with Pearson's approach to managing the impact of tax legislation changes and agreed with the views of management regarding tax provisioning levels. — The Committee is satisfied with the disclosures relating to the expected impact of Pillar 2.

Sherry Coutu CBE
Chair of Remuneration Committee

Key messages from the Remuneration Committee

- The Directors’ Remuneration Policy approved by shareholders at the 2023 AGM was instrumental in allowing Pearson to successfully recruit our new Chief Executive, Omar Abbosh, a highly regarded global leader. Omar’s remuneration arrangements are consistent with the Remuneration Policy.
- As part of our long-standing commitment to an ongoing and transparent dialogue with shareholders and their advisers, we undertook an extensive engagement exercise both prior to and following the 2023 AGM. Shareholder input is very important to the Committee when developing remuneration proposals and arrangements.
- The Committee considered performance outcomes for 2023. The annual incentive outcome for Executive Directors is 85% of maximum reflecting another year of strong financial and strategic progress in 2023. The long-term incentive granted in 2021 will vest at 85% of maximum considering the earnings growth and value created for shareholders over the three-year performance period.
- A thorough review was conducted ahead of the release of the third and final tranche of the co-investment award for the previous Chief Executive, considering performance underpins, TSR and broader company performance, and stakeholders’ experience and it was determined that this tranche should vest in full.
- Consistent with historical and best practice, the Committee also reviewed the implementation of the Directors’ Remuneration Policy for 2024, in particular the performance framework, to ensure it appropriately supports delivering on Pearson’s forward-looking strategy. No changes to metrics will be made for 2024, although the carbon metric will switch from the AIP to the LTIP to reflect the long-term nature of the goal.
- The Committee remains focused on ensuring remuneration policies and practice for all Pearson’s colleagues are consistent with our need to attract and retain the right talent for the Company’s digital future, and are appropriately aligned to Pearson’s forward-looking strategy, purpose, and mission, vision, and values.
- There was no payment for loss of office upon Andy Bird’s retirement from the Company and the Committee determined that Andy would be treated as a ‘good leaver’ in respect of his outstanding awards under the LTIP, in accordance with the Policy and LTIP rules.

Terms of reference

The Committee’s terms of reference are in line with the 2018 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 129).

Board Committee attendance

There were five scheduled meetings of the Remuneration Committee in 2023. Attendance by Directors was as follows:

Committee members	Meetings attended
Sherry Coutu CBE	5/5
Esther Lee	5/5
Tim Score	5/5
Annette Thomas	5/5

Dear Shareholder

On behalf of the Board, I am pleased to present the 2023 Directors’ Remuneration Report.

For a third consecutive year, Pearson has delivered a strong financial performance. Underlying Group sales increased by 5%, and Group adjusted operating profit was up 31% versus 2022. This was supported by the ongoing work to streamline the business and make it more efficient, with delivery of £120m of cost savings helping to drive an improvement in adjusted operating profit margin to 16%.

Pearson has continued to generate strong free cash flow enabling the Company 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. Strong cash generation has enabled the delivery of returns for shareholders, with a £300m share buyback programme supplementing a progressive ordinary dividend. The Board have also announced our intention to extend the share buyback programme by £200m. 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.

Additionally, Pearson has seen change in the Executive Directors with the appointment of a new Chief Executive, Omar Abbosh, who joined on 8 January 2024 and the retirement of Andy Bird, who stepped down from his role as Chief Executive, but remains with the Company until 31 March 2024 to ensure a smooth transition. We will also welcome Alison Dolan, Non-Executive Director, to the Committee from 1 April 2024.

Shareholder engagement

While the Committee very much appreciated the support shown by the majority of shareholders, it was naturally disappointing that a significant minority of shareholders voted against the 2023 Directors' Remuneration Policy.

In advance of the 2023 AGM, the Committee had conducted an extensive consultation process, receiving feedback from, or directly engaging with, approximately 55% of Pearson's ownership as well as the key proxy advisers.

There was an understanding of the challenges faced by Pearson and the need for a Policy that adequately acts as an attraction, retention, and incentivisation tool for global talent, particularly in the US which represents the majority of the Company's business, and growth prospects. We acknowledge that these challenges are not unique to Pearson and have in the last year, been widely raised and discussed by a range of stakeholders. That said, our engagement exercise highlighted that the extent of the increases to variable incentive opportunities in both the annual and long-term incentive plans was principally too much for some shareholders to support.

Following the outcome at the AGM and given Pearson's commitment to an ongoing and transparent dialogue with shareholders and their advisers, a further engagement exercise was initiated to provide the opportunity for shareholders to offer any additional views on Pearson's executive remuneration arrangements following the AGM vote. We received a relatively small number of responses, often welcoming the offer to engage again, but noting that there was no requirement given the extensive consultation prior to the AGM, as referred to above.

While understanding and acknowledging the diverse views of our shareholders, the Committee continues to believe that the Policy is necessary for remaining competitive in the global talent market and driving sustainable, profitable growth. This was reaffirmed by the Board's appointment of Omar Abbosh as the Company's new Chief Executive. Omar is a highly regarded global leader with over 30 years of experience in enterprise technology and joined Pearson from Microsoft, one of the world's largest multinational technology companies.

Pearson remains committed to a constructive and positive relationship with all its shareholders and their advisers and will continue to engage widely as appropriate going forward.

Incentive outcomes for 2023

2023 AIP

The strong financial and strategic progress delivered in 2023 resulted in a formulaic AIP outcome for Executive Directors of 85% of maximum, with outperformance against the stretching targets for Adjusted Operating Profit, Sales and Free Cash Flow. Overall, the Committee was satisfied that the formulaic outcome was reflective of the performance achieved.

2021 LTIP

The LTIP granted in 2021 will vest in 2024 at 85% of maximum, principally reflecting EPS performance above the upper end of the stretching range and exceptional upper quartile TSR performance over the three-year performance period. The shares vesting will remain subject to a two-year holding period. Further details are set out on page 120.

Final tranche of Andy Bird's co-investment award

The third and final tranche of the one-off co-investment award granted to Andy Bird, vested following 31 December 2023. Similar to the first two tranches, vesting was subject to achievement of performance underpins linked to strategic progress and there being no significant ESG issues resulting in significant reputational damage. The third tranche was also subject to an additional TSR underpin.

The Committee undertook a rigorous assessment of the relevant performance underpins as well as a holistic review of broader Pearson performance and the experience of all stakeholders.

In its assessment, the Committee followed the framework developed and disclosed in prior years. Pearson's TSR over the period was 76%, resulting in the creation of over £3bn of shareholder value over the period and significantly in excess of the required threshold. Pearson's TSR was ranked 21 out of 92, above the upper quartile (71.8%) TSR of the FTSE 100. As such, the Committee determined that the third tranche of the award would vest in full and detailed disclosure of the Committee's deliberations in this regard is set out on pages 121 and 122.

Leadership changes

Appointment of Omar Abbosh, new Chief Executive

Omar Abbosh was appointed as Chief Executive on 8 January 2024. Omar has a deep understanding of the dynamic business and technology landscape having helped to shape and execute successful strategies in a world of disruption. This positions him very well to build on the foundations that have been laid over the last few years and lead Pearson through its continued journey as a digital-first consumer-focused lifelong learning company. The Committee looks forward to working with Omar as we accelerate our strategy and continue to deliver value for all our stakeholders.

Omar's remuneration arrangements are consistent with the remuneration policy approved by shareholders at the 2023 AGM. The principal elements are as follows:

- An annual base salary of £1,000,000;
- An annual cash allowance of 16% of base salary in lieu of pension; in line with the maximum available company pension contribution for UK employees of a similar age;
- Participation in Pearson's performance based Annual Incentive Plan (AIP) from 2024, with a maximum annual opportunity of 300% of base salary and a target bonus equal to 50% of the maximum opportunity, prorated to reflect his service during the bonus year;
- From 2024, participation in the performance-based Pearson Long Term Incentive Plan with an annual face value of 450% of base salary and based on stretching performance targets (as set out in this report for 2024);
- In addition, Pearson will compensate Omar for remuneration he forfeited as a result of resigning from his previous role at Microsoft on a like-for-like basis in accordance with our Remuneration Policy. It will consist of a cash payment in lieu of his forfeited annual bonus expected to be £249,050 covering the 6 months between the end of his prior employer's financial year end and the beginning of his eligibility for Pearson's AIP in 2024; an award of 1,391,718 Pearson restricted shares which are of equivalent value to the forfeited Microsoft shares and which will vest annually in three equal tranches. This share award has a value of approximately £13.1m based on the three-month average share price and FX leading up to the start of his employment

in January 2024. 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 the calibre of Omar in companies in our key talent markets. Additionally, the restricted share award creates immediate alignment with shareholders and fulfils Omar's shareholding guidelines from the outset.

— Subject to the shareholding guideline under which he is expected to maintain a holding of at least 450% of salary, and to retain that level (or his actual holding if lower) for two years following stepping down as an Executive Director.

Further information on these arrangements can be found on page 112.

Retirement of Andy Bird

Andy Bird announced his intention to retire from the role of Chief Executive on 20 September 2023. He stepped down as Chief Executive and as a Pearson Board member on 7 January 2024 and will leave Pearson on 31 March 2024. There was no payment for loss of office. The Committee determined that Andy would be treated as a 'good leaver' in respect of his outstanding awards under the LTIP and treatment of the awards was in accordance with the relevant plan rules. Andy will not receive any LTIP award in respect of 2024, but is eligible for a pro-rated award under the AIP for the period to 31 March 2024, whilst he remains in employment. In line with the Policy, Andy will also be required to meet his shareholding guideline of 450% of base salary for two years following stepping down as an Executive Director. Further details of remuneration arrangements in respect of Andy's retirement can be found on page 123.

Looking forward to 2024

Salaries for 2024

There was no increase to Andy Bird's base salary before his retirement in March 2024. The Committee reviewed the salary of Sally Johnson and approved an increase of 3% bringing her salary to £574,000 for 2024. This increase was in line with the 3% increase for the wider UK workforce. Omar Abbosh's salary remains fixed at £1,000,000 until 2025.

Performance framework

Consistent with prior years, the Committee undertakes an annual review of the performance framework to ensure it continues to align with the forward-looking strategy. Overall, the Committee considered that the performance framework principles remain appropriate, with the only change for 2024 being to move the carbon reduction metric, aligned to Pearson's 2030 carbon reduction goals, from the AIP to the LTIP to reflect the long-term nature of the goal.

Target-setting for 2024

One of Pearson's remuneration principles, which apply across the whole organisation, centres on pay for performance, and this is actively considered by the Committee when determining targets. For 2024, 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.

The Committee has a strong focus on pay for performance and a robust track record of setting stretching targets, as demonstrated by the targets set in recent years and subsequent incentive outcomes. The approach taken this year is no different. Disclosure of the 2024 LTIP targets is on page 112. For both EPS and 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. As in previous years, we will disclose financial targets for the 2024 AIP in full retrospectively following the end of the performance period.

Remuneration across Pearson

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. Remuneration across the workforce is designed to reflect the role, skills, experience, and performance of any relevant individual as well as local market practice. Many of the features of our Directors' Remuneration Policy apply more broadly, for example, over half of all Pearson employees (c.10,300 employees) participated in the Annual Incentive Plan during 2023 which was funded based on similar performance measures as those used for Executive Directors - and it was pleasing to note that this was funded at the highest level in a number of years, reflecting a strong performance by the Company.

Similarly, all eligible colleagues (including Executive Directors) can participate in savings-related share acquisition programmes that are not subject to any performance conditions. Over 1 in 4 of our employees save to purchase discounted Pearson shares via our employee share plans, thereby becoming potential owners of the business and benefiting from the value they help to create for all Pearson shareholders. It was particularly pleasing that at the most recent maturity of our 'Save For Shares' plan in August 2023 the average gain for a participant was £5,700.

To align with Pearson's diversity, equity and inclusion (DEI) and global benefits strategies, Pearson expanded healthcare coverage for Pearson colleagues in the UK in 2023 to include more inclusive benefits such as menopause support, fertility and family planning services, and gender affirmation services.

The Committee receives regular updates on talent matters and wider workforce considerations and actively considers the approach to reward throughout the organisation when determining executive remuneration. In addition, the Committee closely reviews relevant pay ratios and pay gaps and supports efforts to make progress against these metrics. In 2023, Pearson published its first Fair Pay report which contained the gender pay gap and ethnicity pay gap in Great Britain, the latter of which Pearson voluntarily disclosed for the first time. While Pearson currently has initiatives and strategies in place to support competitive, equitable and inclusive pay and benefits, the Company is committed to delivering greater pay transparency in the future.

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 2024 AGM in relation to our 2023 Directors' remuneration report.

Sherry Coutu CBE

Chair of Remuneration Committee

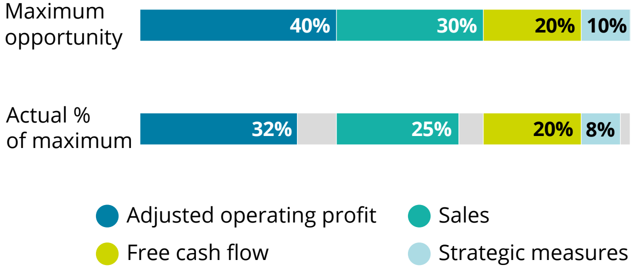
Pearson's Remuneration Framework - 2023 'At A Glance'

Base salaries (from 1 April 2023)

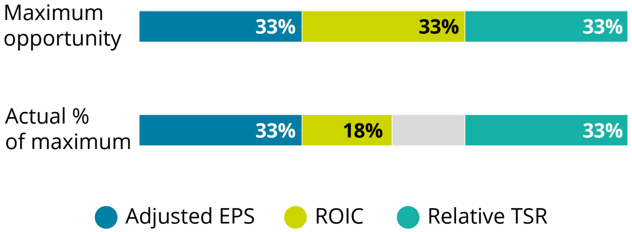
CEO (Andy Bird) - $1,293,750

CFO - £557,225

2023 annual incentive plan payout (85% of maximum)



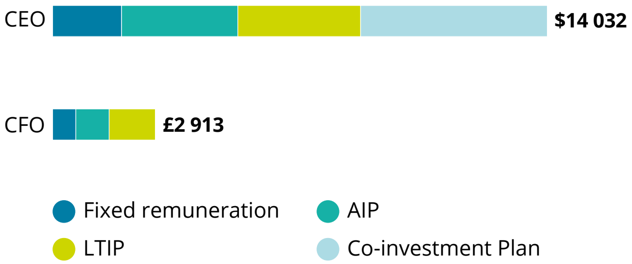
2021 long-term incentive plan payout (85% of maximum)



Final tranche of co-investment award

After Committee assessment of performance underpins (including TSR), it was determined the final tranche would vest in full.

2023 single figure



$000 for CEO; £000 for CFO

Strategic progress. Sustainable profitable growth.

Revenue

£3,674m

5% underlying growth (excl OPM & Strategic Review)

Adj. operating profit

£573m

31% underlying growth on prior year

Free cash flow

£387m

74% growth on prior year

Adjusted EPS

58.2p

12% growth on prior year

Return on Capital

10.3%

+1.6% on prior year

Dividend per share

22.7p

6% increase on prior year

Strategic highlights

- Acquired PDRI to drive additional growth in our biggest business: Assessments and Qualifications.
- Delivered a £120m cost savings programme, accelerating group margin expansion to 16%.
- Launched beta version generative AI tools in Mastering and MyLab.
- Strong cash performance with free cash flow of £387m and launched a £300m share buyback.
- Passed milestone of 1m cumulative paid subscriptions for Pearson+.

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, 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 (e.g., an environmental, social and/or governance measure). — Payout of 20% of maximum for threshold performance with 65% payable for on-target 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 of the remuneration policy in 2024 - At a Glance

		Omar Abbosh CEO	Sally Johnson CFO	Purpose and link to strategy
Base salary		£1,000,000	£574,000	Recognise market value of role and individual's skills, experience and performance to ensure the business can attract and retain talent.
Allowances and benefits		Travel, health and risk benefits		Provide employment benefits to ensure overall package is market competitive to attract and retain high calibre talent.
Retirement benefits		16% of salary in lieu of pension		Provide competitive retirement benefits to ensure overall package is market competitive to attract and retain high calibre talent.
Annual incentive plan	Target/ maximum opportunity (% of salary)	150%/300%	100%/200%	Drive and reward annual performance on both financial and non-financial metrics in order to deliver sustainable growth in shareholder value. Deferral into shares if shareholding guidelines are not met increases alignment with long-term shareholder interests.
	Performance condition	See table overleaf		
	Deferral if shareholding guidelines not met	One-third into shares for two years		
Long-term incentive plan	Grant (% of salary)	450%	300%	Direct financial measures that drive our financial ambitions for the Company and measures linked to our key long-term strategic priorities aligned to the long-term interests of our shareholders.
	Performance condition	See table overleaf		
	Vesting	Three-year performance conditions, with two year post-vesting holding period		
Shareholding guidelines	% of salary	450%	300%	Provide long-term alignment with shareholder interests.
	Post-employment shareholding guidelines	450% for two years	300% for two years	Provides continuing alignment with shareholder interests following the end of an Executive Directors' tenure.

Performance measures and targets for 2024

Annual incentive plan performance measures are outlined below. As in previous years, we will apply a financial underpin to the strategic measures. We will disclose financial targets in full retrospectively following the end of the performance period.

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

	Weighting	Threshold	Target	Maximum
Invest in diverse pipeline and increase BIPOC/BAME representation at all manager levels	10%	2% increase in representation of BIPOC/ BAME employees at Manager level and above + maintain overall gender parity as an underpin	5% increase in representation of BIPOC/BAME employees at Manager level and above	10% increase in representation of BIPOC/BAME employees at Manager level and above

Long-term incentive plan performance measures and targets for 2024 are as follows:

	% of total	Threshold	Maximum	Payout at threshold	Payout at maximum
Adjusted EPS	30%	63p	82p	20%	100%
Return on Capital	30%	10.3%	13%	20%	100%
Relative TSR	30%	Median	Upper quartile	20%	100%
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)	20%	100%
ESG - Carbon reduction	5%	4% reduction vs 2023	13% reduction vs 2023	20%	100%

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 FTSE100 and half against the S&P500, 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.

Alignment of performance framework to Pearson's strategy

	Objective		Measure	2024 AIP	2024 LTIP
Financial objectives	**Sustainable profitable growth**	1	**Total shareholder return (TSR)**		✓
	Revenue: Mid-single digit (three-year CAGR 2022-2025)	2	**Sales**	✓	
	Adjusted operating margins (2025): 16-17%	3	**Adjusted EPS**		✓
		4	**Adjusted Operating Profit**	✓	
	Free Cash Flow conversion (2024): 95-100%	5	**Free Cash Flow**	✓	
	Return on capital	6	**Return on Capital**		✓
Strategic objectives	**Digital sales:** Drive digital revenue growth	1	**Sales**	✓	
	Consumer engagement: Create engaging and personalised customer experiences	2	**Sales**	✓	
	Product effectiveness: Improve the effectiveness of our products to deliver better outcomes	3	**Sales**	✓	
	Culture of engagement and inclusion: Build an inclusive culture and increase diverse representation	4	**Various KPIs including diversity and employee engagement**	✓	✓
	Sustainability strategy: Achieve 50% reduction in absolute Scope 1,2 & 3 carbon emissions by 2030	5	**Reduction in tCO_2**		✓

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 adding life to a lifetime of 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.

- 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 digital future. 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**:
  - Selected performance measures for the AIP (Annual Incentive Plan) and LTIP (Long Term Incentive Plan) 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 **predictions** of how the Directors' Remuneration Policy may apply in various performance scenarios
  - When determining pay-outs, 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. The Committee **engaged extensively with shareholders** on the current Directors' Remuneration Policy to ensure they fully understood the rationale for change, and to give them the opportunity to feed into the decision-making process and inform final conclusions.

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.

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?

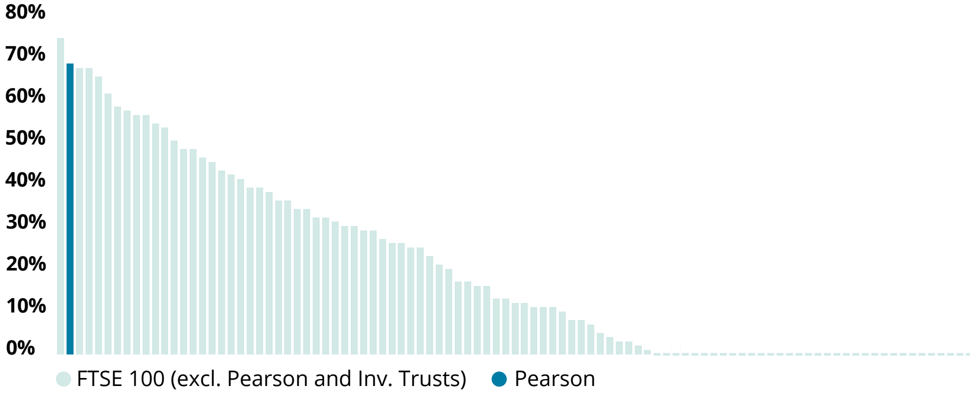
Are there any one-off or exceptional events to be taken into consideration?

Are outcomes appropriate or should an adjustment be considered?

Market context for remuneration at Pearson

Pearson has more US exposure than almost all of the UK market with c.70% of revenues from the US.

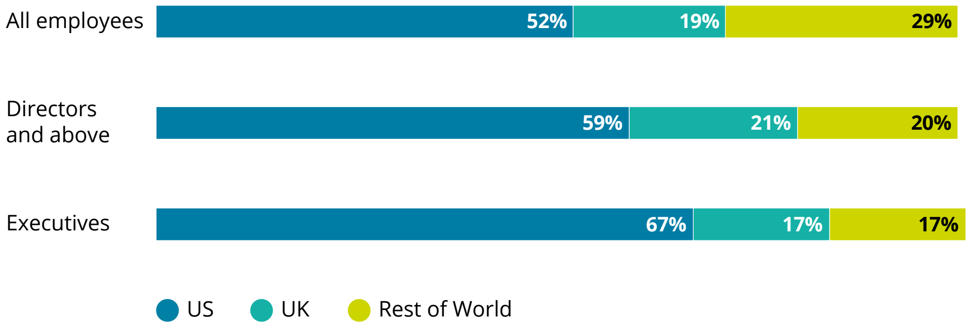
Proportion of Revenue from US geographic segment (FTSE 100)



Based on the publicly disclosed geographic revenue segment which covers the US or Americas as a proportion of disclosed Group revenue. Data for Pearson are based on the year ending 31 December 2023. Data is shown for the FTSE 100 excluding investment trusts, and were sourced from Datastream and published annual reports as at January 2024.

Additionally, more than half of Pearson's employees are based in the US and two-thirds of the Pearson Executive Management (PEM) are also based in the US, with several joining us from US-based companies.

Data as of 31 December 2023



Market reference points

Given that Pearson is a UK-listed company, but has significant operations in the US and draws significantly on talent from the US, the Remuneration Committee considered remuneration levels at comparable companies in both the UK and US when determining the 2023 Directors' Remuneration Policy and its implementation. The Committee also considers remuneration levels at both public and privately-owned or held companies, but notes that market data for private companies is more limited. The approach to market data was to consider multiple different reference points, including those described below, to provide a rounded view of overall positioning against the market. This approach has evolved over time in line with Pearson's strategic evolution to appropriately reflect the different global talent needed for Pearson's growth ambitions and execution of our digital-first strategy. **The Committee has not sought to follow any specific market reference and is mindful of the balance between needing to ensure remuneration packages are sufficiently attractive in the US, a primary and fiercely competitive talent market, and maintaining a UK market-aligned remuneration framework.**

— Executive Director remuneration in UK-listed companies of a similar market capitalisation to Pearson, the FTSE 41 to 100. This comparator group recognises Pearson's London listing, the fact that Pearson is a member of the FTSE 100, and that UK investors and proxy agencies would likely consider competitiveness of remuneration levels at Pearson in this context primarily. Market data for the FTSE 100 as a whole was also considered as an additional reference point given the growth in Pearson's market capitalisation in recent years.

— Executive Director remuneration in US-listed companies of a broadly similar financial size and in a similar sector to Pearson. This comparator group included companies in the broadcasting, interactive media and software sector with similar revenue to Pearson. It considers what Executive Directors are paid in broadly similar US-listed companies, although it does not directly align to Pearson's talent market.

— Remuneration in US-listed companies more closely aligned to Pearson's talent market and strategic ambitions. This comparator group comprised US 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. Recognising, however, that many of these companies were materially larger than Pearson in terms of financial size, rather than considering remuneration levels for the CEO role, the market data considered was for roles reporting into the CEO (primarily heads of business units or Chief Executives of subsidiary businesses) which is analogous to Omar Abbosh and Andy Bird's previous executive roles. This data was only considered in respect of the CEO role at Pearson.

The Committee is mindful of the views of many investors in relation to setting executive pay solely based on market data as well as views on using international peer groups. The Committee therefore wanted to take a balanced and thoughtful approach which incorporates the views of all key stakeholders.

Pay positioning

Overall, the intention of the Committee was to ensure a package for the Chief Executive which was competitive considering Pearson's primary talent market. While it is acknowledged the package for the Chief Executive is towards the top end of market practice from a UK perspective, it is within the broad range of pay received by executives below CEO level at relevant US-listed companies.

<table>
<tr><th></th><th colspan="2">Chief Executive Officer</th><th colspan="2">Chief Financial Officer</th></tr>
<tr><th></th><th>UK positioning</th><th>US positioning</th><th>UK positioning</th><th>US positioning</th></tr>
<tr><td>Salary</td><td>Towards the top end of UK practice</td><td>Within US market competitive range for CEO roles</td><td>Within UK market competitive range</td><td>Within US market competitive range</td></tr>
<tr><td rowspan="2">Annual bonus opportunity</td><td colspan="4">For CEO roles, the market data illustrated that annual bonus opportunity levels in the US were around double opportunity levels in the UK. The same picture is not however true for other executive roles, where annual bonus opportunity in the US is more closely aligned to, although still marginally higher than, UK levels.</td></tr>
<tr><td>Towards the top end of UK practice</td><td>Within US market competitive range</td><td>Within UK market competitive range</td><td>Within US market competitive range</td></tr>
<tr><td rowspan="2">LTIP opportunity</td><td colspan="4">Long-term incentive opportunity is the key driver in the difference between UK and US remuneration levels. Opportunity levels in the US are many multiples of UK levels. For CEO roles in US-listed companies in a similar sector and of a similar financial size to Pearson, many receive long-term incentives with a target opportunity greater than 1000% of salary.</td></tr>
<tr><td>Towards the top end of UK practice</td><td>Substantially below US levels</td><td>Towards the top end of UK practice</td><td>Substantially below US levels</td></tr>
</table>

Conclusions

The market data highlighted the stark difference in pay practices between the UK and US, and the Remuneration Committee applied careful judgement when considering how remuneration at Pearson should be positioned taking into account the various reference points as well as the views of shareholders.

The Committee determined, with input from shareholders, that the incentive framework at Pearson for Executive Directors should continue to align to typical UK practice, and as such incentives remain fully performance-linked, which is not typically the case in the US market where often a significant proportion of the long-term equity award is delivered in restricted stock with no performance conditions and over shorter time horizons. In addition, annual bonus deferral and additional holding periods on LTIP awards are uncommon in the US market.

Overall, while it is acknowledged that the 2023 Directors' remuneration policy positions Pearson towards the top-end of the UK market, the Committee has not sought to match US quantum levels or market practice in terms of incentive design or the overall remuneration framework.

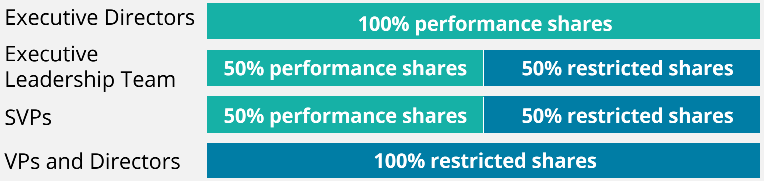
That the approach taken in the 2023 Policy is necessary for remaining competitive in the global talent market was reaffirmed by the Board's appointment of Omar Abbosh as the Company's new Chief Executive Officer. Omar is a highly regarded global leader with over 30 years of experience in enterprise technology and joined Pearson from Microsoft, one of the world's largest multinational technology companies.

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 114 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

Base salary	Set considering economic factors, competitive market rates, roles, skills, experience, and individual performance.
Allowances and benefits	Reflect the local labour market in which colleagues are based and may include healthcare and wellbeing benefits. Aligned with Pearson's diversity, equity and inclusion (DEI) policies we actively review to ensure our benefits are inclusive (e.g., menopause support, fertility and family planning services, and gender affirmation services provided to colleagues in the UK).
Retirement benefits	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.
Annual incentives	Over half of all Pearson employees, around 10,300 colleagues, participate in an Annual Incentive Plan, which is funded based on similar performance measures to the Executive Directors. Several other colleagues (c. 2,000) 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.
Share incentives	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 750 colleagues (c.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 Leadership team have an equal mix of both performance shares (subject to 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.  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). Over 1 in 4 of our employees currently save to purchase Pearson shares via our employee share plans, contributing to a strong culture of share ownership.

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. Further detail on Pearson’s approach to employee engagement is provided on page 41.

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, a number of "Breakfast with the Board" sessions were conducted with employees in both the UK and the US. This gave a wider group of employees the chance to talk with Board members about their roles, and to express their opinions on a wide range of topics. See page 82 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 (the latter of which Pearson voluntarily disclosed for the first time in 2023), 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, as well as other diverse talent groups, to ensure equal opportunities for all its people. Some initiatives include creating strategic partnerships with organisations that focus recruiting efforts on under-represented talent, rolling out training programmes for recruiters and hiring managers focused on specific diversity topics, and reviewing and challenging job requirements which require a formal higher education qualification in order to create a greater level of accessibility and equity to all candidates. Building an inclusive culture and increasing diverse representation is one of Pearson’s six strategic pillars, and reflective of the Company’s commitments in this area diversity targets were included in both the AIP and LTIP for Executive Directors for 2023. Further details can be found within our 2023 fair pay report which was published in December 2023.

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:

— 2023 was a year of strong performance for the business and this was reflected in the highest level of funding under the Annual Incentive Plan in many years. As noted on page 117, over half of all Pearson employees (c.10,300 employees) benefitted from participating in an AIP during 2023.

— Similarly, all eligible colleagues, including Executive Directors, can participate in savings-related share acquisition programmes that are not subject to any performance conditions. Over 1 in 4 of our employees save to purchase discounted Pearson shares via our employee share plans. At the most recent maturity of our ‘Save For Shares’ plan in 2023, the average gain for a participant was £5,700 reflecting a near doubling between the option exercise price and the Pearson share price on the date of maturity – allowing those who participated to benefit from the shareholder value they have helped to create over the previous three years.

Remuneration report for 2023

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. Those tables subject to audit are marked with an asterisk.

Single total figure of remuneration and prior year comparison*

Total aggregate emoluments for Executive and Non-Executive Directors were £15,597k in 2023. These emoluments are included within the total employee benefit expense (in Note 5 to the financial statements page 170).

Executive Director 'single figure' remuneration

The remuneration received by Executive Directors for the financial years ended 31 December 2023 and 31 December 2022 is set out below.

Overall, the Committee considers that the Remuneration Policy operated as intended during 2023.

Executive Director 'single figure' remuneration*

	Andy Bird $000s		Sally Johnson £000s	
	2023	2022	**2023**	2022
Base salary	**1,282**	1,250	**552**	533
Allowances and benefits	**466**	448	**16**	16
Retirement benefits	**205**	200	**88**	64
Total fixed pay	**1,953**	1,898	**656**	613
Annual incentives	**3,299**	1,900	**947**	692
Long-term incentives	3,482	–	**1,310**	1,043
Co-investment award	**5,298**	4,684	–	–
Total variable pay	**12,079**	**6,584**	**2,257**	**1,735**
Total remuneration	**14,032**	**8,482**	**2,913**	**2,348**

Notes to single figure table*

Base salary

The base salary shown in the single figure table reflects salary paid in the financial year as a Pearson Executive Director. Andy Bird was paid in USD, and Sally Johnson is paid in GBP.

Allowances and benefits

The breakdown of benefits is as follows for 2023:

	Andy Bird $000s	**Sally Johnson £000s**
Travel	–	14
Health	15	2
Risk-related	2	–
Accommodation	449	–

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. This cost was capped at $240,000 per year ($20,000 per month) prior to any taxes due.

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 are affected by the lifetime allowance and have opted out of The Pearson Pension Plan.

Retirement benefits

Further detail on retirement benefits is on page 123.

Annual incentives

The 2023 AIP for the Executive Directors was based on a mix of financial (90% weighting) and strategic measures (10% weighting). The 2023 AIP resulted in an 85% of maximum payment for both Andy Bird and Sally Johnson. Bonus is calculated using salary at 31 December 2023, in line with how bonuses are calculated for all participants.

More detail on performance metrics and performance against targets in 2023 is on page 120.

Long-term incentives

The 2021 LTIP award was subject to performance conditions assessed to 31 December 2023. Performance targets were partially met resulting in the award vesting at 85% of maximum. The 2021 LTIP awards for Andy Bird and Sally Johnson were granted on 4 May 2021, based on a share price of 826.7p (five-day average to 4 May 2021). The value of the 2021 LTIP included in the single-figure table is based on a three-month average ADR / share price to 31 December 2023 of $11.63 / 937.0p. The LTIP values include dividend equivalent amounts of $196,795 and £76,141 for Andy Bird and Sally Johnson respectively. The proportion of the 2021 LTIP attributable to share price growth is $98,009 for Andy Bird and £145,245 for Sally Johnson. The Remuneration Committee did not exercise discretion in respect of this share price appreciation. For further details see page 120.

The value of the 2020 LTIP reported in last year's report for Sally Johnson (£1,199k) was an estimate based on the three-month average share price to 31 December 2022 (939.4p). The actual value of the 2020 LTIP, on the 2 May 2023 vesting date was £1,043k (based on a closing share price of 754p).

Co-investment award

The third and final tranche of the one-off investment award, granted to Andy Bird to secure his appointment (with shareholder EGM approval), was subject to performance underpins assessed to 31 December 2023. It was determined the third tranche of the award would vest in full. The value disclosed, which includes an additional amount equal to the value of dividends payable on the shares vesting, is calculated using the ADR share price at the date of vesting (30 Jan 2024) of $12.19. The award was originally granted over Ordinary Shares based on a share price of 590.2p (with the USD value at award calculated using a USD:GBP exchange rate of 1.365), and so $1,666k of the above figure is attributable to share price growth. An additional $386k of the value is attributable to dividend equivalent shares. The award has been satisfied using market-purchased ADRs and ADRs retained after tax must be held until 31 December 2025. For further details see pages 121-122.

Executive Directors' annual incentive payments for 2023*

Andy Bird and Sally Johnson were eligible to participate in the 2023 AIP. 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 an 85% of maximum payout.

Overall outcome

		Performance range				Payout
	% of total	Threshold	Target	Maximum	Actual results	% of max bonus opportunity
Adjusted operating profit	40%	£520m	£525m	£605m	£573m	32%
Sales	30%	£3,395m	£3,520m	£3,760m	£3,674m	25%
Free cash flow	20%	£300m	£305m	£345m	£387m	20%
Strategic measures	10%			See below		8%
	100%					**85%**

Performance against strategic measures

The targets and outcomes for performance against each of the strategic measures 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	5%	2% increase in representation of BIPOC/BAME employees at Manager level and above + maintain overall gender parity as an underpin	5% increase in representation of BIPOC/BAME employees at Manager level and above	10% increase in representation of BIPOC/BAME employees at Manager level and above	Achieved 6.4% increase & maintained overall gender parity
Reduce carbon footprint – net annual reduction versus 2022 baseline toward 2030 goal	5%	1% reduction	2% reduction	5% reduction	Achieved an 8% reduction[2]
Total	**10%**				**8%**

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

Note 2: As disclosed on page 42, Pearson achieved carbon reduction of 16.3% during 2023. For the purpose of assessing AIP performance, the Committee made a discretionary adjustment to this figure to account for factors which did not reflect underlying performance, such as portfolio changes.

Executive Directors' Long-Term Incentive Plan award vesting for 2023*

In May 2021, Andy Bird and Sally Johnson were granted an LTIP award. This award is due to vest based on performance the business delivered over the three-year period from 2021 to 2023.

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	A third	43.9p	50.5p	57.6p	15%	65%	100%	57.7p	100%	33.3%
Net ROIC	A third	5.4%	6.3%	7.3%	15%	65%	100%	6.1%	55%	18.4%
Relative TSR	A third	Median	-	Upper quartile	25%	-	100%	Ranked 16 out of 93	100%	33.3%
	100%								**Total**	**85%**

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

In determining the vesting outcome, the Committee carefully considered the portfolio changes over the last three years and made modest adjustments to reflect the impact of these, in particular the divestment of various businesses under strategic review during the performance period – the adjusted targets and adjusted results are presented in the table above. The Committee considers such adjustments appropriate to ensure performance is measured on a like-for-like basis and reflect the principles against which the original targets were set as these did not consider the impact of the portfolio changes.

Overall, 85% of this award will vest on 1 May 2024, and its value is included in the single figure table on page 119. Shares vesting are subject to an additional two-year holding period to 1 May 2026.

Co-investment award*

To secure the appointment of Andy Bird as Chief Executive, the Committee designed a one-off co-investment award. The conditions of this award were that Andy Bird purchased Pearson ordinary shares equal to 300% of his base salary and held all of these shares until 31 December 2023. The co-investment award vests in three equal annual tranches, with shares vesting subject to a holding period until 31 December 2023.

The vesting of each tranche of the award was subject to these performance underpins:

- an appropriate level of continued progress being made in relation to delivering Pearson's strategy, including the ongoing transition from print to digital, and
- no significant ESG issues occurring, which relate to Andy Bird's tenure as Chief Executive, and which result in significant reputational damage for Pearson

In addition, the vesting of the final tranche of the award was subject to the following TSR underpin:

- Pearson's TSR from the date of the announcement of Andy Bird's appointment to 31 December 2023 is either (1) positive; or (2) is at median or above when compared to the performance of the FTSE 100
- If one or more of the underpins are not achieved, then the Committee will consider whether, and to what extent, a discretionary reduction in the number of shares vesting is required.

Assessment of performance underpins

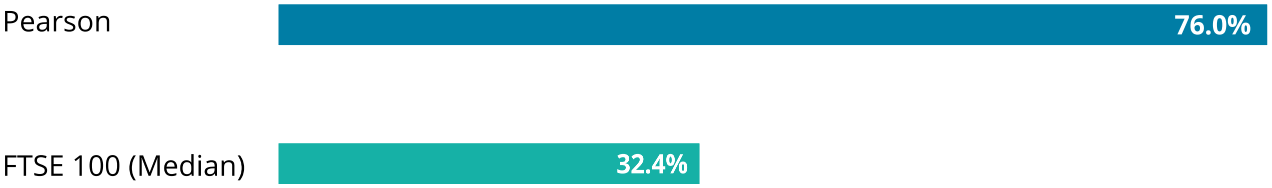
The third tranche of the co-investment award vested as soon as practical following 31 December 2023. The Committee undertook a rigorous assessment of the relevant performance underpins, reviewed broader Pearson performance, and evaluated the experience of all stakeholders. The Committee followed the framework disclosed in the 2020 Remuneration Report.

In 2023, there have been no ESG issues which, in the opinion of the Committee, have resulted in significant reputational damage.

Progress in delivering Pearson's strategy	Significant strategic progress was made during 2023 which included: — Completed the acquisition of Personnel Decisions Research Institutes ('PDRI') in support of the growth strategy, building on the previous acquisitions of Credly, Mondly and Faethm. — Continued to refine the portfolio through the completion of the strategic disposal of Pearson's interest in the POLS businesses in the US, UK, Australia and India, as well as the disposal of Pearson College London. — Reorganised salesforce in Higher Education to increase adoption retention rates and generate new wins. — Further progressed Pearson's Generative AI strategy including the launch of additional generative AI study tools in Pearson + and Mastering. — Delivered a £120m cost savings programme, accelerating group margin expansion to 16%. — Passed milestone of 1m cumulative paid subscriptions for Pearson+.

TSR Underpin

Pearson's TSR from the date of the announcement of Andy's appointment to 31 December 2023 was 76.0%, resulting in the creation of over £3bn of shareholder value over the period. This compares to a median FTSE 100 TSR of 32.4%, and was therefore significantly in excess of both required thresholds for vesting (noting that only exceeding one threshold was required). Pearson's TSR was ranked 21 out of 92, in excess of the upper quartile (71.8%) TSR of the FTSE 100.



Source: Refinitiv Datastream

Consideration of broader performance and stakeholder experience

Robust financial performance

Revenue	Adj. operating profit	Free cash flow	Adjusted EPS	Return on Capital
£3,674m	**£573m**	**£387m**	**58.2p**	**10.3%**
5% underlying adjusted growth on prior year (excl OPM & Strategic Review)	31% underlying growth on prior year	74% growth on prior year	12% growth on prior year	1.6% improvement on prior year

Wider stakeholder experience

Shareholders

- Strong financial position has enabled Pearson to grow its dividend (up 6% to 22.7p in 2023), in line with Pearson's commitment to a progressive and sustainable dividend.
- Pearson commenced a £300 million share buyback programme to return capital to shareholders in Q3 2023, We have also announced our intention to extend our share buyback programme by £200m.
- Pearson has strong and constructive relationships with its key institutional investors. During 2023, Pearson held 505 meetings with 272 institutions, both virtually and in person.

Directors’ remuneration report *continued*

Employees

- Over 80% of colleagues participated in the enhanced employee engagement survey, a 10 percentage point increase over last year. Our engagement grand mean increased to 4.09 out of 5 (up from 3.96 in 2022) and as a result, we are now ranked in the 70th percentile in Gallup’s global company database for engagement.
- Over 700 existing employees participated in the Coaching for Performance series which focused on developing managers as coaches. Pearson’s coaching index score improved from 3.75 out of 5 in 2022 to 3.95 in 2023.
- Pearson launched a new learning experience platform that integrates third party content libraries, Pearson commercial content, bespoke learning content on a range of topics (e.g. generative AI), and digital credentials powered by Credly by Pearson. To date, 16.1k Pearson employees have earned a credential from Credly by Pearson.
- Pearson’s UK benefits offerings were expanded to be more inclusive including support and medical cover for those seeking gender affirmation care, menopause support, and support for those expanding their families whether through birth, surrogacy, or adoption.
- There was improvement in female representation at Vice President level and above (44%) and Pearson continued to maintain its position of having surpassed the FTSE Women Leaders Review target for 40% of leadership roles (defined as the executive committee and their direct reports) to be filled by women, well ahead of the end of 2025 deadline.

Customers

- In Assessment & Qualifications, Pearson VUE launched the delivery of the Next Generation NCLEX Nurse licensure exam in the US and PDRI launched a full suite of hiring assessment programmes for the Transportation Security Administration (TSA). VUE also successfully opened its largest company-owned test center in Chandigarh, India, with capacity to deliver 14,000 tests per month.
- In Virtual Learning, Pearson launched a new Connections Academy Career Pathways programme for middle and high school students to offer a tri-credit approach to career-readiness courses in partnership with Coursera and Acadeum, amongst others.
- In Higher Education, momentum continued for Pearson+ as registered users grew to around 5m by the end of 2023 and Pearson+ passed the milestone of 1 million cumulative paid subscriptions for the calendar year. A generative AI tool was brought to market within the Pearson+ service to enable users to automatically summarise the content of Channels videos into simple bullet points as well as generate explanations and practice quizzes
- Workforce Skills registered users grew to 5.3 million, and there was an increase in the number of enterprise customers to 1,547. Pearson signed a contract with the Jordanian Ministry of Education to partner on the reform of Jordan’s technical and vocational education and training provision in schools with over 50,000 learners expected to take these courses over the next three years.
- In English Language Learning, Pearson won recognition for the Pearson Test of English (PTE) for Canadian Student Direct Stream and economic migration visa applications. The Canadian market is the largest of the three key markets which Pearson has recognition to operate in. PTE also grew volumes by c. 50% to pass the milestone of over 1 million tests administered per year.

Suppliers & Business Partners

- Supplier Diversity and Responsible Procurement continued to be key priorities for Pearson in 2023. All employees have access to a diverse supplier portal to provide access to over one million diverse suppliers and we spent £47.2m in the area in 2023.
- Pearson is continuing its transition to ethically sourced papers with 69% of paper used in 2023 being certified (FSC / PEFC / SFI) and expects 100% of papers to be ethically sourced by end 2025. Pearson is also continuing to consolidate its printer base reducing its approved vendor count to 60 vendors from approximately 120 vendors at the beginning of 2023 whilst also working to have all approved vendors signed up to the Book Chain Project to develop better understanding and mitigation of potential labour and environmental risks within both the paper and manufacturing supply chain.
- Pearson continued to encourage key suppliers to participate in an EcoVadis sustainability assessment (or equivalent) in 2023. Our key suppliers performed well, with an average score of 57.6/100 ("Good"), a 0.3 point increase year-over-year. Among suppliers who have completed a reassessment cycle, 69% of them showed improvement averaging +3.5 points.
- Pearson has made great progress in assessing and benchmarking the carbon maturity of its key, high impact suppliers. Results of this assessment are shared with suppliers as part of the ongoing governance process and suppliers are asked to provide insight into their plans to increase carbon maturity over time. A full review of its end to end supplier lifecycle management processes was completed and updates were made to ensure that carbon maturity is considered at every stage and higher maturity suppliers are selected wherever possible.

Taking all the above into account, the Committee has determined that the third and final tranche of the co-investment award will vest in full.

Long-term incentives awarded in 2023*

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
Andy Bird	2 May 2023	1 May 2026	545,529	$5,821,885	450%	20%	1 Jan 23 – 31 Dec 25
Sally Johnson	2 May 2023	1 May 2026	194,345	£1,671,678	300%	20%	1 Jan 23 – 31 Dec 25

Face value for Andy Bird's award was determined using a share price of $10.672 and for Sally Johnson's award using a share price of 860.16p. In both cases this represented the five-day average up to and including 28 April 2023, which is same approach used for the wider employee population.

For 2023, performance measures and targets are as follows:

	% of total	Threshold	Stretch	Maximum	Payout at threshold	Payout at stretch	Payout at maximum
Adjusted EPS	30%	53.0p	63.0p	68.0p	20%	65%	100%
Return on Capital	30%	8.5%	10%	11.5%	20%	65%	100%
Relative TSR vs. FTSE 100 (excl. certain sectors)	15%	Median	–	Upper quartile	20%	–	100%
Relative TSR vs. S&P 500 (excl. certain sectors)	15%	Median	–	Upper quartile	20%	–	100%
ESG	10%	Improve gender representation at leadership levels overall vs 2022 (VP and above)	Achieve gender parity at leadership levels in aggregate (VP and above)	Achieve gender parity at all leadership levels (VP and above)	20%	65%	100%

Note 1: 2023 LTIP targets have been set at an USD:GBP exchange rate of 1.21.

Note 2: Companies within financial services, energy, basic materials, utilities and healthcare sectors will be excluded from both TSR groups.

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 2025 will be subject to an additional two-year holding period to 1 May 2028.

Executive Directors' retirement benefits and entitlements*

Details of the Executive Directors' pension entitlements and pension-related benefits in 2023 are as follows:

	Andy Bird $000s	Sally Johnson £000s
Value of defined benefit	-	-
Other allowances in lieu of pension	205	88
Total value in 2023	205	88
Accrued pension at 31 December 2023	-	66

Note 1: The value of defined benefit reflects the change in value over the period, less inflation.

Note 2: Other allowances in lieu of pension represent the cash allowances paid.

Note 3: Total value is the sum of the previous two rows and is disclosed in the single figure of remuneration table.

Note 4: The accrued pension at 31 December 2023 is the deferred pension at 30 September 2022 (the date accrual for the pension ceased) revalued to 31 December 2023 in line with the Plan rules. It relates to the pension payable from the UK Plan. Normal retirement age is 62.

Payment in Lieu of Pension

Omar Abbosh receives a payment in lieu of pension at 16% of his base salary, in line with the pension provision for UK employees of a similar age.

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

Beginning 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.

Remuneration arrangements in respect of Andy Bird's retirement

Andy Bird stepped down as Chief Executive and as a Director of Pearson plc on 7 January 2024 and will retire on 31 March 2024.

- On ceasing to be employed by Pearson, and in accordance with the terms of his contract of employment, there will be no payment for loss of office.
- Andy remains eligible for a pro-rated award under the AIP for the period to 31 March 2024 whilst he remains in employment. The award will be based on Pearson Group performance for 2024.
- Andy did not receive any LTIP award in respect of 2024.

- Andy was treated as a good leaver in respect of his outstanding awards under the LTIP and treatment of the awards was in accordance with the relevant plan rules (including malus and clawback provisions). His LTIP awards granted in 2021, 2022, and 2023 will vest on the original vesting dates subject to the achievement of the applicable performance conditions as determined by the Remuneration Committee following completion of the relevant performance periods. His 2022 and 2023 LTIP awards will also be subject to time pro-rating based on the relevant performance periods. As described on page 120, the 2021 LTIP will vest in May 2024.
- As described on page 120 the third and final tranche of his co-investment award granted in connection with his initial employment by the Company vested in full.
- In line with the Directors' remuneration policy, Andy is required to retain Pearson shares with a value of 450% of his base salary for a period of two years from 7 January 2024. This guideline does not apply to shares purchased by Andy.
- Andy can elect for continued medical, dental and vision insurance coverage through the Company's plans under COBRA for 18 months following his retirement and the Company will pay premiums to continue this coverage for 12 months following his retirement. Andy will be reimbursed for reasonable costs necessarily incurred in connection with his tax return preparation for the 2024 calendar year. He will also be reimbursed for reasonable attorneys' fees necessarily incurred related to his review and consideration of his retirement arrangements. Andy will also be paid all accrued, unused paid time off upon his retirement.

Payments to former Directors*

There were no payments to former Directors in 2023.

Payments for loss of office*

All payments made to Andy Bird in connection with his retirement as Chief Executive are set out above. There were no additional payments for loss of office made to or agreed for Directors in 2023.

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 last 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. Based on shares beneficially held and shares due to vest from LTIP awards having met the performance targets (on a net-of-tax basis), it was confirmed that the guideline was met for Andy Bird and Sally Johnson.

Executive Directors are expected to retain their current 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 Director.

The 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) at 31 Dec 23	Conditional shares subject to performance at 31 Dec 23	Conditional shares subject to employment only at 31 Dec 23	Total number of ordinary and conditional shares at 31 Dec 23
Chair				
Omid Kordestani	65,059	–	–	–
Deputy Chair				
Tim Score	78,735	–	–	–
Executive Directors				
Andy Bird	586,437	1,636,864	424,131	2,647,432
Sally Johnson	103,260	517,675	–	620,935
Non-Executive Directors				
Sherry Coutu CBE	14,987	–	–	–
Alison Dolan	671	–	–	–
Alex Hardiman	930	–	–	–
Esther Lee	3,639	–	–	–
Graeme Pitkethly	11,467	–	–	–
Annette Thomas	4,192	–	–	–
Lincoln Wallen	18,664	–	–	–

Note 1: Share interests are shown as at 31 December 2023.

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. The figures include both shares and ADRs acquired by individuals under the LTIP and any other share plans in which they might have participated.

Note 3: Conditional shares subject to performance means unvested shares, which are subject to performance conditions and/or performance underpins and continuing employment for a pre-defined period. This includes the LTIP awards granted in 2021, 2022, and 2023 and, in respect of Andy Bird, the third tranche of his co-investment award.

Note 4: Conditional shares subject to employment only means unvested shares, which are subject to a holding period and continued employment. For Andy Bird this includes the first and second tranches of his co-investment award.

Note 5: There have been no other changes in the interests of any Director between 31 December 2023 and 13 March 2024, being the latest practicable date prior to the publication of this report.

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

Remuneration in 2023

The remuneration paid to the Chair, Deputy Chair and Senior Independent Director and Non-Executive Directors for the financial years ended 31 December 2023 and 31 December 2022 is set out below.

			2023			2022
Director £000s	**Total fees**	**Taxable benefits**	**Total**	Total fees	Taxable benefits	Total
Omid Kordestani	**500**	**34**	**534**	417	19	436
Tim Score	**175**	**5**	**180**	163	3	166
Sherry Coutu CBE	**106**	**11**	**116**	100	5	105
Alison Dolan	**47**	**-**	**47**	–	–	–
Alex Hardiman	**45**	**8**	**54**	–	–	–
Esther Lee	**88**	**16**	**104**	78	7	85
Linda Lorimer	**33**	**15**	**48**	100	9	109
Graeme Pitkethly	**105**	**5**	**110**	98	4	102
Annette Thomas	**101**	**12**	**113**	90	6	97
Lincoln Wallen	**93**	**15**	**108**	93	6	99
Total	**1,294**	**121**	**1,415**	1,139	59	1,198

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: Omid Kordestani joined the Pearson Board with effect from 1 March 2022. He became Chair on 29 April 2022.

Note 4: Alison Dolan and Alex Hardiman joined the Pearson Board with effect from 1 June 2023.

Note 5: Linda Lorimer stepped down from the Pearson Board on 28 April 2023.

Note 6: Some figures and subtotals add up to different amounts than the totals due to rounding.

Service contracts

Terms and conditions of our Directors' appointment 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

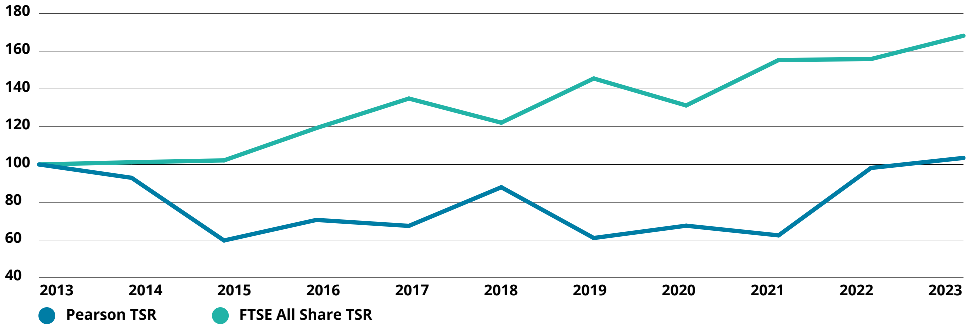
Our current Executive Directors hold the following external commitments: Omar Abbosh is a Non-Executive Director of Zuora Inc. and Sally Johnson is a Non-Executive Director of Rentokil Initial plc and Chair of its Audit Committee.

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 2014 to 31 December 2023. 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.

Alongside this a summary of the single figure of total remuneration for the Chief Executive over the last 10 years is provided, and a summary of the variable pay outcomes relative to the prevailing maximum at the time.



Source: Refinitiv Datastream

	John Fallon							Andy Bird			
	2014	2015	2016	2017	2018	2019	2020	2020	2021	2022	**2023**
Total remuneration (single figure, £000s)	1,895	1,263	1,518	1,758	3,094	1,616	855	334	5,167	6,856	**11,269**
Annual incentive (% of maximum)	51%	Nil	24%	44%	45%	Nil	Nil	N/A	63%	76%	**85%**
Long-term incentive (% of maximum)	Nil	Nil	Nil	Nil	42%	33%	Nil	N/A	N/A	N/A	**85%**

Note 1: Total remuneration is as reflected in the single total figure of remuneration table. The 2021, 2022, and 2023 figures for Andy Bird include vesting of the first, second, and third tranches of the co-investment award, respectively.

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 in 2022 and 2023 have been converted using a USD:GBP exchange rate of 1.24 (average exchange rate for 2022) and 1.25 (average exchange rate for 2023).

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 119 and page 125. 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.

	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
Average employee[1]	**2%**	**6%**	**22%**	4%	8%	16%	4%	17%	38%	1%	6%	9%
Executive Directors												
Andy Bird	**3%**	**4%**	**74%**	0%	20%	21%	0%	–	–	–	–	–
Sally Johnson	**4%**	**1%**	**37%**	2.5%	0%	24%	1%	–	–	–	–	–
Chair and Non-Executive Directors[2]												
Omid Kordestani	**0%**	**78%**	**–**	–	–	–	–	–	–	–	–	–
Tim Score	**7%**	**73%**	**–**	25%[3]	–	–	13%	–	–	0%	-20%	–
Sherry Coutu CBE	**6%**	**119%**	**–**	9%	–	–	5%	–	–	5%	–	–
Alison Dolan	–	–	–	–	–	–	–	–	–			
Alex Hardiman	–	–	–	–	–	–	–	–	–			
Esther Lee	**3%**	**122%**	**–**	–	–	–	–	–	–	–	–	–
Linda Lorimer	**3%**	**66%**	**–**	0%	–	–	1%	–	–	1%	102%	–
Graeme Pitkethly	**8%**	**23%**	**–**	5%	–	–	1%	–	–	8%	–	–
Annette Thomas	**12%**	**102%**	**–**	7%	–	–	–	–	–	–	–	–
Lincoln Wallen	**0%**	**154%**	**–**	0%	–	–	1%	–	–	1%	-97%	–

Note 1: The average employee pay figure is impacted by changes in headcount (18,360 employees for 2023 vs 20,438 in 2022). Actual merit increase budgets for 2023 were 4% in the UK and 3.5% in the US.

Note 2: Changes in NED 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.

Note 3: Increase due to Tim Score taking over as Deputy Chair in April 2022

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.

All figures in £	2023	2022	Headline change £	Headline change %
Adjusted operating profit[1]	**573**	456	117	26%
Dividends	**155**	156	-1	-1%
Dividend per share	**22.7p**	21.5p	1.2p	6%
Share buybacks[2]	**186**	353	-167	-47%
Total wages and salaries[3]	**1,252**	1,382	-130	-9%

Note 1: Adjusted operating profit is as set out in the financial statements.

Note 2: The Board approved a £300m share buyback programme in September 2023 with an extension of £200m announced 1 March 2024.

Note 3: Wages and salaries include continuing operations only and include Directors. Average employee numbers for continuing operations for 2023 were 18,360 (2022:20,438), hence the year-on-year negative movement in overall spend. Further details are set out in Note 5 to the financial statements on page 170.

Chief Executive to employee pay ratio

The table below illustrates the ratio of Chief Executive to employee pay for 2023. We use the single total figure of remuneration (as disclosed on page 119), 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
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 2023 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.
- We compared total remuneration for each employee, calculated with reference to 31 December 2023, compared to the Chief Executive's single figure (this was converted using a USD:GBP exchange rate of 1.25 – the average exchange rate for 2023).
- 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 2022. None of the employees at the 25th, 50th or 75th percentile had share awards vesting in 2023.
- Total remuneration figures for the 25th, 50th and 75th percentile employees are: £37,066, £53,685 and £75,912. The respective base salaries are: £33,280, £45,054 and £59,650.
- A significant proportion of the Chief Executive's pay is linked to performance and, in respect of the LTIP and co-investment award, share price performance. Therefore, the Chief Executive's pay can vary significantly year-on-year, based on company performance.
- The increase in this year's pay ratio is a result of a higher payout under the AIP for the Chief Executive (85% of maximum compared to 76% of maximum last year) as well as the vesting of the 2021 LTIP, which was the first LTIP award granted to Andy Bird following his appointment as CEO in 2021.
- 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.

Dilution and use of equity

We can use existing shares bought in the market, treasury shares or newly issued shares, to satisfy awards under our various share plans. 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 we can use. 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 headroom available for all Pearson plans, Executive or discretionary, and shares held in trust is as follows:

Headroom	2023
All Pearson plans	**7.6%**
Executive or discretionary plans	**4.6%**
Shares held in trust	**4.7%**

The Remuneration Committee in 2023

Role	Name	Title
Chair	Sherry Coutu CBE	Independent Non-Executive Director
Members	Esther Lee	Independent Non-Executive Director
	Tim Score	Deputy Chair and SID
	Annette Thomas	Independent Non-Executive Director
Internal attendees	Omid Kordestani	Chair
	Andy Bird	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	Deloitte LLP (to September 2023)	
	Alvarez & Marsal (appointed in October 2023)	

Advisers to the Remuneration Committee

During most of 2023, the Remuneration Committee received independent advice from Deloitte LLP.

Deloitte LLP was appointed by the Committee in July 2017, following a competitive tender process. It has advised 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 2023, Deloitte LLP were paid fees of £131,500, based on time spent. During the year, separate teams at Deloitte LLP also provided Pearson with certain tax and other advisory and consultancy services. Deloitte LLP is a founding member of the Remuneration Consultants' Group and adheres to its Code of Conduct.

In the summer of 2023, the Committee undertook a formal tender process, the outcome of which resulted in Alvarez & Marsal being appointed as the independent Remuneration Committee advisers in October 2023. Alvarez & Marsal supplied the Committee with advice on current market trends and developments, incentive plan design and target setting, investor engagement and other general executive remuneration matters. For provision of these services in 2023, Alvarez & Marsal were paid fees of £25,250, based on time spent. Alvarez & Marsal does not provide any other services to Pearson. Alvarez & Marsal is a member of the Remuneration Consultants' Group and adheres to its Code of Conduct.

The Committee is satisfied that advice provided by both Deloitte LLP and Alvarez & Marsal was objective and independent, and that the provision of other services in no way compromised its independence. The Committee believes that the engagement partners and teams from both Deloitte LLP and Alvarez & Marsal do not have any connections with Pearson or its Directors that may impair its independence. The Committee reviewed the potential for conflicts of interest and believes there are appropriate safeguards against such conflicts.

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 below.

The terms of reference reflect the provisions of the 2018 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 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 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

Remuneration Committee meeting focus during 2023

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 2022
- Reviewed and approved incentive arrangements for Pearson, and how these will apply to Executive Directors and senior management in 2023
- Approved the 2022 Directors' Remuneration Report
- Engaged extensively with shareholders in advance of and following the 2023 AGM to understand the views of shareholders in respect of the 2023 Directors' remuneration policy (further detail on this was included in the Chair letter on page 108)
- Reviewed and considered all feedback received from shareholder engagement exercises as part of the Committee's discussions and considered ongoing shareholder engagement strategy
- Determined remuneration arrangements for the appointment of a new Chief Executive
- Approved remuneration arrangements in respect of Andy Bird's retirement
- 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 2023 AGM remuneration reporting season, and anticipated areas of focus in 2024
- 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
- Undertook a formal competitive tender process to select an independent adviser to the Committee, the outcome of which resulted in Alvarez & Marsal being appointed in October 2023
- Evaluated the Remuneration Committee and the Committee's Terms of Reference

Committee evaluation

Annually, the Committee reviews its performance, constitution, charter, and terms of reference and recommends any changes it considers necessary to the Board for approval. For 2023, feedback relating to the Committee was sought from Directors and certain other stakeholders as part of the wider Board evaluation led by Manchester Square Partners.

Overall, the Committee was considered to be working well with appropriate agendas, papers produced to a good standard and high-quality discussions. There was acknowledgment of the challenges faced by the Committee in 2023 in respect of its work relating to the new Directors' Remuneration Policy, in needing remuneration arrangements that act as an attraction, retention, and incentivisation tool for global talent (particularly in the US where North America represents the majority of our business), whilst being sensitive to the views of our diverse shareholder base. The Committee was deemed to have managed these issues with a high level of rigour and balance, including extensive engagement with shareholders, and ensuring an appropriate level of focus on the metrics and KPIs that would incentivise the delivery of the Company's strategy.

In 2024, the Committee will continue to focus on ensuring remuneration arrangements for senior management and the wider workforce continue to support the attraction and retention of key talent as well as the delivery of Pearson's strategy. The Committee continually assesses how its activities support and enable Pearson's progress.

The Directors' remuneration report has been approved by the Board on 13 March 2024 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
Directors' Remuneration Policy (2023 AGM)	299,899,081	53.63%	259,251,476	46.37%	223,851
Annual report on Remuneration (2023 AGM)	484,017,430	86.85%	73,300,461	13.15%	2,056,516

Additional disclosures

Pages 66-136 of this document comprise the Directors' report for the year ended 31 December 2023.

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 2025. The consolidated financial statements have therefore been prepared on a going concern basis.

Further details on the procedures undertaken may be found on page 160.

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 2028. Further details may be found on page 65.

Share capital

Details of share issues and cancellations are given in note 27 to the financial statements on page 198. 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 2023, 697,298,680 ordinary shares were in issue. At the AGM held on 28 April 2023, the company was authorised, subject to certain conditions, to acquire up to 71,612,324 ordinary shares by market purchase and to issue up to 477,415,494 ordinary shares. Shareholders will be asked to renew these authorities, subject to revised caps, at the AGM on 26 April 2024.

As at 8 March 2024, 2,381 record holders with registered addresses in the United States held 29,631,529 ADRs which represented 4.32% 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 28 April 2023, the company announced its intention to commence a share buyback programme during 2023, which was subsequently launched on 21 September 2023 and completed on 7 March 2024. Under the programme, 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.

On 1 March 2024, the company announced its intention to launch a £200m share buyback programme during 2024, which commenced on 8 March 2024 and is anticipated to end on or before 8 August 2024. 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 2023, 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	41,236,375	5.02%
Silchester International Investors LLP[2]	36,341,993	<5%
Artemis Investment Management LLP	35,207,368	5%
Libyan Investment Authority[3]	24,431,000	3.01%

1. Includes 10,034,738 (1.38%) qualifying financial instruments to which voting rights are attached.
2. Investor has dropped below the reportable threshold, therefore they are no longer required to disclose their holding under DTR 5.
3. 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.

Additional disclosures *continued*

Annual general meeting

The notice convening the AGM, to be held at 10:30am on Friday, 26 April 2024 at 80 Strand, London WC2R 0RL, is contained in a circular to shareholders to be dated 22 March 2024.

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.

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 his/her 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 2,160,045 shares held as at 31 December 2023. 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 2023, there were 2,214,425 shares held in the Sharestore account administered by Equiniti Limited (Equiniti). The beneficial owners of shares held in Sharestore are invited to submit voting instructions online at www.shareview.co.uk. If no instructions are given by the beneficial owner by the date specified, the trustees holding these shares will not exercise the voting rights.

As at 31 December 2023, there were 2,949,951 shares held in the Computershare Share Plan Account (SPA), which is administered by Computershare Investor Services plc (Computershare). Beneficial holders of shares held in the Computershare Share Plan Account (SPA) are invited to submit voting instructions online at www.equateplus.com. If no instructions are given by the beneficial owner by the date specified, the nominee 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 his or her 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 2023 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.

Additional disclosures *continued*

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 2023, 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 60 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:

Summary disclosures index	See more
Dividend recommendation	Page 33
Financial instruments and financial risk management	Page 186
Important events since year end	Page 206
Future development of the business	Pages 6-7
Research and development activities	Page 22
Employment of disabled persons	Page 41
Employee involvement	Page 39
Greenhouse gas emissions and energy consumption data	Page 52
Statement describing employee engagement	Page 20
Statement describing regard to suppliers, customers and other stakeholders' interests	Page 21

With the exception of the dividend waiver described on page 132 there is no information to be disclosed in accordance with Listing Rule 9.8.4.

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 2023. 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. In particular, for 2023, the Audit Committee considered a report evidencing how the fair, balanced and understandable criteria were 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 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 52 in the Sustainability section of this report:

- Annual global 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 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	E S Lee
A P Bird – resigned on 7 January 2024	LK Lorimer – retired on 28 April 2023
S L Coutu	G D Pitkethly
A Dolan – appointed on 1 June 2023	T Score
A Hardiman – appointed on 1 June 2023	A C Thomas
S K M Johnson	L A Wallen
O Kordestani	

The Directors' report has been approved by the Board on 13 March 2024 and signed on its behalf by:

Graeme Baldwin Company Secretary

Statement of Directors' responsibilities in respect of the financial statements

Statement of Directors' responsibilities

The Directors are responsible for preparing the annual report and accounts and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have prepared the Group and company financial statements in accordance with UK-adopted international accounting standards. In preparing the Group and company financial statements, the Directors have also elected to comply with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards as issued by IASB).

Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and company and of the profit or loss of the Group for that period. In preparing the financial statements, the Directors are required to:

— Select suitable accounting policies and then apply them consistently.

— State whether applicable UK-adopted international accounting standards and IFRS Accounting Standards as issued by IASB have been followed, subject to any material departures disclosed and explained in the financial statements.

— Make judgements and accounting estimates that are reasonable and prudent.

— Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and company will continue in business.

The Directors are responsible for safeguarding the assets of the Group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and company's transactions, and disclose with reasonable accuracy at any time the financial position of the Group and company and enable them to ensure that the financial statements and the Directors' remuneration report comply with the Companies Act 2006.

The Directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' confirmations

Each of the Directors, whose names and functions are listed in the Governance report, confirms that, to the best of their knowledge:

— The Group and company financial statements, which have been prepared in accordance with UK-adopted international accounting standards and IFRS Accounting Standards as issued by IASB, give a true and fair view of the assets, liabilities and financial position of the Group and company, and of the profit of the Group.

— The Strategic report includes a fair review of the development and performance of the business and the position of the Group and company, together with a description of the principal risks and uncertainties that it faces.

This responsibility statement has been approved by the Board on 13 March 2024 and signed on its behalf by:

Sally Johnson Chief Financial Officer

Independent Auditor's Report to the members of Pearson plc

Opinion

In our opinion:

- Pearson plc's group financial statements and parent company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2023 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with UK adopted international accounting standards and IFRS accounting standards as issued by the International Accounting Standards Board (IASB);
- the parent company financial statements have been properly prepared in accordance with UK adopted international accounting standards and IFRS accounting standards as issued by the International Accounting Standards Board (IASB) as applied in accordance with section 408 of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Pearson plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2023 which comprise:

Group	Parent company
Consolidated income statement for the year ended 31 December 2023	Balance sheet as at 31 December 2023
Consolidated statement of comprehensive income for the year ended 31 December 2023	Statement of changes in equity for the year ended 31 December 2023
Consolidated balance sheet as at 31 December 2023	Cash flow statement for the year ended 31 December 2023
Consolidated statement of changes in equity for the year ended 31 December 2023	Related notes 1 to 11 to the financial statements, including material accounting policy information
Consolidated cash flow statement for the year ended 31 December 2023	
Related notes 1 to 38 to the financial statements, including material accounting policy information	

The financial reporting framework that has been applied in their preparation is applicable law, UK adopted international accounting standards and IFRS accounting standards as issued by the IASB and as regards the parent company financial statements, as applied in accordance with section 408 of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the group and parent in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company and we remain independent of the group and the parent company in conducting the audit.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the group and parent company's ability to continue to adopt the going concern basis of accounting included:

- In conjunction with our walkthrough of the Group's financial statement close process, we confirmed our understanding of management's going concern assessment process to understand and challenge the key assumptions made in their assessment.
- We assessed the appropriateness of the duration of the going concern assessment period to 30 June 2025 and considered the existence of any significant events or conditions beyond this period based on our procedures on the Group's long-range plan and knowledge arising from other areas of the audit.
- We agreed the 31 December 2023 cash and debt balances included in the going concern assessment to the Group's year end balances.
- We read the group's debt agreements to confirm availability and to understand the covenant requirements and reperformed management's covenant compliance test to check that no covenants have been breached during the year to 31 December 2023. We have also tested management's forecast covenant compliance test to check that there is no forecast covenant breach in either the base or severe but plausible downside case scenarios during the going concern assessment period covering the period to 30 June 2025.
- For debt amounts that are repayable within the going concern assessment period we have understood the assumptions that management has made in respect of refinancing.
- We checked the logic and arithmetical integrity of management's going concern model that includes the cash forecasts for the going concern assessment period to 30 June 2025.
- We challenged the appropriateness of the assumptions used to calculate the cash forecasts under base and plausible downside case scenarios, including whether the downside scenarios were sufficiently severe, by reference to historical forecasting accuracy and comparison to sector benchmarks and other evidence obtained during the audit, such as audit procedures on the long range plans which underpin management's goodwill impairment assessments.
- We evaluated the key assumptions by searching for contrary evidence to challenge these assumptions, including third party sector forecasts and analyst expectations. Further, we validated that these assumptions were consistent with the budget approved by Pearson's Board.
- We considered the mitigating actions that are within the control of the Group and evaluated the Group's ability to control these outflows if required.

- We considered the Group's reverse stress testing to identify the magnitude of decline in revenue and operating profit that would lead to the Group utilising all liquidity or breaching a covenant during the going concern assessment period and we have challenged the likelihood of such a decline.
- We reviewed the Group's going concern disclosures included in the Annual Report, in note 1(b) to the financial statements, to assess that they were accurate and in conformity with the reporting standards.

We observe that in management's base case and severe but plausible downside scenarios, there is headroom without taking the benefit of any identified mitigations.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group and parent company's ability to continue as a going concern for a period to 30 June 2025.

In relation to the group and parent company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's ability to continue as a going concern.

Overview of our audit approach

Audit scope	— We performed an audit of the complete financial information of 5 components and audit procedures on specific balances for a further 6 components. We also performed specified audit procedures on specific balances for a further 2 components. — The components where we performed full or specific audit procedures accounted for 82% of adjusted Profit before tax, 83% of Revenue and 89% of Total assets.
Key audit matters	— Fraud risks in revenue recognition — Valuation of acquired intangible assets — Uncertain tax provision for EU State Aid case
Materiality	— Overall group materiality of £24.6m which represents 5% of adjusted Profit before tax.

An overview of the scope of the parent company and group audits

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each company within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account size, risk profile, the organisation of the group and effectiveness of group-wide controls, changes in the business environment, the potential impact of climate change and other factors such as recent Internal Audit results when assessing the level of work to be performed at each company.

The Group operates finance shared service centres in Belfast and Manila, the outputs of which are included in the financial information of the reporting components they service and therefore they are not separate reporting components. Each of the service centres is subject to specified risk-focused audit procedures, predominantly the testing of transaction processing and controls testing.

Additional procedures are performed at the scoped components to address the audit risks not covered by the work performed over the shared service centres, or where the scoped components are not served by the shared service centres.

In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the 497 reporting components of the Group, we selected 13 components covering entities within the UK, US and Australia, which represent the principal business units within the Group.

Of the 13 components selected, we performed an audit of the complete financial information of 5 components ("full scope components") which were selected based on their size or risk characteristics, including the parent company; Pearson plc. For 6 components ("specific scope components"), we performed audit procedures on specific accounts within that component that we considered had the potential for the greatest impact on the significant accounts in the financial statements either because of the size of these accounts or their risk profile.

For an additional 2 components ("specified procedures components"), we performed certain audit procedures on specific accounts within that component that we considered had the potential for the greatest impact on the significant accounts in the financial statements, either because of the size of these accounts or their risk profile. These procedures were undertaken by separate component audit teams under the primary audit team's direction.

The reporting components where we performed audit procedures accounted for 82% (2022: 85%) of the Group's adjusted Profit before tax, 83% (2022: 89%) of the Group's Revenue and 89% (2022: 95%) of the Group's Total assets. For the current year, the full scope components contributed 56% (2022: 71%) of the Group's adjusted Profit before tax, 72% (2022: 73%) of the Group's Revenue and 83% (2022: 88%) of the Group's Total assets. The specific scope components contributed 25% (2022: 14%) of the Group's adjusted Profit before tax, 11% (2022:16%) of the Group's Revenue and 6% (2022: 7%) of the Group's Total assets. The audit scope of these components may not have included testing of all significant accounts of the component but will have contributed to the coverage of significant accounts tested for the Group. We also instructed 2 locations to perform specified procedures over certain balances, including aspects of revenue recognition.

Of the remaining 484 components that together represent 18% of the Group's adjusted Profit before tax, none are individually greater than 3% of the Group's adjusted Profit before tax. For these components, we performed other procedures, including testing certain management review controls, analytical review, testing of consolidation journals and intercompany eliminations to respond to any potential risks of material misstatement to the Group financial statements.

Involvement with component teams

In establishing our overall approach to the Group audit, we determined the type of work that needed to be undertaken at each of the components by us, as the primary audit engagement team, or by component auditors from other EY global network firms operating under our instruction. The audit procedures performed at the finance shared service centres were performed by the primary team with assistance from the Philippines member firm. Due to the financial shared service environment described earlier, of the 5 full scope components, audit procedures were performed on all of these directly by the primary audit team, with assistance from our US component team. Of the 6 specific scope components, audit procedures were performed on 5 of these directly by the primary audit team, with assistance from our US component team. For the 1 specific scope component, where the work was performed by component auditors, we determined the appropriate level of involvement to enable us to determine that sufficient audit evidence had been obtained as a basis for our opinion on the Group as a whole.

The Group audit team continued to follow a programme of planned visits that has been designed to ensure that each full or specific scope component was visited by either the Senior Statutory Auditor, or other senior members of the Group audit team. During the current year's audit cycle, visits were undertaken by the primary audit team to the component team in the US and the Manila shared service centre team. These visits involved discussing the audit approach with the component team and any issues arising from their work, meeting with local management, attending planning and progress meetings and reviewing relevant audit working papers on risk areas.

The primary team interacted regularly with the component teams where appropriate during various stages of the audit, reviewed relevant working papers and were responsible for the scope and direction of the audit process. Close meetings for full, specific, and specified procedures components (excluding those performed by the primary audit team) were held via video conference in January and February 2024 and were attended by the Senior Statutory Auditor and/or other members of the primary audit team. This, together with the additional procedures performed at Group level, gave us appropriate evidence for our opinion on the Group financial statements.

Climate change

Stakeholders are increasingly interested in how climate change will impact Pearson. The Group has determined that the most significant future impacts from climate change on their operations will be from physical risks in the medium and long term. These are explained on pages 44-48 in the required Task Force for Climate related Financial Disclosures. They have also explained their climate commitments on pages 42-43. All of these disclosures form part of the "Other information," rather than the audited financial statements. Our procedures on these unaudited disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated, in line with our responsibilities on "Other information".

In planning and performing our audit we assessed the potential impacts of climate change on the Group's business and any consequential material impact on its financial statements.

The Group has explained in the Basis of Preparation note the key areas of the financial statements that may be impacted by climate change and the Group concluded there is no material financial statement impact from climate change. These disclosures also explain where governmental and societal responses to climate change risks are still developing, and where the degree of certainty of these changes means that they cannot be taken into account when determining impairment assessments under the requirements of UK-adopted International accounting standards and IFRS accounting standards as issued by the International Accounting Standards Board (IASB).

Our audit effort in considering the impact of climate change on the financial statements was focused on evaluating management's assessment of the impact of physical and transition climate risk, their climate commitments, the effects of material climate risks disclosed on pages 45-46 and whether these have been appropriately reflected in asset values where these are impacted by future cash flows and associated sensitivity disclosures, this primarily being impairment assessments following the requirements of UK-adopted international accounting standards and IFRS accounting standards as issued by the International Accounting Standards Board (IASB). As part of this evaluation, we performed our own risk assessment, supported by our climate change internal specialists, to determine the risks of material misstatement in the financial statements from climate change which needed to be considered in our audit.

We also challenged the Directors' considerations of climate change risks in their assessment of going concern and viability and associated disclosures. Where considerations of climate change were relevant to our assessment of going concern, these are described above.

Based on our work we have not identified the impact of climate change on the financial statements to be a key audit matter or to impact a key audit matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Fraud risk in revenue recognition (revenues of £3,674 million, 2022 £3,841 million) *Refer to the Audit Committee's Report (page 105); Accounting policies (page 158; and note 3 of the Consolidated Financial Statements (page 163)* Given revenue is a key performance indicator, both in communication of the Group's results and for management incentives, we have identified a risk of management override of controls through topside manual journal entries to revenue.	We obtained an understanding of and evaluated the design and tested the operating effectiveness of controls over the Group's material revenue processes. We performed testing over revenue recognition in 5 full scope components, 6 specific scope components and 2 specified procedures components. The audit of topside manual journals included central testing of the consolidation and close-process adjustments, testing any that had an entry against revenue and obtaining supporting evidence. Where relevant, we have understood each significant revenue stream in each full, specific and specified procedure location. Where a process is automated, we have performed testing over all manual journals recorded against revenue. Where a process has more manual intervention, we performed testing during the year and placed increased focus over testing manual adjustments at year end and obtained supporting evidence. The testing was performed in combination by the component teams and the Group audit team.	Revenue for the year to 31 December 2023 has been recognised appropriately and based on our procedures performed, we have not identified any inappropriate revenue journal entries.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Valuation of acquired intangible assets (£117 million, 2022 £110 million) *Refer to the Audit Committee Report (page 105); Accounting policies (page153); and Note 30 of the Consolidated Financial Statements (page 201).* During the year, Pearson made one significant acquisition: Personnel Decisions Research Institutes, LLC ('PDRI') for cash consideration of £152 million. The valuation of acquired intangible assets requires specialised skills since it involves complex judgement due to the estimation uncertainty and the application of valuation techniques built, in part, on assumptions around the future performance of the acquired business. Changes in certain of these assumptions can have a material effect on the valuation of acquired intangible assets. We focused our procedures on the most significant elements of the valuation, namely the software as a service ('SaaS') customer contracts and technology intangible assets, with an aggregate value of £97 million. The most significant assumption that is most sensitive for the valuation of these assets was revenue growth rates.	Our audit of the fair values of the acquired intangible assets was performed by the Group audit team, with specified procedures performed by a non-EY audit team over certain Prospective Financial Information ("PFI") used in the valuation model. We reviewed the underlying sale and purchase agreements and tested the consideration for the acquisition. We obtained an understanding, evaluated the design, and tested the operating effectiveness of controls over the Group's process to identify and value intangible assets, including their use of an external valuation specialist. We assessed the independence and expertise of management's external valuation specialist. We assessed the valuation methodologies applied by management, with the assistance of EY valuation specialists, to validate that they were appropriate. We focused our testing of the PFI included in the valuation calculation on the significant assumption that is most sensitive to the valuation, namely revenue growth rates. We challenged these assumptions by comparison to historical performance, underlying contractual terms and corroborating the rationale for any future growth. We instructed a non-EY audit team to test details of revenue for FY23 to underlying contracts and related approved funding by US governmental agencies for 2024. We evaluated the adequacy of the business combination disclosures to the requirements in IFRS 3.	Based on our procedures performed the valuation of the acquired PDRI intangibles is acceptable and the methodology used is in accordance with IFRS 3 Business Combinations. We agree that the disclosures in Note 30 of the consolidated financial statements provide the detail required by IFRS 3 and appropriately reflect the level of estimation.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Uncertain tax position for EU State Aid case (£63 million, 2022 £63 million) *Refer to the Audit Committee Report (page 106); Accounting policies (page 157); and Notes 7 and 34 of the Consolidated Financial Statements (pages 171 and 204).* Pearson has recorded a provision for the uncertain tax position related to the EU State Aid case. The provision was recorded as a tax expense in 2022 against a non-current receivable in respect of a payment on account made to the UK tax authority. Auditing the Group’s recorded £63 million provision at 31 December 2023 required significant auditor judgement in assessing management’s expectations of the outcome of matters as there is a significant range of possible outcomes between £nil and the maximum exposure of £105 million and therefore a risk of material misstatement.	Our audit of the uncertain tax position was performed by the Group audit team. We obtained an understanding and evaluated the design and tested the operating effectiveness of controls over the Group’s tax process over uncertain tax positions. We reviewed management’s analysis of developments, including recent decisions in other EU case law, which they prepared with support from third party advisors. We challenged whether an update to the provision was required by involving EY tax specialists to assess these developments and any potential impact on the amount recorded by the Group at 31 December 2023. We reviewed correspondence with management’s specialist, assessed their independence and expertise, and held a virtual meeting with them to discuss the scope of their work and their considerations on the matter. We tested management’s calculation of the provision as part of our prior year audit procedures and assessed the appropriateness of the methodology used against the requirements of IFRIC 23. We considered the appropriateness of the potential outcomes included in the calculation and the probabilities assigned to each outcome. We challenged the probabilities by seeking the input of an EY specialist in State Aid matters. We assessed the adequacy of the disclosures in notes 7 and 34 of the Annual Report.	Based on our procedures performed, the current status of proceedings and the opinion of the Group’s external legal counsel, we conclude that management’s provision is acceptable and the methodology used is in line with the requirements of IFRIC 23. We agree that disclosures set out in Notes 7 and 34 of the consolidated financial statements provides adequate explanation of the nature of the liability and the level of uncertainty in the amount provided.

In our prior year auditor’s report, the ‘Fraud risk in revenue recognition’ key audit matter also included a fraud risk in respect of manipulation of the rate of completion for contracts that span the year end. Based on the knowledge gained in our first year audit and the updated risk assessment as part of the 2023 audit, we no longer consider that this risk area of the audit constitutes a key audit matter.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be £24.6 million (2022: £20.9 million), which is 5% (2022: 5%) of adjusted Profit before tax. We believe that adjusted Profit before tax is the appropriate basis since it is earnings-based and excludes certain non-recurring items.

We determined materiality for the Parent Company to be £44 million (2022: £44 million), which is 1% (2022: 1%) of net assets.

Starting basis

- Profit before tax - £493 million

Adjustments

- Add: £11 million property charges and £16 million other net gains and losses
- Less: £28 million other net finance income

Materiality

- Adjusted profit before tax £492 million (materiality basis)
- Materiality of £24.6 million (5% of materiality basis)

During the course of our audit, we reassessed initial materiality and updated it for actual 2023 results, which resulted in a small increase to £24.6m.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 50% (2022: 50%) of our planning materiality, namely £12.3 million (2022: £10.5 million). We have set performance materiality at this percentage to reduce to an appropriately low level the probability that the aggregate of uncorrected and corrected misstatements exceeds materiality.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was £2.4 million to £6.3 million (2022: £1.8 million to £5.0 million).

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £1.2 million (2022: £1.05 million), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual report set out on pages 1 to 135, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the directors’ remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

— the information given in the strategic report and the directors’ report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

— the strategic report and the directors’ report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors’ report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

— adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or

— the parent company financial statements and the part of the Directors’ Remuneration Report to be audited are not in agreement with the accounting records and returns; or

— certain disclosures of directors’ remuneration specified by law are not made; or

— we have not received all the information and explanations we require for our audit

Corporate Governance Statement

We have reviewed the directors’ statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the group and company’s compliance with the provisions of the UK Corporate Governance Code specified for our review by the Listing Rules.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

— Directors’ statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 160;

— Directors’ explanation as to its assessment of the company’s prospects, the period this assessment covers and why the period is appropriate set out on page 65;

— Director’s statement on whether it has a reasonable expectation that the group will be able to continue in operation and meets its liabilities set out on page 65;

— Directors’ statement on fair, balanced and understandable set out on page 134;

— Board’s confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 57;

— The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 102; and;

— The section describing the work of the audit committee set out on page 100.

Responsibilities of directors

As explained more fully in the directors’ responsibilities statement set out on page 136, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group and parent company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor’s responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and determined that the most significant frameworks which are directly relevant to specific assertions in the financial statements are those that relate to the reporting framework (UK-adopted International Accounting Standards, IFRS accounting standards as issued by the International Accounting Standards Board (IASB), the Companies Act 2006 and the UK Corporate Governance Code) and the relevant tax laws and regulations in the countries in which the Group operates.
- We understood how Pearson plc is complying with those frameworks by making enquiries of management, Internal Audit, those responsible for legal and compliance procedures and the Company Secretary. We corroborated our enquiries through reading of Board minutes and papers provided to the Audit Committee and observation in Audit Committee meetings, as well as consideration of the results of our audit procedures across the Group.
- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur and met with finance and operational management from various parts of the business to understand where they considered there was susceptibility to fraud. We also considered performance targets and their potential to influence management to manage earnings or influence the perception of analysts. We have determined that there is a fraud risk with aspects of revenue recognition. We considered the policies, processes and controls that the Group has established to address the risks identified, including the design of controls over each significant revenue stream. We also considered the controls that the Group has that otherwise prevent, deter and detect fraud, and how senior management monitors those controls.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations including providing specific instructions to full scope and specific scope component teams and where necessary, using our forensic and other relevant specialists. Our procedures included reading any correspondence with regulators, making enquiries of management's specialists, and journal entry testing, with a focus on manual journal entries, consolidation journals and journal entries indicating large or unusual transactions using data analytics. We based this testing on our understanding of the business, enquiries of management, including internal audit and other advisors, the company secretary and reading relevant reports.
  We performed specific searches derived from forensic investigations experience and leveraged our data analytics platform in performing our testing. We have also reviewed the whistleblowing reports issued during the year. We also used EY's Document Authenticity Tool to analyse certain electronic documents used as audit evidence to identify characteristics of documents that can be indicators of alteration or inauthenticity.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters we are required to address

- Following the recommendation from the Audit Committee, we were appointed by the company at its Annual General Meeting on 29 April 2022 to audit the financial statements for the year ending 31 December 2022 and subsequent financial periods.
- The period of total uninterrupted engagement including previous renewals and reappointments is two years, covering the years ended 31 December 2022 to 31 December 2023.
- The audit opinion is consistent with the additional report to the audit committee.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ben Marles (Senior statutory auditor)

for and on behalf of Ernst & Young LLP,
Statutory Auditor

London

13 March 2024

Consolidated income statement

Year ended 31 December 2023

All figures in £ millions	Notes	**2023**	2022	2021
Continuing operations				
Sales	2,3	**3,674**	3,841	3,428
Cost of goods sold	4	**(1,839)**	(2,046)	(1,747)
Gross profit		**1,835**	1,795	1,681
Operating expenses	4	**(1,322)**	(1,549)	(1,562)
Other net gains and losses	4	**(16)**	24	63
Share of results of joint ventures and associates	12	**1**	1	1
Operating profit	2	**498**	271	183
Finance costs	6	**(81)**	(71)	(68)
Finance income	6	**76**	123	62
Profit before tax		**493**	323	177
Income tax	7	**(113)**	(79)	1
Profit for the year		**380**	244	178
Attributable to:				
Equity holders of the company		**378**	242	177
Non-controlling interest		**2**	2	1
Earnings per share attributable to equity holders of the company during the year (expressed in pence per share)				
—basic	8	**53.1p**	32.8p	23.5p
—diluted	8	**52.7p**	32.6p	23.3p

Consolidated statement of comprehensive income

Year ended 31 December 2023

All figures in £ millions	Notes	**2023**	2022	2021
Profit for the year		**380**	244	178
Items that may be reclassified to the income statement				
Net exchange differences on translation of foreign operations		**(177)**	330	(6)
Currency translation adjustment disposed	31	**(122)**	(5)	4
Attributable tax	7	**–**	4	10
Items that are not reclassified to the income statement				
Fair value gains on other financial assets		**1**	18	4
Attributable tax	7	**–**	1	(1)
Remeasurement of retirement benefit obligations	25	**(85)**	54	149
Attributable tax	7	**20**	(12)	(61)
Other comprehensive (expense)/income for the year	29	**(363)**	390	99
Total comprehensive income for the year		**17**	634	277
Attributable to:				
Equity holders of the company		**16**	630	276
Non-controlling interest		**1**	4	1

Consolidated balance sheet
As at 31 December 2023

All figures in £ millions	Notes	2023	2022
Assets			
Non-current assets			
Property, plant and equipment	10	**217**	250
Investment property	10	**79**	60
Intangible assets	11	**3,091**	3,177
Investments in joint ventures and associates	12	**22**	25
Deferred income tax assets	13	**35**	57
Financial assets – derivative financial instruments	16	**32**	43
Retirement benefit assets	25	**499**	581
Other financial assets	15	**143**	133
Income tax assets	7	**41**	41
Trade and other receivables	22	**135**	139
		4,294	4,506
Current assets			
Intangible assets – product development	20	**947**	975
Inventories	21	**91**	105
Trade and other receivables	22	**1,050**	1,139
Financial assets – derivative financial instruments	16	**16**	16
Income tax assets		**15**	9
Cash and cash equivalents (excluding overdrafts)	17	**312**	558
		2,431	2,802
Assets classified as held for sale	32	**2**	16
Total assets		**6,727**	7,324
Liabilities			
Non-current liabilities			
Financial liabilities – borrowings	18	**(1,094)**	(1,144)
Financial liabilities – derivative financial instruments	16	**(38)**	(54)
Deferred income tax liabilities	13	**(46)**	(37)
Retirement benefit obligations	25	**(44)**	(61)
Provisions for other liabilities and charges	23	**(15)**	(14)
Other liabilities	24	**(98)**	(120)
		(1,335)	(1,430)
Current liabilities			
Trade and other liabilities	24	**(1,275)**	(1,254)
Financial liabilities – borrowings	18	**(67)**	(86)
Financial liabilities – derivative financial instruments	16	**(5)**	(11)
Income tax liabilities	7	**(32)**	(43)
Provisions for other liabilities and charges	23	**(25)**	(85)
		(1,404)	(1,479)
Liabilities classified as held for sale	32	**–**	–
Total liabilities		**(2,739)**	(2,909)
Net assets		**3,988**	4,415
Equity			
Share capital	27	**174**	179
Share premium	27	**2,642**	2,633
Treasury shares	28	**(19)**	(15)
Capital redemption reserve		**33**	28
Fair value reserve		**(12)**	(13)
Translation reserve		**411**	709
Retained earnings		**745**	881
Total equity attributable to equity holders of the company		**3,974**	4,402
Non-controlling interest		**14**	13
Total equity		**3,988**	4,415

These financial statements have been approved for issue by the Board of Directors on 13 March 2024 and signed on its behalf by

Sally Johnson
Chief Financial Officer
Pearson plc
Registered number: 00053723

Consolidated statement of changes in equity

Year ended 31 December 2023

	Equity attributable to equity holders of the company									
All figures in £ millions	**Share capital**	**Share premium**	**Treasury shares**	**Capital redemption reserve**	**Fair value reserve**	**Translation reserve**	**Retained earnings**	**Total**	**Non-controlling interest**	**Total equity**
At 1 January 2023	179	2,633	(15)	28	(13)	709	881	4,402	13	4,415
Profit for the year	–	–	–	–	–	–	378	378	2	380
Other comprehensive income/(expense)	–	–	–	–	1	(298)	(65)	(362)	(1)	(363)
Total comprehensive income/(expense)	–	–	–	–	1	(298)	313	16	1	17
Equity-settled transactions	–	–	–	–	–	–	40	40	–	40
Taxation on equity-settled transactions	–	–	–	–	–	–	1	1	–	1
Issue of ordinary shares under share option schemes	–	9	–	–	–	–	–	9	–	9
Buyback of equity	(5)	–	–	5	–	–	(304)	(304)	–	(304)
Purchase of treasury shares	–	–	(35)	–	–	–	–	(35)	–	(35)
Release of treasury shares	–	–	31	–	–	–	(31)	–	–	–
Transfer of gain on disposal of FVOCI investment	–	–	–	–	–	–	–	–	–	–
Dividends	–	–	–	–	–	–	(155)	(155)	–	(155)
At 31 December 2023	174	2,642	(19)	33	(12)	411	745	3,974	14	3,988

	Equity attributable to equity holders of the company									
All figures in £ millions	Share capital	Share premium	Treasury shares	Capital redemption reserve	Fair value reserve	Translation reserve	Retained earnings	Total	Non-controlling interest	Total equity
At 1 January 2022	189	2,626	(12)	18	(4)	386	1,067	4,270	10	4,280
Profit for the year	–	–	–	–	–	–	242	242	2	244
Other comprehensive income/(expense)	–	–	–	–	18	323	47	388	2	390
Total comprehensive income/(expense)	–	–	–	–	18	323	289	630	4	634
Equity-settled transactions	–	–	–	–	–	–	38	38	–	38
Taxation on equity-settled transactions	–	–	–	–	–	–	3	3	–	3
Issue of ordinary shares under share option schemes	–	7	–	–	–	–	–	7	–	7
Buyback of equity	(10)	–	–	10	–	–	(353)	(353)	–	(353)
Purchase of treasury shares	–	–	(37)	–	–	–	–	(37)	–	(37)
Release of treasury shares	–	–	34	–	–	–	(34)	–	–	–
Transfer of gain on disposal of FVOCI investment	–	–	–	–	(27)	–	27	–	–	–
Dividends	–	–	–	–	–	–	(156)	(156)	(1)	(157)
At 31 December 2022	179	2,633	(15)	28	(13)	709	881	4,402	13	4,415

Consolidated statement of changes in equity *continued*

Year ended 31 December 2023

	Equity attributable to equity holders of the company									
All figures in £ millions	Share capital	Share premium	Treasury shares	Capital redemption reserve	Fair value reserve	Translation reserve	Retained earnings	Total	Non-controlling interest	Total equity
At 1 January 2021	188	2,620	(7)	18	(4)	388	922	4,125	9	4,134
Profit for the year	–	–	–	–	–	–	177	177	1	178
Other comprehensive income/(expense)	–	–	–	–	4	(2)	97	99	–	99
Total comprehensive income/(expense)	–	–	–	–	4	(2)	274	276	1	277
Equity-settled transactions	–	–	–	–	–	–	28	28	–	28
Issue of ordinary shares under share option schemes	1	6	(1)	–	–	–	–	6	–	6
Buyback of equity	–	–	–	–	–	–	–	–	–	–
Purchase of treasury shares	–	–	(16)	–	–	–	–	(16)	–	(16)
Release of treasury shares	–	–	12	–	–	–	(12)	–	–	–
Transfer of gain on disposal of FVOCI investment	–	–	–	–	(4)	–	4	–	–	–
Dividends	–	–	–	–	–	–	(149)	(149)	–	(149)
At 31 December 2021	189	2,626	(12)	18	(4)	386	1,067	4,270	10	4,280

Consolidated cash flow statement

Year ended 31 December 2023

All figures in £ millions	Notes	2023	2022	2021
Cash flows from operating activities				
Profit before tax		**493**	323	177
Net finance costs/(income)		**5**	(52)	6
Depreciation and impairment – PPE, investment property and assets held for sale		**90**	136	241
Amortisation and impairment – software		**123**	125	117
Amortisation and impairment – acquired intangible assets		**46**	54	50
Other net gains and losses		**13**	(24)	(63)
Product development capital expenditure		**(300)**	(357)	(287)
Amortisation and impairment – product development		**284**	303	279
Share-based payment costs		**40**	35	28
Change in inventories		**9**	(34)	22
Change in trade and other receivables		**(24)**	33	(71)
Change in trade and other liabilities		**(20)**	(84)	37
Change in provisions for other liabilities and charges		**(61)**	50	14
Other movements		**(16)**	19	20
Net cash generated from operations		**682**	527	570
Interest paid		**(60)**	(57)	(67)
Tax paid		**(97)**	(109)	(177)
Net cash generated from operating activities		**525**	361	326
Cash flows from investing activities				
Acquisition of subsidiaries, net of cash acquired	30	**(171)**	(228)	(55)
Acquisition of joint ventures and associates		**(5)**	(5)	(10)
Purchase of investments		**(8)**	(12)	(4)
Purchase of property, plant and equipment and investment property		**(30)**	(57)	(64)
Purchase of intangible assets		**(96)**	(90)	(112)
Disposal of subsidiaries, net of cash disposed	31	**(38)**	333	83
Proceeds from disposal of investments		**7**	17	48
Proceeds from disposal of property, plant and equipment		**5**	14	–
Lease receivables repaid including disposals		**15**	18	21
Interest received		**20**	22	13
Dividends from joint ventures and associates		**–**	1	–
Net cash (used in)/generated from investing activities		**(301)**	13	(80)

All figures in £ millions	Notes	2023	2022	2021
Cash flows from financing activities				
Proceeds from issue of ordinary shares	27	**9**	7	6
Buyback of equity	27	**(186)**	(353)	–
Purchase of treasury shares	28	**(35)**	(37)	(16)
Proceeds from borrowings		**285**	–	–
Repayment of borrowings		**(285)**	(171)	(167)
Repayment of lease liabilities		**(84)**	(93)	(88)
Dividends paid to company’s shareholders	9	**(154)**	(156)	(149)
Dividends paid to non-controlling interest		**–**	(1)	–
Net cash used in financing activities		**(450)**	(804)	(414)
Effects of exchange rate changes on cash and cash equivalents		**(8)**	36	(8)
Net decrease in cash and cash equivalents		**(234)**	(394)	(176)
Cash and cash equivalents at beginning of year		**543**	937	1,113
Cash and cash equivalents at end of year	17	**309**	543	937

Notes to the consolidated financial statements

General information

Pearson plc ('the company'), its subsidiaries and associates (together 'the Group') are international businesses covering educational courseware, assessments and services.

The company is a public limited company incorporated in England and Wales and domiciled in the United Kingdom. The address of its registered office is 80 Strand, London WC2R 0RL.

The company has its primary listing on the London Stock Exchange and is also listed on the New York Stock Exchange.

These consolidated financial statements were approved for issue by the Board of Directors on 13 March 2024.

1a. Accounting policies

The material accounting policies applied in the preparation of these consolidated financial statements are set out below.

Basis of preparation

These consolidated financial statements have been prepared on the going concern basis (see note 1b) and in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006. On 31 December 2020, IFRS Accounting Standards as adopted by the European Union at that date was brought into UK law and became UK-adopted International Accounting Standards (IASs), with future changes being subject to endorsement by the UK Endorsement Board. The Group transitioned to UK-adopted IASs on 1 January 2021. This change constituted a change in accounting framework. However, there was no impact on recognition, measurement or disclosure as a result of the change in framework. The consolidated financial statements have also been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB).

These consolidated financial statements have been prepared under the historical cost convention as modified by the revaluation of financial assets and liabilities (including derivative financial instruments) at fair value.

These accounting policies have been consistently applied to all years presented, unless otherwise stated.

1. Interpretations and amendments to published standards effective 2023 – The Group adopted IFRS 17 'Insurance Contracts' for the first time in 2023, but it has not had a material impact on the consolidated financial statements. No other new standards were adopted in 2023.

A number of other new pronouncements are effective from 1 January 2023 but they do not have a material impact on the consolidated financial statements. Additional disclosure has been given where relevant.

2. Standards, interpretations and amendments to published standards that are not yet effective – The following new accounting standards and amendments to new accounting standards have been issued but are not yet effective and unless otherwise indicated, have been endorsed:

- Amendments to IAS 1 'Classification of liabilities as current or non-current';
- Amendments to IAS 1 'Non-current liabilities with covenants';
- Amendments to IFRS 16 'Lease liability in a sale and leaseback';
- Amendments to IAS 7 and IFRS 7 'Supplier finance arrangements'; and
- Amendments to IAS 21 'Lack of exchangeability' (not yet endorsed).

The Group is currently assessing the impact of the above changes, but they are not expected to have a material impact. The Group does not plan to early adopt any of the above new accounting standards or amendments. The Group has not adopted any other standard, amendment or interpretation that has been issued but is not yet effective.

3. Critical accounting assumptions and judgements – The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting assumptions and estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

All assumptions and estimates constitute management's best judgement at the date of the financial statements, however, in the future, actual experience may deviate from these estimates and assumptions.

The areas requiring a higher degree of judgement or complexity, or areas where assumptions and estimates have a significant risk of resulting in material adjustments to the carrying value of assets and liabilities within the consolidated financial statements are:

- Intangible assets: acquired intangible assets
- Taxation
- Employee benefits: pensions
- Property, plant and equipment: right-of-use assets
- Classification as discontinued operations

The key judgements and key areas of estimation are set out below, as well as in the relevant accounting policies and in the notes to the accounts where appropriate.

KJ Key judgements

- The application of tax legislation in relation to provisions for uncertain tax positions. See notes 7 and 34.
- The Group is eligible to receive the surplus associated with the UK Group Pension Plan in recognising a pension asset. See note 25.
- The results and cash flows of businesses disposed do not meet the criteria to be classified and presented as discontinued operations. See note 31.

KE Key areas of estimation

- The valuation of acquired intangible assets recognised on the acquisition of a business. The valuation is based on a number of assumptions, including estimations of future business performance. See notes 11 and 30.
- The level of provisions required in relation to uncertain tax positions is complex and each matter is separately assessed. The estimation of future settlement amounts is based on a number of factors including the status of the unresolved matter, clarity of legislation, range of possible outcomes and the statute of limitations. See notes 7 and 34.
- The determination of the pension cost and defined benefit obligation of the Group's defined benefit pension schemes depends on the selection of certain assumptions, which include the discount rate, inflation rate, salary growth and longevity. See note 25.
- The recoverability of right-of-use assets and in particular assumptions related to the ability to sublease vacant leased assets in the future. See note 10.

The Group has assessed the impact of the uncertainty presented by the volatile macro-economic and geo-political environment on the financial statements, specifically considering the impact on key judgements and significant estimates along with other areas of increased risk as follows:

- Financial instruments and hedge accounting; and
- Translation methodologies.

No material accounting impacts relating to the areas assessed above were recognised in the year. The Group will continue to monitor these areas of increased judgement, estimation and risk.

Consolidation

1. Business combinations – The acquisition method of accounting is used to account for business combinations.

The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interest issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred in the operating expenses line of the income statement. Identifiable assets acquired and identifiable liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The determination of fair values often requires significant judgements and the use of estimates, and, for material acquisitions, the fair value of the acquired intangible assets is determined by an independent valuer. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill (note 30).

See the 'Intangible assets' policy for the accounting policy on goodwill. If this is less than the fair value of the net assets of the subsidiary acquired, in the case of a bargain purchase, the difference is recognised directly in the income statement.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

IFRS 3 'Business Combinations' has not been applied retrospectively to business combinations before the date of transition to IFRS.

Management exercises judgement in determining the classification of its investments in its businesses, in line with the following:

2. Subsidiaries – Subsidiaries are entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

3. Transactions with non-controlling interests – Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions, that is, as transactions with the owners in their capacity as owners. Any surplus or deficit arising from disposals to a non-controlling interest is recorded in equity. For purchases from a non-controlling interest, the difference between consideration paid and the relevant share acquired of the carrying value of the subsidiary is recorded in equity.

1a. Accounting policies continued

Consolidation continued

4. Joint ventures and associates – Joint ventures are entities in which the Group holds an interest on a long-term basis and has rights to the net assets through contractually agreed sharing of control. Associates are entities over which the Group has significant influence but not the power to control the financial and operating policies, generally accompanying a shareholding of between 20% and 50% of the voting rights. Ownership percentage is likely to be the key indicator of investment classification; however, other factors, such as Board representation, may also affect the accounting classification. Judgement is required to assess all of the qualitative and quantitative factors which may indicate that the Group does, or does not, have significant influence over an investment. Investments in joint ventures and associates are accounted for by the equity method and are initially recognised at the fair value of consideration transferred.

The Group's share of its joint ventures' and associates' post-acquisition profits or losses is recognised in the income statement and its share of post-acquisition movements in reserves is recognised in reserves.

The Group's share of its joint ventures' and associates' results is recognised as a component of operating profit as these operations form part of the core business of the Group and are an integral part of existing wholly-owned businesses. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in a joint venture or associate equals or exceeds its interest in the joint venture or associate, the Group does not recognise further losses unless the Group has incurred obligations or made payments on behalf of the joint venture or associate.

Unrealised gains and losses on transactions between the Group and its joint ventures and associates are eliminated to the extent of the Group's interest in these entities.

5. Contribution of a subsidiary to an associate or joint venture – The gain or loss resulting from the contribution or sale of a subsidiary to an associate or a joint venture is recognised in full. Where such transactions do not involve cash consideration, significant judgements and estimates are used in determining the fair values of the consideration received.

Foreign currency translation

1. Functional and presentation currency – Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in sterling, which is the company's functional and presentation currency.

2. Transactions and balances – Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying net investment hedges.

3. Group companies – The results and financial position of all Group companies that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities are translated at the closing rate at the date of the balance sheet;
- Income and expenses are translated at average exchange rates; and
- All resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. The Group treats specific inter-company loan balances, which are not intended to be repaid in the foreseeable future, as part of its net investment. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

The principal overseas currency for the Group is the US dollar. The average rate for the year against sterling was $1.25 (2022: $1.24; 2021: $1.38) and the year-end rate was $1.27 (2022: $1.21; 2021: $1.35).

Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for intended use. Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost less their residual values over their estimated useful lives as follows:

Buildings (freehold):	20–50 years
Buildings (leasehold):	over the period of the lease
Plant and equipment:	3–10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

The carrying value of an asset is written down to its recoverable amount if the carrying value of the asset is greater than its estimated recoverable amount.

Investment property

Properties that are no longer occupied by the Group and which are held for operating lease rental are classified as investment property. Investment property assets are carried at cost less accumulated depreciation and any recognised impairment in value. The depreciation policies for investment property are consistent with those described for property, plant and equipment.

Intangible assets

1. Goodwill – For the acquisition of subsidiaries made on or after 1 January 2010, goodwill represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired. For the acquisition of subsidiaries made from the date of transition to IFRS to 31 December 2009, goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets acquired. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisition of associates and joint ventures represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets acquired.

Goodwill on acquisitions of associates and joint ventures is included in investments in associates and joint ventures.

Goodwill is tested at least annually for impairment and carried at cost less accumulated impairment losses. An impairment loss is recognised to the extent that the carrying value of goodwill exceeds the recoverable amount. The recoverable amount is the higher of fair value less costs of disposal and value in use. These calculations require the use of estimates in respect of forecast cash flows and discount rates and management judgement in respect of cash-generating unit (CGU) and cost allocation.

Goodwill is allocated to aggregated CGUs for the purpose of impairment testing. The allocation is made to those aggregated CGUs that are expected to benefit from the business combination in which the goodwill arose. Where there are changes to CGUs, goodwill is reallocated to the new CGUs and aggregation of CGUs using a relative value method.

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

2. Acquired software – Software separately acquired for internal use is capitalised at cost. Software acquired in material business combinations is capitalised at its fair value, with the valuation being determined with the support of a third-party specialist. The assets are assessed for impairment triggers on an annual basis or when triggering events occur. Acquired software is amortised on a straight-line basis over its estimated useful life of between three and eight years.

3. Internally developed software – Internal and external costs incurred during the preliminary stage of developing computer software for internal use are expensed as incurred. Internal and external costs incurred to develop computer software for internal use during the application development stage are capitalised if the Group expects economic benefits from the development. Capitalisation in the application development stage begins once the Group can reliably measure the expenditure attributable to the software development and has demonstrated its intention to complete and use the software. Internally developed software is amortised on a straight-line basis over its estimated useful life of between three and ten years. The assets are assessed for impairment triggers on an annual basis or when triggering events occur.

4. Acquired intangible assets – Acquired intangible assets include customer lists, contracts and relationships, trademarks and brands, publishing rights, content, technology and software rights. These assets are capitalised on acquisition at cost and included in intangible assets. Intangible assets acquired in material business combinations are capitalised at their fair value as determined with the support of a third-party specialist. The valuation of these assets are a key source of estimation uncertainty. Intangible assets are amortised over their estimated useful lives of between two and twenty years, using an amortisation method that reflects the pattern of their consumption. The assets are assessed for impairment triggers on an annual basis or when triggering events occur.

5. Product development assets – Product development assets represent direct costs incurred in the development of educational programmes and titles prior to their publication. These costs are recognised as current intangible assets where the title will generate probable future economic benefits and costs can be measured reliably.

Product development assets relating to content are amortised upon publication of the title over estimated economic lives of seven years or less, being an estimate of the expected operating lifecycle of the title, with a higher proportion of the amortisation taken in the earlier years. Product development assets relating to product platforms are amortised over ten years or less, being an estimate of the expected useful life.

The assessment of the useful economic life and the recoverability of product development assets involves judgement and is based on historical trends and management estimation of future potential sales.

Product development assets are assessed for impairment triggers on an annual basis or when triggering events occur. The carrying amount of product development assets is set out in note 20.

The investment in product development assets has been disclosed as part of net cash generated from operating activities in the cash flow statement.

Other financial assets

Other financial assets are non-derivative financial assets classified and measured at estimated fair value.

Marketable securities and cash deposits with maturities of greater than three months are classified and subsequently measured at fair value through profit and loss (FVTPL). They are remeasured at each balance sheet date by using market data and the use of established valuation techniques. Any movement in the fair value is immediately recognised in finance income or finance costs in the income statement.

1a. Accounting policies continued

Other financial assets continued

Investments in the equity instruments of other entities are classified and subsequently measured at fair value through other comprehensive income (FVOCI) where the investment meets the definition of equity from the perspective of the issuer. Changes in fair value are recorded in equity in the fair value reserve via other comprehensive income. On subsequent disposal of the asset, the net fair value gains or losses are reclassified from the fair value reserve to retained earnings. Any dividends received from equity investments classified as FVOCI are recognised in the income statement unless they represent a return of capital.

Investments in funds which have a limited life and those investment which do not meet the criteria to be classified as FVOCI are classified and subsequently measured at fair value through profit and loss (FVTPL). Changes in fair value are included within finance income or finance costs within the income statement.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method or an approximation thereof, such as the first in first out (FIFO) method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale. Provisions are made for slow-moving and obsolete stock.

Royalty advances

Advances of royalties to authors are included within trade and other receivables when the advance is paid less any provision required to adjust the advance to its net realisable value. The realisable value of royalty advances relies on a degree of management estimation in determining the profitability of individual author contracts. If the estimated realisable value of author contracts is overstated, this will have an adverse effect on operating profits as these excess amounts will be written off.

The recoverability of royalty advances is based upon an annual detailed management review of the age of the advance, the future sales projections for new authors and prior sales history of repeat authors.

The royalty advance is expensed at the contracted or effective royalty rate as the related revenues are earned. Royalty advances which will be consumed within one year are held in current assets. Royalty advances which will be consumed after one year are held in non-current assets.

Cash and cash equivalents

Cash and cash equivalents in the cash flow statement include cash in hand, deposits held on call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are included in borrowings in current liabilities in the balance sheet.

Short-term deposits and marketable securities with maturities of greater than three months do not qualify as cash and cash equivalents and are reported as financial assets. Movements on these financial assets are classified as cash flows from financing activities in the cash flow statement where these amounts are used to offset the borrowings of the Group or as cash flows from investing activities where these amounts are held to generate an investment return.

Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any Group company purchases the company’s equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs, net of income taxes, is deducted from equity attributable to the company’s equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable transaction costs and the related income tax effects, is included in equity attributable to the company’s equity holders.

Ordinary shares purchased under a buyback programme are cancelled and the nominal value of the shares is transferred to a capital redemption reserve.

Borrowings

Borrowings are recognised initially at fair value, which is proceeds received net of transaction costs incurred. Borrowings are subsequently stated at amortised cost with any difference between the proceeds (net of transaction costs) and the redemption value being recognised in the income statement over the period of the borrowings using the effective interest method. Accrued interest is included as part of borrowings.

Where a debt instrument is in a fair value hedging relationship, an adjustment is made to its carrying value in the income statement to reflect the hedged risk.

Where a debt instrument is in a net investment hedge relationship, gains and losses on the effective portion of the hedge are recognised in other comprehensive income.

Derivative financial instruments

Derivatives are recognised at fair value and remeasured at each balance sheet date. The fair value of derivatives is determined by using market data and the use of established estimation techniques such as discounted cash flow and option valuation models.

For derivatives in a hedge relationship, the currency basis spread is excluded from the designation as a hedging instrument.

Changes in the fair value of derivatives are recognised immediately in finance income or costs. However, derivatives relating to borrowings and certain foreign exchange contracts are designated as part of a hedging transaction.

The accounting treatment is summarised as follows:

Typical reason for designation	Reporting of gains and losses on effective portion of the hedge	Reporting of gains and losses on disposal
Net investment hedge		
The derivative creates a foreign currency liability which is used to hedge changes in the value of a subsidiary which transacts in that currency.	Recognised in other comprehensive income.	On the disposal of foreign operations or subsidiaries, the accumulated value of gains and losses reported in other comprehensive income is transferred to the income statement.
Fair value hedges		
The derivative transforms the interest profile on debt from fixed rate to floating rate. Changes in the value of the debt as a result of changes in interest rates and foreign exchange rates are offset by equal and opposite changes in the value of the derivative. When the Group's debt is swapped to floating rates, the contracts used are designated as fair value hedges.	Gains and losses on the derivative are reported in finance income or finance costs. However, an equal and opposite change is made to the carrying value of the debt (a 'fair value adjustment') with the benefit/cost reported in finance income or finance costs. The net result should be a zero charge on a perfectly effective hedge.	If the debt and derivative are disposed of, the value of the derivative and the debt (including the fair value adjustment) are reset to zero. Any resultant gain or loss is recognised in finance income or finance costs.
Non-hedge accounted contracts		
These are not designated as hedging instruments. Typically, these are short-term contracts to convert debt back to fixed rates or foreign exchange contracts where a natural offset exists.	Recognised in the income statement. No hedge accounting applies.	

Taxation

Current tax is recognised at the amounts expected to be paid or recovered under the tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

Deferred income tax is provided, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided in respect of the undistributed earnings of subsidiaries, associates and joint ventures other than where it is intended that those undistributed earnings will not be remitted in the foreseeable future.

Current and deferred tax are recognised in the income statement, except when the tax relates to items charged or credited directly to equity or other comprehensive income, in which case the tax is also recognised in equity or other comprehensive income. The Group has applied the exception under IAS 12 to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes.

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the estimates in relation to the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises tax provisions when it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are based on management's best judgement of the application of tax legislation and best estimates of future settlement amounts (see note 7). Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets and liabilities require management judgement and estimation in determining the amounts to be recognised. In particular, when assessing the extent to which deferred tax assets should be recognised, significant judgement is used when considering the timing of the recognition and estimation is used to determine the level of future taxable income together with any future tax planning strategies (see note 13).

1a. Accounting policies continued

Employee benefits

1. Pensions – The retirement benefit asset and obligation recognised in the balance sheet represent the net of the present value of the defined benefit obligation and the fair value of plan assets at the balance sheet date. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting estimated future cash flows using yields on high-quality corporate bonds which have terms to maturity approximating the terms of the related liability.

When the calculation results in a potential asset, the recognition of that asset is limited to the asset ceiling – that is the present value of any economic benefits available in the form of refunds from the plan or a reduction in future contributions. Management uses judgement to determine the level of refunds available from the plan in recognising an asset.

The determination of the pension cost and defined benefit obligation of the Group's defined benefit pension schemes depends on the selection of certain assumptions, which include the discount rate, inflation rate, salary growth and longevity (see note 25).

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. The service cost, representing benefits accruing over the year, is included in the income statement as an operating cost. Net interest is calculated by applying the discount rate to the net defined benefit obligation and is presented as finance costs or finance income.

Obligations for contributions to defined contribution pension plans are recognised as an operating expense in the income statement as incurred.

2. Other post-retirement obligations – The expected costs of post-retirement medical and life assurance benefits are accrued over the period of employment, using a similar accounting methodology as for defined benefit pension obligations. The liabilities and costs relating to significant other post-retirement obligations are assessed annually by independent qualified actuaries.

3. Share-based payments – The fair value of options or shares granted under the Group's share and option plans is recognised as an employee expense after taking into account the Group's best estimate of the number of awards expected to vest. Fair value is measured at the date of grant and is spread over the vesting period of the option or share. The fair value of the options granted is measured using an option model that is most appropriate to the award. The fair value of shares awarded is measured using the share price at the date of grant unless another method is more appropriate. Any proceeds received are credited to share capital and share premium when the options are exercised.

Provisions

Provisions are recognised if the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are discounted to present value where the effect is material.

Revenue recognition

The Group's revenue streams are courseware, assessments and services. Courseware includes curriculum materials provided in book form and/or via access to digital content. Assessments includes test development, processing and scoring services provided to governments, educational institutions, corporations and professional bodies. Services includes the operation of schools, colleges and universities, as well as the provision of online learning services in partnership with universities and other academic institutions.

Revenue is recognised in order to depict the transfer of control of promised goods and services to customers in an amount that reflects the consideration to which we expect to be entitled in exchange for those goods and services. This process begins with the identification of our contract with a customer, which is generally through a master services agreement, customer purchase order, or a combination thereof. Within each contract, judgement is applied to determine the extent to which activities within the contract represent distinct performance obligations to be delivered and the total amount of transaction price to which we expect to be entitled.

The transaction price determined is net of sales taxes, rebates and discounts, and after eliminating sales within the Group. Where a contract contains multiple performance obligations such as the provision of supplementary materials or online access with textbooks, revenue is allocated on the basis of relative standalone selling prices. Where a contract contains variable consideration, significant estimation is required to determine the amount to which the Group is expected to be entitled.

Revenue is recognised on contracts with customers when or as performance obligations are satisfied, which is the period or the point in time where control of goods or services transfers to the customer. Judgement is applied to determine first whether control passes over time and if not, then the point in time at which control passes. Where revenue is recognised over time, judgement is used to determine the method which best depicts the transfer of control. Where an input method is used, significant estimation is required to determine the progress towards delivering the performance obligation.

If a contract with a customer is modified (change of scope, price or both), management uses judgement to determine whether changes to existing rights and obligations should be accounted for as a separate contract or as an adjustment to the existing contracts. Adjustments to existing contracts are either accounted for prospectively or through a cumulative catch up adjustment.

Revenue from the sale of books is recognised net of a provision for anticipated returns. This provision is based primarily on historical return rates, customer buying patterns and retailer behaviours including stock levels. If these estimates do not reflect actual returns in future periods then revenue could be understated or overstated for a particular period. When the provision for returns is remeasured at each reporting date to reflect changes in estimates, a corresponding adjustment is also recorded to revenue.

The Group may enter into contracts with another party in addition to our customer. In making the determination as to whether revenue should be recognised on a gross or net basis, the contract with the customer is analysed to understand which party controls the relevant good or service prior to transferring to the customer. This judgement is informed by facts and circumstances of the contract in determining whether the Group has promised to provide the specified good or service or whether the Group is arranging for the transfer of the specified good or service, including which party is responsible for fulfilment, has discretion to set the price to the customer and is responsible for inventory risk. On certain contracts, where the Group acts as an agent, only commissions and fees receivable for services rendered are recognised as revenue. Any third-party costs incurred on behalf of the principal that are rechargeable under the contractual arrangement are not included in revenue.

Income from recharges of freight and other activities which are incidental to the normal revenue-generating activities is included in other income.

Additional details on the Group's revenue streams are also included in note 3.

Leases

1. The Group as a lessee – The Group assesses whether a contract is or contains a lease at the inception of the contract. A contract is, or contains, a lease, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group recognises a right-of-use asset and a lease liability at the lease commencement date with respect to all lease arrangements except for short-term leases (leases with a lease term of 12 months or less) and leases of low-value assets. For these leases, the lease payments are recognised as an operating expense on a straight-line basis over the term of the lease.

The right-of-use asset is initially measured at cost, comprising the initial amount of the lease liability plus any initial direct costs incurred and an estimate of costs to restore the underlying asset, less any lease incentives received. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the asset or the end of the lease term. The Group applies IAS 36 to determine whether a right-of-use asset is impaired. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the incremental borrowing rate. The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or a rate or a change in the Group's assessment of whether it will exercise an extension or termination option. When the lease liability is remeasured, a corresponding adjustment is made to the right-of-use asset.

Management uses judgement to determine the lease term where extension and termination options are available within the lease.

2. The Group as a lessor – When the Group is an intermediate lessor, the head lease and sublease are accounted for as two separate contracts. The head lease is accounted for as per the lessee policy above. The sublease is classified as a finance lease or operating lease by reference to the right-of-use asset arising from the head lease. Where the lease transfers substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease; all other leases are classified as operating leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Amounts due from lessees under finance subleases are recognised as receivables at the amount of the Group's net investment in the leases discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the discount rate used in the head lease.

Dividends

Final dividends are recorded in the Group's financial statements in the period in which they are approved by the company's shareholders. Interim dividends are recorded when paid.

Discontinued operations

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or meets the criteria to be classified as held for sale.

When applicable, discontinued operations are presented in the income statement as a separate line and are shown net of tax.

Assets and liabilities held for sale

Assets and liabilities are classified as held for sale and stated at the lower of carrying amount and fair value less costs to sell if it is highly probable that the carrying amount will be recovered principally through a sale transaction rather than through continuing use. No depreciation is charged in respect of non-current assets classified as held for sale. Amounts relating to non-current assets and liabilities held for sale are classified as discontinued operations in the income statement where appropriate.

Trade receivables

Trade receivables are stated at fair value after provision for bad and doubtful debts. Provisions for bad and doubtful debts are based on the expected credit loss model. The 'simplified approach' is used with the expected loss allowance measured at an amount equal to the lifetime expected credit losses. A provision for anticipated future sales returns is included within trade and other liabilities (also see Revenue recognition policy).

1b. Going concern

In assessing the Group's ability to continue as a going concern for the period to 30 June 2025, the Board reviewed management's five-year plan, which was used as the base case. The review included available liquidity throughout the period and headroom against the Group's two main covenants, which require net debt to EBITDA to be a maximum of four times and interest cover to be at least three times.

At 31 December 2023, the Group had available liquidity of c.£1bn, comprising central cash balances and its undrawn $1bn Revolving Credit Facility (RCF). The company's subsidiary Pearson Funding plc has a debt maturity of €300m due within the going concern assessment period and it is assumed that this is refinanced ahead of time with a £250m bond or bank facility. In both the base case and severe but plausible scenario, the business has sufficient liquidity to repay this amount and does not rely on this refinancing in order to remain a going concern. Significant liquidity and covenant headroom was observed throughout the assessment period in this base model.

A severe but plausible scenario was analysed, where the Group is impacted by all principal risks in both 2024 and 2025, adjusted for probability weighting as well as other significant risks. For this and other downside scenarios tested, the net impact of the risks modelled was to reduce adjusted operating profit by around 40% in each year. Even under a severe downside case, the company would maintain comfortable liquidity headroom and sufficient headroom against covenant requirements during the period under assessment. That is, even before modelling the mitigating effect of actions that management would take if these downside risks were to crystalise.

A reverse stress test was performed to identify the reduction in profit required to exhaust liquidity at 30 June 2025. The model showed that operating losses were required in both 2024 and 2025 to exhaust liquidity.

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 2025. The consolidated financial statements have therefore been prepared on a going concern basis.

1c. Climate change

The Group has assessed the impacts of climate change on the Group's financial statements, including our commitment to reducing our absolute scope 1, 2 and 3 carbon emissions by 50% by 2030, and the actions the Group intends to take to achieve those targets. The assessment did not identify any material impact on the Group's significant judgements or estimates at 31 December 2023, or the assessment of going concern for the period to June 2025 and the Group's viability over the next five years. Specifically, we have considered the following areas:

- The physical and transition risks associated with climate change; and
- The actions the Group is taking to meet its carbon reduction and net zero targets.

As a result, the Group has assessed the impacts of climate change on the financial statements, and in particular, on the following areas:

- The impact on the Group's future cash flows, and the resulting impact that such adjustments to our future cash flows would have on the outcome of the annual impairment testing of our goodwill balances (see note 11 for further details), the recognition of deferred tax assets and our assessment of going concern;
- The carrying value of the Group's assets, in particular the recoverable amounts of inventories, product development assets, intangible assets and property, plant and equipment; and
- Any changes to our estimates of the useful economic lives of product development assets, intangible assets and property, plant and equipment.

2. Segment information

There are five main global business divisions, which are each considered separate operating segments for management and reporting purposes, as these are reported separately to the Group's chief operating decision-maker, the Pearson Executive Management team. These five divisions are Assessment & Qualifications, Virtual Learning, English Language Learning, Higher Education and Workforce Skills. In addition, the International Courseware local publishing businesses, which were under strategic review, were being managed as a separate division, known as Strategic Review. In 2022, some of the businesses from the Strategic Review division were disposed of (see note 31).

The following describes the principal activities of the five main operating segments:

- Assessment & Qualifications – Pearson VUE, US School Assessment, Clinical Assessment, UK GCSE and A Levels and International academic qualifications and associated courseware including the English-speaking Canadian and Australian K-12 businesses, and PDRI;
- Virtual Learning – Virtual Schools and Online Program Management;
- English Language Learning – Pearson Test of English, Institutional Courseware and English Online Solutions;
- Workforce Skills – BTEC, GED, TalentLens, Faethm, Credly, Pearson College and Apprenticeships; and
- Higher Education – US, Canadian and International Higher Education Courseware businesses.

The Pearson Executive Management team evaluates and allocates resources to operating segments, and evaluates the performance of each of its operating segments on the basis of adjusted operating profit, which is considered to be the segment measure.

All figures in £ millions **Sales**	**2023**	2022	2021
Assessment & Qualifications	**1,559**	1,444	1,238
Virtual Learning	**616**	820	713
English Language Learning	**415**	321	238
Workforce Skills	**220**	204	172
Higher Education	**855**	898	849
Strategic Review	**9**	154	218
Total sales	**3,674**	3,841	3,428

All figures in £ millions **Adjusted operating profit**	**2023**	2022	2021
Assessment & Qualifications	**350**	258	219
Virtual Learning	**76**	70	32
English Language Learning	**47**	25	15
Workforce Skills	**(8)**	(3)	27
Higher Education	**110**	91	73
Strategic Review	**(2)**	15	19
Total adjusted operating profit	**573**	456	385

A reconciliation of the operating segments' measure of profit to profit for the year is provided below:

		2023	**2022**	**2021**
Adjusted operating profit		**573**	456	385
Cost of major restructuring		**–**	(150)	(214)
Property charges		**(11)**	–	–
Intangible charges		**(48)**	(56)	(51)
UK pension discretionary increases		**–**	(3)	–
Other net gains and losses		**(16)**	24	63
Operating profit		**498**	271	183
Finance costs	6	**(81)**	(71)	(68)
Finance income	6	**76**	123	62
Profit before tax		**493**	323	177
Income tax	7	**(113)**	(79)	1
Profit for the year		**380**	244	178

There were no material inter-segment sales in either 2023, 2022 or 2021.
Corporate costs are allocated to business segments on an appropriate basis depending on the nature of the cost and therefore the total segment result is equal to the Group operating profit.

2. Segment information continued

Adjusted operating profit is shown in the above tables as it is the key financial measure used by management to evaluate the performance of the Group. The measure also enables investors to more easily, and consistently, track the underlying operational performance of the Group and its business segments over time by separating out those items of income and expenditure relating to acquisition and disposal transactions, certain property charges, major restructuring programmes and certain other items that are also not representative of underlying performance, which are explained below and reconciled within this note.

Cost of major restructuring – In 2023, there are no costs of major restructuring. In 2022, the restructuring costs of £150m mainly related to staff redundancies and impairment of right of use property assets. The 2022 charge includes the impact of updated assumptions related to the recoverability of right-of-use assets made in 2021. In 2021, restructuring costs of £214m mainly related to the impairment of right-of-use property assets, the write-down of product development assets and staff redundancies. The costs of these restructuring programmes are significant enough to exclude from the adjusted operating profit measure so as to better highlight the underlying performance (see note 4).

Property charges – Charges of £11m relate to impairments of property assets arising from the impact of updates in 2023 to assumptions initially made during the 2022 and 2021 restructuring programmes.

Intangible charges – These represent charges relating to intangibles acquired through business combinations. These charges are excluded as they reflect past acquisition activity and do not necessarily reflect the current year performance of the Group. Intangible amortisation charges in 2023 were £48m compared to a charge of £56m in 2022. This is due to decreased amortisation from disposals partially offset by additional amortisation from recent acquisitions. In 2021, intangible charges were £51m. In all three years, there were no impairment charges.

Other net gains and losses – These represent profits and losses on the sale of subsidiaries, joint ventures, associates and other financial assets and are excluded from adjusted operating profit as they distort the performance of the Group as reported on a statutory basis. Other net gains and losses also includes costs related to business closures and acquisitions. Other net gains and losses in 2023 relate to the gain on the disposal of the POLS business and gains related to the release of accruals and a provision related to historical acquisitions, offset by losses on the disposal of Pearson College and costs related to current and prior year disposals and acquisitions. In 2022, they related to the gains on the disposal of our international courseware local publishing businesses in Europe, French-speaking Canada and Hong Kong and a gain arising on a decrease in the deferred consideration payable on prior year acquisitions, offset by a loss on disposal of our international courseware local publishing businesses in South Africa due to recycling of currency translation adjustments and costs related to disposals and acquisitions. Other net gains and losses in 2021 largely related to the disposal of PIHE and the disposal of the K12 Sistemas business in Brazil offset by costs related to the acquisition of Faethm and the wind down of certain strategic review businesses.

UK pension discretionary increases – Charges in 2022 relate to one-off pension increases awarded to certain cohorts of pensioners in response to the cost of living crisis.

Adjusted operating profit should not be regarded as a complete picture of the Group's financial performance. For example, adjusted operating profit includes the benefits of major restructuring programmes but excludes the significant associated costs, and adjusted operating profit excludes costs related to acquisitions, and the amortisation of intangibles acquired in business combinations, but does not exclude the associated revenue. The Group's definition of adjusted operating profit may not be comparable to other similarly titled measures reported by other companies.

The Group operates in the following main geographic areas:

	Sales			Non-current assets	
All figures in £ millions	**2023**	2022	2021	**2023**	2022
UK	**450**	424	355	**518**	527
Other European countries	**130**	192	249	**179**	192
US	**2,504**	2,668	2,182	**2,320**	2,333
Canada	**83**	110	111	**186**	243
Asia Pacific	**386**	290	359	**186**	200
Other countries	**121**	157	172	**20**	17
Total	**3,674**	3,841	3,428	**3,409**	3,512

Sales are allocated based on the country in which the customer is located. This does not differ materially from the location where the order is received. The geographical split of non-current assets is based on the subsidiary's country of domicile. This is not materially different to the location of the assets. Non-current assets comprise investment property, property, plant and equipment, intangible assets and investments in joint ventures and associates.

3. Revenue from contracts with customers

The following tables analyse the Group's revenue streams. Courseware includes curriculum materials provided in book form and/or via access to digital content. Assessments includes integrated test development, processing and scoring services provided to governments, educational institutions, corporations and professional bodies. Services includes the operation of schools, colleges and universities, as well as the provision of online learning services in partnership with universities and other academic institutions.

The Group derived revenue from the transfer of goods and services over time and at a point in time in the following major product lines:

							2023
All figures in £ millions	**Assessment & Qualifications**	**Virtual Learning**	**English Language Learning**	**Workforce Skills**	**Higher Education**	**Strategic Review**	**Total**
Courseware							
Products transferred at a point in time	**57**	–	**135**	**2**	**254**	**9**	**457**
Products and services transferred over time	**20**	–	**15**	–	**595**	–	**630**
	77	–	**150**	**2**	**849**	**9**	**1,087**
Assessments							
Products transferred at a point in time	**198**	–	**5**	**5**	–	–	**208**
Products and services transferred over time	**1,284**	–	**204**	**170**	–	–	**1,658**
	1,482	–	**209**	**175**	–	–	**1,866**
Services							
Products transferred at a point in time	–	–	**35**	–	–	–	**35**
Products and services transferred over time	–	**616**	**21**	**43**	**6**	–	**686**
	–	**616**	**56**	**43**	**6**	–	**721**
Total	**1,559**	**616**	**415**	**220**	**855**	**9**	**3,674**

							2022
All figures in £ millions	Assessment & Qualifications	Virtual Learning	English Language Learning	Workforce Skills	Higher Education	Strategic Review	Total
Courseware							
Products transferred at a point in time	64	–	110	2	302	148	626
Products and services transferred over time	21	–	25	–	588	6	640
	85	–	135	2	890	154	1,266
Assessments							
Products transferred at a point in time	169	–	5	14	–	–	188
Products and services transferred over time	1,190	–	138	142	–	–	1,470
	1,359	–	143	156	–	–	1,658
Services							
Products transferred at a point in time	–	–	29	–	–	–	29
Products and services transferred over time	–	820	14	46	8	–	888
	–	820	43	46	8	–	917
Total	1,444	820	321	204	898	154	3,841

3. Revenue from contracts with customers continued

All figures in £ millions	Assessment & Qualifications	Virtual Learning	English Language Learning	Workforce Skills	Higher Education	Strategic Review	2021 Total
Courseware							
Products transferred at a point in time	62	–	109	–	283	180	634
Products and services transferred over time	30	–	26	–	558	17	631
	92	–	135	–	841	197	1,265
Assessments							
Products transferred at a point in time	173	–	6	16	–	–	195
Products and services transferred over time	973	–	72	119	–	–	1,164
	1,146	–	78	135	–	–	1,359
Services							
Products transferred at a point in time	–	–	22	–	–	14	36
Products and services transferred over time	–	713	3	37	8	7	768
	–	713	25	37	8	21	804
Total	1,238	713	238	172	849	218	3,428

a. Nature of goods and services

The following is a description of the nature of the Group's performance obligations within contracts with customers broken down by revenue stream, along with significant judgements and estimates made within each of those revenue streams.

Courseware

Revenue is generated from customers through the sales of print and digital courseware materials to schools, bookstores and direct to individual learners. Goods and services may be sold separately or purchased together in bundled packages. The goods and services included in bundled arrangements are considered distinct performance obligations, except for where Pearson provides both a licence of intellectual property and an ongoing hosting service. As the licence of intellectual property is only available with the concurrent hosting service, the licence is not treated as a distinct performance obligation separate from the hosting service.

The transaction price is allocated between distinct performance obligations on the basis of their relative standalone selling prices.

In determining the transaction price, variable consideration exists in the form of discounts and anticipated returns. Discounts reduce the transaction price on a given transaction. A provision for anticipated returns is made based primarily on historical return rates, customer buying patterns and retailer behaviours including stock levels. If these estimates do not reflect actual returns in future periods then revenue could be understated or overstated for a particular period. Variable consideration as described above is determined using the expected value approach. The sales return liability at the end of 2023 was £31m (2022: £53m; 2021: £83m).

While payment for these goods and services generally occurs at the start of these arrangements, the length of time between payment and delivery of the performance obligations is generally short-term in nature or the reason for early payment relates to reasons other than financing, including customers securing a vendor in a longer-term arrangement or the transfer of goods or services is at the discretion of the customer. For these reasons and the use of the practical expedient on short-term financing, significant financing components are not recognised within Courseware transactions.

Revenue from the sale of physical books is recognised at a point in time when control passes. This is generally at the point of shipment when title passes to the customer, when the Group has a present right to payment and the significant risks and rewards of ownership have passed to the customer. Revenue from physical books sold through the direct print rental method is recognised over the rental period, as the customer is simultaneously receiving and consuming the benefits of this rental service through the passage of time.

Revenue from the sale of digital courseware products is recognised on a straight-line basis over the subscription period, unless hosted by a third party or representative of a downloadable product, in which case Pearson has no ongoing obligation and recognises revenue when control transfers as the customer is granted access to the digital product.

Revenue from the sale of 'off-the-shelf' software is recognised on delivery or on installation of the software where that is a condition of the contract. In certain circumstances, where installation is complex, revenue is recognised when the customer has completed their acceptance procedures.

Assessments

Revenue is primarily generated from multi-year contractual arrangements related to large-scale assessment delivery, such as contracts to process qualifying tests for individual professions and government departments, and is recognised as performance occurs. Under these arrangements, while the agreement spans multiple years, the contract duration has been determined to be each testing cycle based on contract structure, including clauses regarding termination.

While in some cases the customer may have the ability to terminate during the term for convenience, significant financial or qualitative barriers exist limiting the potential for such terminations in the middle of a testing cycle.

Within each testing cycle, a variety of service activities are performed such as test administration, delivery, scoring, reporting, item development, operational services and programme management. These services are not treated as distinct in the context of the customer contract as Pearson provides an integrated managed service offering and these activities are accounted for together as one comprehensive performance obligation.

Within each testing cycle, the transaction price may contain both fixed and variable amounts. Variable consideration within these transactions primarily relates to expected testing volumes to be delivered in the cycle. The assumptions, risks and uncertainties inherent to long-term contract accounting can affect the amounts and timing of revenue and related expenses reported. Variable consideration is measured using the expected value method, except where amounts are contingent upon a future event's occurrence, such as performance bonuses. Such event-driven contingency payments are measured using the most likely amount approach. In estimating and constraining variable consideration, historical experience, current trends and local market conditions are considered. To the extent that a higher degree of uncertainty exists regarding variable consideration, these amounts are excluded from the transaction price and recognised when the uncertainty is reasonably removed.

Customer payments are generally defined in the contract through a payment schedule, which may require customer acceptance for services rendered. Pearson has a history of providing satisfactory services which are accepted by the customer. While a delay between rendering of services and payment may exist, payment terms are within 12 months and the Group has elected to use the practical expedient available in IFRS 15 'Revenue from Contracts with Customers' and not identify a significant financing component on these transactions.

Revenue is recognised for Assessment contracts over time as the customer is benefiting as performance takes place through a continuous transfer of control to the customer. This continuous transfer of control to the customer is supported by clauses in the contracts which may allow the customer to terminate for convenience, compensate us for work performed to date, and take possession of work in process.

As control transfers over time, revenue is recognised based on the extent of progress towards completion of the performance obligation. The selection of the method to measure progress towards completion requires judgement and is based on the nature of the services provided. Revenue is recognised on a percentage of costs basis, calculated using the proportion of the total estimated costs incurred to date. The proportion of estimated costs incurred to date is primarily based on historical cost analysis for similar groups of contracts, with regular true-ups to contract costs throughout the contract period. Percentage of completion is used to recognise the transfer of control of services provided as these services are not provided evenly throughout the testing cycle and involve varying degrees of effort during the contract term.

Losses on contracts are recognised in the period in which the loss first becomes foreseeable. Contract losses are determined to be the amount by which estimated total costs of the contract exceed the estimated total revenue that will be generated.

In Assessments contracts driven primarily by transactions directly to end users, Pearson's main obligation to the customer involves test delivery and scoring. Test delivery and scoring are defined as a single performance obligation delivered over time whether the test is subsequently manually scored or digitally scored on the day of the assessment. Customers may also purchase print and digital supplemental materials. Print products in this revenue stream are recognised at a point in time when control passes to the customer upon shipment. Recognition of digital revenue will occur based on the extent of Pearson's ongoing hosting obligation.

3. Revenue from contracts with customers continued

Services

Revenue is primarily generated from multi-year contractual arrangements related to large-scale educational service delivery to academic institutions, such as schools and higher education universities. Under these arrangements, while an agreement may span multiple years, the contract duration has been determined to be each academic period based on the structure of contracts, including clauses regarding termination. While in some cases the customer may have the ability to terminate during the term for convenience, significant financial or qualitative barriers exist limiting the potential for such terminations in the middle of an academic period. The academic period for this customer base is normally an academic year for schools and a semester for higher education universities.

Within each academic period, a variety of services are provided such as programme development, student acquisition, education technology and student support services. These services are not distinct in the context of the customer contract as Pearson provides an integrated managed service offering and these activities are accounted for together as a comprehensive performance obligation.

Where Services are provided to university customers, volume and transaction price are fixed at the start of the semester. Where Services are provided to school customers, the transaction price may contain both fixed and variable amounts which require estimation during the academic period. Estimation is required where consideration is based upon average enrolments or other metrics which are not known at the start of the academic year. Variable consideration is measured using the expected value method. Historical experience, current trends, local circumstances and customer-specific funding formulas are considered in estimating and constraining variable consideration. To the extent that a higher degree of uncertainty exists regarding variable consideration, these amounts are excluded from the transaction price and recognised when the uncertainty is reasonably removed.

Customer payments are generally defined in the contract as occurring shortly after invoicing. Where there is a longer payment term offered to a customer through a payment schedule, payment terms are within 12 months and the Group has elected to use the practical expedient available in IFRS 15 and not identify a significant financing component on these transactions.

Revenue is recognised for Service contracts over time as the customer is benefiting as performance takes place through a continuous transfer of control to the customer. This continuous transfer of control to the customer is supported by clauses in the contracts which may allow the customer to terminate for convenience, compensate for work performed to date, and take possession of work in process.

As control transfers over time, revenue is recognised based on the extent of progress towards completion of the performance obligation. The selection of the method to measure progress towards completion requires judgement and is based on the nature of the products or services provided. Within the comprehensive service obligation, the timing of services occurs relatively evenly over each academic period and, as such, time elapsed is used to recognise the transfer of control to the customer on a straight-line basis.

Losses on contracts are recognised in the period in which the loss first becomes foreseeable. Contract losses are determined to be the amount by which estimated total costs of the contract exceed the estimated total revenue that will be generated.

In cases of optional or add-on purchases, institutions may purchase physical goods priced at their standalone value, which are accounted for separately and recognised at the point in time when control passes to the customer upon shipment.

b. Disaggregation of revenue

The tables in notes 2 and 3 show revenue from contracts with customers disaggregated by operating segment, geography and revenue stream. These disaggregation categories are appropriate as they represent the key groupings used in managing and evaluating underlying performance of each of the businesses. The categories also reflect groups of similar types of transactional characteristics, among similar customers, with similar accounting conclusions.

c. Contract balances

Transactions within the Courseware revenue stream generally entail customer billings at or near the contract's inception and accordingly Courseware deferred income balances are primarily related to subscription performance obligations to be delivered over time.

Transactions within the Assessments and Services revenue streams generally entail customer billings over time based on periodic intervals, progress towards milestones or enrolment census dates. As the performance obligations within these arrangements are delivered over time, the extent of accrued income or deferred income will ultimately depend upon the difference between revenue recognised and billings to date.

Refer to note 22 for opening and closing balances of accrued income. Refer to note 24 for opening and closing balances of deferred income. Revenue recognised during the period from changes in deferred income was driven primarily by the release of revenue over time from digital subscriptions.

d. Contract costs

The Group capitalises incremental costs to obtain contracts with customers where it is expected these costs will be recoverable. Incremental costs to obtain contracts with customers are considered those which would not have been incurred if the contract had not been obtained. For the Group, these costs relate primarily to sales commissions. The Group has elected to use the practical expedient as allowable by IFRS 15 whereby such costs will be expensed as incurred where the expected amortisation period is one year or less. Where the amortisation period is greater than one year, these costs are amortised over the contract term on a systematic basis consistent with the transfer of the underlying goods and services within the contract to which these costs relate, which will generally be on a rateable basis.

The Group does not recognise any material costs to fulfil contracts with customers as these types of activities are governed by other accounting standards.

e. Remaining transaction price

The below table depicts the remaining transaction price on unsatisfied or partially unsatisfied performance obligations from contracts with customers.

							2023
All figures in £ millions	Sales	Deferred income	Committed sales	Total remaining transaction price	2024	2025	2026 and later
Courseware							
Products transferred at a point in time	457	–	–	–	–	–	–
Products and services transferred over time	630	78	–	78	38	15	25
Assessments							
Products transferred at a point in time	208	1	–	1	1	–	–
Products and services transferred over time	1,658	261	332	593	496	94	3
Services							
Products transferred at a point in time	35	–	–	–	–	–	–
Products and services transferred over time – subscriptions	660	12	–	12	11	1	–
Products and services transferred over time – other	26	16	234	250	250	–	–
Total	3,674	368	566	934	796	110	28

							2022
All figures in £ millions	Sales	Deferred income	Committed sales	Total remaining transaction price	2023	2024	2025 and later
Courseware							
Products transferred at a point in time	626	1	–	1	1	–	–
Products and services transferred over time	640	95	–	95	56	14	25
Assessments							
Products transferred at a point in time	188	–	–	–	–	–	–
Products and services transferred over time	1,470	262	472	734	524	206	4
Services							
Products transferred at a point in time	29	–	–	–	–	–	–
Products and services transferred over time – subscriptions	351	20	7	27	27	–	–
Products and services transferred over time – other	537	22	225	247	247	–	–
Total	3,841	400	704	1,104	855	220	29

3. Revenue from contracts with customers continued

e. Remaining transaction price continued

All figures in £ millions	Sales	Deferred income	Committed sales	Total remaining transaction price	2022	2023	2024 and later
	2021						
Courseware							
Products transferred at a point in time	634	1	–	1	1	–	–
Products and services transferred over time	631	93	–	93	60	11	22
Assessments							
Products transferred at a point in time	195	–	–	–	–	–	–
Products and services transferred over time	1,164	255	442	697	503	191	3
Services							
Products transferred at a point in time	36	–	–	–	–	–	–
Products and services transferred over time – subscriptions	290	13	10	23	23	–	–
Products and services transferred over time – other	478	24	220	244	244	–	–
Total	3,428	386	672	1,058	831	202	25

Committed sales amounts are equal to the transaction price from contracts with customers, excluding those amounts previously recognised as revenue and amounts currently recognised in deferred income. The total of committed sales and deferred income is equal to the remaining transaction price. Time bands stated above represent the expected timing of when the remaining transaction price will be recognised as revenue.

4. Operating expenses

All figures in £ millions	2023	2022	2021
By function:			
Cost of goods sold	**1,839**	2,046	1,747
Operating expenses			
Distribution costs	**47**	61	62
Selling, marketing and product development costs	**549**	564	521
Administrative and other expenses	**767**	823	802
Restructuring costs	**–**	150	214
Other income	**(41)**	(49)	(37)
Total net operating expenses	**1,322**	1,549	1,562
Other net gains and losses	**16**	(24)	(63)
Total	**3,177**	3,571	3,246

Other income includes freight income and sublet income. Included in administrative and other expenses are research and efficacy costs of £8m (2022: £10m; 2021: £12m). In 2023, other net gains and losses relate to the gain on the disposal of the POLS business and gains related to the release of accruals and a provision related to historical acquisitions, offset by losses on the disposal of Pearson College and costs related to current and prior year disposals and acquisitions. Other net gains in 2022, largely relate to the gain on the sales of certain businesses (see note 31) and a gain arising on a decrease in the deferred consideration payable on prior year acquisitions, offset by costs related to disposals and acquisitions. In 2021, other net gains and losses largely relate to the sale of interests in PIHE in South Africa and the school business in Brazil.

In 2023, there are no costs of major restructuring. In 2022, the restructuring costs of £150m mainly related to staff redundancies and impairment of right-of-use property assets. The 2022 charge includes the impact of updated assumptions related to the recoverability of right-of-use assets made in 2021. In 2023, charges of £11m relating to impairments of property assets arising from the impact of updates to assumptions made during the 2022 and 2021 restructuring programmes are included within administrative and other expenses.

All figures in £ millions	Notes	2023	2022	2021
By nature:				
Royalties expensed		**164**	194	185
Other product costs		**393**	412	353
Employee benefit expense	5	**1,467**	1,605	1,365
Contract labour		**70**	73	69
Employee-related expense		**60**	52	21
Promotional costs		**146**	268	239
Depreciation and impairment of property, plant and equipment and investment property and assets held for sale	10	**90**	136	241
Amortisation and impairment of intangible assets – product development	20	**284**	303	279
Amortisation and impairment of intangible assets – software	11	**123**	125	117
Amortisation and impairment of intangible assets – other	11	**46**	54	50
Property and facilities		**82**	102	124
Technology and communications		**215**	221	215
Professional and outsourced services		**443**	501	477
Other general and administrative costs		**43**	76	58
Costs capitalised		**(424)**	(478)	(447)
Other net gains and losses		**16**	(24)	(63)
Other income		**(41)**	(49)	(37)
Total		**3,177**	3,571	3,246

4. Operating expenses continued

During the year the Group obtained the following services from the Group's auditors, which changed to EY in 2022 and was PwC in 2021:

All figures in £ millions	2023	2022	2021
The audit of parent company and consolidated financial statements	8	6	5
The audit of the company's subsidiaries	2	1	2
Total audit fees*	10	7	7
Audit-related and other assurance services	–	–	–
Other non-audit services	–	–	–
Total other services	–	–	–
Total non-audit services	–	–	–
Total	10	7	7

Reconciliation between audit and non-audit service fees is shown below:

All figures in £ millions	2023	2022	2021
Group audit fees including fees for attestation under section 404 of the Sarbanes-Oxley Act	10	7	7
Non-audit fees	–	–	–
Total	10	7	7

* Includes fees in connection with the interim review, preliminary announcement and controls audit required under Section 404 of the Sarbanes Oxley Act. In total this amounted to £1m in each of the years presented.

5. Employee information

All figures in £ millions	Notes	2023	2022	2021
Employee benefit expense				
Wages and salaries (including termination costs)		1,252	1,382	1,180
Social security costs		107	113	95
Share-based payment costs	26	37	35	28
Retirement benefits – defined contribution plans	25	45	46	37
Retirement benefits – defined benefit plans	25	26	29	25
Total		1,467	1,605	1,365

An additional £3m of share-based payment costs (2022: £3m; 2021: £nil) in respect of remuneration for post-acquisition services for recent acquisitions is included in other net gains and losses in the income statement.

The details of the emoluments of the Directors of Pearson plc are shown in the report on Directors' remuneration.

Average number employed	2023	2022	2021
Employee numbers			
UK	3,045	3,244	3,395
Other European countries	633	809	878
US	10,125	11,357	11,757
Canada	398	522	593
Asia Pacific	3,257	3,369	2,738
Other countries	902	1,137	1,383
Total	18,360	20,438	20,744

6. Net finance costs

All figures in £ millions	Notes	2023	2022	2021
Interest payable on financial liabilities at amortised cost and associated derivatives		**(34)**	(32)	(30)
Interest on lease liabilities	35	**(23)**	(25)	(27)
Interest on deferred and contingent consideration		**(4)**	(5)	–
Interest on provisions for uncertain tax positions		**–**	(7)	(11)
Fair value movement on derivatives		**(20)**	(2)	–
Finance costs		**(81)**	(71)	(68)
Interest receivable on financial assets at amortised cost		**16**	18	5
Interest on lease receivables	35	**4**	5	6
Net finance income in respect of retirement benefits	25	**26**	9	4
Fair value remeasurement of disposal proceeds		**–**	–	6
Fair value movements on investments held at fair value	15	**13**	28	20
Net foreign exchange gains		**3**	1	1
Interest on provisions for uncertain tax positions		**4**	35	–
Fair value movement on derivatives		**10**	27	20
Finance income		**76**	123	62
Net finance (costs)/income		**(5)**	52	(6)

Net movement in the fair value of hedges is further explained in note 16. Derivatives not in a hedge relationship include fair value movements in the interest rate and cross-currency interest rate swaps.

7. Income tax

All figures in £ millions	Notes	2023	2022	2021
Current tax				
Charge in respect of current year		**(105)**	(127)	(103)
Adjustments in respect of prior years		**20**	18	(12)
Total current tax charge		**(85)**	(109)	(115)
Deferred tax				
In respect of temporary differences		**(11)**	29	103
Other adjustments in respect of prior years		**(17)**	1	13
Total deferred tax (charge)/credit	13	**(28)**	30	116
Total tax (charge)/credit		**(113)**	(79)	1

7. Income tax continued

The adjustments in respect of prior years in 2023 and 2021 primarily arise from revising the previous year's reported tax provision to reflect the tax returns subsequently filed, whilst in 2022, the difference is primarily due to movements in provisions for tax uncertainties. This results in a change between deferred and current tax as well as an absolute benefit to the total tax charge. The tax on the Group's profit before tax differs from the theoretical amount that would arise using the UK tax rate as follows:

All figures in £ millions	**2023**	2022	2021
Profit before tax	**493**	323	177
Tax calculated at UK rate (2023: 23.5%; 2022: 19%; 2021: 19%)	**(116)**	(62)	(34)
Effect of overseas tax rates	**(1)**	(12)	(24)
Effect of UK rate change	**(1)**	3	25
Intra-group financing benefit	**–**	–	7
Net expense not subject to tax	**(3)**	(9)	(9)
Gains and losses on sale of businesses not subject to tax	**5**	2	4
Unrecognised tax losses	**1**	3	9
Benefit from changes in local tax law	**–**	–	11
Benefit from US accounting method changes	**–**	–	11
Movement in provisions for tax uncertainties – current year	**(2)**	(23)	–
Adjustments in respect of prior years – movement in provisions for tax uncertainties	**1**	13	–
Adjustments in respect of prior years – other	**3**	6	1
Total tax (charge)/credit	**(113)**	(79)	1
UK	**(54)**	(41)	27
Overseas	**(59)**	(38)	(26)
Total tax (charge)/credit	**(113)**	(79)	1
Tax rate reflected in earnings	**23.0%**	24.5%	(0.6)%

KJ Key judgements

— The application of tax legislation in relation to provisions for uncertain tax positions.

KE Key areas of estimation

— The level of provisions required in relation to uncertain tax positions is complex and each matter is separately assessed. The estimation of future settlement amounts is based on a number of factors including the status of the unresolved matter, clarity of legislation, range of possible outcomes and the statute of limitations.

Included in net expense not subject to tax are foreign taxes not creditable, the tax impact of share-based payments and other expenses not deductible.

Factors which may affect future tax charges include changes in tax legislation, transfer pricing regulations, the level and mix of profitability in different countries, and settlements with tax authorities.

UK legislation in relation to Pillar Two was substantively enacted on 20 June 2023 and was effective from 1 January 2024. The Group is in scope of this legislation and has performed an assessment of the Group's potential exposure to Pillar Two income taxes. The assessment of the potential exposure to Pillar Two income taxes is based on the most recent financial information available for the constituent entities in the Group. Based on the assessment, the Pillar Two effective tax rates in most of the jurisdictions in which the Group operates are above 15%. However, there are a limited number of jurisdictions where the transitional safe harbour relief does not apply and the Pillar Two effective tax rate is close to 15%. The Group does not expect a material exposure to Pillar Two income taxes in those jurisdictions.

The movement in provisions for tax uncertainties primarily reflects releases due to the expiry of relevant statutes of limitation, settlement of certain audits and reassessment of existing exposures based on currently available information and tax authority correspondence. The current tax liability of £32m (2022: £43m; 2021: £125m) includes £27m (2022: £28m; 2021: £104m) of provisions for tax uncertainties principally in respect of several matters in the US and the UK.

The Group is currently under audit in several countries, and the timing of any resolution of these audits is uncertain. In most countries, tax years up to and including 2018 are now statute barred from examination by tax authorities, however, a balance of £1m relates to certain remaining open issues. Of the remaining £26m balance, £12m relates to 2019, £4m to 2020, £4m to 2021, £3m to 2022 and £3m to 2023. The tax authorities may take a different view from management and the final liability may be greater or lower than provided.

The matters provided for include a provision of £63m related to the potential EU State Aid exposure and the potential disallowance of intra-group charges. In relation to the potential EU State Aid exposure, a payment was made in 2022 in relation to the maximum potential exposure with the provision of £63m offset against this resulting in a £41m non-current tax debtor.

Refer to note 34 for details of other uncertain tax positions.

The tax benefit/(charge) recognised in other comprehensive income is as follows:

All figures in £ millions	**2023**	2022	2021
Net exchange differences on translation of foreign operations	**–**	4	10
Fair value gains on other financial assets	**–**	1	(1)
Remeasurement of retirement benefit obligations	**20**	(12)	(61)
	20	(7)	(52)

8. Earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to equity shareholders of the company (earnings) by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by the company and held as treasury shares.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares to take account of all dilutive potential ordinary shares and adjusting the profit attributable, if applicable, to account for any tax consequences that might arise from conversion of those shares.

Certain contingently issuable shares vested on 31 December 2023 and 31 December 2022 but have not yet been issued, these shares are considered dilutive but do not materially impact basic EPS.

All figures in £ millions	2023	2022	2021
Earnings for the year	380	244	178
Non-controlling interest	(2)	(2)	(1)
Earnings attributable to equity shareholders	378	242	177
Weighted average number of shares (millions)	711.5	738.1	754.1
Effect of dilutive share options (millions)	5.8	3.9	5.0
Weighted average number of shares (millions) for diluted earnings	717.3	742.0	759.1
Earnings per share (in pence per share)			
Basic	53.1p	32.8p	23.5p
Diluted	52.7p	32.6p	23.3p

9. Dividends

All figures in £ millions	2023	2022	2021
Final paid in respect of prior year 14.9p (2022: 14.2p; 2021: 13.5p)	106	107	102
Interim paid in respect of current year 7.0p (2022: 6.6p; 2021: 6.3p)	49	49	47
	155	156	149

The Directors are proposing a final dividend in respect of the financial year ended 31 December 2023 of 15.7p per equity share which will absorb an estimated £107m of shareholders' funds. It will be paid on 3 May 2024 to shareholders who are on the register of members on 22 March 2024. These financial statements do not reflect this dividend as a liability.

10. Property, plant and equipment and investment property

		Right-of-use assets		Owned assets			
All figures in £ millions	Investment property	Land and buildings	Plant and equipment	Land and buildings	Plant and equipment	Assets in the course of construction	Total
Cost							
At 1 January 2022	–	465	5	226	250	29	975
Exchange differences	–	30	–	18	23	–	71
Additions	22	33	1	4	8	33	101
Transfers to investment property	174	(141)	–	(32)	(1)	–	–
Disposals of businesses (see note 31)	–	(10)	–	(1)	(8)	–	(19)
Disposals and retirements	(6)	(23)	(1)	(5)	(39)	–	(74)
Reclassifications and transfers	–	–	–	13	27	(40)	–
Transfer to assets classified as held for sale	–	–	–	(45)	(3)	–	(48)
At 31 December 2022	190	354	5	178	257	22	1,006
Exchange differences	–	(14)	–	(9)	(11)	(1)	(35)
Additions	24	26	1	–	6	24	81
Transfers to investment property	–	–	–	–	–	–	–
Disposals of businesses (note 31)	–	–	–	(4)	(3)	(2)	(9)
Disposals and retirements	–	(29)	(1)	(10)	(36)	–	(76)
Reclassifications and transfers	–	–	–	10	24	(34)	–
Transfer to assets classified as held for sale	–	–	–	–	–	–	–
At 31 December 2023	214	337	5	165	237	9	967

10. Property, plant and equipment and investment property continued

		Right-of-use assets		Owned assets			
All figures in £ millions	Investment property	Land and buildings	Plant and equipment	Land and buildings	Plant and equipment	Assets in the course of construction	Total
Depreciation and impairment							
At 1 January 2022	–	(269)	(5)	(136)	(199)	–	(609)
Exchange differences	–	(17)	–	(14)	(18)	–	(49)
Transfers to investment property	(105)	101	–	3	1	–	–
Charge for the year	(6)	(44)	(1)	(13)	(26)	–	(90)
Disposals of businesses (note 31)	–	2	–	1	5	–	8
Disposals and retirements	–	13	1	5	39	–	58
Reclassifications and transfers	–	–	–	–	–	–	–
Impairment	(19)	(15)	–	(9)	(3)	–	(46)
Transfer to assets classified as held for sale	–	–	–	30	2	–	32
At 31 December 2022	(130)	(229)	(5)	(133)	(199)	–	(696)
Exchange differences	**–**	**12**	**–**	**6**	**10**	**–**	**28**
Charge for the year	**(5)**	**(38)**	**(1)**	**(10)**	**(25)**	**–**	**(79)**
Disposals of businesses (note 31)	**–**	**–**	**–**	**2**	**2**	**–**	**4**
Disposals and retirements	**–**	**28**	**1**	**10**	**35**	**–**	**74**
Reclassifications and transfers	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Impairment	**–**	**(2)**	**–**	**–**	**–**	**–**	**(2)**
Transfer to assets classified as held for sale	**–**	**–**	**–**	**–**	**–**	**–**	**–**
At 31 December 2023	**(135)**	**(229)**	**(5)**	**(125)**	**(177)**	**–**	**(671)**
Carrying amounts							
At 1 January 2022	–	196	–	90	51	29	366
At 31 December 2022	60	125	–	45	58	22	310
At 31 December 2023	**79**	**108**	–	**40**	**60**	**9**	**296**

KE Key areas of estimation

— The recoverability of right-of-use assets and in particular assumptions related to the ability to sublease vacant leased assets in the future.

Depreciation expense of £40m (2022: £45m; 2021: £40m) has been included in the income statement in cost of goods sold and £39m (2022: £45m; 2021: £55m) in operating expenses. The impairment charge of £2m (2022: £46m; 2021: £146m) has been included within operating expenses within the income statement.

Property, plant and equipment (including investment property) assets are assessed for impairment triggers annually or when triggering events occur. In 2022 and 2021, as part of a major restructuring programme, the Group continued to simplify its property portfolio, reducing the overall office space required. All property related assets were assessed for impairment as a result of this triggering event and impairment charges of £46m in 2022 and £141m in 2021 recognised within costs of major restructuring (see note 4 for details). In 2023, there were impairment charges of £11m in respect of property assets including £9m in relation to property assets which are classified as assets held for sale. The recoverability of certain of the Group's right-of-use assets is now based on the Group's ability to sublease vacant space. This involves the use of assumptions related to future subleases including the achievable rent, lease start dates, lease incentives such as rent free periods and the discount rate applied. Should the future sublease outcomes be more or less favourable than the assumptions used by management this could result in additional impairment charges or reversals of impairment charges.

In 2023, total additions to right-of-use-assets are £42m (2022: £49m) including £15m (2022: £15m) in respect of investment property.

Investment property

Buildings, or portions of buildings, that are no longer occupied by the Group and are held for operating lease rental are classified as investment property. Investment property includes both, right-of-use assets and owned assets. The Group recognised rental income of £6m (2022: £3m; 2021 £nil) in relation to properties classified as investment property. Investment property is measured using the cost model. As a result of recent impairments, the fair value of investment property is equal to the carrying value. The fair value of investment property has been determined using a discounted cash flow model. The valuation model is internally generated but uses inputs from external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The valuations require the application of judgement and involve the use of known inputs for existing contracted subleases as well as assumptions related to future potential subleases including the achievable rent, lease start dates, lease incentives such as rent free periods and the discount rate applied. The fair value measurement of investment properties has been classified as level 3 within the fair value hierarchy based on the inputs and valuation technique used. Should the future sublease outcomes be more or less favourable than the assumptions used by management this could result in additional impairment charges or reversals of impairment charges.

11. Intangible assets

All figures in £ millions	Goodwill	Software	Acquired customer lists, contracts and relationships	Acquired trademarks and brands	Acquired publishing rights	Other intangibles acquired	Total
Cost							
At 1 January 2022	2,145	1,087	741	168	97	321	4,559
Exchange differences	206	83	80	20	5	44	438
Additions – internal development	–	86	–	–	–	–	86
Additions – purchased	–	4	–	–	–	–	4
Disposals and retirements	–	(131)	–	–	–	–	(131)
Acquisition of subsidiary (note 30)	204	–	37	6	1	66	314
Disposal of businesses (note 31)	(75)	(9)	(20)	(8)	–	(1)	(113)
Transfers	–	(5)	–	–	–	–	(5)
At 31 December 2022	**2,480**	**1,115**	**838**	**186**	**103**	**430**	**5,152**
Exchange differences	**(107)**	**(40)**	**(42)**	**(5)**	**(3)**	**(12)**	**(209)**
Additions – internal development	**–**	**96**	**–**	**–**	**–**	**–**	**96**
Additions – purchased	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Disposals and retirements	**–**	**(18)**	**–**	**(1)**	**–**	**(3)**	**(22)**
Acquisition of subsidiary (note 30)	**61**	**–**	**82**	**6**	**–**	**29**	**178**
Disposal of businesses (note 31)	**–**	**(15)**	**(298)**	**(2)**	**–**	**–**	**(315)**
Transfers	**–**	**(1)**	**–**	**–**	**–**	**–**	**(1)**
At 31 December 2023	**2,434**	**1,137**	**580**	**184**	**100**	**444**	**4,879**

All figures in £ millions	Goodwill	Software	Acquired customer lists, contracts and relationships	Acquired trademarks and brands	Acquired publishing rights	Other intangibles acquired	Total
Amortisation and impairment							
At 1 January 2022	–	(657)	(620)	(138)	(96)	(279)	(1,790)
Exchange differences	–	(49)	(65)	(16)	(5)	(37)	(172)
Charge for the year	–	(125)	(33)	(8)	–	(13)	(179)
Disposals and retirements	–	130	–	–	–	–	130
Disposal of businesses (note 31)	–	8	20	7	–	1	36
Transfers	–	–	–	–	–	–	–
At 31 December 2022	**–**	**(693)**	**(698)**	**(155)**	**(101)**	**(328)**	**(1,975)**
Exchange differences	**–**	**24**	**31**	**4**	**3**	**9**	**71**
Charge for the year	**–**	**(123)**	**(19)**	**(7)**	**(1)**	**(19)**	**(169)**
Disposals and retirements	**–**	**18**	**–**	**1**	**–**	**3**	**22**
Disposal of businesses (note 31)	**–**	**8**	**252**	**2**	**–**	**–**	**262**
Transfers	**–**	**1**	**–**	**–**	**–**	**–**	**1**
At 31 December 2023	**–**	**(765)**	**(434)**	**(155)**	**(99)**	**(335)**	**(1,788)**
Carrying amounts							
At 1 January 2022	2,145	430	121	30	1	42	2,769
At 31 December 2022	2,480	422	140	31	2	102	3,177
At 31 December 2023	**2,434**	**372**	**146**	**29**	**1**	**109**	**3,091**

11. Intangible assets continued

Goodwill

The goodwill carrying value of £2,434m (2022: £2,480m) relates to acquisitions completed after 1 January 1998. Prior to 1 January 1998, all goodwill was written off to reserves on the date of acquisition. For acquisitions completed between 1 January 1998 and 31 December 2002, no value was ascribed to intangibles other than goodwill which was amortised over a period of up to 20 years. On adoption of IFRS on 1 January 2003, the Group chose not to restate the goodwill balance and at that date the balance was frozen (i.e. amortisation ceased). If goodwill had been restated, then a significant value would have been ascribed to other intangible assets, which would be subject to amortisation, and the carrying value of goodwill would be significantly lower. For acquisitions completed after 1 January 2003, value has been ascribed to other intangible assets which are amortised.

Software and acquired intangible assets

Acquired intangible assets are valued separately for each acquisition. For material business combinations, the valuation is determined with the support of a third-party specialist. The primary method of valuation used is the discounted cash flow method. Acquired intangibles are amortised either on a straight line basis or using an amortisation profile based on the projected cash flows underlying the acquisition date valuation of the intangible asset, which generally results in a larger proportion of amortisation being recognised in the early years of the asset's life, depending on the individual asset. The Group keeps the expected pattern of consumption under review. Other intangibles acquired includes technology.

Amortisation of £37m (2022: £32m; 2021: £25m) is included in the income statement in cost of goods sold and £132m (2022: £147m; 2021: £138m) in operating expenses. Impairment charges of £nil (2022: nil; 2021: £4m) are included in operating expenses within the income statement.

The range of useful economic lives for each major class of intangible asset (excluding goodwill and software) is shown below:

	At 31 December 2023
	Useful economic life
Class of intangible asset	
Acquired customer lists, contracts and relationships	3-20 years
Acquired trademarks and brands	2-20 years
Acquired publishing rights	5-20 years
Other intangibles acquired	2-20 years

The expected amortisation profile of acquired intangible assets is shown below:

	At 31 December 2023				
All figures in £ millions	One to five years	Six to ten years	Eleven to fifteen years	Sixteen to twenty years	Total
Class of intangible asset					
Acquired customer lists, contracts and relationships	71	41	28	6	146
Acquired trademarks and brands	22	7	–	–	29
Acquired publishing rights	1	–	–	–	1
Other intangibles acquired	84	17	8	–	109

Impairment tests for cash-generating units (CGUs) containing goodwill

Impairment tests have been carried out where appropriate as described below. Goodwill was allocated to CGUs, or an aggregation of CGUs, where goodwill could not be reasonably allocated to individual business units. Impairment reviews were conducted on these CGUs as summarised below:

All figures in £ millions	2023 Goodwill	2022 Goodwill
Assessment & Qualifications	1,355	1,361
Virtual Learning	419	443
English Language Learning	255	259
Workforce Skills	337	348
Higher Education	68	69
Total	2,434	2,480

Goodwill is tested at least annually for impairment. The recoverable amount of each aggregated CGU is based on the higher of value in use and fair value less costs of disposal. The impairment assessment is based on value in use. Other than goodwill there are no intangible assets with indefinite lives. No impairments of goodwill were recorded in 2023 or 2022.

KE Key areas of estimation

- The valuation of acquired intangible assets recognised on the acquisition of a business. The valuation is based on a number of assumptions, including estimations of future business performance. See note 30.

Determination of CGUs and reallocation of goodwill

Pearson identifies its CGUs based on its operating model and how data is collected and reviewed for management reporting and strategic planning purposes in accordance with IAS 36 'Impairment of Assets'. The CGUs and CGU aggregations reflect the level at which goodwill is monitored by management.

In 2022, the separate CGUs of China, South Africa and Canada were disposed. The goodwill related to the Strategic Review CGU was reallocated between businesses disposed and businesses retained. All of the goodwill related to businesses retained was transferred to the Assessment & Qualifications CGU aggregation.

In 2023, business disposals resulted in the disposal of £53m of intangible assets (see note 31 for further details). A relative value method was used to allocate goodwill to the disposed business in the Virtual Learning CGU aggregation. The result of this was that no goodwill was allocated to the disposed business.

Key assumptions

For the purpose of estimating the value in use of the CGUs, management has used an income approach based on present value techniques. The calculations for all CGUs use cash flow projections based on financial budgets approved by management covering a five-year period.

The key assumptions used by management in the value in use calculations were:

Discount rates – The discount rates are based on the Group's weighted average cost of capital, where the cost of equity is calculated based on the risk-free rate of government bonds, adjusted for a risk premium to reflect the increased risk in investing in equities. Where CGUs cover multiple territories, a blended risk-free rate is used. Base discount rates were assessed as reflecting underlying economic conditions, and so no further risk premiums were considered necessary. The average pre-tax discount rates range from 10.4% to 13.0% (2022: pre-tax 11.6% to 12.0%).

Perpetuity growth rates – The perpetuity growth rates are based on inflation trends. A perpetuity growth rate of 2% (2022: 2%) was used for cash flows subsequent to the approved budget period for CGUs operating primarily in mature markets. This perpetuity growth rate is a conservative rate and is considered to be lower than the long-term historical growth rates of the underlying territories in which the CGU operates and the long-term growth rate prospects of the sectors in which the CGU operates. A blended growth rate of 3.5% (2022: 3.5%) was used for cash flows subsequent to the approved budget period for English Language Learning which has a higher exposure to emerging markets with higher inflation. This geographically blended growth rate is generally in line with the long-term historical growth rates in those markets.

The key assumptions used by management in setting the financial budgets were as follows:

Forecast sales growth rates – Forecast sales growth rates are based on past experience adjusted for the strategic direction and near-term investment priorities within each CGU. Key assumptions include growth in English Language Learning and Workforce Skills – due to product-led share gains and contribution from new acquisitions, recovery in Higher Education, growth in Virtual Learning – albeit impacted by school churn in Virtual Schools in the short term, and steady growth in Assessments and Qualifications. The sales forecasts use average nominal growth rates of low-mid single digits for mature businesses in mature markets and double digit growth where there has been significant organic and/or inorganic investment.

Operating profits – Operating profits are forecast based on historical experience of operating margins, adjusted for the impact of changes to product costs, strategic developments and new business cases to the extent they have been formally approved prior to the balance sheet date. Management applies judgement in allocating corporate costs on a reasonable and consistent basis in order to determine operating profit at a CGU level.

Management have considered the impact of climate change risks (including physical and transition risks and the costs associated with achieving the Group's net zero commitment) and are satisfied that any related costs will not materially impact the Group's profit forecasts or impairment judgements at 31 December 2023.

11. Intangible assets continued

Key assumptions continued

The table below shows the key assumptions used by management in the value in use calculations.

	2023		2022	
	Discount rate	Perpetuity growth rate	Discount rate	Perpetuity growth rate
Assessment & Qualifications	**10.8%**	**2.0%**	12.0%	2.0%
Virtual Learning	**11.0%**	**2.0%**	11.9%	2.0%
English Language Learning	**13.0%**	**3.5%**	11.8%	3.5%
Workforce Skills	**10.4%**	**2.0%**	11.6%	2.0%
Higher Education	**10.7%**	**2.0%**	12.0%	2.0%

Sensitivities

Impairment testing for the year ended 31 December 2023 did not find any of the CGUs to be sensitive to reasonably possible changes in key assumptions.

12. Investments in joint ventures and associates

The amounts recognised in the balance sheet are as follows:

All figures in £ millions	2023	2022
Associates	**22**	25
Total	**22**	25

The amounts recognised in the income statement are as follows:

All figures in £ millions	2023	2022
Associates	**1**	1
Total	**1**	1

The Group has no material associates or joint ventures. The largest associate is a 49% interest in The Egyptian International Publishing Company-Longman, which had a carrying value of £13m as at 31 December 2023 (2022: £9m).

Other than the £5m payment in respect of Academy of Pop disclosed in note 36, there were no material transactions with associates or joint ventures during 2023 or 2022.

13. Deferred income tax

All figures in £ millions	2023	2022
Deferred income tax assets	**35**	57
Deferred income tax liabilities	**(46)**	(37)
Net deferred income tax (liability)/asset	**(11)**	20

Substantially all of the deferred income tax assets are expected to be recovered after more than one year. The net deferred income tax liability of £11m (2022: deferred tax asset of £20m; 2021: deferred tax asset of £17m) includes £23m (2022: £19m; 2021: £nil) of provisions for tax uncertainties principally in respect of several matters in the US and the UK.

Deferred income tax assets and liabilities shall be offset when there is a legally enforceable right to offset current income tax assets with current income tax liabilities and where the deferred income taxes relate to the same fiscal authority.

At 31 December 2023, the Group has gross tax losses for which no deferred tax asset is recognised of £1,029m (2022: £547m). The expiry date and key geographic split of these losses is set out in the following table.

Year ended 31 December 2023	**Gross**				**Tax effected**			
	UK	**US**	**Other**	**Total**	**UK**	**US**	**Other**	**Total**
Tax losses expiring:								
Within 10 years	–	437	34	**471**	–	91	9	**100**
Within 10-20 years	–	143	–	**143**	–	7	–	**7**
Available indefinitely	168	48	199	**415**	42	2	65	**109**
Total	168	628	233	**1,029**	42	100	74	**216**

Year ended 31 December 2022	**Gross**				**Tax effected**			
	UK	**US**	**Other**	**Total**	**UK**	**US**	**Other**	**Total**
Tax losses expiring:								
Within 10 years	–	3	30	**33**	–	–	10	**10**
Within 10-20 years	–	104	–	**104**	–	5	–	**5**
Available indefinitely	166	30	214	**410**	41	2	68	**111**
Total	166	137	244	**547**	41	7	78	**126**

The increase in unrecognised tax losses in the US is principally due to the crystallisation of a capital loss on disposal during the year which has not been recognised for tax purposes. Other unrecognised tax losses includes £155m gross (2022: £140m) and £53m tax effected (2022: £48m) relating to Brazil.

Other gross deductible temporary differences for which no deferred tax asset is recognised total £201m (2022: £218m). This includes £196m (2022: £193m) in respect of interest limitations. The amount of temporary differences associated with subsidiaries for which no deferred tax has been provided totals £268m (2022: £275m).

Deferred income tax assets of £18m (2022: £14m) have been recognised in countries that reported a tax loss in either the current or preceding year. This primarily arises in respect of tax losses in Brazil, India and Australia. It is considered more likely than not that there will be sufficient future taxable profits to realise these assets.

The recognition of the deferred income tax assets is supported by management's forecasts of the future profitability of the relevant countries. In some cases deferred income tax assets are forecast to be recovered through taxable profits over a period that exceeds five years. Management consider these forecasts are sufficiently reliable to support the recovery of the assets. Where there are insufficient forecasts of future profits, deferred income tax assets have not been recognised.

The movement in deferred income tax assets and liabilities during the year is as follows:

All figures in £ millions	Trading losses	Accruals and other provisions	Retirement benefit obligations	Deferred revenue	Goodwill and intangibles	Interest limitations	Other	Total
Deferred income tax assets/(liabilities)								
At 1 January 2022	82	64	(108)	52	(178)	55	50	17
Exchange differences	–	7	2	6	(21)	6	4	4
Acquisitions and disposals of subsidiaries	7	–	–	–	(21)	–	(12)	(26)
Income statement benefit/(charge)	37	(4)	(9)	5	14	(6)	(7)	30
Tax charge in OCI/ equity	4	–	(12)	–	–	–	3	(5)
At 31 December 2022	**130**	**67**	**(127)**	**63**	**(206)**	**55**	**38**	**20**
Exchange differences	**(1)**	**(3)**	**(1)**	**(3)**	**9**	**(2)**	**1**	**–**
Acquisitions and disposals of subsidiaries	**(3)**	**6**	**–**	**–**	**(26)**	**–**	**–**	**(23)**
Income statement benefit/(charge)	**(25)**	**(11)**	**(6)**	**(17)**	**71**	**(19)**	**(21)**	**(28)**
Tax charge in OCI/ equity	**–**	**–**	**20**	**–**	**–**	**–**	**–**	**20**
At 31 December 2023	**101**	**59**	**(114)**	**43**	**(152)**	**34**	**18**	**(11)**

Other deferred income tax items include temporary differences in respect of right-of-use assets (deferred tax asset of £54m, with an offsetting deferred tax liability of £42m), and accelerated capital allowances of £11m.

14. Classification of financial instruments

The accounting classification of each class of the Group's financial assets, and their carrying values, is as follows:

		2023					2022				
				Fair value	**Amortised cost**				Fair value	Amortised cost	
All figures in £ millions	Notes	**Fair value through other comprehensive income**	**Fair value through profit and loss**	**Fair value – hedging instrument**	**Financial assets**	**Total carrying value**	Fair value through other comprehensive income	Fair value through profit and loss	Fair value – hedging instrument	Financial assets	Total carrying value
Investments in unlisted securities	15	**23**	**120**	**–**	**–**	**143**	24	109	–	–	133
Cash and cash equivalents	17	**–**	**31**	**–**	**281**	**312**	–	40	–	518	558
Derivative financial instruments	16	**–**	**1**	**47**	**–**	**48**	–	5	54	–	59
Trade receivables	22	**–**	**–**	**–**	**695**	**695**	–	–	–	825	825
Investment in finance lease receivable	22	**–**	**–**	**–**	**100**	**100**	–	–	–	121	121
Other receivable		**–**	**–**	**–**	**12**	**12**	–	–	–	3	3
Total financial assets		**23**	**152**	**47**	**1,088**	**1,310**	24	154	54	1,467	1,699

The carrying value of the Group's financial assets is equal to, or approximately equal to, the market value. The other receivable relates to the deferred consideration receivable on the disposal of POLS.

The accounting classification of each class of the Group's financial liabilities, together with their carrying values and market values, is as follows:

		2023					2022				
			Fair value	**Amortised cost**				Fair value	Amortised cost		
All figures in £ millions	Notes	**Fair value through profit and loss**	**Fair value – hedging instrument**	**Other financial liabilities**	**Total carrying value**	**Total market value**	Fair value through profit and loss	Fair value – hedging instrument	Other financial liabilities	Total carrying value	Total market value
Derivative financial instruments	16	**(7)**	**(36)**	**–**	**(43)**	**(43)**	(2)	(63)	–	(65)	(65)
Trade payables	24	**–**	**–**	**(317)**	**(317)**	**(317)**	–	–	(348)	(348)	(348)
Deferred and contingent consideration	24	**(57)**	**–**	**–**	**(57)**	**(57)**	(79)	–	–	(79)	(79)
Borrowings due within one year	18	**–**	**–**	**(67)**	**(67)**	**(67)**	–	–	(86)	(86)	(86)
Borrowings due after more than one year	18	**–**	**–**	**(1,094)**	**(1,094)**	**(1,062)**	–	–	(1,144)	(1,144)	(1,096)
Total financial liabilities		**(64)**	**(36)**	**(1,478)**	**(1,578)**	**(1,546)**	(81)	(63)	(1,578)	(1,722)	(1,674)

The market value of leases approximates their book value.

Fair value measurement

As shown above, the Group's derivative assets and liabilities, unlisted securities, marketable securities and deferred and contingent consideration are held at fair value. Financial instruments that are measured subsequently to initial recognition at fair value are grouped into levels 1 to 3, based on the degree to which the fair value is observable, as follows:

Level 1 fair value measurements are those derived from unadjusted quoted prices in active markets for identical assets or liabilities. The Group's bonds valued at £611m (2022: £610m) and money market funds of £31m (2022: £40m) included within cash and cash equivalents are classified as level 1.

Level 2 fair value measurements are those derived from inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices). The Group's derivative assets valued at £48m (2022: £59m) and derivative liabilities valued at £43m (2022: £65m) are classified as level 2.

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs). The Group's investments in unlisted securities are valued at £143m (2022: £133m), deferred and contingent consideration of £57m (2022: £79m) and the other receivable of £12m (2022: £3m) are classified as level 3.

The movements in fair values of level 3 financial assets measured at fair value, are shown in the table below:

All figures in £ millions	Other receivable 2023	Investments in unlisted securities 2023	Total 2023	Total 2022
At 1 January	**3**	**133**	**136**	200
Exchange differences	**–**	**(5)**	**(5)**	10
Acquisition of investments and other receivable	**12**	**8**	**20**	19
Repayments	**(3)**	**–**	**(3)**	(92)
Disposal of investments	**–**	**(7)**	**(7)**	(48)
Fair value movements – OCI	**–**	**1**	**1**	18
Fair value movements – income statement	**–**	**13**	**13**	29
At 31 December	**12**	**143**	**155**	136

The fair value of the investments in unlisted securities is determined by reference to the financial performance of the underlying asset, recent funding rounds and amounts realised on the sale of similar assets.

The other receivable relates to £12m (2022: £nil) in respect of the contingent consideration receivable for the sale of the POLS business, which comprises a 27.5% share of positive adjusted EBITDA in each calendar year for six years and 27.5% of the proceeds received by the purchaser in relation to any future monetisation event. The valuation of the deferred consideration has been determined on the basis of a discounted cash flow model, and valued by a third-party specialist.

The key inputs into the discounted cash flow model are the estimates of adjusted EBITDA for the next 6 years and the estimate of the valuation of the business thereafter. Reasonably possible changes in assumptions for the inputs into the model would not have a material impact on the carrying value of the contingent consideration, and therefore sensitivities have not been disclosed.

The deferred consideration payable in respect of prior year acquisitions is measured as the net present value of the expected cash flows. The movement in the fair value of the deferred consideration payable is shown in the table below:

All figures in £ millions	**2023**	2022
At 1 January	**(79)**	(44)
Exchange differences	**3**	(7)
Acquisitions	**–**	(42)
Fair value movements – income statement	**(4)**	4
Repayments	**23**	10
At 31 December	**(57)**	(79)

15. Other financial assets

All figures in £ millions	**2023**	2022
At 1 January	**133**	113
Exchange differences	**(5)**	9
Acquisition of investments	**8**	12
Disposal of investments	**(7)**	(48)
Fair value movements – OCI	**1**	18
Fair value movements – income statement	**13**	29
At 31 December	**143**	133

Other financial assets are unlisted securities of £143m (2022: £133m), of which £23m (2022: £24m) are classified at fair value through other comprehensive income (FVOCI), with the remaining £120m (2022: £109m) mainly relating to investments in funds, being required to be held at fair value through profit and loss (FVTPL). The assets, which are not held for trading, relate to the Group's interests in new and innovative educational ventures across the world. These are strategic investments and where permitted, the Group made the election to classify such investments as FVOCI on initial recognition of the assets. None of the investments are individually significant to the financial statements and therefore sensitivities have not been provided.

During the year, the Group disposed of investments that were classified as FVOCI for £3m (2022: £31m). In 2022, these disposals predominantly related to the Group's investment in Credly, where the Group acquired the remainder of the share capital and so the investment was treated as disposed as the company is now fully consolidated. The cumulative loss on disposal was £2m (2022: £23m gain).

16. Derivative financial instruments and hedge accounting

The Group's approach to the management of financial risks is set out in note 19. The Group's outstanding derivative financial instruments are as follows:

All figures in £ millions	**2023** **Gross notional amounts**	**Assets**	**Liabilities**	2022 Gross notional amounts	Assets	Liabilities
Interest rate derivatives – in a fair value hedge relationship	**174**	**–**	**(5)**	177	–	(11)
Interest rate derivatives – not in a hedge relationship	**356**	**14**	**(1)**	260	19	–
Cross-currency rate derivatives – in a hedge relationship	**352**	**26**	**(31)**	83	34	(43)
Cross-currency rate derivatives – not in a hedge relationship	**87**	**–**	**(1)**	–	–	–
FX derivatives – in a hedge relationship	**420**	**7**	**–**	355	1	(9)
FX derivatives – not in a hedge relationship	**526**	**1**	**(5)**	573	5	(2)
Total	**1,915**	**48**	**(43)**	1,448	59	(65)
Analysed as expiring:						
In less than one year	**1,047**	**16**	**(5)**	1,028	16	(11)
Later than one year and not later than five years	**868**	**32**	**(38)**	420	43	(54)
Total	**1,915**	**48**	**(43)**	1,448	59	(65)

The Group's treasury policies only allow derivatives to be traded where the objective is risk mitigation. These are then designated for hedge accounting using the following criteria:

- Where interest rate and cross-currency interest rate swaps are used to convert fixed rate debt to floating and we expect to receive inflows equal to the fixed rate debt interest, these are classified as fair value hedges;
- Where derivatives are used to create a future foreign currency exposure to provide protection against currency movements affecting the foreign currency movements of an overseas investment, these are designated as a net investment hedge;
- All other derivatives are not designated in a hedge relationship.

The Group's fixed rate GBP debt is held as fixed rate instruments at amortised cost.

The Group uses a combination of interest rate and cross-currency swaps to convert its €300m debt.

Receive Notional	Receive coupon	FX rate	Notional	Pay coupon
€100m	1.375%	GBPEUR: 1.1295	£87m	3.51%
€181m	1.375%	GBPUSD: 1.206	£157m	3.402%
€19m	1.375%	GBPUSD: 1.206	£16m	USD Libor +1.36%

To create the synthetic debt positions outlined above, the Group converts €100m to £87m at a rate of 3.51% this is not in a hedge relationship. The remaining €200m of its EUR fixed debt is swapped to EUR floating debt via interest rate swap contracts that are in a designated fair value hedge. The EUR floating debt is then converted to GBP floating debt via cross-currency swap contracts that are in a designated fair value hedge. The GBP floating debt is then converted to USD floating debt through cross-currency swap contracts that are in a designated net investment hedging relationship. £157m of the EUR debt is finally converted to USD fixed debt via interest rate swap contracts that are not in a hedge relationship.

Additionally, the Group uses FX derivatives including forwards, collars, cross-currency swaps and swaptions to create synthetic USD debt as a hedge of its USD assets and to achieve reasonable certainty of USD currency conversion rates, in line with the Group's FX hedging policy. As at 31 December 2023, the Group held FX outrights with a notional of $280m at an average rate of GBP:USD rate of 1.25.

The Group's portfolio of derivatives is diversified by maturity, counterparty and type. Natural offsets between transactions within the portfolio and the designation of certain derivatives as hedges significantly reduce the risk of income statement volatility. The sensitivity of the portfolio to changes in market rates is set out in note 19.

In 2021, the Group transitioned GBP exposures from GBP LIBOR to SONIA. In 2022, for USD exposures the Group transitioned its RCF from USD LIBOR to SOFR. The Group's risk management strategy has not changed as a result of IBOR Reform and it is considered to be immaterial to the financial statements.

Fair value hedges

The Group uses interest rate swaps and cross-currency swaps as fair value hedges of the Group's euro issued debt.

Interest rate exposure arises from movements in the fair value of the Group's euro debt attributable to movements in euro interest rates. The hedged risk is the change in the euro bonds fair value attributable to interest rate movements. The hedged items are the Group's euro bonds which are issued at a fixed rate. The hedging instruments are fixed to floating euro interest rate swaps where the Group receives fixed interest payments and pays three-month Euribor.

As the critical terms of the interest rate swaps match the bonds, there is an expectation that the value of the hedging instrument and the value of the hedged item will move equally in the opposite direction as a result of movements in the zero coupon Euribor curve. Potential sources of hedge ineffectiveness would be material changes in the credit risk of swap counterparties or a reduction or modification in the hedge item.

A foreign currency exposure arises from foreign exchange fluctuations on translation of the Group's euro debt into GBP. The hedged risk is the risk of changes in the GBP:EUR spot rate that will result in changes in the value of the euro debt when translated into GBP. The hedged items are a portion of the Group's euro bonds. The hedging instruments are floating to floating cross-currency swaps which mitigates an exposure to the effect of euro strengthening against GBP within the hedge item.

As the critical terms of the cross-currency swap match the bonds, there is an expectation that the value of the hedging instrument and the value of the hedged item move in the opposite direction as a result of movements in the EUR:GBP exchange rate. Potential sources of hedge ineffectiveness are a reduction or modification in the hedged item or a material change in the credit risk of swap counterparties.

The Group held the following instruments to hedge exposures to changes in interest rates and foreign currency risk associated with borrowings:

			2023
All figures in £ millions	Carrying amount of hedging instruments	Change in fair value of hedging instrument used to determine hedge ineffectiveness	Nominal amounts of hedging instruments
Derivative financial instruments for interest rate risk	**(6)**	**5**	**174**
Derivative financial instruments for currency risk	**26**	**(7)**	**174**

			2022
All figures in £ millions	Carrying amount of hedging instruments	Change in fair value of hedging instrument used to determine hedge ineffectiveness	Nominal amounts of hedging instruments
Derivative financial instruments for interest rate risk	(11)	(16)	177
Derivative financial instruments for currency risk	33	9	266

16. Derivative financial instruments and hedge accounting continued

The amounts at the reporting date relating to items designated as hedge items were as follows:

					2023
All figures in £ millions	Carrying amount of hedged items	Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount	Change in fair value of hedged item used to determine hedge ineffectiveness	Hedge ineffectiveness	Line item in profit or loss that includes hedge ineffectiveness
Interest rate risk					
Financial liabilities – borrowings	**(169)**	**6**	**5**	**1**	**Finance costs**
Currency risk					
Financial liabilities – borrowings	**(169)**	**n/a**	**5**	**–**	**n/a**

					2022
All figures in £ millions	Carrying amount of hedged items	Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount	Change in fair value of hedged item used to determine hedge ineffectiveness	Hedge ineffectiveness	Line item in profit or loss that includes hedge ineffectiveness
Interest rate risk					
Financial liabilities – borrowings	(167)	11	15	(1)	Finance costs
Currency risk					
Financial liabilities – borrowings	(167)	n/a	(14)	–	n/a

Hedge of net investment in a foreign operation

A foreign currency exposure arises from the translation of the Group's net investments in its subsidiaries. The hedged risk is the risk of changes in the currency spot rate (eg GBP:USD) that will result in changes in the value of the Group's net investment in its overseas subsidiaries when translated into GBP. The hedged items are a portion of the Group's assets which are denominated in USD. The hedging instruments are debt and derivative financial instruments, including cross-currency swaps, FX forwards and FX collars, which mitigates an exposure to the effect of a weakening USD on the hedged item against GBP. It is expected that the change in value of each of these items will mirror each other as there is a clear and direct economic relationship between the hedging instrument and the hedged item in the hedge relationship.

Hedge ineffectiveness would arise if the value of the hedged items fell below the value of the hedging instruments; however, this is unlikely as the value of the Group's assets denominated in USD is significantly greater than the proposed net investment programme.

The amounts related to items designated as hedging instruments were as follows:

					2023
All figures in £ millions	Carrying amount of hedging instruments	Change in value of hedging instrument used to determine hedge ineffectiveness	Nominal amounts of hedging instruments	Hedging gains/(losses) recognised in OCI	Hedge ineffectiveness recognised in profit or loss
Derivative financial instruments	**(24)**	**26**	**599**	**26**	**–**
Financial liabilities – borrowings	**–**	**–**	**–**	**–**	**–**

					2022
All figures in £ millions	Carrying amount of hedging instruments	Change in value of hedging instrument used to determine hedge ineffectiveness	Nominal amounts of hedging instruments	Hedging gains/(losses) recognised in OCI	Hedge ineffectiveness recognised in profit or loss
Derivative financial instruments	(50)	(31)	172	(31)	–
Financial liabilities – borrowings	(89)	(5)	(88)	(5)	–

Included in the translation reserve is a cost of hedging reserve relating to the time value of FX collars which is not separately disclosed due to materiality. The value of that reserve will decrease over the life of the hedge transaction. The balance as at 1 January and 31 December 2023 was £nil (2022: £1m). During the year £nil (2022: £2m) of hedging gains were recycled to the profit and loss.

Offsetting arrangements with derivative counterparties

All of the Group's derivative financial instruments are subject to enforceable netting arrangements with individual counterparties, allowing net settlement in the event of default of either party. Derivative financial assets and liabilities subject to offsetting arrangements are as follows:

All figures in £ millions	2023 Gross derivative assets	2023 Gross derivative liabilities	2023 Net derivative assets/ liabilities	2022 Gross derivative assets	2022 Gross derivative liabilities	2022 Net derivative assets/ liabilities
Counterparties in an asset position	**26**	**(14)**	**12**	30	(17)	13
Counterparties in a liability position	**22**	**(29)**	**(7)**	29	(48)	(19)
Total as presented in the balance sheet	**48**	**(43)**	**5**	59	(65)	(6)

Offset arrangements in respect of cash balances are described in note 17.

Counterparty exposure from all derivatives is managed, together with that from deposits and bank account balances, within credit limits that reflect published credit ratings and by reference to other market measures (e.g. market prices for credit default swaps) to ensure that there is no significant exposure to any one counterparty's credit risk.

The Group has no material embedded derivatives that are required to be separately accounted for in accordance with IFRS 9 'Financial Instruments'.

17. Cash and cash equivalents (excluding overdrafts)

All figures in £ millions	2023	2022
Cash at bank and in hand	**312**	269
Short-term bank deposits	**–**	289
Cash and cash equivalents	**312**	558

All figures in £ millions	2023	2022
Cash and cash equivalents	**312**	558
Bank overdrafts	**(3)**	(15)
Cash and cash equivalents in the cash flow statement	**309**	543

Short-term bank deposits are invested with banks and earn interest at the prevailing short-term deposit rates.

At the end of 2023, the currency split of cash and cash equivalents was US dollar 16% (2022: 31%), sterling 11% (2022: 6%), and other 73% (2022: 63%).

Cash and cash equivalents have fair values that approximate to their carrying value due to their short-term nature.

The Group has certain cash pooling arrangements in US dollars, sterling and Canadian dollars where both the company and the bank have a legal right of offset. The company presents these amounts net in the balance sheet where legal right of offset exists and the company has the intention to settle net if required. As at 31 December 2023, £23m (2022: £5m) of financial liabilities were presented net within financial assets.

18. Financial liabilities – borrowings

The Group's current and non-current borrowings are as follows:

All figures in £ millions	2023	2022
Non-current		
1.375% Euro notes 2025 (nominal amount €300m)	**257**	257
3.75% GBP notes 2030 (nominal amount £350m)	**354**	353
Lease liabilities (see note 35)	**483**	534
	1,094	1,144
Current (due within one year or on demand)		
Lease liabilities (see note 35)	**64**	71
Overdrafts	**3**	15
	67	86
Total borrowings	**1,161**	1,230

Included in the non-current borrowings above is £10m of accrued interest (2022: £10m). No accrued interest is included in the current borrowings above (2022: £nil). The maturities of the Group's non-current borrowings are as follows:

All figures in £ millions	2023	2022
Between one and two years	**70**	72
Between two and five years	**419**	442
Over five years	**605**	630
	1,094	1,144

18. Financial liabilities – borrowings continued

The carrying amounts and market values of borrowings are as follows:

All figures in £ millions	2023 Effective interest rate	2023 Carrying value	2023 Market value	2022 Effective interest rate	2022 Carrying value	2022 Market value
1.375% Euro notes 2025	**1.44%**	**257**	**252**	1.44%	257	252
3.75% GBP notes 2030	**3.93%**	**354**	**327**	3.93%	353	310
Overdrafts	**n/a**	**3**	**3**	n/a	15	15
		614	**582**		625	577

The market values stated above are based on clean market prices at the year end or, where these are not available, on the quoted market prices of comparable debt issued by other companies. The effective interest rates above relate to the underlying debt instruments.

The carrying amounts of the Group's borrowings before the effect of derivatives (see notes 16 and 19 for further information on the impact of derivatives) are denominated in the following currencies:

All figures in £ millions	2023	2022
US dollar	**217**	276
Sterling	**667**	672
Euro	**261**	262
Other	**16**	20
	1,161	1,230

The Group had $1bn (£0.8bn) of undrawn capacity on its committed borrowing facilities as at 31 December 2023 (2022: $1.19bn (£0.9bn) undrawn). In addition, there are a number of short-term facilities that are utilised in the normal course of business. All of the Group's borrowings are unsecured. In respect of lease obligations, the rights to the leased asset revert to the lessor in the event of default.

19. Financial risk management

The Group's approach to the management of financial risks together with sensitivity analyses of its financial instruments is set out below.

Treasury policy

Pearson's treasury policies set out the Group's principles for addressing key financial risks including capital risk, liquidity risk, foreign exchange risk and interest rate risk, and sets out measurable targets for each. The Audit Committee receives quarterly reports incorporating compliance with measurable targets and reviews and approves any changes to treasury policies annually.

The treasury function is permitted to use derivatives where their use reduces a risk or allows a transaction to be undertaken more cost effectively. Derivatives permitted include swaps, forwards and collars to manage foreign exchange and interest rate risk, with foreign exchange swap and forward contracts the most commonly executed. Speculative transactions are not permitted.

Capital risk

The Group's objectives when managing capital are:

- To maintain a strong balance sheet and a solid investment grade rating;
- To continue to invest in the business organically and through acquisitions; and
- To have a sustainable and progressive dividend policy.

At 31 December 2023 the Group and its bonds were rated BBB- (stable outlook) with Fitch Ratings Limited and Baa3 (stable outlook) with Moody's Investor Services.

Net debt

The Group's net debt position is set out below:

All figures in £ millions	2023	2022
Cash and cash equivalents	**312**	558
Overdrafts	**(3)**	(15)
Derivative financial instruments	**5**	(6)
Bonds	**(611)**	(610)
Investment in finance lease receivable	**100**	121
Lease liabilities	**(547)**	(605)
Net debt	**(744)**	(557)

Interest and foreign exchange rate management

The Group's principal currency exposure is to the US dollar which represents 68% of the Group's sales.

The Group's long-term debt is primarily held in US dollars to provide a natural hedge of this exposure, which is achieved through issued US dollar debt or converting euro debt to US dollars using cross-currency swaps, forwards and collars. As at 31 December 2023 and 2022, the Group's debt of £1,161m (2022: £1,230m) is all held at fixed rates.

See note 16 for details of the Group's hedging programme which addresses interest rate risk and foreign currency risk.

Overseas profits are converted to sterling to satisfy sterling cash outflows such as dividends at the prevailing spot rate at the time of the transaction. To the extent the Group has sufficient sterling, US dollars may be held as dollar cash to provide a natural offset to the Group's debt or to satisfy future US dollar cash outflows.

The Group does not have significant cross-border foreign exchange transactional exposures.

As at 31 December 2023, the sensitivity of the carrying value of the Group's financial instruments to fluctuations in interest rates and exchange rates is as follows:

					2023
All figures in £ millions	**Carrying value**	**Impact of 1% increase in interest rates**	**Impact of 1% decrease in interest rates**	**Impact of 10% strengthening in sterling**	**Impact of 10% weakening in sterling**
Investments in unlisted securities	**143**	**–**	**–**	**(10)**	**12**
Other receivable	**12**	**–**	**–**	**(1)**	**1**
Cash and cash equivalents	**312**	**–**	**–**	**(24)**	**30**
Derivative financial instruments	**5**	**15**	**(15)**	**(5)**	**19**
Bonds	**(611)**	**2**	**(2)**	**24**	**(29)**
Other borrowings	**(550)**	**–**	**–**	**21**	**(26)**
Investment in finance lease receivable	**100**	**–**	**–**	**(9)**	**11**
Deferred and contingent consideration	**(57)**	**–**	**–**	**3**	**(4)**
Other net financial assets	**378**	**–**	**–**	**(31)**	**38**
Total	**(268)**	**17**	**(17)**	**(32)**	**52**

					2022
All figures in £ millions	Carrying value	Impact of 1% increase in interest rates	Impact of 1% decrease in interest rates	Impact of 10% strengthening in sterling	Impact of 10% weakening in sterling
Investments in unlisted securities	133	–	–	(10)	12
Other receivable	3	–	–	–	–
Cash and cash equivalents	558	–	–	(25)	31
Derivative financial instruments	(6)	7	(6)	(10)	12
Bonds	(610)	4	(4)	24	(30)
Other borrowings	(620)	–	–	26	(32)
Investment in finance lease receivable	121	–	–	(11)	13
Deferred and contingent consideration	(79)	–	–	4	(5)
Other net financial assets	477	–	–	(38)	47
Total	(23)	11	(10)	(40)	48

The table above shows the sensitivities of the fair values of each class of financial instrument to an isolated change in either interest rates or foreign exchange rates. Other net financial assets comprise trade receivables less trade payables. A significant proportion of the movements shown above would impact equity rather than the income statement due to the location and functional currency of the entities in which they arise and the availability of net investment hedging.

Liquidity and refinancing risk management

The Group regularly reviews the level of cash and debt facilities required to fund its activities. This involves preparing a prudent cash flow forecast for the next three to five years, determining the level of debt facilities required to fund the business, planning for shareholder returns and repayments of maturing debt, and identifying an appropriate amount of headroom to provide a reserve against unexpected outflows.

At 31 December 2023, the Group had cash of £0.3bn (2022: £0.5bn) and no outstanding drawings (2022: £nil) on the US dollar denominated revolving credit facility due 2026 of $1bn (2022: $1.19bn).

The $1bn facility contains interest cover and leverage covenants which the Group has complied with for the year ended 31 December 2023. The maturity of the carrying values of the Group's borrowings and trade payables are set out in notes 18 and 24 respectively.

At the end of 2023, the currency split of the Group's trade payables was US dollar £228m (2022: £234m), sterling £64m (2022: £71m) and other currencies £25m (2022: £43m). Trade payables are all due within one year (2022: all due within one year).

19. Financial risk management continued

The table below analyses the Group's bonds and derivative assets and liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. Short dated derivative instruments have not been included in this table. The amounts disclosed in the table are the contractual undiscounted cash flows (including interest) and as such may differ from the amounts disclosed on the balance sheet.

Any cash flows based on a floating rate are calculated using interest rates as set at the date of the last rate reset. Where this is not possible, floating rates are based on interest rates prevailing at 31 December in the relevant year.

Financial counterparty and credit risk management

Financial counterparty and credit risk arises from cash and cash equivalents, favourable derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables. Counterparty credit limits, which take published credit rating and other factors into account, are set to cover the Group's total aggregate exposure to a single financial institution. The limits applicable to published credit rating bands are approved by the Chief Financial Officer within guidelines approved by the Board. Exposures and limits applicable to each financial institution are reviewed on a regular basis.

	Analysed by maturity				Analysed by currency			
All figures in £ millions	Greater than one month and less than one year	Later than one year but less than five years	Five years or more	Total	USD	GBP	Other	Total
At 31 December 2023								
Bonds	**–**	**257**	**354**	**611**	**–**	**354**	**257**	**611**
Rate derivatives – inflows	**(13)**	**(262)**	**–**	**(275)**	**(6)**	**(9)**	**(260)**	**(275)**
Rate derivatives – outflows	**5**	**268**	**–**	**273**	**178**	**89**	**6**	**273**
FX forwards – inflows	**(428)**	**–**	**–**	**(428)**	**–**	**(428)**	**–**	**(428)**
FX forwards – outflows	**421**	**–**	**–**	**421**	**421**	**–**	**–**	**421**
Total	**(15)**	**263**	**354**	**602**	**593**	**6**	**3**	**602**
At 31 December 2022								
Bonds	–	342	389	731	–	455	276	731
Rate derivatives – inflows	(11)	(471)	–	(482)	(24)	(170)	(288)	(482)
Rate derivatives – outflows	1	490	–	491	224	255	12	491
FX forwards – inflows	(304)	–	–	(304)	–	(304)	–	(304)
FX forwards – outflows	313	–	–	313	–	313	–	313
Total	(1)	361	389	749	200	549	–	749

Cash deposits and derivative transactions are made with approved counterparties up to pre-agreed limits. To manage counterparty risk associated with cash and cash equivalents, the Group uses a mixture of money market funds as well as bank deposits. As at 31 December 2023, 75% (2022: 77%) of cash and cash equivalents was held with investment grade bank counterparties, 10% (2022: 8%) with AAA money market funds and 15% (2022: 15%) with non-investment grade bank counterparties.

For trade receivables and contract assets, the Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, risk associated with the industry and country in which customers operate may also influence the credit risk. The credit quality of customers is assessed by taking into account financial position, past experience and other relevant factors. Individual credit limits are set for each customer based on internal ratings. The compliance with credit limits is regularly monitored by the Group. A default on a trade receivable is when the counterparty fails to make contractual payments within the stated payment terms. Trade receivables and contract assets are written off when there is no reasonable expectation of recovery.

The carrying amounts of financial assets, trade receivables and contract assets represent the maximum credit exposure.

Trade receivables and contract assets are subject to impairment using the expected credit loss model. The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected credit loss allowance for all trade receivables and contract assets. To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. See note 22 for further details about trade receivables and contract assets including movements in provisions for bad and doubtful debts.

20. Intangible assets – product development

All figures in £ millions	2023	2022
Cost		
At 1 January	**2,918**	2,698
Exchange differences	**(121)**	235
Additions	**300**	357
Disposals and retirements	**(550)**	(191)
Disposal of businesses (note 31)	**(29)**	(186)
Transfers	**(1)**	5
At 31 December	**2,517**	2,918
Amortisation		
At 1 January	**(1,943)**	(1,804)
Exchange differences	**92**	(174)
Charge for the year	**(280)**	(288)
Impairment	**(4)**	(15)
Disposals and retirements	**550**	191
Disposal of businesses (note 31)	**14**	147
Transfers	**1**	–
At 31 December	**(1,570)**	(1,943)
Carrying amounts at 31 December	**947**	975

Product development assets are amortised over their estimated useful economic lives. Product development assets relating to content are amortised over seven years or less, being an estimate of the expected operating lifecycle of the title, with a higher proportion of the amortisation taken in the earlier years. Product development assets relating to product platforms are amortised over ten years or less. Amortisation is included in the income statement in cost of goods sold.

Product development assets are assessed for impairment triggers on an annual basis or when triggering events occur. In 2023, of the £4m (2022: £15m) impairment charges, £nil (2022: £13m; 2021: £14m) have been recognised as a result of asset write-offs related to the major restructuring programme. The full annual impairment test showed that there is adequate headroom across all product development assets and accordingly no further impairment charges were recognised in 2023 (2022: £nil; 2021: £nil).

21. Inventories

All figures in £ millions	2023	2022
Raw materials	**4**	5
Work in progress	**1**	2
Finished goods	**81**	93
Returns asset	**5**	5
	91	105

The cost of inventories recognised as an expense and included in the income statement in cost of goods sold amounted to £155m (2022: £166m; 2021: £171m) including £19m (2022: £16m; 2021: £22m) of inventory provisions. None of the inventory is pledged as security. Included within the inventory balance is the estimation of the right to receive goods from contracts with customers via returns. The value of the returns asset is measured at the carrying amount of the assets at the time of sale aligned to the Group's normal inventory valuation methodology less any expected costs to recover the asset and any expected reduction in value. Impairment charges against the inventory returns asset are £nil in 2023 (2022: £nil; 2021: £nil). The returns asset all relates to finished goods. The obsolescence provision takes account of the Group's digital-first strategy and the increasing shift towards print on demand. The year-on-year reduction in inventories is due to increased provisions for obsolescence and a reduction in the production of inventory due to the Group's digital-first strategy and the increasing shift towards print on demand.

22. Trade and other receivables

All figures in £ millions	2023	2022
Current		
Trade receivables	**694**	824
Royalty advances	**1**	1
Prepayments	**233**	200
Investment in finance lease receivable	**18**	17
Accrued income	**13**	15
Other receivables	**91**	82
	1,050	1,139
Non-current		
Trade receivables	**1**	1
Royalty advances	**4**	5
Prepayments	**8**	12
Investment in finance lease receivable	**82**	104
Accrued income	**2**	2
Interest receivable	**3**	3
Other receivables	**35**	12
	135	139

Accrued income represents contract assets which are unbilled amounts generally resulting from assessments and services revenue streams where revenue to be recognised over time has been recognised in excess of customer billings to date. Impairment charges on accrued income assets are £nil (2022: £nil). The carrying value of the Group's trade and other receivables approximates its fair value. Trade receivables are stated net of provisions for bad and doubtful debts.

The movements in the provision for bad and doubtful debts are as follows:

All figures in £ millions	2023	2022
At 1 January	**(69)**	(63)
Exchange differences	**2**	(3)
Income statement movements	**3**	(18)
Utilised	**9**	12
Disposal of businesses	**4**	3
At 31 December	**(51)**	(69)

Concentrations of credit risk with respect to trade receivables are limited due to the Group's large number of customers, who are internationally dispersed.

The ageing of the Group's gross trade receivables is as follows:

All figures in £ millions	2023	2022
Within due date and one month past due date	**564**	663
One to three months past due date	**83**	118
Three to six months past due date	**25**	25
Six to nine months past due date	**12**	14
Nine to 12 months past due date	**8**	14
More than 12 months past due date	**54**	60
Gross trade receivables	**746**	894

The Group reviews its bad debt provision at least twice a year following a detailed review of receivable balances, historical payment profiles, and assessment of relevant forward-looking risk factors including macroeconomic trends. Management believes all the remaining receivable balances are fully recoverable.

The decrease in trade receivables held by the Group is driven by current year disposals.

23. Provisions for other liabilities and charges

All figures in £ millions	Property	Legal and other	Total
At 1 January 2023	22	77	99
Exchange differences	–	(4)	(4)
Provisions made during the year	6	12	18
Provisions reversed during the year	(4)	(9)	(13)
Provisions used during the year	–	(60)	(60)
At 31 December 2023	24	16	40

Analysis of provisions:

			2023
All figures in £ millions	Property	Legal and other	Total
Current	11	14	25
Non-current	13	2	15
	24	16	40
			2022
Current	9	76	85
Non-current	13	1	14
	22	77	99

Property provisions made in 2023 and 2022 relate to the simplification of the Group's property portfolio (see note 4) and dilapidations.

Legal and other includes legal claims, contract disputes and potential contract losses with the provisions utilised as the cases are settled. Also included in legal and other are other restructuring provisions that are generally utilised within one year.

The year on year decrease in provisions is mainly due to the utilisation of restructuring provisions in the year.

24. Trade and other liabilities

All figures in £ millions	2023	2022
Current		
Trade payables	317	348
Sales return liability	31	53
Deferred income	295	340
Interest payable	4	10
Accruals and other liabilities	628	503
	1,275	1,254
Non-current		
Deferred income	73	60
Accruals and other liabilities	25	60
	98	120

The carrying value of the Group's trade and other liabilities approximates its fair value. The deferred income balance comprises contract liabilities in respect of advance payments in assessment, testing and training businesses; subscription income in school and college businesses; and obligations to deliver digital content in future periods. The increase in trade and other liabilities held by the Group is driven by the liability recorded for the remainder of the Share buyback scheme offset against disposals, differences in deferred income due to timing, and utilisation of accruals from the 2022 restructuring programme.

25. Retirement benefit and other post-retirement obligations

Background

The Group operates a number of defined benefit and defined contribution retirement plans throughout the world.

The largest plan is the Pearson Pension Plan (UK Group plan) in the UK, which is sectionalised to provide both defined benefit and defined contribution pension benefits. The defined benefit section was largely closed to new members from 1 November 2006. The defined contribution section, opened in 2003, is open to new and existing employees. Finally, there is a separate section within the UK Group plan set up for auto-enrolment.

The defined benefit section of the UK Group plan is a final salary pension plan which provides benefits to members in the form of a guaranteed level of pension payable for life. The level of benefits depends on the length of service and final pensionable pay.

The defined contribution section of the UK Group plan operates a Reference Scheme Test (RST) pension underpin for its members. Where a member's fund value is insufficient to purchase the RST pension upon retirement, the UK Group plan is liable for the shortfall to cover the member's RST pension. In addition, in recent years, the scheme rules were amended to enable members who have sufficient funds to purchase an RST pension the ability to convert their fund value into a pension in the UK Group plan as an alternative to purchasing an annuity with an insurer. The Group recognises any assets and liabilities relating to these features of the defined contribution section as part of the overall UK Group plan obligation. The Group also recognises the assets and liabilities for all members of the defined contribution section of the UK Group plan, accounting for the whole defined contribution section as a defined benefit scheme under IAS 19 'Employee Benefits' as there is a risk the underpin will require the Group to pay further contributions to the scheme.

The UK Group plan is funded with benefit payments from trustee-administered funds. The UK Group plan is administered in accordance with the Trust Deed and Rules in the interests of its beneficiaries by Pearson Pension Trustee Limited.

At 31 December 2023, the UK Group plan had approximately 26,300 members, analysed in the following table:

All figures in %	Active	Deferred	Pensioners	Total
Defined benefit	–	15	33	48
Defined contribution	10	42	–	52
Total	10	57	33	100

The other major defined benefit plans are based in the US. These are also final salary pension plans which provide benefits to members in the form of a guaranteed pension payable for life, with the level of benefits dependent on length of service and final pensionable pay. The majority of the US plans are fully funded.

The Group also has several post-retirement medical benefit plans (PRMBs), principally in the US. PRMBs are unfunded but are accounted for and valued similarly to defined benefit pension plans.

The defined benefit schemes expose the Group to actuarial risks, such as life expectancy, inflation risks and investment risk including asset volatility and changes in bond yields. The Group is not exposed to any unusual, entity-specific or plan-specific risks.

KJ Key judgements

— Whether the Group will be eligible to receive the surplus associated with the UK Group Pension Plan in recognising a pension asset.

KE Key areas of estimation

— The determination of the pension cost and defined benefit obligation of the Group's defined benefit pension schemes depends on the selection of certain assumptions, which include the discount rate, inflation rate, salary growth and longevity.

Assumptions

The principal assumptions used for the UK Group plan and the US PRMB are shown below. Weighted average assumptions have been shown for the other plans, which primarily relate to US pension plans.

			2023			2022			2021
All figures in %	**UK Group plan**	**Other plans**	**PRMB**	UK Group plan	Other plans	PRMB	UK Group plan	Other plans	PRMB
Inflation	**3.0**	**2.0**	**–**	3.4	2.0	–	3.3	1.4	–
Rate used to discount plan liabilities	**4.6**	**4.9**	**5.0**	4.9	5.3	5.3	1.9	2.8	2.6
Expected rate of increase in salaries	**3.5**	**2.5**	**–**	3.9	2.9	–	3.8	2.7	–
Expected rate of increase for pensions in payment and deferred pensions	**1.75 to 5.10**	**–**	**–**	1.95 to 5.20	–	–	2.35 to 5.10	–	–
Initial rate of increase in healthcare rate	**–**	**–**	**6.5**	–	–	6.5	–	–	6.3
Ultimate rate of increase in healthcare rate	**–**	**–**	**5.0**	–	–	5.0	–	–	5.0

The UK discount rate is based on corporate bond yields adjusted to reflect the duration of liabilities.

The inflation rate for the UK Group plan of 3.0% (2022: 3.4%) reflects the RPI rate. In line with changes to legislation in 2010, certain benefits have been calculated with reference to CPI as the inflationary measure and in these instances a rate of 2.3% (2022: 2.7%) has been used. The CPI rate is determined as a weighted average deduction from the RPI rate, and allows for the expected change to the formula for calculating RPI to be in line with CPIH from 2030 onwards.

For the UK Group plan, the mortality base table assumptions are derived from the SAPS S3 for males and females, adjusted to reflect the observed experience of the plan, with CMI model improvement factors. A 1.5% long-term rate improvement on the CMI 2022 model is applied for both males and females, with a weighting to 2022 mortality experience in the CMI model of 40% to reflect current trends in life expectancy. Life expectancy remains uncertain following the COVID-19 pandemic which had wide-ranging direct and indirect impacts.

For the US plans, a mortality table (Pri – 2012) and 2021 improvement scale (MP – 2021) with generational projection for male and female annuitants has been adopted.

Using the above tables, the remaining average life expectancy in years of a pensioner retiring at age 65 on the balance sheet date for the UK Group plan and US plans is as follows:

			UK			US
All figures in years	**2023**	2022	2021	**2023**	2022	2021
Male	**21.8**	22.5	22.6	**20.7**	20.6	20.5
Female	**24.1**	24.7	24.8	**22.6**	22.6	22.5

The remaining average life expectancy in years of a pensioner retiring at age 65, 20 years after the balance sheet date, for the UK and US Group plans is as follows:

		UK			US	
All figures in years	**2023**	2022	2021	**2023**	2022	2021
Male	**23.4**	24.1	24.2	**22.2**	22.1	22.0
Female	**25.8**	26.4	26.5	**24.1**	24.0	23.9

Although the Group anticipates that plan surpluses will be utilised during the life of the plan to address member benefits, the Group recognises its pension surplus in full in respect of the UK Group plan on the basis that it is management's judgement that there are no substantive restrictions on the return of residual plan assets in the event of a winding up of the plan after all member obligations have been met.

25. Retirement benefit and other post-retirement obligations continued

Financial statement information

The amounts recognised in the income statement are as follows:

						2023
All figures in £ millions	**UK Group plan**	**Defined benefit other**	**Sub-total**	**Defined contribution**	**PRMB**	**Total**
Current service cost	**16**	**2**	**18**	**45**	**–**	**63**
Past service cost	**–**	**–**	**–**	**–**	**–**	**–**
Settlements	**–**	**–**	**–**	**–**	**–**	**–**
Administration expenses	**8**	**–**	**8**	**–**	**–**	**8**
Total operating expense	**24**	**2**	**26**	**45**	**–**	**71**
Interest on plan assets	**(148)**	**(5)**	**(153)**	**–**	**–**	**(153)**
Interest on plan liabilities	**121**	**6**	**127**	**–**	**–**	**127**
Net finance (income)/ expense	**(27)**	**1**	**(26)**	**–**	**–**	**(26)**
Net income statement charge	**(3)**	**3**	**–**	**45**	**–**	**45**

						2022
All figures in £ millions	UK Group plan	Defined benefit other	Sub-total	Defined contribution	PRMB	Total
Current service cost	17	2	19	46	–	65
Past service cost	3	–	3	–	–	3
Settlements	–	–	–	–	–	–
Administration expenses	7	–	7	–	–	7
Total operating expense	27	2	29	46	–	75
Interest on plan assets	(77)	(3)	(80)	–	–	(80)
Interest on plan liabilities	67	3	70	–	1	71
Net finance (income)/ expense	(10)	–	(10)	–	1	(9)
Net income statement charge	17	2	19	46	1	66

						2021
All figures in £ millions	UK Group plan	Defined benefit other	Sub-total	Defined contribution	PRMB	Total
Current service cost	17	2	19	37	–	56
Past service cost	–	–	–	–	–	–
Settlements	–	–	–	–	–	–
Administration expenses	6	–	6	–	–	6
Total operating expense	23	2	25	37	–	62
Interest on plan assets	(55)	(2)	(57)	–	–	(57)
Interest on plan liabilities	49	3	52	–	1	53
Net finance (income)/ expense	(6)	1	(5)	–	1	(4)
Net income statement charge	17	3	20	37	1	58

The amounts recognised in the balance sheet are as follows:

				2023				2022
All figures in £ millions	**UK Group plan**	**Other funded plans**	**Other unfunded plans**	**Total**	UK Group plan	Other funded plans	Other unfunded plans	Total
Fair value of plan assets	**3,060**	**107**	**–**	**3,167**	3,088	104	–	3,192
Present value of defined benefit obligation	**(2,569)**	**(99)**	**(15)**	**(2,683)**	(2,514)	(106)	(17)	(2,637)
Net pension asset/ (liability)	**491**	**8**	**(15)**	**484**	574	(2)	(17)	555
Other post-retirement medical benefit obligation				**(21)**				(25)
Other pension accruals				**(8)**				(10)
Net retirement benefit asset				**455**				520
Analysed as:								
Retirement benefit assets				**499**				581
Retirement benefit obligations				**(44)**				(61)

The following gains/(losses) have been recognised in other comprehensive income:

All figures in £ millions	2023	2022	2021
Amounts recognised for defined benefit plans	(86)	44	145
Amounts recognised for post-retirement medical benefit plans	1	10	4
Total recognised in year	**(85)**	**54**	**149**

The fair value of plan assets comprises the following:

	2023			2022		
All figures in %	UK Group plan	Other funded plans	Total	UK Group plan	Other funded plans	Total
Insurance	33	–	33	33	–	33
Equities	15	1	16	14	1	15
Fixed interest securities	6	2	8	5	2	7
Property	5	–	5	6	–	6
Pooled asset investment funds (including LDI)	24	–	24	23	–	23
Infrastructure	11	–	11	11	–	11
Cash and cash equivalents	1	–	1	3	–	3
Other	2	–	2	2	–	2

The plan assets do not include any of the Group's own financial instruments, or any property occupied by the Group. The table below further disaggregates the plan assets into those assets which have a quoted market price in an active market and those that do not:

	2023		2022	
All figures in %	Quoted market price	No quoted market price	Quoted market price	No quoted market price
Insurance	–	33	–	33
Equities	16	–	15	–
Fixed-interest securities	8	–	7	–
Property	–	5	–	6
Pooled asset investment funds (including LDI)	24	–	23	–
Infrastructure	–	11	–	11
Cash and cash equivalents	–	1	–	3
Other	–	2	–	2
Total	**48**	**52**	**45**	**55**

The liquidity profile of the UK Group plan assets is as follows:

All figures in %	2023	2022
Liquid – call <1 month	48	47
Less liquid – call 1–3 months	2	2
Illiquid – call >3 months	50	51

25. Retirement benefit and other post-retirement obligations continued

Changes in the values of plan assets and liabilities of the retirement benefit plans are as follows:

	2023			2022		
All figures in £ millions	**UK Group plan**	**Other plans**	**Total**	UK Group plan	Other plans	Total
Fair value of plan assets						
Opening fair value of plan assets	**3,088**	**104**	**3,192**	4,125	120	4,245
Recognition of Money Purchase assets	**–**	**–**	**–**	–	–	–
Exchange differences	**–**	**(6)**	**(6)**	–	12	12
Interest on plan assets	**148**	**5**	**153**	77	3	80
Return on plan assets excluding interest	**(48)**	**5**	**(43)**	(1,000)	(18)	(1,018)
Contributions by employer	**–**	**15**	**15**	15	2	17
Contributions by employees	**7**	**–**	**7**	7	–	7
Benefits paid	**(135)**	**(14)**	**(149)**	(136)	(15)	(151)
Settlements	**–**	**(2)**	**(2)**	–	–	–
Closing fair value of plan assets	**3,060**	**107**	**3,167**	3,088	104	3,192
Present value of defined benefit obligation						
Opening defined benefit obligation	**(2,514)**	**(123)**	**(2,637)**	(3,588)	(143)	(3,731)
Recognition of Money Purchase liabilities	**–**	**–**	**–**	–	–	–
Exchange differences	**–**	**6**	**6**	–	(14)	(14)
Disposals	**–**	**–**	**–**	–	1	1
Current service cost	**(16)**	**(2)**	**(18)**	(17)	(2)	(19)
Past service cost	**–**	**–**	**–**	(3)	–	(3)
Administration expenses	**(8)**	**–**	**(8)**	(7)	–	(7)
Interest on plan liabilities	**(121)**	**(6)**	**(127)**	(67)	(3)	(70)
Actuarial losses – experience	**(61)**	**(2)**	**(63)**	(25)	(2)	(27)
Actuarial gains – demographic	**52**	**–**	**52**	14	–	14
Actuarial (losses)/gains – financial	**(29)**	**(3)**	**(32)**	1,050	25	1,075
Contributions by employees	**(7)**	**–**	**(7)**	(7)	–	(7)
Benefits paid	**135**	**14**	**149**	136	15	151
Settlements	**–**	**2**	**2**	–	–	–
Closing defined benefit obligation	**(2,569)**	**(114)**	**(2,683)**	(2,514)	(123)	(2,637)

The weighted average duration of the defined benefit obligation is 12 years for the UK and six years for the US.

Changes in the value of the US PRMB are as follows:

All figures in £ millions	**2023**	2022
Opening defined benefit obligation	**(25)**	(34)
Exchange differences	**1**	(3)
Interest on plan liabilities	**–**	(1)
Actuarial gains – experience	**2**	5
Actuarial (losses)/gains – financial	**(1)**	5
Benefits paid	**2**	3
Closing defined benefit obligation	**(21)**	(25)

Funding

The UK Group plan is self-administered with the plan's assets being held independently of the Group in trust. The trustee of the UK Group plan is required to act in the best interest of the plan's beneficiaries. The most recent triennial actuarial valuation for funding purposes was completed as at 1 January 2021 and this valuation revealed a technical provision funding surplus of £160m. The UK Group plan expects to be able to provide benefits (in accordance with the plan rules) with a very low level of reliance on future funding from the Group.

Assets of the final salary section of the UK Group plan are divided into two main elements: liability matching assets and return seeking assets. The UK Group plan's investment strategy for the final salary section allocates approximately 95% to matching assets and 5% to return-seeking assets.

Liability matching assets are assets that produce cash flows that can be expected to match the cash flows for a proportion of the membership, and include a liability-driven investment mandate (LDI) for which a Qualifying Investor Alternative Investment Fund (QIAIF) was established, managed by a subsidiary of Legal & General Investment Management. The QIAIF invests in UK bonds, interest rate/inflation swaps and other derivative instruments in order to reduce interest rate and inflation risks using accurate cash flow matching and risk control. Other liability matching assets include pensioner buy-in insurance policies, bonds and inflation-linked property and infrastructure.

Following the purchase of buy-in policies with Legal & General and Aviva in 2017 and 2019, 95% of the UK Group plan's pensioner liabilities were matched with buy-in policies. These transfer significant longevity risk to Aviva and Legal & General, reducing the pension risks being underwritten by the Group and providing additional security for members.

Return-seeking assets are assets invested with a longer-term horizon to generate the returns needed to provide the remaining expected cash flows for the beneficiaries, and include diversified growth funds, property and alternative asset classes.

Recent economic and geopolitical uncertainty has increased volatility in the valuation of certain assets, in particular the LDI and insurance contracts. However, these movements are offset by equivalent movements in the defined benefit obligation. The UK Group plan divides its assets between a number of investment managers and across different types of assets, as such there is no significant concentration of risk.

Regular employer contributions to the UK Group plan in respect of the defined benefit sections are estimated to be £nil for 2024.

Sensitivities

The effect of a one percentage point increase and decrease in the discount rate on the defined benefit obligation and the total pension expense is as follows:

	2023	
All figures in £ millions	1% increase	1% decrease
Effect:		
(Decrease)/increase in defined benefit obligation – UK Group plan	**(203)**	**251**
(Decrease)/increase in defined benefit obligation – US plan	**(5)**	**5**

The effect of members living one year more or one year less on the defined benefit obligation is as follows:

	2023	
All figures in £ millions	One year increase	One year decrease
Effect:		
Increase/(decrease) in defined benefit obligation – UK Group plan	**58**	**(58)**
Increase/(decrease) in defined benefit obligation – US plan	**2**	**(2)**

The effect of a half percentage point increase and decrease in the inflation rate is as follows:

	2023	
All figures in £ millions	0.5% increase	0.5% decrease
Effect:		
Increase/(decrease) in defined benefit obligation – UK Group plan	**61**	**(58)**
Increase/(decrease) in defined benefit obligation – US plan	**–**	**–**

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant, although in practice this is unlikely to occur and changes in some assumptions may be correlated. When calculating these sensitivities, the same method has been applied to calculate the defined benefit obligation as has been applied when calculating the liability recognised in the balance sheet. This methodology is the same as prior periods.

26. Share-based payments

The Group recognised the following charges in the income statement in respect of its equity-settled share-based payment plans:

All figures in £ millions	2023	2022	2021
Pearson plans	**40**	38	28

The Group operates the following equity-settled employee option and share plans:

Worldwide Save for Shares Plan – The Group has a Worldwide Save for Shares Plan. Under this plan, employees can save a portion of their monthly salary over a period of three years. At the end of this period, the employee has the option to purchase ordinary shares with the accumulated funds at a purchase price equal to 80% of the market price prevailing at the time of the commencement of the employee's participation in the plan. Options that are not exercised within six months of the end of the savings period lapse unconditionally.

Employee Stock Purchase Plan – In 2000, the Group established an Employee Stock Purchase Plan which allows all employees in the US to save a portion of their monthly salary over six-month periods. At the end of the period, the employee has the option to purchase American Depositary Receipts (ADRs) with their accumulated funds at a purchase price equal to 85% of the lower of the market prices prevailing at the beginning or end of the period.

Long-Term Incentive Plan – The plan was first introduced in 2001 and from time to time the plan rules are renewed. The plan consists of restricted shares. The vesting of restricted shares is normally dependent on continuing service over a three to five-year period, and in the case of Executive Directors and senior management upon the satisfaction of corporate performance targets over a three-year period. These targets may be based on market and/or non-market performance criteria. Restricted shares awarded to Executive Directors in May 2022 and May 2021 vest dependent on relative total shareholder return (FTSE 100), net return on invested capital and adjusted earnings per share, and the May 2023 awards vest based on relative total shareholder return (FTSE 100 and S&P 500, excluding certain sectors), return on capital, adjusted earnings per share and an ESG measure. These awards are in addition to the 2020 co-investment award for Andy Bird, vesting in three equal tranches based on market and non-market performance underpins. The applicable market condition for the vesting of the final tranche is on relative total shareholder return (FTSE 100). Other restricted shares awarded in 2023, 2022 and 2021 generally vest depending on continuing service over periods of up to five years. Included within the total share-based payments charge in 2023 was £3m (2022: £3m; 2021: £nil) in respect of remuneration for post-acquisition services for recent acquisitions, which was included within other net gains and losses in the income statement.

26. Share-based payments continued

Management Incentive Plan – The plan was introduced in 2017 combining the Group's Annual Incentive Plan and Long-Term Incentive Plan for senior management. The number of shares to be granted to participants is dependent on Group performance in the calendar year preceding the date of grant (on the same basis as the Annual Incentive Plan). Subsequently, the shares vest dependent on continuing service over a three-year period, and additionally, in the case of the Pearson Executive Management team, upon satisfaction of non-market based performance criteria as determined by the Remuneration Committee. In 2021 this scheme was replaced by the Long-Term Incentive Plan for senior management.

The following shares were granted under restricted share arrangements:

	2023		2022	
	Number of shares 000s	**Weighted average fair value £**	Number of shares 000s	Weighted average fair value £
Long-Term Incentive Plan	**5,572**	**6.99**	7,584	7.61

In 2023, £23m (2022: £26m) of shares vested across the Worldwide Save for Shares Plan, the Long-Term Incentive Plan and the Management Incentive Plan.

The fair value of shares granted under the Long-Term Incentive Plan and the Management Incentive Plan that vest unconditionally is determined using the share price at the date of grant. Participants under the plans are entitled to dividends during the vesting period and therefore the share price is not discounted.

Restricted shares with a market performance condition were valued by an independent actuary using a Monte Carlo model. Restricted shares with a non-market performance condition were fair valued based on the share price at the date of grant. Non-market performance conditions are taken into consideration by adjusting the number of shares expected to vest based on the most likely outcome of the relevant performance criteria.

27. Share capital and share premium

	Number of shares 000s	Share capital £m	Share premium £m
At 31 December 2021	756,802	189	2,626
Issue of ordinary shares – share option schemes	1,199	–	7
Buyback of equity	(42,268)	(10)	–
At 31 December 2022	715,733	179	2,633
Issue of ordinary shares – share option schemes	**1,809**	–	**9**
Buyback of equity	**(20,243)**	**(5)**	–
At 31 December 2023	**697,299**	**174**	**2,642**

The ordinary shares have a par value of 25p per share (2022: 25p per share). All issued shares are fully paid. All shareholders are entitled to receive dividends and vote at general meetings of the company. All shares have the same rights.

On 20 September 2023, the Board approved a £300m share buyback programme in order to return capital to shareholders. During the year, approximately 20m shares were bought back and cancelled at a cost of £186m. The nominal value of these shares, £5m, was transferred to the capital redemption reserve, and the remainder of the purchase price is recorded within retained earnings. At 31 December 2023, a liability of £118m remained for those shares contracted to be repurchased but where the repurchases were still outstanding and associated costs.

On 24 February 2022, the Board approved a £350m share buyback programme in order to return capital to shareholders. During 2022, approximately 42m shares were bought back and cancelled at a cost of £353m. The nominal value of these shares, £10m, was transferred to the capital redemption reserve, and the remainder of the purchase price was recorded within retained earnings.

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of debt (see note 18), cash and cash equivalents (see note 17) and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings.

The Group reviews its capital structure on a regular basis and will balance its overall capital structure through payments of dividends, new share issues as well as the issue of new debt or the redemption of existing debt in line with the financial risk policies outlined in note 19.

28. Treasury shares

	Number of shares 000s	£m
At 31 December 2021	1,571	12
Purchase of treasury shares	4,513	37
Release of treasury shares	(4,220)	(34)
At 31 December 2022	1,864	15
Purchase of treasury shares	**3,991**	**35**
Release of treasury shares	**(3,695)**	**(31)**
At 31 December 2023	**2,160**	**19**

The Group holds Pearson plc shares in trust to satisfy its obligations under its restricted share plans (see note 26). These shares, representing 0.3% (2022: 0.3%) of called-up share capital, are treated as treasury shares for accounting purposes and have a par value of 25p per share.

The nominal value of Pearson plc treasury shares amounts to £0.5m (2022: £0.5m). Dividends on treasury shares are waived.

At 31 December 2023, the market value of Pearson plc treasury shares was £21m (2022: £18m). The gross book value of the shares at 31 December 2023 amounts to £19m (2022: £15m).

29. Other comprehensive income

						2023
	Attributable to equity holders of the company					
All figures in £ millions	**Fair value reserve**	**Translation reserve**	**Retained earnings**	**Total**	**Non-controlling interest**	**Total**
Items that may be reclassified to the income statement						
Net exchange differences on translation of foreign operations	**–**	**(176)**	**–**	**(176)**	**(1)**	**(177)**
Currency translation adjustment disposed	**–**	**(122)**	**–**	**(122)**	**–**	**(122)**
Attributable tax	**–**	**–**	**–**	**–**	**–**	**–**
Items that are not reclassified to the income statement						
Fair value gain on other financial assets	**1**	**–**	**–**	**1**	**–**	**1**
Attributable tax	**–**	**–**	**–**	**–**	**–**	**–**
Remeasurement of retirement benefit obligations	**–**	**–**	**(85)**	**(85)**	**–**	**(85)**
Attributable tax	**–**	**–**	**20**	**20**	**–**	**20**
Other comprehensive income/(expense) for the year	**1**	**(298)**	**(65)**	**(362)**	**(1)**	**(363)**

29. Other comprehensive income continued

All figures in £ millions	Fair value reserve	Translation reserve	Retained earnings	Total	Non-controlling interest	Total
						2022
	Attributable to equity holders of the company					
Items that may be reclassified to the income statement						
Net exchange differences on translation of foreign operations	–	328	–	328	2	330
Currency translation adjustment disposed	–	(5)	–	(5)	–	(5)
Attributable tax	–	–	4	4	–	4
Items that are not reclassified to the income statement						
Fair value gain on other financial assets	18	–	–	18	–	18
Attributable tax	–	–	1	1	–	1
Remeasurement of retirement benefit obligations	–	–	54	54	–	54
Attributable tax	–	–	(12)	(12)	–	(12)
Other comprehensive income/(expense) for the year	18	323	47	388	2	390

All figures in £ millions	Fair value reserve	Translation reserve	Retained earnings	Total	Non-controlling interest	Total
						2021
	Attributable to equity holders of the company					
Items that may be reclassified to the income statement						
Net exchange differences on translation of foreign operations	–	(6)	–	(6)	–	(6)
Currency translation adjustment disposed	–	4	–	4	–	4
Attributable tax	–	–	10	10	–	10
Items that are not reclassified to the income statement						
Fair value gain/(loss) on other financial assets	4	–	–	4	–	4
Attributable tax	–	–	(1)	(1)	–	(1)
Remeasurement of retirement benefit obligations	–	–	149	149	–	149
Attributable tax	–	–	(61)	(61)	–	(61)
Other comprehensive income/(expense) for the year	4	(2)	97	99	–	99

The capital redemption reserve reflects the nominal value of shares cancelled in the Group’s share buyback programme. The fair value reserve arises on revaluation of other financial assets. The translation reserve includes exchange differences arising from the translation of the net investment in foreign operations and of borrowings and other currency instruments designated as hedges of such investments.

30. Business combinations

On 22 March 2023, the Group acquired 100% of the share capital of Personnel Decisions Research Institutes, LLC (PDRI) for cash consideration of £152m ($187m). PDRI is a provider of workforce assessment services and has significant expertise in providing recruitment assessment solutions to the US federal government. It forms part of the Assessment & Qualifications division. There is no contingent or deferred consideration. Net assets acquired of £91m were recognised on the Group's balance sheet including £117m of acquired intangible assets.

This transaction has resulted in the recognition of £61m of goodwill, which represents the expected growth of the business, the workforce and know-how acquired and the anticipated synergies, none of which can be recognised as separate intangible assets. The goodwill is not deductible for tax purposes.

Intangible assets of £117m have been recognised in respect of PDRI, the majority of which relates to SAAS customer contracts and technology, which will be amortised over periods of up to 15 years. The valuations of these assets were carried out with the support of a third-party specialist, and were based on discounted cash flow models. The key assumptions that feed into the valuations are the cash flow forecasts, revenue projections from existing customers, forecasted profit margins and discount rates.

On 28 January 2022, the Group acquired 100% of the share capital in Credly Inc (Credly), having previously held a 19.9% interest in the company. Credly is a digital credential service provider whose platform enables customers to design, create, issue and manage digital credentials. It forms part of the Workforce Skills division. Total consideration was £149m comprising upfront cash consideration of £107m, Pearson's existing interest valued at £31m and £11m of deferred consideration. The deferred consideration is payable two years from the acquisition date.

On 28 April 2022, the Group acquired 100% of the share capital of ATI STUDIOS A.P.P.S S.R.L (Mondly), a global online learning platform offering customers learning in English and 40 other languages via its app, website, virtual reality and augmented reality products. It forms part of the English Language Learning division. Total consideration was £135m comprising upfront cash consideration of £105m, and deferred consideration of £30m. The deferred consideration is payable over two years from the acquisition date, with no performance conditions attached. In addition, a further $29.6m (c.£24m) of cash and $10m (c.£8m) in shares will be paid over four years from the acquisition date, dependent on continuing employment, and therefore these additional amounts are being expensed over the period and are not treated as consideration.

In 2022, these transactions resulted in the recognition of £202m of goodwill, which represented the expected growth through new products and customers, the workforce and know-how acquired and the anticipated synergies, none of which can be recognised as separate intangible assets. The goodwill is not deductible for tax purposes.

Intangible assets of £99m were recognised in respect of Credly and Mondly. The valuations of these assets were carried out with the support of third-party specialists, and were based on discounted cash flow models. The key assumptions that feed into the valuations were the cash flow forecasts, revenue projections from existing customers, forecasted profit margins and discount rates.
For Credly, £49m of intangible assets were recognised, mainly relating to the existing customer relationships that are being amortised over 20 years, and technology which are being amortised over five years. For Mondly, £50m of intangible assets were recognised, the majority of which relates to acquired technology, and are being amortised over periods up to seven years.

In 2022, the Group also made three smaller acquisitions in the period for total consideration of £11m.

In September 2021, Pearson completed the acquisition of 100% of the share capital of Faethm Holdings Pty Limited (Faethm), having already held 9% of the share capital previously. Faethm uses artificial intelligence and analytics services to help governments, companies and workers understand the dynamic forces shaping the labour market. Faethm forms part of the Workforce Skills division. The total consideration for the transaction was £65m, which included £10m of contingent consideration, which has since been settled in 2022.

In addition, in 2021, the Group made two additional acquisitions of subsidiaries for total consideration of £11m. In both cases, the Group acquired 100% of the share capital of the respective entities. Opinion Interactive LLC (also known as Spotlight Education) was acquired in February 2021. MZ Development Inc. was acquired in July 2021. Both form part of the Assessment & Qualifications division.

The Group also made additional investments in associates, which are detailed in note 12, and are not included below.

Details of the fair values of the assets and liabilities recognised at the acquisition date and the related consideration is shown in the table below.

KE Key areas of estimation

The valuation of acquired intangible assets recognised on the acquisition of a business. The valuation is based on a number of assumptions, including estimations of future business performance.

30. Business combinations continued

All figures in £ millions	2023 Total	2022 Total	2021 Total
Intangible assets	**117**	**110**	27
Deferred tax asset	**–**	**8**	11
Trade and other receivables	**8**	**8**	2
Cash and cash equivalents	**4**	**13**	4
Trade and other liabilities	**(7)**	**(26)**	(5)
Deferred tax liabilities	**(31)**	**(22)**	(6)
Net assets acquired	**91**	**91**	33
Goodwill	**61**	**204**	43
Total	**152**	**295**	76
Satisfied by:			
Cash consideration	**152**	**223**	54
Contingent or deferred consideration	**–**	**41**	16
Fair value of existing investment	**–**	**31**	6
Total consideration	**152**	**295**	76

PDRI generated revenue of £24m and a profit after tax of £4m for the period from the acquisition date to 31 December 2023. If the acquisitions had occurred on 1 January 2023, the Group's revenue would have been £7m higher and the profit after tax would have been £1m higher.

Total acquisition related costs of £12m (2022: £20m) were recognised within other net gains and losses. There were also gains of £5m (2022: £8m) arising on decreases in the deferred consideration payable on prior year acquisitions.

The net cash outflows related to the acquisitions are set out in the table below. In addition to the current year acquisitions, the other net cash outflows on acquisition of subsidiaries relate to deferred payments for prior year acquisitions.

All figures in £ millions	2023 Total	2022 Total	2021 Total
Cash flow on acquisitions			
Cash – current year acquisitions	**(152)**	(223)	(54)
Cash and cash equivalents acquired	**4**	13	4
Deferred payments for prior year acquisitions and other items	**(23)**	(18)	(5)
Net cash outflow	**(171)**	(228)	(55)

31. Disposals and business closures

On 30 June 2023, the Group disposed of its interests in its POLS businesses in the US, UK, Australia and India. The businesses disposed excludes Pearson's contract with ASU. The consideration to be received is deferred and comprises a 27.5% share of positive adjusted EBITDA in each calendar year for six years and 27.5% of the proceeds received by the purchaser in relation to any future monetisation event. The consideration has been valued at £12m and a pre-tax gain on disposal of £13m has been recognised. In addition, a gain of £9m has been recognised which arises from the release of a provision related to a historical disposal, £19m of losses arose from the disposals of Pearson College and the international courseware local publishing business in India and £12m of costs related to previous disposals were recognised.

Whether the associated results and cash flows of the POLS businesses should be classified and presented as discontinued operations is a significant judgement. The Group's judgement is that the results and cash flows of the related businesses should not be classified and presented as discontinued operations on the basis that the businesses disposed do not constitute a separate major line of business or geographical area of operations, and the cash flows related to one of the large contracts within the business are being retained.

KJ Key judgements

- The results and cash flows of businesses disposed do not meet the criteria to be classified and presented as discontinued operations.

The POLS business is within the Virtual Learning segment and represents £93m of sales for the year ended 31 December 2023 out of the total sales in the Virtual Learning segment of £616m. If the Group had concluded that this business represented discontinued operations, its results and the related gain on disposal would not have been included within each of the continuing operations income statement lines. Profit for the period from continuing operations would have been £10m lower and this amount would have been separately presented as profit for the period.

In 2022, the Group disposed of its interests in the Canadian educational publisher (ERPI), Pearson Italia S.p.A, Stark Verlag GmbH, Austin Education (Hong Kong) Limited, Pearson South Africa (Pty) Ltd and various other South African companies. Total cash consideration received was £287m resulting in a pre-tax gain on disposal of £42m. All entities disposed of were previously in the Strategic Review segment. £5m of losses arose from other immaterial disposals and costs related to the wind-down of certain businesses.

In February 2021, the Group completed the sale of its interests in the Pearson Institute of Higher Education (PIHE) in South Africa resulting in a pre-tax loss of £5m. In October 2021, the sale of the Group's interests in K12 Sistemas in Brazil was also completed for consideration of £108m, resulting in a gain on sale of £84m. There were no other business disposals in 2021 and additional losses of £14m relate to other disposal costs including costs related to the wind-down of certain businesses under strategic review.

Deferred proceeds relating to the K12 sale were received in 2022 and 2021 (see note 14). None of the 2022 or 2021 disposals met the criteria to be considered a discontinued operation on the basis that they did not represent major lines of business or geographical areas of operations.

The table below shows a summary of the assets and liabilities disposed of:

All figures in £ millions	2023	2022	2021
Disposal of subsidiaries and associates			
Intangible assets, including goodwill	**(53)**	(77)	(3)
Property, plant and equipment	**(5)**	(11)	(48)
Intangible assets – product development	**(15)**	(39)	(6)
Inventories	**(1)**	(33)	(2)
Trade and other receivables	**(65)**	(106)	(6)
Deferred tax	**8**	(12)	–
Current tax (receivable)/payable	**(2)**	–	–
Cash and cash equivalents (excluding overdrafts)	**(12)**	(21)	(24)
Provisions for other liabilities and charges	**–**	1	3
Retirement benefit obligations	**–**	2	–
Trade and other liabilities	**31**	52	4
Financial liabilities – borrowings	**–**	8	67
Net assets disposed	**(114)**	(236)	(15)
Cumulative currency translation adjustment	**122**	5	(4)
Cash proceeds	**1**	291	108
Deferred proceeds	**12**	2	–
Costs of disposal	**(30)**	(25)	(24)
(Loss)/gain on disposal	**(9)**	37	65

All figures in £ millions	2023	2022	2021
Cash flow from disposals			
Proceeds – current year disposals	**1**	291	108
Proceeds – prior year disposals	**–**	86	16
Cash and cash equivalents disposed	**(12)**	(21)	(24)
Costs and other disposal liabilities paid	**(27)**	(23)	(17)
Net cash (outflow)/inflow	**(38)**	333	83

32. Held for sale

At 31 December 2023, the Group has classified two properties (2022: three), with a total carrying value of £2m (2022: £16m), as held for sale.

33. Additional cash flow information

In the cash flow statement, proceeds from sale of property, plant and equipment comprise:

All figures in £ millions	2023	2022
Net book amount	**6**	9
(Loss)/profit on sale of property, plant and equipment	**(1)**	5
Proceeds from sale of property, plant and equipment	**5**	14

The movements in the Group's current and non-current borrowings are as follows:

All figures in £ millions	2022	Fair value and other movements	Foreign exchange movements	Financing cash flows	Transfer from non-current to current	New leases/disposal of leases	2023
Financial liabilities							
Non-current borrowings	1,155	**(2)**	**(15)**	**–**	**(80)**	**42**	**1,100**
Current borrowings	66	**10**	**(18)**	**(84)**	**80**	**(1)**	**53**
Total	1,221	**8**	**(33)**	**(84)**	**–**	**41**	**1,153**

All figures in £ millions	2021	Fair value and other movements	Foreign exchange movements	Financing cash flows	Transfer from non-current to current	New leases/disposal of leases	2022
Financial liabilities							
Non-current borrowings	1,245	(14)	61	(76)	(92)	31	1,155
Current borrowings	157	(10)	16	(188)	92	(1)	66
Total	1,402	(24)	77	(264)	–	30	1,221

Non-current borrowings include bonds, derivative financial instruments and leases. Current borrowings include loans repayable within one year, derivative financial instruments and leases, but exclude overdrafts classified within cash and cash equivalents.

34. Contingencies, tax uncertainties and commitments

KJ Key judgements

- The application of tax legislation in relation to provisions for uncertain tax positions.

KE Key areas of estimation

- The level of provisions required in relation to uncertain tax positions is complex and each matter is separately assessed. The estimation of future settlement amounts is based on a number of factors including the status of the unresolved matter, clarity of legislation, range of possible outcomes and the statute of limitations.

There are contingent Group liabilities that arise in the normal course of business in respect of indemnities, warranties and guarantees in relation to former subsidiaries and in respect of guarantees in relation to subsidiaries, joint ventures and associates. In addition, there are contingent liabilities of the Group in respect of unsettled or disputed tax liabilities, legal claims, contract disputes, royalties, copyright fees, permissions and other rights. None of these claims is expected to result in a material gain or loss to the Group.

On 25 April 2019, the European Commission published the full decision that the United Kingdom controlled foreign company group financing partial exemption ('FCPE') partially constitutes State Aid. This decision was appealed by the UK Government and other parties. On 8 June 2022 the EU General Court dismissed the appeal, however, this decision was further appealed by the UK Government and other parties, with the subsequent hearing having taken place on 10 January 2024 (outcome pending). The total exposure is calculated to be £105m (excluding interest) with a provision of £63m held in relation to this issue. The remaining tax receivable is disclosed as a non-current asset on the balance sheet. The provision is calculated considering a range of possible outcomes and applying a probability to each, resulting in a weighted average outcome. The possible outcomes considered range from no liability through to the full exposure (£105m). This issue is specific to periods up to 2018 and is not a continuing exposure.

The Group is under assessment from the tax authorities in Brazil challenging the deduction for tax purposes of goodwill amortisation for the years 2012 to 2020. Similar assessments may be raised for other years. Potential total exposure (including possible interest and penalties) could be up to BRL 1,294m (£209m) up to 31 December 2023, with additional potential exposure of BRL 24m (£4m) in relation to deductions expected to be taken in future periods. Such assessments are common in Brazil. The Group believes that the likelihood that the tax authorities will ultimately prevail is low and that the Group's position is strong. At present, the Group believes no provision is required.

The Group is also under assessment from the UK tax authorities with the relevant years being 2019 to 2021. The maximum exposure is calculated to be £43m, with a provision of £21m currently held in relation to this assessment. The provision is calculated considering a range of possible outcomes and applying a probability to each, resulting in a weighted average outcome. The possible outcomes considered range from no liability through to the full exposure (£43m). The point being assessed is specific to 2019 to 2021 and is not a continuing exposure.

At the balance sheet date there were no commitments for capital expenditure contracted for but not yet incurred. Commitments in respect of leases are shown in note 35.

35. Leases

The Group's lease portfolio consists of approximately 710 property leases, mainly offices and test centres, together with a number of vehicle and equipment leases. The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

As a lessee:

The amounts recognised in the income statement are as follows:

All figures in £ millions	Note	2023	2022	2021
Interest on lease liabilities		**(23)**	(25)	(27)
Expenses relating to short-term leases		**–**	–	–
Depreciation of right-of-use assets	10	**(39)**	(45)	(49)
Impairment of right-of-use assets	10	**(2)**	(34)	(119)

Lease liabilities are included within financial liabilities – borrowings in the balance sheet, see note 18. The maturities of the Group's lease liabilities are as follows:

All figures in £ millions	2023	2022
Less than one year	**84**	94
One to five years	**286**	320
More than five years	**301**	332
Total undiscounted lease liabilities	**671**	746
Lease liabilities included in the balance sheet	**547**	605
Analysed as:		
Current	**64**	71
Non-current	**483**	534

The amounts recognised in the cash flow statement are as follows:

All figures in £ millions	2023	2022	2021
Total cash outflow for leases as a lessee	**107**	118	115

At the balance sheet date commitments for capital leases contracted for but not yet incurred were £8m (2022: £5m). Extension and termination options and variable lease payments are not significant within the lease portfolio. Short-term leases to which the Group is committed at the balance sheet date are similar to the portfolio of short-term leases to which the short-term lease expense is disclosed above.

As a lessor:

In the event that the Group has excess capacity in its leased offices and warehouses, the Group subleases some of its properties under operating and finance leases.

The amounts recognised in the income statement are as follows:

All figures in £ millions	2023	2022	2021
Interest on lease receivables	**4**	5	6
Income from subleasing right-of-use assets (within other income)	**6**	4	2

The amounts recognised in the cash flow statement are as follows:

All figures in £ millions	2023	2022	2021
Total cash inflow for leases as a lessor	**19**	23	27

The following table sets out the maturity analysis of lease payments receivable for subleases classified as operating leases, showing the undiscounted lease payments to be received after the reporting date, and subleases classified as finance leases showing the undiscounted lease payments to be received after the reporting date and the net investment in the finance lease receivable. During the year, the investment in finance lease receivable decreased by £21m (2022: increased £6m), primarily due to payments received.

All figures in £ millions	Operating leases	Finance leases	2023 Total	2022 Total	2021 Total
Less than one year	**10**	**21**	**31**	24	21
One to two years	**10**	**23**	**33**	28	18
Two to three years	**11**	**23**	**34**	28	20
Three to four years	**11**	**23**	**34**	28	21
Four to five years	**11**	**16**	**27**	29	20
More than five years	**48**	**6**	**54**	44	41
Total undiscounted lease payments receivable	**101**	**112**	**213**	181	141
Unearned finance income		**(12)**			
Net investment in finance lease receivable		**100**			

36. Related party transactions

Joint ventures and associates

At 31 December 2022, the Group had a current liability payable to Academy of Pop of £5m (2021: £7m), which related to the Group's initial capital contribution that had not yet been paid as at 31 December 2022. This balance was paid in early 2023.

Key management personnel

Key management personnel are deemed to be the members of the Pearson Executive Management team (see pages 72-73). It is this Committee which had responsibility for planning, directing and controlling the activities of the Group in 2023. Key management personnel compensation is disclosed below:

All figures in £ millions	**2023**	2022	2021
Short-term employee benefits	**9**	7	6
Retirement benefits	**1**	1	1
Share-based payment costs	**11**	9	8
Total	**21**	17	15

Short-term employee benefits and retirement benefits exclude Executive Directors which are shown on page 119 of the Directors Remuneration Report.

There were no other material related party transactions. No guarantees have been provided to related parties.

37. Events after the balance sheet date

On 29 February 2024, the Board approved an extension to the share buyback programme of £200m.

38. Accounts and audit exemptions

The Pearson plc subsidiary companies listed below are exempt from the requirements of the Companies Act 2006 relating to the audit of individual financial statements by virtue of section 479A.

	Company number
Aldwych Finance Limited	04720439
Education Development International plc	03914767
Faethm Limited	11842984
Longman Group (Overseas Holdings) Limited	00690236
Pearson Australia Finance Unlimited	05578463
Pearson Canada Finance Unlimited	05578491
Pearson Dollar Finance Limited	05111013
Pearson Dollar Finance Two Limited	06507766
Pearson Education Holdings Limited	00210859
Pearson Education Investments Limited	08444933
Pearson Education Limited	00872828
Pearson International Finance Limited	02496206
Pearson Loan Finance No. 3 Limited	05052661
Pearson Loan Finance No. 5 Limited	12017252

	Company number
Pearson Loan Finance No. 6 Limited	12030662
Pearson Loan Finance Unlimited	05144467
Pearson Management Services Limited	00096263
Pearson Nominees Limited	00672908
Pearson Overseas Holdings Limited	00145205
Pearson Pension Nominees Limited	10809680
Pearson Pension Trustee Services Limited	10803853
Pearson Professional Assessments Limited	04904325
Pearson Strand Limited	08561316
Pearson Services Limited	01341060
Pearson Shared Services Limited	04623186
Pearson Strand Finance Limited	11091691
PVNT Limited	08038068
TQ Global Limited	07802458

Company balance sheet

As at 31 December 2023

All figures in £ millions	Notes	2023	2022
Assets			
Non-current assets			
Investments in subsidiaries	2	**6,702**	6,738
Amounts due from subsidiaries		**2,074**	1,667
Deferred income tax assets		**35**	44
Financial assets – derivative financial instruments	5	**32**	43
		8,843	8,492
Current assets			
Amounts due from subsidiaries		**277**	526
Current income tax assets		**22**	4
Cash and cash equivalents (excluding overdrafts)	4	**5**	240
Financial assets – derivative financial instruments	5	**15**	16
Other assets		**1**	1
		320	787
Total assets		**9,163**	9,279
Liabilities			
Non-current liabilities			
Amounts due to subsidiaries		**(3,287)**	(3,380)
Financial liabilities – derivative financial instruments	5	**(38)**	(54)
		(3,325)	(3,434)
Current liabilities			
Amounts due to subsidiaries		**(1,240)**	(1,383)
Other liabilities		**(121)**	(1)
Financial liabilities – derivative financial instruments	5	**(5)**	(11)
		(1,366)	(1,395)
Total liabilities		**(4,691)**	(4,829)
Net assets		**4,472**	4,450

All figures in £ millions	Notes	2023	2022
Equity			
Share capital	6	**174**	179
Share premium	6	**2,642**	2,633
Treasury shares	7	**(19)**	(15)
Capital redemption reserve		**33**	28
Special reserve		**447**	447
Retained earnings – including profit for the year of £467m (2022: £499m)		**1,195**	1,178
Total equity attributable to equity holders of the company		**4,472**	4,450

These financial statements have been approved for issue by the Board of Directors on 13 March 2024 and signed on its behalf by

Sally Johnson
Chief Financial Officer

Company statement of changes in equity

Year ended 31 December 2023

All figures in £ millions	Share capital	Share premium	Treasury shares	Capital redemption reserve	Special reserve	Retained earnings	Total
	Equity attributable to equity holders of the company						
At 1 January 2023	**179**	**2,633**	**(15)**	**28**	**447**	**1,178**	**4,450**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**467**	**467**
Equity-settled transactions[1]	**–**	**–**	**–**	**–**	**–**	**40**	**40**
Issue of ordinary shares under share option schemes[1]	**–**	**9**	**–**	**–**	**–**	**–**	**9**
Purchase of treasury shares	**–**	**–**	**(35)**	**–**	**–**	**–**	**(35)**
Release of treasury shares	**–**	**–**	**31**	**–**	**–**	**(31)**	**–**
Buyback of equity	**(5)**	**–**	**–**	**5**	**–**	**(304)**	**(304)**
Dividends	**–**	**–**	**–**	**–**	**–**	**(155)**	**(155)**
At 31 December 2023	**174**	**2,642**	**(19)**	**33**	**447**	**1,195**	**4,472**

All figures in £ millions	Share capital	Share premium	Treasury shares	Capital redemption reserve	Special reserve	Retained earnings	Total
	Equity attributable to equity holders of the company						
At 1 January 2022	189	2,626	(12)	18	447	1,184	4,452
Profit for the year	–	–	–	–	–	499	499
Equity-settled transactions[1]	–	–	–	–	–	38	38
Issue of ordinary shares under share option schemes[1]	–	7	–	–	–	–	7
Purchase of treasury shares	–	–	(37)	–	–	–	(37)
Release of treasury shares	–	–	34	–	–	(34)	–
Buyback of equity	(10)	–	–	10	–	(353)	(353)
Dividends	–	–	–	–	–	(156)	(156)
At 31 December 2022	179	2,633	(15)	28	447	1,178	4,450

The capital redemption reserve reflects the nominal value of shares cancelled in the Group's share buyback programme. The special reserve represents the cumulative effect of cancellation of the company's share premium account.

1. Full details of the share-based payment plans are disclosed in note 26 to the consolidated financial statements.

Company cash flow statement

Year ended 31 December 2023

All figures in £ millions	Notes	2023	2022
Cash flows from operating activities			
Net profit		**467**	499
Adjustments for:			
Income tax		**6**	(15)
Net finance costs		**(10)**	48
Share-based payment costs		**40**	38
Impairment (reversals)/charges		**(40)**	5
Amounts due to subsidiaries		**(301)**	(97)
Net cash generated from operations		**162**	478
Interest paid		**(14)**	(44)
Tax (paid)/received		**(15)**	4
Net cash generated from operating activities		**133**	438
Cash flows from financing activities			
Proceeds from issue of ordinary shares	6	**9**	7
Buyback of equity		**(186)**	(353)
Purchase of treasury shares		**(35)**	(37)
Proceeds from borrowings		**285**	–
Repayment of borrowings		**(285)**	–
Dividends paid to company's shareholders		**(154)**	(156)
Net cash used in financing activities		**(366)**	(539)
Effects of exchange rate changes on cash and cash equivalents		**(2)**	31
Net decrease in cash and cash equivalents		**(235)**	(70)
Cash and cash equivalents at beginning of year		**240**	310
Cash and cash equivalents at end of year	4	**5**	240

Notes to the company financial statements

1. Accounting policies

The financial statements on pages 208-218 comprise the separate financial statements of Pearson plc.

These company financial statements have been prepared on the going concern basis and in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006. The company financial statements have also been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB).

The company financial statements have been prepared under the historical cost convention as modified by the revaluation of financial assets and liabilities (including derivative financial instruments) at fair value.

As permitted by section 408 of the Companies Act 2006, the company income statement and statement of comprehensive income have not been presented.

The company has no employees (2022: nil).

The basis of preparation and accounting policies applied in the preparation of these company financial statements are the same as those set out in note 1a to the consolidated financial statements with the addition of the following:

Investments

Investments in subsidiaries are stated at cost less provision for impairment, with the exception of certain hedged investments that are held in a foreign currency and revalued at each balance sheet date.

Lending to/from subsidiaries is considered to be an operating activity and any movements are classified as cash flows from operating activities in the cash flow statement.

Amounts owed by subsidiaries

Amounts owed by subsidiaries generally mature within five years, but can be called upon on short notice, or are repayable on demand. Amounts owed by subsidiaries are classified as current if they mature within one year of the balance sheet date or if the company intends to call the loan within one year of the balance sheet date. All other amounts are classified as non-current. The company has assessed and concluded that these loans will be fully recovered. Therefore credit losses are considered to be immaterial.

Parent company guarantees

The Company has guaranteed the repayment of bonds and certain other liabilities due by subsidiary undertakings primarily to third parties. Such guarantees are accounted for by the Company under IFRS 9. They are initially measured at fair value. Subsequently, they are measured at the higher of (i) the amount initially recognised less the cumulative amount of revenue recognised in accordance with IFRS 15, and (ii) the expected credit losses under IFRS 9. The Company has also entered into performance guarantees whereby in respect of contracts entered into by subsidiary undertakings, the Company will settle any claims for non-performance under the contract in the event that the subsidiary does not perform its responsibilities under the contract, and it does not pay out any amounts due to the third party in the event of non-performance. Such performance guarantees are accounted for as loan commitments under IFRS 9.

New accounting standards

The Group adopted IFRS 17 'Insurance Contracts' for the first time in 2023. No other new standards were adopted in 2023. A number of other new pronouncements are effective from 1 January 2023 but they do not have a material impact on the company financial statements.

Going concern

In assessing the Company's ability to continue as a going concern for the period to 30 June 2025, the Board reviewed management's five-year plan, which was used as the base case.

The review included available liquidity throughout the period and headroom against the Group's two main covenants, which require net debt to EBITDA to be a maximum of four times and interest cover to be at least three times.

At 31 December 2023, the Group had available liquidity of c.£1bn, comprising central cash balances and its undrawn $1bn Revolving Credit Facility (RCF). The company's subsidiary Pearson Funding plc has a debt maturity of €300m due within the going concern assessment period and it is assumed that this is refinanced ahead of time with a £250m bond or bank facility. In both the base case and severe but plausible scenario, the business has sufficient liquidity to repay this amount and does not rely on this refinancing in order to remain a going concern. Significant liquidity and covenant headroom was observed throughout the assessment period in this base model.

A severe but plausible scenario was analysed, where the Group is impacted by all principal risks in both 2024 and 2025, adjusted for probability weighting as well as other significant risks. For this and other downside scenarios tested, the net impact of the risks modelled was to reduce adjusted operating profit by around 40% in each year. Even under a severe downside case, the company would maintain comfortable liquidity headroom and sufficient headroom against covenant requirements during the period under assessment. That is, even before modelling the mitigating effect of actions that management would take if these downside risks were to crystalise.

A reverse stress test was performed to identify the reduction in profit required to cease to be a going concern at or before 30 June 2025. The model showed that operating losses were required in both 2024 and 2025 to breach covenants and in turn to exhaust liquidity. This significantly exceeded the severe but plausible downside scenario. The Directors consider this reverse stress test scenario to be remote.

The Directors have confirmed that there are no material uncertainties that cast doubt on the Company's going concern status and that they have a reasonable expectation that the Company has adequate resources to continue in operational existence beyond 30 June 2025. The Company financial statements have therefore been prepared on a going concern basis.

2. Investments in subsidiaries

All figures in £ millions	**2023**	2022
At beginning of year	**6,738**	6,632
Distributions	**–**	(49)
Impairment reversal	**40**	–
Currency revaluations	**(76)**	155
At end of year	**6,702**	6,738

Notes to the company financial statements *continued*

2. Investments in subsidiaries continued

There were no impairments in 2023 or 2022. The recoverability of investments is tested annually for impairment in accordance with IAS 36 'Impairment of Assets'. The carrying value is compared to the asset's recoverable amount which is generally assessed on a value in use basis. Significant estimation is required to determine the recoverable amount. The value in use of the assets is calculated using a discounted cash flow methodology using financial information related to the subsidiaries including cash flow projections in conjunction with the goodwill impairment analysis performed by the Group. The key assumptions used in the cash flow projections are discount rates, perpetuity growth rates, forecast sales growth rates and forecast operating profits. See note 11 of the consolidated financial statements for further details.

3. Financial risk management

The company's financial instruments comprise amounts due to/from subsidiary undertakings, cash and cash equivalents, derivative financial instruments and current borrowings. Derivative financial instruments are held at fair value, with all other financial instruments held at amortised cost, which approximates fair value. The company's approach to the management of financial risks is consistent with the Group's treasury policy, as discussed in note 19 to the consolidated financial statements. The company believes the value of its financial assets to be fully recoverable.

The carrying value of the company's financial instruments is exposed to movements in interest rates and foreign currency exchange rates (primarily US dollars). The company estimates that a 1% increase in interest rates would result in a £11m increase (2022: £7m increase) in the carrying value of its financial instruments, with a 1% decrease in interest rates resulting in a £10m decrease (2022: £6m decrease) in their carrying value. The company also estimates that a 10% strengthening in sterling would decrease the carrying value of its financial instruments by £40m (2022: £136m), while a 10% weakening in the value of sterling would increase the carrying value by £48m (2022: £153m). These increases and decreases in carrying value would be recorded through the income statement. Sensitivities are calculated using estimation techniques such as discounted cash flow and option valuation models. Where modelling an interest rate decrease of 1% led to negative interest rates, these points on the yield curve were adjusted to 0%.

The following table analyses the company's derivative assets and liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows (including interest) and as such may differ from the amounts disclosed on the balance sheet.

	Analysed by maturity				Analysed by currency			
All figures in £ millions	Greater than one month and less than one year	Later than one year but less than five years	Five years or more	Total	USD	GBP	Other	Total
At 31 December 2023								
Rate derivatives – inflows	**(13)**	**(262)**	**–**	**(275)**	**(6)**	**(9)**	**(260)**	**(275)**
Rate derivatives – outflows	**5**	**268**	**–**	**273**	**178**	**89**	**6**	**273**
FX forwards – inflows	**(428)**	**–**	**–**	**(428)**	–	**(428)**	–	**(428)**
FX forwards – outflows	**421**	**–**	**–**	**421**	**421**	–	–	**421**
Total	**(15)**	**6**	**–**	**(9)**	**593**	**(348)**	**(254)**	**(9)**
At 31 December 2022								
Rate derivatives – inflows	(11)	(471)	–	(482)	(24)	(170)	(288)	(482)
Rate derivatives – outflows	1	490	–	491	224	255	12	491
FX forwards – inflows	(304)	–	–	(304)	–	(304)	–	(304)
FX forwards – outflows	313	–	–	313	–	313	–	313
Total	(1)	19	–	18	200	94	(276)	18

All cash flow projections shown above are on an undiscounted basis. Any cash flows based on a floating rate are calculated using interest rates as set at the date of the last rate reset. Where this is not possible, floating rates are based on interest rates prevailing at 31 December in the relevant year. All derivative amounts are shown gross, although the company net settles these amounts wherever possible.

Fair value hedge accounting

A foreign currency exposure arises from foreign exchange fluctuations on translation of the company's investments in subsidiaries denominated in USD into GBP. The hedged risk is the risk of changes in the GBP:USD spot rate that will result in changes in the value of the USD investments when translated into GBP. The hedged items are a portion of the company's equity investment in subsidiaries denominated in USD. The hedging instruments are a portion of the company's intercompany loans due from subsidiaries which are denominated in USD.

It is expected that the change in value of each of these items will offset each other as there is a clear and direct economic relationship between the hedge and the hedged item in the hedge relationship. Hedge ineffectiveness would arise if the value of the hedged items fell below the value of the hedging instruments; however, this is unlikely as the value of the company's investments denominated in USD is significantly greater than the proposed fair value hedge programme.

The value of the hedged items and the hedging instruments is £1.4bn (2022: £1.4bn) and the change in value during the year which was used to assess hedge ineffectiveness was £77m (2022: £155m). There was no hedge ineffectiveness.

Cash flows from the €300m EUR 2025 bond are received by the company from its subsidiary creating a foreign currency exposure upon the translation from EUR to GBP. Changes in the GBP:EUR spot rate will result in changes to the value of amounts due from subsidiaries when translated into GBP. The hedged item is €100m of this amount due from subsidiaries denominated in EUR. The hedging instrument is a €100m 2025 cross-currency swap. It is expected that the change in value of these items will move in the opposite directions as a result of movements in the EUR:GBP exchange rate.

Credit risk management

The company's main exposure to credit risk relates to lending to subsidiaries. Amounts due from subsidiaries are stated net of provisions for bad and doubtful debts. The credit risk of each subsidiary is influenced by the industry and country in which they operate; however, the company considers the credit risk of subsidiaries to be low as it has visibility of, and the ability to influence, their cash flows.

4. Cash and cash equivalents (excluding overdrafts)

All figures in £ millions	**2023**	2022
Cash at bank and in hand	**5**	240
	5	240

At the end of 2023, the currency split of cash and cash equivalents was US dollar 0% (2022: 79%), sterling 44% (2022: 18%) and other 56% (2022: 3%). Cash and cash equivalents have fair values that approximate their carrying amounts due to their short-term nature.

5. Derivative financial instruments

The company's outstanding derivative financial instruments are as follows:

			2023			2022
All figures in £ millions	**Gross notional amounts**	**Assets**	**Liabilities**	Gross notional amounts	Assets	Liabilities
Interest rate derivatives	**430**	**14**	**(6)**	437	19	(11)
Cross-currency rate derivatives	**439**	**26**	**(32)**	83	34	(43)
FX derivatives	**894**	**7**	**(5)**	916	6	(11)
Total	**1,763**	**47**	**(43)**	1,436	59	(65)
Analysed as expiring:						
In less than one year	**995**	**15**	**(5)**	1,016	16	(11)
Later than one year and not later than five years	**768**	**32**	**(38)**	420	43	(54)
Total	**1,763**	**47**	**(43)**	1,436	59	(65)

The carrying value of the above derivative financial instruments equals their fair value. Derivatives are categorised as level 2 on the fair value hierarchy. Fair values are determined by using market data and the use of established estimation techniques such as discounted cash flow and option valuation models.

6. Share capital and share premium

	Number of shares 000s	Share capital £m	Share premium £m
At 31 December 2021	756,802	189	2,626
Issue of ordinary shares – share option schemes	1,199	–	7
Buyback of equity	(42,268)	(10)	–
At 31 December 2022	715,733	179	2,633
Issue of ordinary shares – share option schemes	**1,809**	**–**	**9**
Buyback of equity	**(20,243)**	**(5)**	**–**
At 31 December 2023	**697,299**	**174**	**2,642**

The ordinary shares have a par value of 25p per share (2022: 25p per share). All issued shares are fully paid. All shareholders are entitled to receive dividends and vote at general meetings of the company. All shares have the same rights.

6. Share capital and share premium continued

On 20 September 2023, the Board approved a £300m share buyback programme in order to return capital to shareholders. During the year, approximately 20m shares were bought back and cancelled at a cost of £186m. The nominal value of these shares, £5m, was transferred to the capital redemption reserve, and the remainder of the purchase price is recorded within retained earnings. At 31 December 2023, a liability of £118m remained for those shares contracted to be repurchased but where the repurchases were still outstanding and associated costs.

On 24 February 2022, the Board approved a £350m share buyback programme in order to return capital to shareholders. During 2022, approximately 42m shares were bought back and cancelled at a cost of £353m. The nominal value of these shares, £10m, was transferred to the capital redemption reserve, and the remainder of the purchase price was recorded within retained earnings.

7. Treasury shares

	Number of shares 000s	£m
At 31 December 2021	1,571	12
Purchase of treasury shares	4,513	37
Release of treasury shares	(4,220)	(34)
At 31 December 2022	1,864	15
Purchase of treasury shares	**3,991**	**35**
Release of treasury shares	**(3,695)**	**(31)**
At 31 December 2023	**2,160**	**19**

The company holds its own shares in trust to satisfy its obligations under its restricted share plans. These shares are treated as treasury shares for accounting purposes and have a par value of 25p per share.

The nominal value of the company's treasury shares amounts to £0.5m (2022: £0.5m). Dividends on treasury shares are waived.

At 31 December 2023, the market value of the company's treasury shares was £21m (2022: £18m). The gross book value of the shares at 31 December 2023 amounts to £19m (2022: £15m).

8. Contingencies

There are contingent liabilities that arise in the normal course of business in respect of indemnities, warranties and guarantees in relation to former subsidiaries and in respect of guarantees in relation to subsidiaries. The total value of guarantees made by the company in relation to its subsidiaries is £912m (2022: £889m). In addition, there are contingent liabilities in respect of legal claims. None of these claims is expected to result in a material gain or loss to the company.

9. Audit fees

Statutory audit fees relating to the company were £40,700 (2022: £38,037).

10. Related party transactions

Subsidiaries

The company transacts and has outstanding balances with its subsidiaries. Amounts due from subsidiaries and amounts due to subsidiaries are disclosed on the face of the company balance sheet.

These loans are generally unsecured and interest is calculated based on market rates. The company has interest payable to subsidiaries for the year of £188m (2022: £137m) and interest and guarantee fees receivable from subsidiaries for the year of £189m (2022: £105m). Management fees payable to subsidiaries in respect of centrally provided services amounted to £17m (2022: £16m). Management fees receivable from subsidiaries in respect of centrally provided services amounted to £31m (2022: £34m). Dividends received from subsidiaries were £448m (2022: £605m), which includes £nil (2022: £49m) of returns of capital distributed by subsidiaries.

Associates

There were no related party transactions with associates in 2023 or 2022.

Key management personnel

Key management personnel are deemed to be the members of the Pearson Executive Management team.

It is this Committee which had responsibility for planning, directing and controlling the activities of the company in 2023. Key management personnel compensation is disclosed in note 36 to the consolidated financial statements.

11. Group companies

In accordance with section 409 of the Companies Act 2006, a full list of subsidiaries, partnerships, associates, joint ventures and joint arrangements, the country of incorporation, the registered address and the effective percentage of equity owned, as at 31 December 2023, is disclosed below. Unless otherwise stated, the shares are all indirectly held by Pearson plc. Unless otherwise stated, all wholly-owned and partly-owned subsidiaries are included in the consolidation and all associated undertakings are included in the Group's financial statements using the equity method of accounting. Principal Group companies are identified in bold.

Wholly-owned subsidiaries

Registered company name	Country of Incorp.	Reg office
Addison Wesley Longman, Inc.	US	3
Addison-Wesley Educational Publishers Inc.	US	4
AEL (S) PTE Limited	SG	73
Aldwych Finance Limited	UK	1
ATI Professional Development LLC	US	4
ATI Studios A.P.P.S. SRL	RO	78
Atkey Finance Limited*	IE	7
Camsaw, Inc.	US	4
CAMSAWUSA, Inc.	US	11
Centro Cultural Americano Franquias e Comércio Ltda.	BR	15
Century Consultants Ltd.	US	13
Certiport China Holding, LLC	US	4
Certiport, Inc.	US	4
Clutch Learning, Inc.	US	4
Cogmed Systems AB	SE	14
Connections Academy of Florida, LLC	US	20
Connections Academy of Iowa, LLC	US	24
Connections Academy of Maine, LLC	US	28
Connections Academy of Maryland, LLC	US	29
Connections Academy of Nevada, LLC	US	31
Connections Academy of New Mexico, LLC	US	32
Connections Academy of Oregon, LLC	US	37
Connections Academy of Pennsylvania LLC	US	38
Connections Academy of Tennessee, LLC	US	40
Connections Academy of Texas LLC	US	41
Connections Education LLC	US	4
Connections Education of Florida, LLC	US	20
Connections Education, Inc.	US	4
Credly, Inc.	US	4
Dominie Press, Inc.	US	17
Dorian Finance Limited	IE	7
eCollege.com	US	4
Edexcel Limited†*	UK	50
Education Development International Plc†	UK	1
Education Resources (Cyprus) Limited	CY	51
Educational Management Group, Inc.	US	52
English Language Learning and Instruction System, Inc.	US	54
Faethm Holdings Pty. Limited	AU	48
Faethm IP Pty. Limited	AU	48
Faethm Ltd	UK	1
Faethm Pty. Limited	AU	48
Faethm USA LLC	US	6
Falstaff Holdco Inc.	US	4
Falstaff Inc.	US	55
FBH, Inc.	US	4
George (Shanghai) Commercial Information Consulting Co., Ltd	CN	21
Globe Fearon Inc.	US	17
Heinemann Educational Botswana (Publishers) Proprietary Limited	BW	8
IndiaCan Education Private Limited	IN	2
Integral 7, Inc.	US	4
INTELLIPRO, INC.	US	13
Knowledge Analysis Technologies, LLC	US	18
LCCIEB Training Consultancy., Ltd	CN	64
LessonLab, Inc.	US	17
Lignum Oil Company	US	4
LION SG PTE. LTD.*	SG	23
Longman (Malawi) Limited	MW	65
Longman Group(Overseas Holdings) Limited	UK	1
Longman Indochina Acquisition, L.L.C.	US	4
Longman Tanzania Limited*	TZ	68
Longman Zambia Educational Publishers Pty Ltd	ZM	69
Longman Zimbabwe (Private) Ltd	ZW	47
Longmaned Ecuador S.A.	EC	71
Lumerit Education, LLC	US	41
Major123 Limited*	UK	50
MeasureUp of Delaware, LLC	US	4
Modern Curriculum Inc.	US	17
Multi Treinamento e Editora Ltda	BR	60
MZ Development Inc.	US	4
National Computer Systems Japan Co. Ltd	JP	74
Navvy Education, LLC	US	22
NCS Information Technology Services (Beijing) Co Ltd	CN	75
NCS Pearson Pty Ltd	AU	48
NCS Pearson Puerto Rico, Inc.	PR	76
NCS Pearson, Inc.	US	30
Opinion Interactive LLC	US	16
Ordinate Corporation	US	17
Pearson (Beijing) Management Consulting Co., Ltd.	CN	77
Pearson America LLC	US	4
Pearson Amsterdam B.V.	NL	79
Pearson Australia Finance Unlimited	UK	1
Pearson Australia Group Pty Ltd	AU	48
Pearson Australia Holdings Pty Ltd	AU	48
Pearson Benelux B.V.	NL	79
Pearson Books Limited†*	UK	50
Pearson Brazil Finance Limited*	UK	50
Pearson Business Services Inc.	US	4
Pearson Canada Assessment Inc.	CA	80
Pearson Canada Finance Unlimited	UK	1
Pearson Canada Holdings Inc.	CA	80
Pearson Canada Inc.	CA	80
Pearson Central Europe Spółka z ograniczoną odpowiedzialnością	PL	39
Pearson DBC Holdings Inc.	US	4
Pearson Desarrollo y Capacitación Profesional Chile Limitada	CL	81
Pearson Deutschland GmbH	DE	82

11. Group companies continued

Registered company name	Country of Incorp.	Reg office
Pearson Digital Learning Puerto Rico, Inc.	PR	76
Pearson Dollar Finance Limited†	UK	1
Pearson Dollar Finance Two Limited	UK	1
Pearson Educacion de Chile Limitada	CL	81
Pearson Educacion de Colombia S.A.S.	CO	84
Pearson Educacion de Mexico, S.A. de C.V.	MX	85
Pearson Educacion de Panama SA	PA	86
Pearson Educacion de Peru S.A.	PE	87
Pearson Educacion SA	ES	88
Pearson Education Africa (Pty) Ltd	ZA	47
Pearson Education Asia Limited	HK	53
Pearson Education Botswana (Proprietary) Limited	BW	8
Pearson Education do Brasil Ltda	BR	60
Pearson Education Hellas SA	GR	26
Pearson Education Holdings Limited†	UK	1
Pearson Education Indochina Limited	TH	89
Pearson Education Investments Limited	UK	1
Pearson Education Korea Limited	KR	90
Pearson Education Limited	UK	1
Pearson Education Namibia (Pty) Limited	NA	58
Pearson Education Publishing Limited	NG	44
Pearson Education S.A.	UY	5
Pearson Education SA	AR	67
Pearson Education South Africa (Pty) Ltd	ZA	47
Pearson Education South Asia Pte. Ltd.	SG	73
Pearson Education Taiwan Ltd	TW	9
Pearson Education, Inc.	US	4
Pearson Educational Measurement Canada, Inc.	CA	36
Pearson Educational Publishers, LLC	US	4
Pearson Egitim Cozumleri Tikaret Limited Sirketi	TR	61
Pearson Falstaff (Holdings) Inc.	US	4
Pearson Falstaff Holdco LLC	US	4
Pearson Federal Holding Company, LLC	US	4
Pearson France	FR	70
Pearson Funding Four Limited†*	UK	50
Pearson Funding plc†	UK	1
Pearson Holdings Inc.	US	4

Registered company name	Country of Incorp.	Reg office
Pearson Holdings Southern Africa (Pty) Limited	ZA	47
Pearson Hungary LLC*	HU	25
Pearson India Education Services Private Limited	IN	2
Pearson International Finance Limited†	UK	1
Pearson Investment Holdings, Inc.	US	4
Pearson Israel (P.I.) Ltd	IL	66
Pearson Japan KK	JP	49
Pearson Lanka (Private) Limited	LK	63
Pearson Lanka Support Services (Private) Limited	LK	12
Pearson Lesotho (Pty) Ltd	LS	62
Pearson Loan Finance No. 3 Limited	UK	1
Pearson Loan Finance No. 4 Limited*	UK	50
Pearson Loan Finance No. 5 Limited	UK	1
Pearson Loan Finance No. 6 Limited	UK	1
Pearson Loan Finance Unlimited	UK	1
Pearson Longman Uganda Limited	UG	43
Pearson Malaysia Sdn. Bhd.	MY	59
Pearson Management Services Limited†	UK	1
Pearson Management Services Philippines Inc.	PH	33
Pearson Maryland, Inc.	US	11
Pearson Moçambique, Limitada	MZ	42
Pearson Netherlands B.V.	NL	79
Pearson Netherlands Holdings B.V.	NL	79
Pearson Nominees Limited†	UK	1
Pearson Online Tutoring LLC	US	4
Pearson Overseas Holdings Limited†	UK	1
Pearson PEM P.R., Inc.	PR	19
Pearson Phoenix Pty Ltd	AU	48
Pearson Professional Assessments Limited	UK	1
Pearson Real Estate Holdings Inc.	US	4
Pearson Real Estate Holdings Limited†*	UK	50
Pearson Regional Headquarters Arabia	SA	57
Pearson Schweiz AG	CH	34
Pearson Services Limited†	UK	1
Pearson Shared Services Limited†	UK	1
Pearson Strand Finance Limited†	UK	1
Pearson Strand Limited	UK	1

Registered company name	Country of Incorp.	Reg office
Pearson Sweden AB	SE	14
Pearson VUE Europe B.V.	NL	79
Pearson VUE Philippines, Inc.	PH	27
Penguin Capital, LLC	US	4
Personnel Decisions Research Institutes, LLC	US	30
PN Holdings Inc.	US	4
ProctorCam, Inc.	US	4
PT Efficient English Services	ID	83
PVNT Limited	UK	1
Reading Property Holdings LLC	US	3
Rebus Planning Associates, Inc.	US	10
Reston Publishing Company, Inc.	US	4
Rycade Capital Corporation	US	4
Shanghai AWL Education Software Ltd*	CN	72
Silver Burdett Ginn Inc.	US	4
Skylight Training and Publishing Inc.	US	52
Smarthinking, Inc.	US	4
Sound Holdings Inc.	US	4
Sparrow Phoenix Pty Ltd	AU	48
Spear Insurance Company Limited†	BM	45
The Waite Group, Inc.	US	17
TQ Catalis Limited*	UK	50
TQ Clapham Limited*	UK	50
TQ Education and Training Limited	UK	1
TQ Education and Training Limited	SA	56
TQ Global Limited	UK	1
TQ Group Limited	UK	1
TQ Holdings Limited	UK	1
VUE Testing Services Israel Ltd	IL	46
VUE Testing Services Korea Limited	KR	35
Williams Education GmbH	DE	82

* In liquidation.

† Directly owned by Pearson plc.

Subsidiary addresses

The following list includes all Pearson registered offices worldwide.

Registered office address

1 80 Strand, London, WC2R 0RL, England
2 Featherlite, 'The Address', 5th Floor, Survey No 203/10B, 200 Ft MMRD Road, Zamin, Pallavaram, Chennai, TN 600044, India
3 C T Corporation System, 155 Federal St., Suite 700, Boston, MA, 02110, United States
4 The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington, New Castle, DE, 19801, United States
5 Juan Benito Blanco 780 – Plaza Business Center, Montevideo, Uruguay
6 340 Halsa Dr, Chattahoochee Hills, GA, GA 30268, United States
7 1st Floor The Liffey Trust Centre, 117-126 Sheriff Street Upper, Dublin 1, Ireland
8 Dps Consulting Services Proprietary Limited, Plot 54513, Unit 6a, Courtyard, Village, Gaborone, Botswana
9 10F, No 209, Sec. 1, Civic Blvd., Datong District, Taipei City, 10351, Taiwan (Province of China)
10 The Corporation Company, 40600 Ann Arbor Rd, E Suite 201, Plymouth, MI, 48170, United States
11 The Corporation Trust Incorporated, Suite 201, 2405 York Road, Lutherville Timonium, MD, 21093, United States
12 #1, 3, 5th Floor, East Tower, World Trade Centre, Echelon Square, Colombo, O1, Sri Lanka
13 820, Bear Tavern Road, West Trenton, Mercer, NJ, 08628, United States
14 Gustavslundsvägen 137, 167 51 Bromma, Stockholm, Sweden
15 Avenida Francisco Matarazzo nº 1400 Edifício Milano – 7º andar, Conjunto 72 – Sala 25 de Março – Agua Branca, São Paulo, 05001 903, Brazil
16 105 E Street #2A, Davis, CA, CA 95616, United States
17 C T Corporation System, 330 N Brand Blvd., Glendale, CA, 91203-2336
18 The Corporation Company, 7700 E Arapahoe Rd, Suite 220, Centennial, CO, 80112-1268, United States
19 500, 401, Calle de la Tanca Edificio Ochoa, San Juan, 00901-1969, Puerto Rico
20 C T Corporation System, 1200, South Pine Island Road, Plantation, FL, 33324, United States
21 Suite A7b, 3/F, No. 586 Longchang Road, Yangpu District, Shanghai, China
22 CT Corportion System, 289 S Culver St, Lawrenceville, GA, 30046-4805, United States
23 Kroll Pte. Limited, One Raffles Place, Tower 2, #10-62, Singapore, 048616, Singapore
24 C T Corporation System, 400 E Court Ave, Des Moines, IA, 50309, United States
25 22 B, 13 em, Népfürdő utca, Budapest, 1138, Hungary
26 4 Zalogou Str., 15343 Agia Paraskevi, Athens, Greece
27 27/F Trident Tower, 312 Sen. Gil Puyat Avenue, Makati City, Metro Manila, Philippines
28 C T Corporation System, 100 Second Avenue, Augusta, ME, 04330, United States
29 CSC - Lawyers Incorporating Service Company, 7 St. Paul Street, Suite 820, Baltimore, MD, 21202, United States
30 C T Corporation System Inc., 1010 Dale Street North, St Paul, MN, 55117-5603, United States
31 The Corporation Trust Company of Nevada, 701 S Carson St, Suite 200, Carson City, NV, 89701, United States

Registered office address

32 C T Corporation System, 206 S Coronado Ave, Espanola, NM, 87532-2792, United States
33 7/F North Tower, Rockwell Business Center COR. Sheridan & United Street, Brgy. Highway Hills, Mandaluyong, Philippines
34 10 Gewerbestrasse, Cham, 6330, Switzerland
35 21, Mugyo-ro Jung-gu, Seoul, Republic of Korea
36 199 Bay Street, Commerce Court West, Suite 2800, Toronto, ON, M5L1A9, Canada
37 C T Corporation System, 780 Commercial Street SE, STE 100, Salem, OR, OR 97301, United States
38 C T Corporation System, 600 N. 2nd Street, Suite 401, Harrisburg, PA, 17101-1071, United States
39 Ulica Szamocka 8 01-748, Warszawa, Poland
40 C T Corporation System, 300 Montvue Rd, Knoxville, TN, 37919-5546, United States
41 CT Corporation System, 1999 Bryan Street, Suite 900, Dallas, TX, 75201, United States
42 Numero 776, Avenida 24 de Julho, Maputo, Mozambique
43 Plot 8, Berkley Road, Old Kampala, Uganda
44 8, Secretariat Road, Obafemi Awolowo Way, Alausa, Ikeja, Lagos State, Nigeria
45 Power House, 7 Par-la-ville Road, PO Box 1826, Hamilton, HM 11, Bermuda
46 Derech Ben Gurion 2, BSR Building 9th Floor, Ramat Gan, 52573, Israel
47 Auto Atlantic, 4th Floor, Corner Hertzog Boulevard and Heerengracht, Cape Town, 8001, South Africa
48 459-471 Church Street, Richmond, Melbourne, VIC, 3121, Australia
49 11F Kanda Square, 2-2-1 Kanda-Nishikicho, Chiyoda-ku, Tokyo, 101-0054, Japan
50 Kroll Advisory Ltd., The Shard, 32 London Bridge Street, London, SE1 9SG, England
51 195, Archbishop Makarios III Avenue, Neocleous House, Limassol, 3030, Cyprus
52 Illinois Corporation Service Company, 700 S 2nd Street, Springfield, IL, 62703, United States
53 18/F, 1063 King's Road, Quarry Bay, Hong Kong
54 251, Little Falls Drive, Corporation Service Company, Wilmington, DE, 19808, United States
55 C T Corporation System, 28 Liberty Street, New York, NY, 10005, United States
56 King Fayad Road, Olaya, Riyadh, 58774, 11515, Saudi Arabia
57 Al Tawuniyya Towers, King Fahd Road, North Block, 2nd floor, Riyadh, Saudi Arabia
58 Unit 7 Kingland Park, 98 Nickel Street, Prosperita, Windhoek, Namibia
59 Unit 30-01, Level 30, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia
60 Avenida José Luiz Mazzali, nº 450, Sala H, Setor Módulo 03B, GLP Louveira I, Santo Antônio, Louveira, SP, CEP 13.290-000, Brazil
61 Nida Kule Kozyatagi, Kozyatagi Mahallesi, Degirmen Sokak No:18 Kat:6 D:15, Kadikoy, Istanbul, 34742, Turkey
62 1st Floor Christie House, Orpen Road, Maseru, Lesotho

Registered office address

63 MAGA ONE-Level 22, No. 200, Nawala Road, Narahenpita, Colombo 05, 11222, Sri Lanka
64 Room 305, Building 2, 6555 Shangchuan Road, Pudong District, Shanghai, China
65 AMG Global, Global House, Kristwick, Masauko Chipembere Highway, Blantyre, Malawi
66 Meitar Law Offices, 16 Abba Hillel Rd., Ramat Gan, 5250608, Israel
67 498, Libertador Ave, City of Buenos Aires, 3rd floor, Buenos Aires, Argentina
68 P O Box 45, IPS Building, Maktaba Street, Dar es Salaam, Tanzania
69 Plot 1281, Lungwebungu Road, Rhodes Park, Lusaka, Zambia
70 8 Rue des Pirogues de Bercy, 75012 Paris, France
71 Andalucía y cordero E12-35. Edificio CYEDE piso 1, Oficina 11, Sector "La Floresta", Quito, Pichincha, Ecuador
72 Suite 302-9,Block 3, No. 333 Weining Road, Changning District, Shanghai, China
73 3 Temasek Avenue, #21-23 Centennial Tower, 039190, Singapore
74 Shiodome City Center 18F, 1-5-2, Higashi Shimbashi, Minato-Ku, Tokyo, 105-7118, Japan
75 Suite 1201, Tower 2, No. 36 North Third Ring East Road, Dongcheng District, Beijing, China
76 268 Munoz Rivera Avenue, Suite 1400, San Juan, 00918, Puerto Rico
77 Room 902, Tower W2, Oriental Plaza, No. 1 East Chang'an Street, Dongcheng District, Beijing, 11, 100738, China
78 Str. Politehnicii 3, Braşov, 500019, Romania
79 Kabelweg 37, Amsterdam, 1014 BA, Netherlands
80 357 Bay Street, 3rd Floor, Toronto, ON, M5H 4A6, Canada
81 Oficina N°117, edificio Casa Colorada, calle Merced N°838-A Santiago Centro, Santiago, Chile
82 c/o Pearson Deutschland GmbH, St.-Martin-Str. 82, Munich, 81541, Germany
83 30th Floor, Ratu Plaza Office Tower, Jl. Jend. Sudirman Kav 9, Jakarta, 10270, Indonesia
84 Carrera 7 Nro 156 – 68, Piso 26, Bogota, Colombia
85 Calle Antonio Dovali jaime #70, Torre B, Piso 6, Col. Zedec ed Plaza Santa Fe, del. Álvaro Obregon, Ciudad de Mexico, CP 01210, Mexico
86 Punta Pacifica, Torres de las Americas, Torre A Piso 15 Ofic. 1517, Panama, 0832-0588, Panama
87 Cal. Los Halcones, no. 275, Urb. Limatombo, Lima, Perú
88 85, Paseo de la Castellana, Planta 8, Madrid, 28046, Spain
89 87/1 Capital Tower Building, All Seasons Place unit 1604 – 6 16th floor, Wireless Road, Lumpini, Pathumwan, Bangkok, Thailand
90 #512, 5th Floor, 12, Mapo-daero 10-gil, Mapo-gu, Seoul, Republic of Korea

11. Group companies continued

Partly-owned subsidiaries

Registered company Name	Country of Incorp.	% Owned	Reg office
Certiport China Co Ltd	CN	50.69	1
Educational Publishers LLP	UK	85	2
GED Domains LLC	US	70	3
GED Testing Service LLC	US	70	4
Pearson Education Achievement Solutions (RF) (Pty) Limited	ZA	97.3	5
Pearson Pension Nominees Limited	UK	50	2
Pearson Pension Property Fund Limited	UK	50	2
Pearson Pension Trustee Limited	UK	50	2
Pearson Pension Trustee Services Limited	UK	50	2

Associated undertakings

Registered company Name	Country of Incorp.	% Owned	Reg office
Academy of Pop LLC	US	40	6
Learn Capital Special Opportunities Fund I, L.P.‡	US	99.59	8
Learn Capital Venture Partners II, L.P.‡	US	72.93	8
Learn Capital Venture Partners IIIA, L.P.‡	KY	99	9
Learn Capital Venture Partners, L.P.‡	US	99.15	8
Peking University Pearson (Beijing) Cultural Development Co., Ltd	CN	45	10
Prepona Sistemas de Testagem e Avaliação S.A.	BR	22.2	7
Pui Man Publishing Limited	CN	49	11
Smashcut, Inc.	US	25.93	12
The Egyptian International Publishing Company-Longman	EG	49	13

* In liquidation.

‡ Accounted for as an 'Other financial asset' within non-current assets.

Partly-owned subsidiaries and associated undertakings company addresses

	Registered office address
1	Suite 1804, No.99 Huichuan Road, Changning District, Shanghai City, China
2	80 Strand, London, WC2R 0RL, England
3	C T Corporation System, 4701 Cox Road, Suite 285, Glen Allen, Henrico, VA, 23060-0000, United States
4	The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington, New Castle, DE, 19801, United States
5	Auto Atlantic, 4th Floor, Corner Hertzog Boulevard and Heerengracht, Cape Town, 8001, South Africa
6	251, Little Falls Drive, Corporation Service Company, Wilmington, DE, 19808, United States
7	SIS 1107A1112, 35 Rua Pedro Lessa, Centro, Rio de Janeiro, RJ, 20030-030, Brazil
8	Incorporating Services, Ltd. 3500 S Dupont Way, Dover, Kent, DE, United States
9	Campbells Corporate Services Limited, Floor 4, Willow House, Cricket Square, Grand Cayman, KY1-9010, Cayman Islands
10	Suite 216, No. 127-1 Zhongguancun North Street, Haidian District, Beijing, China
11	Rua de Pequim No. 230–246 17-L, Macau Finance Centre, Macau
12	C/o Corporation Service Company, 2711 Centerville Road, Suite 400, Wilmington, Delaware, 19808, United States
13	9 Rashdan St., Messaha Square, Dokki, Giza City, Egypt

Five-year summary

All figures in £ millions	2023	2022	2021	2020	2019
Sales: By operating segment					
Assessment & Qualifications	**1,559**	1,444	1,238	1,118	
Virtual Learning	**616**	820	713	692	
English Language Learning	**415**	321	238	218	
Workforce Skills	**220**	204	172	163	
Higher Education	**855**	898	849	956	
Strategic review	**9**	154	218	250	
Total sales	**3,674**	3,841	3,428	3,397	3,869
Adjusted operating profit: By operating segment					
Assessment & Qualifications	**350**	258	219	147	
Virtual Learning	**76**	70	32	29	
English Language Learning	**47**	25	15	1	
Workforce Skills	**(8)**	(3)	27	26	
Higher Education	**110**	91	73	93	
Strategic review	**(2)**	15	19	16	
Penguin Random House	**–**	–	–	1	
Total adjusted operating profit	**573**	456	385	313	581
Operating margin – continuing	**15.6%**	11.9%	11.2%	9.2%	15.0%
Adjusted earnings					
Total adjusted operating profit	**573**	456	385	313	581
Net finance costs	**(33)**	(1)	(57)	(61)	(41)
Income tax	**(124)**	(71)	(64)	(35)	(89)
Non-controlling interest	**(2)**	(2)	(1)	–	(2)
Adjusted earnings	**414**	382	263	217	449
Weighted average number of shares (millions)	**711.5**	738.1	754.1	755.4	777.0
Adjusted earnings per share	**58.2p**	51.8p	34.9p	28.7p	57.8p

Sales and adjusted operating profit for periods prior to 2020 have not been restated to reflect the new organisational structure including the transfer of retained English-speaking Canadian and Australian K12 Courseware businesses from Strategic review to the Assessment & Qualifications division.

Five-year summary *continued*

All figures in £ millions	2023	2022	2021	2020	2019
Cash flow					
Operating cash flow	**587**	401	388	315	418
Operating cash conversion	**102%**	88%	101%	101%	72%
Free cash flow	**387**	222	133	229	213
Free cash flow per share	**54.4p**	30.0p	17.6p	30.3p	27.4p
Net assets	**3,988**	4,415	4,280	4,134	4,323
Net debt	**744**	557	350	463	1,016
Return on invested capital					
Total adjusted operating profit	**573**	456	385	313	581
Operating tax paid	**(96)**	(95)	(60)	(10)	(9)
Return	**477**	361	325	303	572
Gross basis:					
Average invested capital	**10,546**	10,896	9,857	10,625	11,096
Return on invested capital	**4.5%**	3.3%	3.3%	2.9%	5.2%
Net basis:					
Average invested capital	**7,711**	7,896	7,161	7,708	8,097
Return on invested capital	**6.2%**	4.6%	4.5%	3.9%	7.1%
Return on capital*					
Total adjusted operating profit	**573**	456	385	313	
Adjusted income tax charge	**(124)**	(71)	(64)	(35)	
Return	**449**	385	321	278	
Capital	**4,380**	4,439	4,086	4,196	
Return on capital	**10.3%**	8.7%	7.9%	6.6%	
Dividend per share	**22.7p**	21.5p	20.5p	19.5p	19.5p

* Return on capital was not a metric in 2019 and therefore has not been presented.

Financial key performance indicators

The following tables and narrative provide further analysis of the financial key performance indicators which are described in the financial review of the annual report on pages 26-33, shown within the key performance indicators on page 25 of the annual report and shown in note 2 of the notes to the consolidated financial statements.

Adjusted performance measures

The annual report and accounts reports results and performance on a headline basis which compares the reported results both on a statutory and on a non-GAAP (non-statutory) basis. The Group's adjusted performance measures are non-GAAP (non-statutory) financial measures and are also included in the annual report as they are key financial measures used by management to evaluate performance. The measures also enable investors to more easily, and consistently, track the underlying operational performance of the Group and its business segments by separating out those items of income and expenditure relating to acquisition and disposal transactions, major restructuring programmes and certain other items that are also not representative of underlying performance.

The Group's definition of adjusted performance measures may not be comparable to other similarly titled measures reported by other companies. A reconciliation of the adjusted measures to their corresponding statutory measures is shown within this section.

Sales

Underlying sales movements exclude the effect of exchange, the impact of portfolio changes arising from acquisitions and disposals and the impact of adopting new accounting standards that are not retrospectively applied. Portfolio changes are calculated by taking account of the additional sales (at constant exchange rates) from acquisitions made in both the current year and the prior year. For acquisitions made in the prior year, the additional sales excluded is calculated as the sales made in the period of the current year that corresponds to the pre-acquisition period in the prior year. Sales made by businesses disposed in either the current year or the prior year are also excluded. Constant exchange rates are calculated by assuming the average exchange rates in the prior year prevailed throughout the current year. These non-GAAP measures enable management and investors to track more easily, and consistently, the underlying sales performance of the Group.

All figures in £ millions	Assessment & Qualifications	Virtual Learning	English Language Learning	Workforce Skills	Higher Education	Strategic Review	Total
Statutory sales 2023	1,559	616	415	220	855	9	**3,674**
Statutory sales 2022	1,444	820	321	204	898	154	**3,841**
Statutory sales increase/(decrease)	115	(204)	94	16	(43)	(145)	**(167)**
Comprising:							
Exchange differences	(11)	(4)	(10)	(1)	(7)	–	**(33)**
Portfolio changes	24	(65)	7	(5)	(5)	(131)	**(175)**
Underlying increase/(decrease)	**102**	**(135)**	**97**	**22**	**(31)**	**(14)**	**41**
Remove OPM and Strategic Review from underlying	–	124	–	–	–	14	**138**
Underlying increase/(decrease) excluding OPM and Strategic Review	**102**	**(11)**	**97**	**22**	**(31)**	**–**	179
Statutory sales increase/(decrease)	8%	(25)%	29%	8%	(5)%	(94)%	**(4)%**
Constant exchange rate increase/(decrease)	9%	(24)%	32%	8%	(4)%	(94)%	**(3)%**
Underlying increase/(decrease)	**7%**	**(20)%**	**30%**	**11%**	**(3)%**	**(74)%**	1%
Underlying increase/(decrease) excluding OPM and Strategic Review	**7%**	**(2)%**	**30%**	**11%**	**(3)%**	–	5%

Adjusted operating profit

Adjusted operating profit excludes the cost of major restructuring, certain property charges, other net gains and losses on the sale or closure of subsidiaries, joint ventures, associates and other financial assets, and intangible charges, including impairment, relating only to goodwill and intangible assets acquired through business combinations or relating to associates. Other net gains and losses also includes costs related to business closures and acquisitions. Further details are given below under 'Adjusted earnings per share'. Underlying adjusted operating profit movements exclude the effect of exchange, the impact of portfolio changes arising from acquisitions and disposals and the impact of adopting new accounting standards that are not retrospectively applied. Portfolio changes are calculated by taking account of the additional contribution (at constant exchange rates) from acquisitions made in both the current year and the prior year.

Financial key performance indicators *continued*

Adjusted operating profit continued

For acquisitions made in the prior year the additional contribution excluded is calculated as the operating profit made in the period of the current year that corresponds to the pre-acquisition period in the prior year. Operating profit made by businesses disposed in either the current year or the prior year is also excluded. Constant exchange rates are calculated by assuming the average exchange rates in the prior year prevailed throughout the current year. This non-GAAP measure enables management and investors to track more easily, and consistently, the underlying operating profit performance of the Group.

All figures in £ millions	**2023**	2022	2021
Operating profit	**498**	271	183
Cost of major restructuring	**–**	150	214
Property charges	**11**	–	–
Other net gains and losses	**16**	(24)	(63)
Intangible charges	**48**	56	51
UK pension discretionary increase	**–**	3	–
Adjusted operating profit	**573**	456	385

All figures in £ millions	Assessment & Qualifications	Virtual Learning	English Language Learning	Workforce Skills	Higher Education	Strategic Review	Total
Adjusted operating profit increase/ (decrease)	92	6	22	(5)	19	(17)	**117**
Comprising:							
Exchange differences	(1)	–	(7)	–	(1)	(1)	**(10)**
Portfolio changes	8	22	1	3	3	(45)	**(8)**
Underlying increase/(decrease)	**85**	**(16)**	**28**	**(8)**	**17**	**29**	**135**
Constant exchange rate increase/ (decrease)	36%	9%	116%	(167)%	22%	(107)%	**28%**
Underlying increase/(decrease)	**33%**	**(17)%**	**112%**	**(400)%**	**20%**	**94%**	**31%**

Adjusted operating profit translated at year-end closing rates would be £10m lower (2022: £9m higher) than the reported figure of £573m (2022: £456m) at £563m (2022: £465m).

Adjusted earnings

Adjusted earnings includes adjusted operating profit and adjusted finance and tax charges. Adjusted earnings is included as a non-GAAP measure as it is used by management to evaluate performance and by investors to more easily, and consistently, track the underlying operational performance of the Group over time.

All figures in £ millions	**2023**	2022	2021
Profit for the year	**380**	244	178
Non-controlling interest	**(2)**	(2)	(1)
Cost of major restructuring	**–**	150	214
Property charges	**11**	–	–
Other net gains and losses	**16**	(24)	(63)
Intangible charges	**48**	56	51
UK pension discretionary increase	**–**	3	–
Other net finance income	**(28)**	(53)	(51)
Income tax	**(11)**	8	(65)
Adjusted earnings	**414**	382	263

The following items are excluded from adjusted earnings:

Cost of major restructuring – In 2023, there are no costs of major restructuring. In 2022, the restructuring costs of £150m mainly related to staff redundancies and impairment of right of use property assets. The 2022 charge includes the impact of updated assumptions related to the recoverability of right-of-use assets made in 2021. In 2021, restructuring costs of £214m mainly related to the impairment of right-of-use property assets, the write-down of product development assets and staff redundancies. The costs of these restructuring programmes are significant enough to exclude from the adjusted operating profit measure so as to better highlight the underlying performance (see note 4).

Property charges – Charges of £11m relate to impairments of property assets arising from the impact of updates in 2023 to assumptions initially made during the 2022 and 2021 restructuring programmes.

Other net gains and losses – These represent profits and losses on the sale of subsidiaries, joint ventures, associates and other financial assets and are excluded from adjusted operating profit as they distort the performance of the Group as reported on a statutory basis. Other net gains and losses also includes costs related to business closures and acquisitions. Other net gains and losses in 2023 relate largely to the gain on disposal of the POLS business and gains relating to the releases of accruals and a provision related to previous acquisitions and disposals, partially offset by losses on the disposal of Pearson College and costs related to current and prior year disposals and acquisitions.

In 2022, they related to the gains on the disposal of our international courseware local publishing businesses in Europe, French-speaking Canada and Hong Kong and a gain arising on a decrease in the deferred consideration payable on prior year acquisitions, offset by a loss on disposal of our international courseware local publishing businesses in South Africa due to recycling of currency translation adjustments and costs related to disposals and acquisitions. Other net gains and losses in 2021 largely related to the disposal of PIHE and the disposal of the K12 Sistemas business in Brazil offset by costs related to the acquisition of Faethm and the wind down of certain strategic review businesses.

Intangible charges – These represent charges in respect of intangible assets acquired through business combinations or relating to associates. These charges are excluded as they reflect past acquisition activity and do not necessarily reflect the current year performance of the Group. Intangible amortisation charges in 2023 were £48m compared to a charge of £56m in 2022. This is due to decreased amortisation from recent disposals partially offset by additional amortisation from recent acquisitions. In 2021, intangible charges were £51m. In all three years, there were no impairment charges.

UK pension discretionary increases – Charges in 2022 relate to one-off pension increases awarded to certain cohorts of pensioners in response to the cost of living crisis.

Other net finance income/costs – These include finance costs in respect of retirement benefits, finance costs of deferred consideration, fair value movements in relation to financial assets held at fair value through profit and loss and foreign exchange and other gains and losses. Finance income relating to retirement benefits is excluded as management does not believe that the consolidated income statement presentation under IAS 19 reflects the economic substance of the underlying assets and liabilities. Finance costs relating to acquisition transactions are excluded as these relate to future earn-outs or acquisition expenses and are not part of the underlying financing. Foreign exchange and other gains and losses are excluded as they represent short-term fluctuations in market value and are subject to significant volatility. Other gains and losses may not be realised in due course as it is normally the intention to hold the related instruments to maturity.

All figures in £ millions	**2023**	2022	2021
Net finance (costs)/income	**(5)**	52	(6)
Net finance income in respect of retirement benefits	**(26)**	(9)	(4)
Fair value remeasurement of disposal proceeds	**–**	–	(6)
Interest on deferred and contingent consideration	**4**	5	–
Fair value movements on investments	**(13)**	(28)	(20)
Net foreign exchange gains	**(3)**	(1)	(1)
Fair value movement on derivatives	**10**	(25)	(20)
Interest on provisions for uncertain tax positions	**–**	5	–
Net interest payable in adjusted earnings	**(33)**	(1)	(57)

Tax – Tax on the above items is excluded from adjusted earnings. Where relevant the Group also excludes the benefit from recognising previously unrecognised pre-acquisition and capital losses. The tax benefit from tax deductible goodwill and intangibles is added to the adjusted income tax charge as this benefit more accurately aligns the adjusted tax charge with the expected rate of cash tax payments.

The tax rate reflected in adjusted earnings is calculated as follows:

All figures in £ millions	**2023**	2022	2021
Profit before tax	**493**	323	177
Adjustments:			
Cost of major restructuring	**–**	150	214
Property charges	**11**	–	–
Other net gains and losses	**16**	(24)	(63)
Intangible charges	**48**	56	51
UK Pension discretionary increases	**–**	3	–
Other net finance income	**(28)**	(53)	(51)
Adjusted profit before tax	**540**	455	328
Total tax (charge)/credit	**(113)**	(79)	1
Adjustments:			
Tax on cost of major restructuring	**–**	(37)	(47)
Tax on property charges	**(3)**	–	–
Tax on other net gains and losses	**(10)**	10	14
Tax on intangible charges	**(11)**	(11)	(12)
Tax on UK pensions discretionary increases	**–**	(1)	–
Tax on other net finance costs	**7**	13	8
Tax on goodwill and intangibles	**4**	16	8
Benefit from changes in local tax law	**–**	–	(11)
Tax benefit on UK tax rate change	**1**	(1)	(25)
Other tax items	**1**	19	–
Adjusted tax charge	**(124)**	(71)	(64)
Tax rate reflected in adjusted earnings	**23.0%**	15.6%	19.5%

Financial key performance indicators *continued*

Adjusted earnings per share

Adjusted earnings per share is calculated as adjusted earnings divided by the weighted average number of shares in issue on an undiluted basis.

all figures in £ millions	**2023**	2022	2021
Adjusted operating profit	**573**	456	385
Adjusted net finance costs	**(33)**	(1)	(57)
Adjusted profit before tax	**540**	**455**	**328**
Adjusted income tax	**(124)**	(71)	(64)
Adjusted profit for the year	**416**	**384**	**264**
Non-controlling interest	**(2)**	(2)	(1)
Adjusted earnings	**414**	**382**	**263**
Weighted average number of shares (millions)	**711.5**	738.1	754.1
Weighted average number of shares (millions) for diluted earnings	**717.3**	742.0	759.1
Adjusted earnings per share (basic)	**58.2p**	**51.8p**	**34.9p**
Adjusted earnings per share (diluted)	**57.7p**	**51.5p**	**34.6p**

Return on invested capital

Return on invested capital (ROIC) is included as a non-GAAP measure as it is used by management to help inform capital allocation decisions within the business. ROIC is calculated as adjusted operating profit less operating cash tax paid expressed as a percentage of average invested capital. Invested capital includes the original unamortised goodwill and intangibles. Average values for total invested capital are calculated as the average monthly balance for the year. ROIC is also presented on a net basis after removing impaired goodwill from the invested capital balance. The net approach assumes that goodwill which has been impaired is treated consistently to goodwill disposed as it is no longer being used to generate returns.

All figures in £ millions	**2023 Gross**	2022 Gross	**2023 Net**	2022 Net
Adjusted operating profit	**573**	456	**573**	456
Operating tax paid	**(96)**	(95)	**(96)**	(95)
Return	**477**	361	**477**	361
Average goodwill	**6,365**	6,490	**3,530**	3,490
Average other non-current intangibles	**1,826**	2,012	**1,826**	2,012
Average intangible assets – product development	**967**	948	**967**	948
Average tangible fixed assets and working capital	**1,388**	1,446	**1,388**	1,446
Average invested capital	**10,546**	10,896	**7,711**	7,896
Return on invested capital	**4.5%**	3.3%	**6.2%**	4.6%

Return on capital

Return on capital (ROC) is included as a non-GAAP measure of how efficiently we are generating returns from our asset base. ROC is calculated as adjusted operating profit less adjusted income tax as a proportion of capital, where capital adjusts net statutory assets for net debt, retirement benefit assets, other post-retirement medical obligations and other non-operating items. The other non-operating items in 2023 include the liability recorded for the remainder of the share buyback scheme. These adjustments to net statutory assets have been made to better reflect the asset base that generates returns.

All figures in £ millions	**2023**	2022
Adjusted operating profit	**573**	456
Adjusted income tax charge	**(124)**	(71)
Return	**449**	385
Net statutory assets	**3,988**	4,415
Adjustments for:		
Net debt	**744**	557
Retirement benefit assets	**(499)**	(581)
Other post-retirement medical benefit obligation	**21**	25
Other non-operating assets	**126**	23
Capital	**4,380**	4,439
Return on capital	**10.3%**	8.7%

Operating cash flow

Operating cash flow is calculated as net cash generated from operations before the impact of items excluded from the adjusted income statement plus dividends from joint ventures and associates (less the re-capitalisation dividends from Penguin Random House); less capital expenditure on property, plant and equipment (including additions to right-of-use assets) and intangible software assets; plus proceeds from the sale of property, plant and equipment (including the impacts of transfers to/from investment in finance lease receivable) and intangible software assets; plus special pension contributions paid; and plus costs of major restructuring paid. Operating cash flow is included as a non-GAAP measure in order to align the cash flows with the corresponding adjusted operating profit measures.

All figures in £ millions	**2023**	2022
Net cash generated from operations	**682**	527
Dividends from joint ventures and associates	**–**	1
Purchase/disposal of PPE and software	**(121)**	(133)
Net addition of right-of-use assets	**(41)**	(29)
Net costs paid for major restructuring	**63**	35
Other net gains and losses	**4**	–
Operating cash flow	**587**	401

Operating cash flow continued

Cash conversion, calculated as operating cash flow as a percentage of adjusted operating profit, is also shown as a non-GAAP measure as this is used by management and investors to measure cash generation by the Group.

All figures in £ millions	2023	2022
Adjusted operating profit	**573**	456
Operating cash flow	**587**	401
Cash conversion	**102%**	88%

Operating cash flow, operating free cash flow and total free cash flow, which are non-GAAP measures, are commonly used by investors to measure the cash performance of the Group.

The table below reconciles operating cash flow to net debt:

All figures in £ millions	2023	2022	2021
Operating cash flow	**587**	401	388
Tax paid	**(97)**	(109)	(177)
Net finance costs paid	**(40)**	(35)	(54)
Net costs paid for major restructuring	**(63)**	(35)	(24)
Free cash flow	**387**	222	133
Dividends paid (including to non-controlling interests)	**(154)**	(157)	(149)
Net movement of funds from operations	**233**	65	(16)
Acquisitions and disposals	**(219)**	105	62
Disposal of lease liabilities	**–**	8	67
Net equity transactions	**(212)**	(383)	(10)
Other movements on financial instruments	**11**	(2)	10
Movement in net debt	**(187)**	(207)	113
Opening net debt	**(557)**	(350)	(463)
Closing net debt	**(744)**	(557)	(350)

Net cash generated from operations is translated at an exchange rate approximating the rate at the date of cash flow. The difference between this rate and the average rate used to translate profit gives rise to a currency adjustment in the reconciliation between net profit and net cash generated from operations. This adjustment reflects the timing difference between recognition of profit and the related cash receipts or payments.

Net debt and adjusted earnings before interest, tax, depreciation and amortisation (EBITDA)

For information, the net debt/adjusted EBITDA ratio is shown as a non-GAAP measure as it is commonly used by investors to measure balance sheet strength. Adjusted EBITDA is calculated as adjusted operating profit less depreciation on property, plant and equipment, and amortisation on intangible software assets.

All figures in £ millions	2023	2022
Adjusted operating profit	**573**	456
Depreciation (excluding items included in ‘cost of major restructuring’ and ‘property charges’)	**79**	88
Amortisation on intangible software assets (excluding items included in ‘cost of major restructuring’)	**123**	123
Adjusted EBITDA	**775**	667
Cash and cash equivalents	**312**	558
Overdrafts	**(3)**	(15)
Investment in finance lease receivable	**100**	121
Derivative financial instruments	**5**	(6)
Bonds	**(611)**	(610)
Lease liabilities	**(547)**	(605)
Net debt	**(744)**	(557)
Net debt/adjusted EBITDA ratio	**1.0x**	0.8x

Adjusted EBITDA translated at year-end closing rates would be £13m lower (2022: £12m higher) than the reported figure of £775m (2022: £667m) at £762m (2022: £679m).

Additional information for US listing purposes

Cross Reference Table:

Item	Form 20-F Caption	Location in this Document	Page Reference
Item 1	**Identity of Directors, Senior Management and Advisers**	Not applicable	n/a
Item 2	**Offer Statistics and Expected Timetable**	Not applicable	n/a
Item 3	**Key Information**		
	B. Capitalisation and indebtedness	Not applicable	n/a
	C. Reasons for the offer and use of proceeds	Not applicable	n/a
	D. Risk factors	Additional Information: Risk factors	229-235
		Strategic Report: Risk management	56-65
Item 4	**Information on the Company**		
	A. History and development of the Company	Strategic Report: At a Glance	2
		History of the Company	235
		Shareholder Information	247-248
		Strategic Review: Financial Review	26-33
		Note 18: Borrowings	185-186
		Note 19: Financial Risk Management	186-189
		Note 30: Business Combinations	201-202
		Note 31: Disposals and Business Closures	202-203
		Note 35: Leases	204-205
	B. Business overview	Strategic Report	2-65
		Note 2: Segmental Information	160-162
		Additional Information: Certain additional information on the Company	235-237
	C. Organisational structure	Parent Company Note 11	215-218
	D. Property, plant and equipment	Note 10: Property, plant and Equipment and Investment Property	173-174
		Additional Information: Property, plant and equipment	236-237
		Strategic Report: Sustainability	34-48
		Additional Information: Risk Factors	229-235
Item 4A	**Unresolved staff comments**	None	n/a
Item 5	**Operating and Financial Review and Prospects**		
	A. Operating results	Additional Information: Operating and Financial Review	237
		Strategic Report: Key performance indicators	24-25
		Strategic Report: Financial review	26-33
		Strategic Report: Risk (including Viability Statement)	56-65
		Financial Statements	146-218
	B. Liquidity and capital resources	Strategic Report: Financial review	26-33
		Note 16: Derivatives and Hedge Accounting	182-185
		Note 18: Borrowings	185-186
		Note 19: Financial Risk Management	186-189
		Note 35: Leases	204-205
	C. Research and development, patents and licenses etc	Not applicable	n/a
	D. Trend information	Strategic Report: Key performance indicators	24-25
		Strategic Report: Financial review	26-33
	E. Critical Accounting Estimates	Note 1: Accounting Policies	152-160
Item 6	**Directors, Senior Management and Employees**		
	A. Directors and senior management	Corporate Governance: Board of Directors	68-71
		Corporate Governance: Pearson Executive Management	72-73
	B. Compensation	Directors' Remuneration Report	107-130
	C. Board practices	Corporate Governance: Board of Directors	68-71
		Directors' Remuneration Report	107-130
		Corporate Governance: Audit Committee report	97-106
	D. Employees	Note 5: Employee Information	170
	E. Share ownership	Directors' Remuneration Report	107-130
		Note 26: Share Based Payments	197-198
	F. Disclosure of a registrant's action to search erroneously awarded compensation	None	n/a
Item 7	**Major Shareholders and Related Party Transactions**		

Additional information for US listing purposes *continued*

Item	Form 20-F Caption	Location in this Document	Page Reference
	A. Major shareholders	Additional Disclosures	131
	B. Related party transactions	Note 12: Investments in Joint Ventures and Associates Note 36: Related Party Transactions	178 206
	C. Interests of experts and counsel	Not applicable	n/a
Item 8	**Financial Information**		
	A. Consolidated statements and other financial information	Financial Statements	146-218
	B. Significant changes	None	n/a
	C. Interests of experts and counsel	Not applicable	n/a
Item 9	**The Offer and Listing**		
	A. Offer and listing details	Additional Information: The Offer and Listing	237
	B. Plan of distribution	Not applicable	n/a
	C. Markets	Additional Information: The Offer and Listing	237
	D. Selling shareholders	Not applicable	n/a
	E. Dilution	Not applicable	n/a
	F. Expenses of the issue	Not applicable	n/a
Item 10	**Additional Information**		
	A. Share capital	Not applicable	n/a
	B. Articles of association	Additional Information: Articles of Association	237-243
	C. Material contracts	Additional Information: Material Contracts	241
	D. Exchange controls	Additional Information: Exchange Controls	241
	E. Taxation	Additional Information: Tax Considerations	241-243
	F. Dividends and paying agents	Not applicable	n/a
	G. Statement by experts	Not applicable	n/a
	H. Documents on display	Additional Information: Documents on Display	243
	I. Subsidiary information	Parent company Note 11: Group Companies	215-218
	J. Annual report to Security Holders	Not applicable	n/a

Item	Form 20-F Caption	Location in this Document	Page Reference
Item 11	**Quantitative and Qualitative Disclosures about Market Risk**	Note 19: Financial Risk Management Note 14: Classification of Financial Instruments Note 16: Derivative Financial Instruments and Hedge Accounting	186-189 180-181 182-185
Item 12	**Description of Securities other than Equity Securities**		
	A. Description of debt securities	Not applicable	n/a
	B. Description of warrants and rights	Not applicable	n/a
	C. Description of other securities	Not applicable	n/a
	D. American Depository Shares	Additional Information: Description of Securities Other than Equity Securities	243-244
	D.1 Name of depositary and address of principal executive office	Not applicable	n/a
	D.2 Title of ADRs and brief description of provisions	Not applicable	n/a
	D. 3 Depositary fees and charges	Additional Information: Description of Securities Other than Equity Securities	243-244
	D. 4 Depositary payments	Additional Information: Description of Securities Other than Equity Securities	243-244
Item 13	**Defaults, Dividend Arrearages and Delinquencies**	Not applicable	n/a
Item 14	**Material Modifications to the Rights of Security Holders and Use of Proceeds**	Not applicable	n/a
Item 15	**Controls and Procedures**	Additional Information: Controls and Procedures	244-245
Item 16	**Reserved**		
	A. Audit Committee Financial Expert	Additional Information: Audit Committee Financial Expert	244
	B. Code of Ethics	Additional Information: Code of Ethics	244
	C. Principal Accountant Fees and Services	Additional Information: Principal Accountant Fees and Services Note 4: Operating Expenses	169-170
	D. Exemptions from The Listing Standards for Audit Committees	Not applicable	n/a

Item	Form 20-F Caption	Location in this Document	Page Reference
	E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers	Additional Information: Purchases of Equity Securities by the Issuer and Affiliated Purchases	245
	F. Change in Registrants Certifying Accountant	Not applicable	n/a
	G. Corporate Governance	Additional Information: Corporate Governance	66-135
	H. Mine Safety Disclosures	Not applicable	n/a
	I. Disclosure regarding foreign jurisdiction that prevent inspections	Not applicable	n/a
	J. Insider Trading Policies	Not applicable	n/a
	K. Cybersecurity	Additional Information: Cybersecurity; Strategic Report: Data privacy and cyber security	245-246 38, 50
Item 17	**Financial Statements**	Not applicable	n/a
Item 18	**Financial Statements**	Financial Statements	146-218
Item 19	**Exhibits**	Refer to Exhibits list immediately following the signature page for this document as filed with the SEC	n/a

Risk Factors

You should carefully consider the risk factors described below, as well as the other information included in the rest of this document. The Group's business, financial condition or results from operations could be materially adversely affected by any or all of these risks, or by other risks that it presently cannot identify. Any forward-looking statements are made subject to the Forward-Looking Statement section located on page 249.

Risks relating to accreditation

Changes in government policy and/or regulations have the potential to affect the Group's business model and/or decisions across all markets.

The Group's educational services and assessment businesses may be adversely affected by changes in government funding resulting from trends that are beyond the Group's direct control, such as general economic conditions, changes in government educational funding, programs, policy decisions, legislation and/or changes in the procurement process, or the Group's failure to successfully deliver previous contracts. These may also include decisions to suspend, require amendments to or permanently cancel high stakes testing impacting our assessments or Pearson Test of English businesses.

During 2023, Pearson Test of English won recognition for Canadian Student Direct Stream and economic migration visa applications and acquired PDRI which provides recruitment assessment for Federal employees.

During 2024, the Group faces an above average value of contracts due for renewal, which the Group's financial plan assumes will be successful. These are particularly concentrated in US School Assessments, with any loss reducing the value of sales and profits.

The results and potential growth of the Group's US educational services and assessment businesses are dependent on the level of federal and state educational funding, which in turn is dependent on the robustness of state finances and the level of funding allocated to educational programmes. State, local and municipal education funding pressures remain, competition from low price and disruptive new business models continues and open source is promoted to keep costs down for customers. The current challenging environment could impact the Group's ability to collect customer-related debt. State and local government leadership changes and resultant shifts in education policy can also affect the funding available for educational expenditure, which include the impact of educational reform. Similarly, changes in the government procurement process for textbooks, learning material and student tests, and vocational training programmes can also affect the Group's markets. Political pressure on testing, changes in curricula, delays in the timing of the adoptions and changes in the student testing process can all affect these programmes and therefore the size of the market in any given year. Any of the foregoing could adversely impact the results and potential growth of the Group's US educational services and assessment businesses.

Additional information for US listing purposes *continued*

The Group has businesses in a variety of geographies globally and faces uncertain international environments and regulatory changes.

The Group faces risks of government limiting the ability of non-local companies to compete and/or limiting repatriation of profits. Operating in a variety of geographies also exposes the Group to tariffs or other regulatory restrictions. Political, regulatory, economic, currency, reputational, corporate governance and compliance risks (including fraud, sanctions, bribery and corruption) as well as unmanaged expansion are all factors which could limit returns on investments made in these markets and limit the ability to reinvest funds or distribute them to shareholders.

Sanctions against certain economies, entities and/or individuals may be levied which could result in the Group needing to withdraw from a market. Any regulatory inquiry or investigations in relation to sanctions could be costly, require a significant amount of management's time and attention, adversely impact the Group's reputation, or lead to litigation and financial impacts.

Risks relating to Artificial Intelligence, Content & Channel

The Group could face additional cost and diversion of personnel (i) to meet any new regulation or law applicable to its use of Artificial Intelligence (AI) in its products and services and/or (ii) to protect any of its intellectual property developed using AI.

The Group has a history of utilising AI in its products and services and incorporation will only increase as AI technologies (including, generative AI) continue to develop. For example, 2023 saw the successful beta launch of AI study tools in Higher Education and use of large language models in English Language Learning. Our ability to do this successfully depends in part on the public willingness to use AI in the learning sector. If the content that AI applications assist us in producing are or are perceived or alleged to be deficient or inaccurate, our reputation may be adversely affected, and/or the effectiveness of the Group's products may be undermined.

2023 also saw the deployment of new curriculum materials in Virtual Schools and launch of Connections Academy Career Pathways programme. In Pearson VUE new offerings were launched to aid test preparation and in Higher Education, a trial of Channels video content as a separate product began. Each of these have shown promising signs in testing and so have anticipated revenue but failure to maintain the positive momentum would result in lower revenue and profit.

In addition, if our competitors incorporate AI into their products more quickly or more successfully than us, our ability to compete effectively could be impaired.

This increasing interest in AI globally by governments and regulators brings a level of regulatory uncertainty which may increase costs and liabilities in a manner that is beyond the Group's control and could result in conflicting legal requirements, potentially further increasing costs and/or adversely impacting the Group's ability to operate.

In addition, the Group faces uncertainty with regard to protection under law or regulation afforded to its intellectual property developed (in whole or in part) with the use of AI (or software including any AI).

If the Group fails to successfully invest in and deliver the right products and services and to respond to government concerns and/or competitive threats, its sales and profits could be adversely impacted.

A common trend facing all the Group's businesses is the digitisation of content and proliferation of distribution channels, either over the internet, or via other electronic means, replacing traditional print formats. The digital migration has led to changes in consumers' perception of value and the publisher's position between consumers, retailers and authors, and has required the Group to make changes in product and content distribution.

A proliferation of available supply routes for content in addition to buying or subscribing to Pearson content, means that the Group is not guaranteed to be rewarded for its investment in developing and distributing this content. Alternatives such as second hand and rental copies, open educational resources, online discounters, file sharing and use of pirated copies all offer either lower or no financial returns to the Group.

Where the purchaser is a school or institution, they will typically use educational funding to purchase our materials or assessments. However, there are multiple competing demands for educational funds and there is no guarantee that new courseware or testing or training programs will be funded, or that the Group will win or retain this business.

If the Group does not adapt rapidly to these changes, it may lose business to 'faster' and more 'agile' competitors, who increasingly are non-traditional competitors, making their identification all the more difficult. The Group may be required to invest significant resources to further adapt to the changing competitive environment, which requires continued development of both content and the method of delivery to be able to provide differentiated products and services, and can result in competitive disadvantage and missed opportunity for revenue and growth.

An example of this is where the Group's products and services may potentially face competition from those developed by non-traditional competitors using advanced Generative AI tools. Generative AI in particular offers new ways of creating content which could disrupt the sectors in which the Group focuses and failure to adapt could in future lead to adverse impact for its businesses.

Failure to use the Group's data effectively to enhance the quality and scope of current products and services in order to improve learning outcomes could adversely affect the Group's business.

The Group seeks to maximise data to enhance the quality and scope of current products and services to improve learning outcomes while managing associated risks. The Group's ability to continue to do so may be subject to factors beyond the Group's control. In addition, the lack of availability of timely, complete and accurate data limits informed decision-making and increases the risk of non-compliance with legal, regulatory and reporting requirements. Business change and transformation success is dependent on migration of a significant number of datasets and our inability to effectively accomplish this could adversely affect the Group's results.

If the Group does not adequately protect its intellectual property and proprietary rights, its competitive position and results may be adversely affected and its ability to grow restricted.

Some of the Group's products and services comprise intellectual property delivered through a variety of print and digital media, online software applications and platforms. The Group relies on trademark, patent, copyright and other intellectual property laws to establish and protect its proprietary rights in these products and services. Reference is made to the section above regarding the risk of the evolving AI regulatory framework globally and the applicability and interpretation of the existing legal protection of intellectual property. The Group also faces uncertainty on its ability to adequately protect its content from its unauthorised use in training Large Language Models.

Failure, or an inability, to adequately manage, procure, register or protect intellectual property rights (including trademarks, patents, trade secrets and copyright) in the Group's brands, content and technology, may (1) prevent the Group from enforcing its rights, and (2) increase the risk that bad actors will infringe the Group's content rights (print and digital counterfeit, digital piracy), which may reduce sales and/or erode sales.

The Group's intellectual property rights (IPR) in brands and content — historically its core assets — are generally well established in key markets. As technology and digital delivery of content have become an increasingly critical component of the Group's business strategy, the Group has grown its patent portfolio to expand its protection of high value technology in the US and key international markets.

Online copying and security circumvention have become increasingly sophisticated and resistant to available countermeasures. Advancements in technology, including advancements in generative AI technology, have made unauthorised copying and wide dissemination of unlicensed content more accessible. At the same time, detection of unauthorised use of our intellectual property and enforcement of our intellectual property rights has become more challenging, in part due to the increasing volume and sophistication of attempts at unauthorised use of our intellectual property through the use of generative AI. Notably, in recent years 'digital counterfeit' websites have offered or attempted to offer unprotected PDF files of many of Pearson's titles, at scale, using modern and sophisticated ecommerce methods, with a professional or legitimate appearance. From an IPR perspective, increasing the Group's digital business continues to expose it to evolving trademark, copyright and patent infringement risks.

The Group's forward-looking IPR strategy includes efforts to maintain a broad footprint of intellectual property rights in key markets outside the US. However, the Group also conducts business in other countries where its intellectual property protection efforts have been limited or where legal protection for intellectual property may be uncertain and these limitations could affect future growth.

Where the Group has registered or otherwise established its IPR, it cannot guarantee that such rights will provide competitive advantages due to: the challenges and costs of monitoring and enforcement in jurisdictions where competition may be intense; the limited and/or ineffective IPR protection and enforcement mechanisms available to it in many countries; the potential that its IPR may lapse, be invalidated, circumvented, challenged, or abandoned, or that it may otherwise lose the ability to assert its intellectual property rights against others. The loss or diminution in value of these proprietary rights or the Group's intellectual property could have a material adverse effect on the Group's business and financial performance.

Risks relating to Capability

The Group's strategy involves significant change, including moving into new markets. This increases the risk of failure to realise anticipated benefits or of costs being higher than anticipated, or that the Group's business as usual activities are adversely impacted.

The Group's strategy aims, among other things, to achieve significant growth in markets in which Pearson has less experience, including enterprise sales of content, direct-to-consumer language learning and increasing direct-to-consumer sales. During the year, the Group has successfully executed its cost efficiency programme resulting in a lower cost base, albeit ongoing maintenance of cost levels needs constant and rigorous monitoring and control. The Group's financial plan assumes that costs will be successfully managed in all divisions, despite the lower cost base but should this not be possible, the Group is likely to report lower than anticipated profits.

Challenges were also experienced in the Workforce division in successful delivery of products and sales capability on time during the year and similar challenges in the future would result in lower than anticipated sales and profits.

If the Group fails to attract, retain and develop appropriately skilled employees, it may limit its ability to achieve its strategic and operational goals and its business may be harmed.

The Group's success depends on the skill, experience and engagement of its employees. Their expertise has allowed the Group to demonstrate agility, notably in how the Group has been able to develop and deploy beta tests of products using large language models (including, in the areas of AI and machine learning). Training and development of staff is a focus area for managers throughout the organisation, but there is no guarantee that workers will continue to have the required skills prospectively.

The Group has a key dependency on the Chief Executive and certain other key employees. If it is unable to attract, retain and develop sufficiently experienced and capable staff, especially in technology, product development, sales and leadership, its business and financial results may suffer. When talented employees leave, the Group may have difficulty replacing those skills, and its business may suffer. There can be no assurance that the Group will be able to successfully attract and retain the skills that it needs.

All the Group's businesses depend on Information Technology (IT) systems and technological change. Failure to maintain and support customer facing services, systems, and platforms, including addressing quality issues and execution on time of new products and enhancements, could negatively impact the Group's sales and reputation.

All the Group's businesses, to a greater or lesser extent, are dependent on IT. It either provides software and/or internet services to its customers or uses complex IT systems and products to support its business activities, including customer-facing systems, back-office processing and infrastructure. The Group migrated several key data centres to the cloud during the year, increasing resilience. Nevertheless, the Group faces several technological risks associated with software product development (including risks associated with the use of AI in the Group's products and services) and service delivery, information technology security (including viruses and cyber-attacks), e-commerce, enterprise resource planning system implementation and upgrades. Although plans and procedures are in place to reduce such risks, and further progress was made during 2023 in this area, from time to time the Group has experienced verifiable attacks on its systems by unauthorised parties. To date, such attacks have not resulted in any material damage, but the Group's businesses could be adversely affected if its systems and infrastructure experience a significant failure or interruption.

Operational disruption to its business, including that caused by third-party providers, a major disaster and/or external threats, could restrict the Group's ability to supply products and services to its customers.

Across all its businesses, the Group manages complex operational and logistical arrangements including distribution centres, data centres, and educational and office facilities, as well as relationships with third-party print sites. It has also outsourced some support functions, including elements of information technology, warehousing and logistics to third-party providers. The failure of third parties to whom it has outsourced business functions could adversely affect its reputation or financial condition. Failure to recover from a major disaster, (e.g., fire, flood, etc.) at a key facility and/or a major failure of a key facility, such as a data centre outage or the disruption of supply from a key third-party vendor or partner (e.g. due to bankruptcy) could restrict the Group's ability to service its customers and meet the terms of its contractual relationships with both government agencies and commercial customers. Penalty clauses and/or the failure to retain these contracts at the end of the contract term could adversely impact future revenues and/or operations.

Risks Related to the Competitive Marketplace

Global economy and cyclical market factors may adversely impact the Group's financial performance.

With continued pressure and uncertainty in worldwide economies, particularly in Pearson's major markets in the US and UK, there is a risk of a weakening in trading conditions, which could adversely impact the Group's future financial performance. The effect of continued deterioration or lack of recovery in the global economy will vary across different businesses and will depend on the depth, length and severity of any economic downturn. The education market can be affected by cyclical factors which, although they can have a positive impact for some of the Group's businesses, could for others lead to a reduction in demand for the Group's products and services.

Increased competitive pressure or reduced demand due to changing consumer learning preferences may adversely impact the Group's financial performance and reduce the expected return on investment.

The Group faces a number of large value contract renewals, each representing up to 5% of Group revenue, during 2024 and the long-range plan assumes that these are successfully retained. The loss of any of these contracts would lead to lower sales and profits in the future unless replaced by other contract wins.

The Group competes in a highly competitive market that is subject to rapid change in some areas. The Group faces competitive threats both from large media players and from smaller businesses, online and mobile portals and operators in the digital arena that provide alternative sources of content. Alternative distribution channels, such as digital format, the internet, online retailers and growing delivery platforms, pose both threats and opportunities to traditional publishing business models, potentially impacting both sales volumes and pricing. In addition, new competitive entrants, increased price competition or shifts in learners away from educational institutions (as seen previously in reduced Higher Education enrolments) may lead to lower profitability and cash flow performance. The level of competition is placing financial strain on some of Higher Education's channel partners and the failure of one of these companies would risk the loss of any outstanding debtor balances.

Enhanced product offerings and improvements in sales capability have led to a stabilisation of market share in the Higher Education market, but there is no guarantee that these measures will be sufficient in the future to prevent loss of revenue and profit.

Pearson Virtual School faces revenue headwinds following the termination of one of its major customers and with another due to terminate in the fall of 2024. Both have decided to operate services in-house. Consequently, there are risks to achieving the profit plan and further contract losses would increase this risk.

The Group's investment in new markets may deliver returns that are lower than anticipated.

The Group has invested in and has plans to continue to invest in new markets such as workforce and direct-to-consumer learning experiences of which the Group has less experience and faces a variety of competition to be successful. Failure to achieve our planned outcomes may lead to lower than expected sales and profitability.

A significant deterioration in the Group's profitability and/or cash flows caused by prolonged economic instability or recession could reduce its liquidity and/or impair its financial ratios and trigger a need to raise additional funds from the capital markets and/or renegotiate its banking covenants.

To the extent that worldwide economic conditions materially deteriorate, the Group's sales, profitability and cash flows could be significantly reduced as customers could be unable to purchase products and services in the expected quantities and/or pay for them within normal agreed terms.

Disruption in capital markets or potential concerns about the Group's credit rating, for instance manifested in downgrades or negative outlooks by the credit rating agencies, may mean that this capital may not be available on favourable terms or may not be available at all.

Risks Related to Customer Expectations

Failure to meet our customers' rapidly changing expectations in our products and services and not being able to anticipate new customer demands could result in reduced market share, profitability and brand erosion.

We continue to adjust our business model to keep a pace with the increasing end user demands. The Group may not be able to adapt, change and succeed in a rapidly changing and uncertain environment resulting in competitive disadvantage, higher cost and brand erosion. This could result from failing to identify changes in learner preferences or in failing to create products and services which meet these revised expectations.

With the direct-to-consumer strategic focus and the launch of new products we risk that the customer experience expectations are not met with regard to how the products and services are delivered e.g. quality and timeliness, impacting the customer's brand loyalty and propensity to purchase; resulting in customer complaints, less favourable social media sentiment, bad reviews, low recommendations, and/or customer attrition.

Evidence of higher customer expectations has been observed in the direct to consumer market, particularly for Mondly, where the cost of acquiring and retaining new learners is high, leading to some re-balancing towards offering language tuition for enterprises. In Workforce, feedback from customers led to a re-focus on modular solutions rather than a fully integrated platform as previously envisaged. Should customer acquisition or the cost of acquiring and retaining customers continue to be elevated, this could lead to lower profitability than anticipated if it is not possible to mitigate.

There is also the risk that our technology and data dependent products and services do not meet accessibility requirements in respect of customers' and prospective customers' ability to access the products and services, and this could result in increased costs, restrictions and/or fines.

Risks Related to the Group's Portfolio of Businesses

The Group's failure to generate anticipated sales growth, synergies and/or cost savings from acquisitions, mergers and other business combinations, could lead to goodwill and intangible asset impairments.

The Group periodically acquires and disposes of businesses to achieve its strategic objectives and will continue to consider both as means to pursue its strategic priorities. During the year, the Group completed the disposal of Pearson Online Services and acquired PDRI, which expanded the Group's services to the US federal government.

Acquisitions may involve significant risks and uncertainties, including difficulties in integrating acquired businesses to realise anticipated sales growth, synergies and/or cost savings; diversion of management attention from other business concerns or resources; and diversion of resources that are needed in other parts of our business. If these risks are not managed, acquisitions could result in goodwill and intangible asset impairments.

Divestitures also involve risks and uncertainties that could adversely affect our business, results of operations and financial condition including, among others, the inability to find potential buyers on favourable terms, disruption to our business and/or diversion of management attention from other business concerns, loss of key employees and possible retention of certain liabilities related to the divested business.

Risks Related to the Group's Responsibility & Reputation

The Group's business depends on a strong brand, and any failure to maintain, protect and enhance its brand would hurt its ability to retain or expand its business.

Protecting the Pearson brand is critical to maintaining and expanding the Group's business and will depend largely on its ability to maintain its customers' trust in its solutions and in the quality and integrity of its products and services, including how it protects the data and privacy of customers and users. If the Group does not successfully maintain a strong brand, its business could be harmed. Beyond protection, strengthening the Pearson brand will enable the Group to more effectively engage with governments, administrators, teachers, learners and influencers.

Security breaches involving our information technology systems could harm our ability to run our business and expose us to potential liability and loss of revenue.

Failure to prevent or detect a malicious attack on the Group's systems has in the past and could in future result in loss of system availability, breach of confidentiality, integrity and/or availability of sensitive information. Such incidents have in the past resulted, and could in future result, in damage to the customer experience and the Group's reputation and in financial loss. In particular, the Group has experienced, and may continue to experience in the future, an unauthorised disclosure of personal information despite best efforts to prevent it. This has also occurred and may again in the future as a result of a failure of IT controls to protect such data, principally due to software malfunctions.

Information security and cyber risk are continually evolving and comprise many complex external drivers: increasing customer demand to demonstrate a strong security posture, external compliance requirements, ongoing digital revolution, increasing use of the cloud, greater volumes of data and increasingly sophisticated attack strategies. Across its businesses, the Group holds large volumes of personal data including that of employees, customers, students and citizens, and other highly sensitive business critical data such as financial data, internal sensitive information, and intellectual property. Despite its implementation of security measures, threat actors of all types, including individuals, criminal organisations and state sponsored operatives, have from time to time gained access, and may in the future gain access to the Group's data through unauthorised means in order to misappropriate such information for fraudulent or other purposes.

Any perceived or actual unauthorised disclosure of personal data or confidential information, whether through a breach of the Group's network or a third-party partner with whom we share data or access to our network by an unauthorised party, employee theft, misuse or error or otherwise, could harm the Group's reputation, impair its ability to attract and retain its customers, impair business and operations, or subject the Group to regulatory investigations and/or to claims or litigation arising from damages suffered by individuals and customers, and thereby harm its business and operational results. Failure to adequately protect personal data and confidential information has in the past led, or could potentially lead to, respectively, regulatory penalties, litigation costs and damages, significant remediation costs, reputational damage, cancellation of some existing contracts and/or difficulty in competing for future business, among other things. In addition, the Group could incur significant costs in complying with the relevant laws and regulations regarding the protection of personal data and confidential information against unauthorised disclosure, payments due to cyber extortion or to responding to regulatory investigations into such matters.

Additional information for US listing purposes *continued*

Changes to data privacy legislation must also be monitored and acted upon to ensure the Group remains in compliance across different markets.

Data protection legislation continues to be adopted by countries in which the Group has a presence and/or customers and enforcement is focusing upon transparency and customer choice in addition to data breaches, which reflects the increased sophistication of customers on data protection matters.

Failure to provide the appropriate level of transparency and control in the Group's products could increase the regulatory, commercial and/or reputational risks that the Group faces with any or all of its various stakeholders.

A control breakdown or service failure in the Group's testing businesses could result in financial loss and reputational damage.

The Group's testing businesses, including those in Assessment & Qualifications, Workforce and English Language Learning involve complex contractual relationships with both government agencies and commercial customers for the provision of various testing services. The Group's financial results, growth prospects and/or reputation may be adversely affected if these contracts and relationships are poorly managed or face increased competitive pressures.

There are inherent risks associated with the Group's testing businesses, both in the US and the UK. A service failure caused by a breakdown in testing and assessment processes could lead to a mis-grading of student tests and/or late delivery of test results to students and their schools. During 2022, the Group suffered negative publicity because of failures to deliver certain BTEC qualification results in a timely manner. Performance was improved in 2023, but failures to meet expected service standards have in the past and/or could in future leave the Group subject to regulatory sanctions (including fines), legal claims, penalty charges under contracts, non-renewal of contracts and/or the suspension or withdrawal of its accreditation to conduct tests. A late delivery of qualification results could result in a potentially significant regulatory fine in addition to the contractual penalties. It is also possible that any such events described above would result in adverse publicity, which may affect the Group's ability to retain existing contracts and/or obtain new customers.

Risks associated with identity verification could lead to financial losses.

The Group is required to take measures to validate the identity of learners, especially those completing assessments. In certain jurisdictions, companies have faced legal claims for the collection of or use of information obtained, particularly in relation to biometric information. The Group takes reasonable steps to protect learners and obey legal requirements but there is no guarantee that these will be sufficient to protect the Group from any and all potential issues, which could result in potential fines and penalties for the Group, especially if not covered by the Group's insurance cover.

Failure to adequately protect learners could result in significant harm to one or more learners.

Incidents have occurred and may in future occur where learners may not have been, or may not be, adequately protected. For example, where the Group has direct learner contact via online learning, or in its test centres. While the Group has made further progress during the year, the range and frequency of threats remains high. These incidents can cause harm to learners, which is something the Group takes extremely seriously, and could also have a negative financial, legal and reputational impact to the business.

Failure to effectively manage risks associated with compliance with global and local anti-bribery and corruption (ABC) legislation could result in costly legal investigations and/or adversely impact the Group's reputation.

The Group is committed to an effective compliance programme in keeping with changing regulatory expectations, and it is also committed to conducting business in a legal and ethical manner in compliance with local and international statutory requirements and standards applicable to its business. Despite those commitments, there is a risk that the Group's management, employees or representatives may take actions that violate applicable laws and regulations including regarding accurate keeping of books and records or prohibiting the making of improper payments for the purposes of obtaining or keeping business, including laws such as the US Foreign Corrupt Practices Act or the UK Bribery Act. Any regulatory inquiry or investigations could be costly, require a significant amount of management's time and attention, adversely impact the Group's reputation, or lead to litigation and financial impacts.

Failure to comply with antitrust and competition legislation and/or legal or regulatory proceedings could result in substantial financial cost and/or adversely impact the Group's reputation.

The Group is subject to global and local antitrust and competition law and although it is committed to conducting business in compliance with local and international laws, there is a risk that management, employees or representatives may act in a way that violates applicable antitrust or competition laws. Further, the Group and its subsidiaries are and may be in the future subject to legal and regulatory proceedings in the countries in which the Group operates. These proceedings could result in greater scrutiny of the Group's operations in other countries for anti-competitive behaviour and, in the worst case, incur a substantial financial cost. This would also have an adverse impact on the Group's reputation.

Failure to adequately protect the health, safety and well-being of the Group's employees, learners and other stakeholders could adversely impact the Group's reputation, profitability and future growth.

Although the Group has invested in global health and safety procedures and controls to safeguard the health, safety and wellbeing of its employees and other stakeholders, accidents or incidents could still occur due to unforeseen risks, causing injury or harm to individuals and impacting the Group's business operations. This has the potential to lead to criminal and civil litigation, business disruption leading to operational loss, reduction in profitability and impact on the Group's reputation.

Failure to ensure security for the Group's staff, learners, assets and reputation, due to increasing numbers of and variety of local and global threats.

Pearson is a global business with locations in diverse, sometimes high-risk, locations worldwide. Although it has protective measures in place to secure its staff, learners and assets, the Group could still be impacted by external threats, such as localised incidents, terrorist attacks, strikes or extreme weather. Future occurrences could cause harm to individuals and/or disrupt business operations. These have the potential to lead to operational loss, a reduction in profitability and impact on the Group's global reputation.

Other Significant Near-term and Emerging Risks

Environmental, social and governance risks including Climate Transition may adversely impact the Group's business.

The Group considers environmental, social and governance (ESG) risks no differently to the way it manages any other business risk. Expectations around climate commitments and measurements change on a regular basis. A failure to comply with relevant standards, or other ESG-related laws or regulations, whether in the UK or elsewhere, could adversely affect the Group's reputation and have a negative impact on its relations with employees, customers and/or business partners. Costs associated with climate-transition which cannot be fully managed by decarbonisation activities may lead to decreased margins. However, the Group has assessed the impact of climate change on the Group's financial statements, including our long-term net zero commitment, and the actions the Group intends to take to achieve those targets. The assessment did not identify any material impact on the Group's significant judgments or estimates at 31 December 2023, or the assessment of going concern for the period to June 2025 and the Group's viability over the next five years.

Financial markets disruption – A lack of sufficient capital resources could adversely impact the Group's ability to operate.

Financial crises impact financial markets periodically, which could result in bank failures and loss of capital for the Group, or an inability to access debt capital markets as planned. The Group has a €300m bond maturity in 2025 and if it were unable to raise finance to replace it, it may be required to delay investment, negatively impacting the Group's growth prospects.

Inflation – High levels of global inflation could increase costs and adversely impact the Group's profits and financial performance.

High ongoing global inflation factors have increased and could further increase the cost of production for Pearson, particularly through wage inflation. There is no guarantee that we can increase prices or reduce cost for products and services that can mitigate the effects of inflation, which could lead to reduced earnings and ability to invest in future growth.

Geopolitical conflict – Conflict could affect Pearson's operations.

Pearson has staff and offices globally, which could be impacted by conflict or blockades as a result of geopolitical issues. Notably, Pearson has offices in Israel which support Pearson's digital products, which if affected by conflict could negatively impact the pace of innovation or the quality of Pearson's products.

Certain additional information on the Company

Information on the Company

Pearson was incorporated and registered in 1897 under the laws of England and Wales as a limited company and re-registered under the UK Companies Act as a public limited company in 1981. The Group conducts its operations primarily through its subsidiaries and other affiliates. Its principal executive offices are located at 80 Strand, London WC2R 0RL, United Kingdom (telephone: +44 20 7010 2000) and its website address is https://plc.pearson.com/. The Company is registered in England and Wales under the company number 00053723. The SEC maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. The address of that site is http://www.sec.gov.

Operating cycles

The Group determines a normal operating cycle separately for each entity/cash generating unit with distinct economic characteristics. The 'normal operating cycle' for each of the Group's businesses is primarily based on the expected period over which content or services will generate cash flows. The Higher Education courseware market is primarily driven by an adoption cycle, with colleges and professors typically refreshing their courses and selecting revised programs on a regular basis, often in line with the release of new content or new technology offerings. The Company renews its product development assets to reflect new content and capabilities which enhance the attractiveness of its offering to both educators and learners.

Analysis of historical data shows that the typical life cycle of Higher Education content is up to five years but varies by product. In addition to content, the Group also develops technology platforms for products and the life cycle for these platforms can be in excess of the five years cycle for content. Again, the operating cycle for content and platforms mirrors the market cycle.

Historically for a major content refresh a development phase of typically 12 to 18 months for Higher Education precedes the period during which the Company receives and delivers against orders for the products it has developed for the programme.

The operating cycles in respect of the Group's professional and clinical content are more specialised in nature as they relate to educational or heavy reference products released into smaller markets (e.g. the financial training and IT sectors). Nevertheless, in these markets, there is still a regular cycle of product renewal, in line with demand which management monitor. Typically, the life cycle is five years for Professional content and seven years for Clinical content. Elsewhere in the Group, operating cycles are typically less than one year.

Competition

The Group's businesses operate in highly competitive markets. The Group faces competitive threats both from large media players and from smaller businesses, online and mobile portals and operators in the digital arena that provide alternative sources of content. Alternative distribution channels, e.g. digital format, the internet, online retailers, growing delivery platforms (e.g. e-readers or tablets), pose both threats and opportunities to traditional publishing business models, potentially impacting both sales volumes and pricing.

In Assessment & Qualifications, the Group competes with other companies offering test development and administration including Cambium, Data Recognition Corp (DRC), Educational Testing Service (ETS), and NWEA, and others. The Professional Certification business competes with Prometric globally and a number of other smaller players in local markets. The Clinical Assessment business competes with MHS and WPS. The UK and International qualifications business competes with AQA, Cambridge Assessment and OCR in general qualifications, as well as a number of smaller players.

In Virtual Learning, the Group competes with companies such as Stride in virtual schools and 2U Inc. in Online Program Management until the point of disposal, alongside smaller niche players that specialise in a particular academic discipline or focus on a learning technology.

Additional information for US listing purposes *continued*

In Institutional English Language Learning, the Group competes with Oxford University Press, Macmillan and other publishers. In High Stakes Assessments, Pearson Test of English Academic competes with alternative tests including iELTS and TOEFL. In the online language learning market, the Group competes with Duolingo, Babbel and Busuu, as well as a number of smaller players.

In Workforce Skills, the vocational qualifications business competes with City and Guilds globally alongside smaller niche and local market providers, our assessments businesses compete with HiSET in high school equivalency and SHL in skills and ability testing, and our enterprise data, technology and learning businesses compete with Learning platforms such as Guild, credential platforms such as Accredible, talent management platforms such as Eightfold.ai, and data services such as Emsi.

In Higher Education, the Group competes with other publishers and creators of educational materials and services. These companies include publishers such as Cengage Learning and McGraw-Hill Education, as well as non-mainstream publishers.

Competition is based on the ability to deliver quality products and services that address the specified curriculum needs and appeal to the student, organisations, school boards, educators, employers and government officials making purchasing decisions.

Intellectual property

The Group's principal intellectual property assets consist of its:

- trademarks and other rights via its brands (including corporate and business unit brands and imprints, as well as product and service brands);
- copyrights for its textbook and related educational content and software code; and
- patents and trade secrets related to the innovative methods deployed in its key technologies.

The Group believes it has taken reasonable legal steps to protect its key brands in its major markets and copyright in its content and has taken appropriate steps to develop a comprehensive patent programme to ensure appropriate protection of emerging inventions that are critical to its new business strategies.

Licenses, patents and contracts

The Group is not dependent upon any particular licenses, patents or new manufacturing processes that are material to its business or profitability. Notwithstanding the foregoing, the Group's education business is dependent upon licensed rights since most textbooks and digital learning tools include content and/or software that is licensed to it by third parties (or assigned subject to royalty arrangements). In addition, some software products in various business lines rely upon patents licensed from third parties.

The Group is not materially dependent upon any particular contracts with suppliers or customers, including contracts of an industrial, commercial or financial nature. The Group's revenue is diversified, no individual customer comprised more than 5% of revenue in 2023.

Raw materials

Paper remains the principal raw material used by the Group although its use is declining given the shift to digital products. The Group purchases most of its paper through its global outsourcing partner LSC Communications located in the United States. The Group has not experienced and does not anticipate difficulty in obtaining adequate supplies of paper for its operations, with sourcing available from numerous suppliers. While local prices fluctuate depending upon local market conditions, the Group has not experienced extensive volatility in fulfilling paper requirements. In the event of a sharp increase in paper prices, the Group has a number of alternatives to minimise the impact on its operating margins, including modifying the grades of paper used in production and price adjustments.

Government regulation

The manufacture of certain products in various markets is subject to governmental regulation relating to the discharge of materials into the environment. Operations are also subject to the risks and uncertainties attendant to doing business in numerous countries. Some of the countries in which the Group conducts these operations maintain controls on the repatriation of earnings and capital and restrict the means available for hedging potential currency fluctuation risks.

The operations that are affected by these controls, however, are not material. Accordingly, these controls have not significantly affected the Group's international operations. Regulatory authorities may have enforcement powers that could have an impact. The Group believes, however, that in light of the nature of its business the risk of these sanctions does not represent a material threat.

Legal proceedings

The Group and its subsidiaries are from time to time the subject of legal proceedings incidental to the nature of its and their operations. These may include private litigation or arbitrations, governmental proceedings and investigations by regulatory bodies.

Property, plant and equipment

The Group's headquarters are located at leasehold premises in London, England. As at 31 December 2023, it owned or leased approximately 700 properties, including approximately 527 testing/teaching centres in over 57 countries worldwide, the majority of which are located in the United Kingdom and the United States. The other properties owned and leased by the Group consist mainly of offices and distribution centres. In some cases properties leased by the Group are then sublet to third parties.

The vast majority of printing is carried out by third-party suppliers. The Group operates a small digital print operation as part of its Pearson Assessment & Testing businesses which provides short-run and print-on-demand products, typically custom client applications.

The Group owns the following principal properties at 31 December 2023:

General use of property	Location	Area in square feet
Office	Iowa City, Iowa, USA*	312,760
Warehouse/office	Cedar Rapids, Iowa, USA	205,000
Testing	Owatonna, Minnesota, USA	128,000
Warehouse/office	Hadley, Massachusetts, USA*	85,570

* Properties are recorded as held for sale at 31 December 2023.

The Group leased the following principal properties at 31 December 2023:

General use of property	Location	Area in square feet
Office	Hudson, New York, USA*	313,285
Office	Westminster, London, UK*	289,355
Office	Hoboken, New Jersey, USA*	216,273
Office	Bloomington, Minnesota, USA*	147,159
Warehouse/office	Cedar Rapids, Iowa, USA*	119,682

* Properties have either been fully or partially sublet or are being marketed for sublet.

Off-balance sheet arrangements

The Group does not have any off-balance sheet arrangements, as defined by the SEC for the purposes of the Form 20-F, that have or are reasonably likely to have a material current or future effect on the Group's financial position or results of operations.

Operating and financial review

The financial review for the year ended 31 December 2023 compared to the year ended 31 December 2022 can be found on pages 26-33 of the Strategic Report. The financial review for the year ended 31 December 2022 compared to the year ended 31 December 2021 can be found on pages 20-25 of our 2022 Annual Report and Accounts on Form 20-F filed with the United States Securities and Exchange Commission on 31 March 2023.

Directors, senior management and employees

Board Practices

As at 28 February 2024, the Group's Board comprises the Chair, two Executive Directors and eight Non-Executive Directors. The Articles of Association (as defined below) provide that all the Directors at the date of the notice convening the Annual General Meeting ('AGM') shall retire from office at the meeting. A retiring Director shall, if willing to act, be eligible for re-appointment. If they are not re-appointed, they shall 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. The Articles of Association also provide that every Director appointed by the Board be subject to re-appointment by shareholders at the next AGM following their appointment.

Tim Score will be retiring from the Board upon the conclusion of the Company's AGM on 26 April 2024. Upon Tim Score's retirement, Graeme Pitkethly will be appointed as Deputy Chair and Senior Independent Director. All of the Directors, save Tim Score, will offer themselves for re-election at the forthcoming AGM on 26 April 2024.

Pearson is listed on the New York Stock Exchange ('NYSE'). As a listed non-US issuer, the Group is not required to comply with some of the NYSE's corporate governance rules, but must disclose on its website any significant ways in which its corporate governance practices differ from those followed by US companies under the NYSE listing standards. At this time, the Group believes that it is in compliance in all material respects with all the NYSE rules except that the Nomination & Governance Committee is not composed entirely of independent Directors as the Chair, who is not considered independent under NYSE rules, is a member of this Committee in addition to independent Directors.

Employees

Through its subsidiaries, the Group has entered into collective bargaining agreements with employees in various locations. The Group's management has no reason to believe that it would not be able to renegotiate any such agreements on satisfactory terms. The Group encourages employees to contribute actively to the business in the context of their particular job roles and believes that the relations with its employees are generally good.

Significant changes

Other than those events described in note 37 in the consolidated financial statements, and seasonal fluctuations in borrowings, there has been no significant change to the Group's financial condition or results of operations since 31 December 2023. The Group's borrowings fluctuate by season due to the effect of the school year on working capital requirements. Assuming no acquisitions or disposals, the maximum level of net debt normally occurs in the third quarter, and the minimum level of net debt normally occurs in December.

The offer and listing

The principal trading market for the Group's ordinary shares is the London Stock Exchange which trade under the symbol 'PSON'. Its ordinary shares also trade in the United States in the form of ADSs evidenced by ADRs under a sponsored ADR facility with The Bank of New York Mellon, as depositary. The Group established this facility in March 1995 and most recently amended it in August 2014 in connection with its New York Stock Exchange listing. Each ADS represents one ordinary share.

The ADSs trade on the New York Stock Exchange under the symbol 'PSO'.

Articles of association

The Group summarises below the material provisions of its articles of association, as amended (the 'Articles of Association'), which have been filed as an exhibit to its annual report on Form 20-F for the year ended 31 December 2023. The summary below is qualified entirely by reference to the Articles of Association. In conformity with the UK Companies Act 2006 (the Act), the Group has multiple business objectives and purposes and is authorised to do such things as the Board may consider fit to further its interests or incidental or conducive to the attainment of its objectives and purposes.

Directors' powers

The Group's business shall be managed by the Board of Directors and the Board may exercise all such of its powers as are not required by law or by the Articles of Association or by any directions given by the Company by special resolution, to be exercised in a general meeting.

Interested Directors

For the purposes of section 175 of the Act, the Board may authorise any matter proposed to it which would, if not so authorised, involve a breach of duty by a Director under that section, including, without limitation, any matter which relates to a situation in which a Director has, or can have, an interest which conflicts, or possibly may conflict, with the interests of the Company. Any such authorisation will be effective only if:

a. any requirement as to quorum at the meeting at which the matter is considered is met without counting the Director in question or any other interested Director; and
b. the matter was agreed to without their voting or would have been agreed to if their votes had not been counted.

The Board may (whether at the time of the giving of the authorisation or subsequently) make any such authorisation subject to any limits or conditions it expressly imposes but such authorisation is otherwise given to the fullest extent permitted. The Board may vary or terminate any such authorisation at any time.

Provided that he or she has disclosed to the Board the nature and extent of his or her interest (or else that the Director is not aware of the interest or not aware of the transaction or arrangement in question, or else that the interest cannot be reasonably regarded to give rise to a conflict of interest), a Director notwithstanding his or her office:

a. may be a party to, or otherwise interested in, any transaction or arrangement with the Company or in which the Company is otherwise (directly or indirectly) interested;
b. (may act by himself or herself or his or her firm in a professional capacity for the Company (otherwise than as auditor) and he or she or his or her firm shall be entitled to remuneration for professional services as if he or she were not a Director;
c. may be a Director or other officer of, or employed by, or a party to a transaction or arrangement with, or otherwise interested in, any body corporate in which the Company is otherwise (directly or indirectly) interested.

A Director shall not, by reason of his or her office, be accountable to the Company for any remuneration or other benefit which he or she derives from any office or employment or from any transaction or arrangement or from any interest in any body corporate:

a. the acceptance, entry into or existence of which has been approved by the Board (subject, in any such case, to any limits or conditions to which such approval was subject); or
b. which he or she is permitted to hold or enter into by virtue of paragraph (a), (b) or (c) above;

nor shall the receipt of any such remuneration or other benefit constitute a breach of his or her duty under section 176 of the Act.

A Director shall be under no duty to the Company with respect to any information which he or she obtains or has obtained otherwise than as a Director of the Company and in respect of which he or she owes a duty of confidentiality to another person. However, to the extent that his or her relationship with that other person gives rise to a conflict of interest or possible conflict of interest, the preceding sentence only applies if the existence of such relationship has been approved by the Board. In such circumstances, the Director shall not be in breach of the general duties he or she owes to the Company by virtue of sections 171 to 177 of the Act because he or she fails:

a. to disclose any such information to the Board or to any Director or other officer or employee of the Company; and/or
b. to use or apply any such information in performing his or her duties as a Director of the Company.

Where the existence of a Director's relationship with another person has been approved by the Board and his or her relationship with that person gives rise to a conflict of interest or possible conflict of interest, the Director shall not be in breach of the general duties he or she owes to the Company by virtue of sections 171 to 177 of the Act because he or she:

a. absents himself or herself from meetings of the Board at which any matter relating to the conflict of interest or possible conflict of interest will or may be discussed or from the discussion of any such matter at a meeting or otherwise; and/or
b. makes arrangements not to receive documents and information relating to any matter which gives rise to the conflict of interest or possible conflict of interest sent or supplied by the Company and/or for such documents and information to be received and read by a professional adviser, for so long as he or she reasonably believes such conflict of interest or possible conflict of interest subsists.

Except as stated below, a Director shall not vote in respect of any contract or arrangement or any other proposal whatsoever in which he or she has an interest which is, to his or her knowledge, a material interest, otherwise than by virtue of his or her interests in shares or debentures or other securities of or otherwise in or through the Company. A Director shall not be counted in the quorum at a meeting of the Board in relation to any resolution on which he or she is debarred from voting.

Notwithstanding the foregoing, a Director will be entitled to vote, and be counted in the quorum, on any resolution concerning any of the following matters:

- the giving of any guarantee, security or indemnity in respect of money lent or obligations incurred by him or her or by any other person at the request of or for the benefit of the Company or any of its subsidiaries;
- the giving of any guarantee, security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which he himself or she herself has assumed responsibility in whole or in part and whether alone or jointly with others under a guarantee or indemnity or by the giving of security;
- any proposal relating to the Company or any of its subsidiary undertakings where it is offering securities in which offer a Director is or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which a Director is to participate;
- any proposal relating to another Company in which he or she and any persons connected with him or her do not to his or her knowledge hold an interest in shares (as that term is used in sections 820 to 825 of the Act) representing one percent or more of either any class of the equity share capital, or the voting rights, in such Company;
- any proposal relating to an arrangement for the benefit of the employees of the Company or any of its subsidiary undertakings which does not award him or her any privilege or benefit not generally awarded to the employees to whom such arrangement relates; and
- any proposal concerning insurance that the Company proposes to maintain or purchase for the benefit of Directors or for the benefit of persons, including Directors.

Where proposals are under consideration concerning the appointment of two or more Directors to offices or employment with us or any Company in which the Group is interested, these proposals may be divided and considered separately and each of these Directors, if not prohibited from voting under the provisions of the eighth paragraph before this one, will be entitled to vote and be counted in the quorum with respect to each resolution except that concerning his or her own appointment.

Retirement and re-appointment of Directors

At every AGM, all the Directors at the date of the notice convening the AGM shall retire from office. A retiring Director shall, if willing to act, be eligible for re-appointment. If he or she is not re-appointed, he or she shall retain office until the meeting appoints someone in his or her place, or if it does not do so, until of the end of the meeting, or until the end of the adjourned meeting if the meeting is adjourned.

Where a Director has been reappointed after notice of the AGM has been given, that Director shall retire at the next AGM of which notice is first given after his or her appointment as Director.

If there is an insufficient number of appointed or re-appointed Directors at any of the Company's AGM 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.

Borrowing powers

The Board of Directors may exercise all powers to borrow money and to mortgage or charge the Group's undertaking, property and uncalled capital and to issue debentures and other securities, whether outright or as collateral security for any of its or any third party's debts, liabilities or obligations. The Board of Directors must restrict the borrowings in order to secure that the aggregate amount of undischarged monies borrowed by the Group (and any of its subsidiaries), but excluding any intra-group debts, shall not at any time (without the previous sanction of the Company in the form of an ordinary resolution) exceed a sum equal to twice the aggregate of the adjusted capital and reserves.

Other provisions relating to Directors

Under the Articles of Association, Directors are paid out of the Group's funds for their services as it may from time to time determine by ordinary resolution and, in the case of Non-Executive Directors, up to an aggregate of £1,000,000 per year or such other amounts as resolved by the shareholders at a general meeting. Any Director who is not an Executive Director and who performs special services which in the opinion of the Board are outside the scope of the ordinary duties of a Director, may be paid such extra remuneration by way of additional fee, salary, commission or otherwise as the Board may determine in accordance with the Group's remuneration policy. Under the Articles of Association, Directors currently are not required to hold any share qualification. However, the remuneration policy mandates a shareholding guideline for Executive Directors which they are expected to build towards over a specified period.

General meetings

Pursuant to the Act, the Company must hold an AGM (within six months beginning with the day following its accounting reference date) at a place and time determined by the Board. The following matters are usually considered at an AGM:

- approval of final dividend;
- consideration of the Company's annual accounts together with associated reports of the Board of Directors and auditors;
- appointment or re-appointment of Directors;
- appointment or re-appointment of the auditors, and authorisation for the Audit Committee to determine and fix the remuneration of the auditors; and
- renewal, limitation, extension, variation or grant of any authority to the Board in relation to the allotment and repurchase of securities.

The Board may call a general meeting whenever it thinks fit. If at any time there are not within the United Kingdom sufficient Directors capable of acting to form a quorum, any Director or any two members may convene a general meeting in the same manner as nearly as possible as that in which meetings may be convened by the Board.

No business shall be dealt with at any general meeting unless a quorum is present when the meeting proceeds to business. Three members present in person or by proxy and entitled to vote shall be a quorum for all purposes. A corporation being a member shall be deemed to be personally present if represented by its duly authorised representative.

If a quorum for a meeting convened at the request of shareholders is not present within 15 minutes of the appointed time (or if during a meeting such a quorum ceases to be present), the meeting will be dissolved. In any other case, the general meeting will be adjourned to such time and with such means of attendance and participation as the Chair of the meeting may determine. If at that rescheduled meeting a quorum is not present within fifteen minutes from the time appointed for holding the meeting, the shareholders present in person or by proxy will be a quorum. The Chair or, in his or her absence, the Deputy Chair or any other Director nominated by the Board, will preside as Chair at every general meeting. If no Director is present at the general meeting or no Director consents to act as Chair, the shareholders present shall elect one of their number to be Chair of the meeting.

The Board may resolve to enable persons entitled to attend and participate in a general meeting to do so by simultaneous attendance and participation by means of electronic facility or facilities and determine the means, or all different means, of attendance and participation used in relation to a general meeting. The members present in person or by proxy by means of electronic facility or facilities shall be counted in the quorum for, and entitled to participate in the general meeting in question. That meeting shall be duly constituted and its proceedings valid if the Chair of the meeting is satisfied that adequate facilities are available throughout the meeting to ensure that members attending the meeting by all means (including by means of electronic facility or facilities) are able to:

a. participate in the business for which the meeting has been convened;
b. hear all persons who speak at the meeting; and
c. be heard by all persons present at the meeting.

Additional information for US listing purposes *continued*

A member seeking to be present in person or by proxy at a general meeting by means of electronic facility or facilities is responsible for ensuring they have access to and can use the facility or facilities. The meeting shall be duly constituted and its proceedings valid notwithstanding the inability of the member to gain access to use the facility or facilities, or the loss of access to or use of the facility or facilities during the meeting.

Share certificates

Every person whose name is entered as a member in the Company's Register of Members shall be entitled to one certificate in respect of each class of shares held (the law regarding this does not apply to stock exchange nominees). Subject to the terms of issue of the shares, certificates are issued following allotment or receipt of the relevant transfer by the Group's registrar, Equiniti, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA, United Kingdom.

Share capital

Any share may be issued with such preferred, deferred or other special rights or other restrictions as may be determined by way of a shareholders' vote in a general meeting. Subject to the Act, any shares may be issued which are to be redeemed or are liable to be redeemed at the option of the Company or the shareholders.

There are no provisions in the Articles of Association which discriminate against any existing or prospective shareholder as a result of such shareholder owning a substantial number of shares.

Subject to the terms of the shares which have been issued, the Directors may from time to time make calls upon the shareholders in respect of any moneys unpaid on their shares, provided that (subject to the terms of the shares so issued) no call on any share shall be payable at less than 14 clear days from the last call. The Directors may, if they see fit, receive from any shareholder willing to advance the same, all and any part of the moneys uncalled and unpaid upon any shares held by him or her.

Changes in capital

The Group may, from time to time by ordinary resolution subject to the Act:

— consolidate and divide all or any of its share capital into shares of a larger nominal amount than its existing shares; or

— sub-divide all of or any of its existing shares into shares of smaller nominal amounts.

The Group may, from time to time, increase its share capital by allotting new shares in accordance with the prescribed threshold authorised by shareholders at the last AGM and subject to the consents and procedures required by the Act. The Group may also, by special resolution, reduce its share capital.

Voting rights

Every holder of ordinary shares present in person or by proxy at a meeting of shareholders has one vote on a vote taken by a show of hands. On a poll, every holder of ordinary shares who is present in person or by proxy has one vote for every 25 pence of nominal share capital (being one ordinary share) of which he or she is the holder. Voting at any meeting of shareholders is usually on a poll rather than by show of hands. Voting on a poll is more transparent and equitable because it includes the votes of all shareholders, including those cast by proxies, rather than just the votes of those shareholders who attend the meeting. A poll may be also demanded by:

— the Chair of the meeting;

— at least three shareholders present in person or by proxy and entitled to vote;

— any shareholder or shareholders present in person or by proxy representing not less than one-tenth of the total voting rights of all shareholders having the right to vote at the meeting; or

— any shareholder or shareholders present in person or by proxy holding shares conferring a right to vote at the meeting being shares on which the aggregate sum paid up is equal to not less than one-tenth of the total sum paid up on all shares conferring that right.

Dividends

Holders of ordinary shares are entitled to receive dividends out of Group profits that are available by law for distribution, as the Group may declare by ordinary resolution, subject to the terms of issue thereof.

However, no dividends may be declared in excess of an amount recommended by the Board of Directors. The Board may pay interim dividends on the shares of any class as it deems fit. It may invest or otherwise use all dividends left unclaimed for six months after having been declared for its benefit, until claimed. All dividends unclaimed for a period of eight years after having been declared will be forfeited and revert to the Group.

The Directors may, with the sanction of an ordinary resolution of the shareholders, offer any holders of ordinary shares the right to elect to receive ordinary shares credited as fully paid, in whole or in part, instead of cash in respect of such dividend.

The Directors may deduct from any dividend payable to any shareholder all sums of money (if any) presently payable by that shareholder to the Group on account of calls or otherwise in relation to its shares.

Dividends may be paid by such method or combination of methods as the Board, in its absolute discretion, may decide. Different methods of payment may apply to different holders or groups of holders.

Liquidation rights

In the event of the Group's liquidation, after payment of all liabilities, its remaining assets would be used to repay the holders of ordinary shares the amount they paid for their ordinary shares. Any balance would be divided among the holders of ordinary shares in proportion to the nominal amount of the ordinary shares held by them.

Other provisions of the Articles of Association

Whenever the Group's capital is divided into different classes of shares, the special rights attached to any class may, unless otherwise provided by the terms of the issue of the shares of that class, be varied or abrogated, either with the written consent of the holders of 75% of the issued shares of the class (excluding any issued as treasury shares) or with the sanction of a special resolution passed at a separate meeting of these holders. Conditions set out in the Articles of Association with respect to the variation of rights are subject to the provisions of the Act. In the event that a shareholder or other person appearing to the Board of Directors to be interested in ordinary shares fails to comply with a notice requiring him or her to provide information with respect to their interest in voting shares pursuant to section 793 of the Act, the Board may serve that shareholder with a notice of default. After service of a default notice, that shareholder shall not be entitled to attend or vote at any general meeting or at a separate meeting of holders of a class of shares or on a poll until he or she has complied in full with the Group's information request.

If the shares described in the default notice represent at least 25% of 1% in nominal value of the issued ordinary shares, then the default notice may additionally direct that in respect of those shares:

- the Group will not pay dividends (or issue shares in lieu of dividends); and
- the Group will not register transfers of shares unless (i) 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; (ii) the transfer is an approved transfer, as defined in the Articles of Association; or (iii) the registration of the transfer is required by the Uncertificated Securities Regulations 2001.

No provision of the Articles of Association expressly governs the ordinary share ownership threshold above which shareholder ownership must be disclosed. Under the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority, any person who acquires, either alone or, in specified circumstances, with others an interest in the Company's voting share capital equal to or in excess of 3% comes under an obligation to disclose prescribed particulars to the Company in respect of those ordinary shares. A disclosure obligation also arises where a person's notifiable interests fall below 3%, or where, at or above 3%, the percentage of the Company's voting share capital in which a person has a notifiable interest reaches, exceeds or falls below 3%, 4%, 5%, 6%, 7%, 8%, 9%, 10%, and each 1% threshold thereafter up to 100%.

Limitations affecting holders of ordinary shares or ADSs

Under English law and Articles of Association, persons who are neither UK residents nor UK nationals may freely hold, vote and transfer ordinary shares in the same manner as UK residents or nationals.

With respect to the items discussed above, applicable UK law is not materially different from applicable US law.

Material contracts

The Group is not currently party to any contracts outside the ordinary course of business, other than the Trust Deed entered into in 2020 with respect to £350.0 million aggregate principal amount of 3.750% guaranteed notes due 2030, in each case, issued by a subsidiary and guaranteed by Pearson, which is filed as Exhibit 2.2 of this report.

Executive employment contracts

The Group has entered into agreements with each of its Executive Directors pursuant to which such Executive Director is employed by the Group. These agreements describe the duties of such Executive Director and the compensation to be paid by us.

It is the Group's policy that it may terminate the Executive Directors' service agreements by giving no more than 12 months' notice. As an alternative, the Group may at its discretion pay in lieu of that notice. Payment-in-lieu of notice may be made in equal monthly installments from the date of termination to the end of any unexpired notice period. In the case of Executive Directors, payment-in-lieu of notice in installments may also be subject to mitigation and reduced taking into account earnings from alternative employment. For Executive Directors, pay in lieu of notice comprises 100% of the annual salary at the date of termination and the annual cost to the Company of providing pension and all other benefits. The Group may, depending on the circumstances of the termination, determine that it will not pay the Director in lieu of notice and may instead terminate a Director's contract in breach and make a damages payment, taking into account as appropriate the Director's ability to mitigate their loss.

Exchange controls

There are no UK Government laws, decrees, regulations or other legislation which restrict or which may affect the import or export of capital, including the availability of cash and cash equivalents for use by us or the remittance of dividends, interest or other payments to non-resident holders of the Group's securities, except as otherwise described under 'Tax Considerations' below.

Tax considerations

The following is a discussion of the material US federal income tax considerations and UK tax considerations arising from the acquisition, ownership and disposition of ordinary shares and ADSs by a US holder. A US holder is:

- an individual citizen or resident of the US, or
- a corporation created or organised in or under the laws of the US or any of its political subdivisions, or
- an estate or trust the income of which is subject to US federal income taxation regardless of its source.

This discussion deals only with ordinary shares and ADSs that are held as capital assets by a US holder, and does not address tax considerations applicable to US holders that may be subject to special tax rules, such as:

- dealers or traders in securities or currencies,
- financial institutions or other US holders that treat income in respect of the ordinary shares or ADSs as financial services income,
- insurance companies,
- tax-exempt entities,
- persons acquiring shares or ADSs in connection with employment,
- US holders that hold the ordinary shares or ADSs as a part of a straddle or conversion transaction or other arrangement involving more than one position,

- US holders that own, or are deemed for US tax purposes to own, 10% or more of the total combined voting power of all classes of the Group's voting stock,
- US holders that have a principal place of business or 'tax home' outside the United States, or
- US holders whose 'functional currency' is not the US dollar.

For US federal income tax purposes, holders of ADSs will be treated as the owners of the ordinary shares represented by those ADSs. In practice, HM Revenue & Customs (HMRC) will also regard holders of ADSs as the beneficial owners of the ordinary shares represented by those ADSs, although case law has cast some doubt on this. The discussion below assumes that HMRC's position is followed.

In addition, the following discussion assumes that The Bank of New York Mellon will perform its obligations as depositary in accordance with the terms of the depositary agreement and any related agreements.

Because US and UK tax consequences may differ from one holder to the next, the discussion set out below does not purport to describe all of the tax considerations that may be relevant to you and your particular situation. Accordingly, you are advised to consult your own tax advisor as to the US federal, state and local, UK and other, including foreign, tax consequences of investing in the ordinary shares or ADSs. Except where otherwise indicated, the statements of US and UK tax law set out below are based on the laws, interpretations and tax authority practice in force or applicable as of 28 February 2024 and are subject to any changes occurring after that date, possibly with retroactive effect.

UK income taxation of distributions

The UK does not impose dividend withholding tax on dividends paid by the Company.

A US holder that is not resident in the UK for UK tax purposes and does not carry on a trade, profession or vocation in the UK through a branch or agency (or in the case of a company a permanent establishment) to which the ordinary shares or ADSs are attributable will not generally be liable to pay UK tax on dividends paid by the Company.

US income taxation of distributions

Distributions that the Group makes with respect to the ordinary shares or ADSs, other than distributions in liquidation and distributions in redemption of stock that are treated as exchanges, will be taxed to US holders as ordinary dividend income to the extent that the distributions do not exceed the Group's current and accumulated earnings and profits. The amount of any distribution will equal the amount of the cash distribution. Distributions, if any, in excess of the Group's current and accumulated earnings and profits will constitute a non-taxable return of capital to a US holder and will be applied against and reduce the US holder's tax basis in its ordinary shares or ADSs. To the extent that these distributions exceed the tax basis of the US holder in its ordinary shares or ADSs, the excess generally will be treated as capital gain.

Dividends that the Group pays will not be eligible for the dividends received deduction generally allowed to US corporations under Section 243 of the Code.

In the case of distributions in pounds sterling, the amount of the distributions generally will equal the US dollar value of the pounds sterling distributed, determined by reference to the spot currency exchange rate on the date of receipt of the distribution by the US holder in the case of shares or by The Bank of New York Mellon in the case of ADSs, regardless of whether the US holder reports income on a cash basis or an accrual basis. The US holder will realise separate foreign currency gain or loss only to the extent that this gain or loss arises on the actual disposition of pounds sterling received. For US holders claiming tax credits on a cash basis, taxes withheld from the distribution are translated into US dollars at the spot rate on the date of the distribution; for US holders claiming tax credits on an accrual basis, taxes withheld from the distribution are translated into US dollars at the average rate for the taxable year.

A distribution by the Company to non-corporate shareholders will be taxed as net capital gain at a maximum rate of 20%, provided certain holding periods are met, to the extent such distribution is treated as a dividend under US federal income tax principles. In addition, a 3.8% Medicare tax will generally be imposed on the net investment income, which generally would include distributions treated as dividends under US federal income tax principles, of non-corporate taxpayers whose adjusted gross income exceeds a threshold amount.

UK taxation of capital gains

A US holder that is not resident in the UK for UK tax purposes and does not carry on a trade, profession or vocation in the UK through a branch or agency (or in the case of a company a permanent establishment) to which the ordinary shares or ADSs are attributable will not generally be liable for UK taxation on capital gains or eligible for relief for allowable losses, realised on the sale or other disposal of the ordinary shares or ADSs.

A US holder who is an individual who has been resident for tax purposes in the UK but who ceases to be so resident or becomes regarded as resident outside the UK for the purposes of any double tax treaty ('Treaty Non-resident') and continues to not be resident in the UK, or continues to be Treaty Non-resident, for a period of five years or less and who disposes of his ordinary shares or ADSs during that period may also be liable on his return to the UK to UK tax on capital gains, subject to any available exemption or relief, even though he or she is not resident in the UK, or is Treaty Non-resident, at the time of the disposal.

US income taxation of capital gains

Upon a sale or exchange of ordinary shares or ADSs to a person other than Pearson, a US holder will recognise gain or loss in an amount equal to the difference between the amount realised on the sale or exchange and the US holder's adjusted tax basis in the ordinary shares or ADSs. Any gain or loss recognised will be capital gain or loss and will be long-term capital gain or loss if the US holder has held the ordinary shares or ADSs for more than one year. Long-term capital gain of a non-corporate US holder is generally taxed at a maximum rate of 20%. In addition, a 3.8% Medicare tax will generally be imposed on the net investment income, which generally would include capital gains, of non-corporate taxpayers whose adjusted gross income exceeds a threshold amount.

Gain or loss realised by a US holder on the sale or exchange of ordinary shares or ADSs generally will be treated as US-source gain or loss for US foreign tax credit purposes.

Estate and gift tax

The current Estate and Gift Tax Convention (referred to in this paragraph as the 'Convention'), between the US and the UK generally relieves from UK inheritance tax (the equivalent of US estate and gift tax) the transfer of ordinary shares or of ADSs where the transferor is domiciled in the US for the purposes of the Convention. This relief will not apply if the ordinary shares or ADSs are part of the business property of an individual's permanent establishment in the UK or pertain to the fixed base in the UK of a person providing independent personal services. If no relief is given under the Convention, inheritance tax may be charged on death and also on the amount by which the value of an individual's estate is reduced as a result of any transfer made by way of gift or other gratuitous or undervalue transfer, in general within seven years of death, and in certain other circumstances. In the unusual case where ordinary shares or ADSs are subject to both UK inheritance tax and US estate or gift tax, the Convention generally provides for tax paid in the UK to be credited against tax payable in the US or for tax paid in the US to be credited against tax payable in the UK based on priority rules set forth in the Convention.

Stamp duty

No stamp duty or stamp duty reserve tax (SDRT) will generally be payable in the UK on the purchase or transfer of an ADS, provided that the ADS, and any separate instrument or written agreement of transfer, remain at all times outside the UK and that the instrument or written agreement of transfer is not executed in the UK. Subject to the following paragraph, UK legislation does however provide for SDRT or (in the case of transfers) stamp duty to be chargeable at the rate of 1.5% of the amount or value of the consideration or, in some circumstances, the value of the ordinary shares (rounded up to the next multiple of £5 in the case of stamp duty), where ordinary shares are issued or transferred to a person whose business is or includes issuing depositary receipts, or to a nominee or agent for such a person, or issued or transferred to a person whose business is or includes the provision of clearance services or to a nominee or agent for such a person.

Following certain EU litigation, HM Revenue & Customs (HMRC) accepted that it would no longer seek to apply the 1.5% SDRT charge when new shares are issued to a clearance service or depositary receipt system (or transferred into a clearance service or depositary receipt system, where such transfer is integral to the raising of capital by the company concerned) on the basis that the charge was not compatible with EU law. Following the UK's departure from the EU, such pre-existing EU law rights, recognised in litigation, were preserved as a domestic law matter following the end of the implementation period on 31 December 2020 pursuant to provisions of the UK European Union (Withdrawal) Act 2018. In addition, however, on 29 June 2023 the Retained EU Law (Revocation and Reform) Act was enacted which had the effect that such pre-existing EU law rights, recognised in litigation, would by default (that is, absent the exercise of a regulation-making power to restate or reproduce such rights in domestic law) cease to be recognised after 31 December 2023. The Finance Act 2024, which received Royal Assent on 22 February 2024, makes provision to ensure it continues to be the case, notwithstanding the effect of the Retained EU Law (Revocation and Reform) Act 2023, that stamp duty or SDRT of 1.5% is not payable in relation to (i) issues of shares into depositary receipt systems and clearance services and (ii) transfers of shares into a depositary receipt system or clearance service, where such transfer is integral to the raising of new capital by the company concerned.

The Finance Act 2024 also includes an additional exemption for 'qualifying listing arrangements' where shares are transferred (without a change in beneficial ownership) in connection with the listing of such shares on a 'recognised stock exchange'. Specific professional advice should be sought before paying the 1.5% SDRT or stamp duty charge in any circumstances.

A transfer for value of the underlying ordinary shares will generally be subject to either stamp duty or SDRT, normally at the rate of 0.5% of the amount or value of the consideration (rounded up to the next multiple of £5 in the case of stamp duty). A transfer of ordinary shares from a nominee to its beneficial owner, including the transfer of underlying ordinary shares from the Depositary to an ADS holder, under which no beneficial interest passes will not be subject to stamp duty or SDRT.

Close company status

The Group believes that the close company provisions of the UK Corporation Tax Act 2010 do not apply to it.

Documents on display

Copies of the Group's Memorandum and Articles of Association are filed as exhibits to its Annual Report on Form 20-F for the year ended 31 December 2023. We also file reports and other information with the SEC. These materials, including this Annual Report and the accompanying exhibits are available on the Investors page of the Company's website (pearsonplc.com). In addition, shareholders may request a copy of certain documents referred to in this Annual Report by writing to us at the following address: Pearson plc, c/o the Company Secretary, 80 Strand, London WC2R 0RL.

Description of Securities Other than Equity Securities

American Depository Shares

The Group's ordinary shares trade in the form of ADSs evidenced by ADRs under a sponsored ADR facility with The Bank of New York Mellon, as depositary. Each ADS represents one ordinary share.

The principal executive office of The Bank of New York Mellon is located at 240 Greenwich Street, New York, NY 10286.

Fees paid by ADR holders

The depositary collects its fees for delivery and surrender of ADSs directly from investors depositing shares or surrendering ADSs for the purpose of withdrawal, or from intermediaries acting for them. The depositary collects fees for making distributions to investors by deducting those fees from the amounts distributed or by selling a portion of distributable property to pay the fees. The depositary may collect its annual fee for depositary services by deductions from cash distributions or by directly billing investors or by charging the book-entry system accounts of participants acting for them. The depositary may generally refuse to provide fee-attracting services until its fees for those services are paid.

Additional information for US listing purposes *continued*

The following table summarises various fees currently charged by The Bank of New York Mellon:

Person depositing or withdrawing shares must pay to the depositary:	For:
$5.00 (or less) per 100 ADSs (or portion of 100 ADSs)	— Issuance of ADSs, including issuances resulting from a distribution of shares or rights or other property — Cancelation of ADSs for the purpose of withdrawal, including if the deposit agreement terminates
$.05 (or less) per ADS	— Any cash distribution to ADS registered holders
A fee equivalent to the fee that would be payable if securities distributed had been shares and the shares had been deposited for issuance of ADSs	— Distribution of securities by the depositary to ADS registered holders of deposited securities
$.05 (or less) per ADS per calendar year	— Depositary services
Registration of transfer fees	— Transfer and registration of shares on the share register to or from the name of the depositary or its agent when shares are deposited or withdrawn
Expenses of the depositary	— Cable, telex and facsimile transmissions (when expressly provided in the deposit agreement) — Converting foreign currency to US dollars
Taxes and other governmental charges the depositary or the custodian have to pay on any ADS or share underlying an ADS, for example, stock transfer taxes, stamp duty or withholding taxes	— As necessary
Any charges incurred by the depositary or its agents for servicing the deposited securities	— As necessary

Fees incurred in past annual period and fees to be paid in the future

The Depositary reimburses the Company for certain expenses it incurs in relation to the ADS programme. The Depositary also pays the standard out-of-pocket maintenance costs for the registered ADSs, which consist of the expenses for the mailing and printing of proxy materials, distributing dividend checks, electronic filing of US federal tax information, mailing required tax forms, stationery, postage, facsimile and telephone calls. It also reimburses the Company for certain investor relationship programs or special investor relations promotional activities. There are limits on the amount of expenses for which the Depositary will reimburse the Company, but the amount of reimbursement is not necessarily tied to the amount of fees the Depositary collects from investors. The Company received $50,000 as reimbursement from the Depositary for 2023.

Controls and Procedures

Disclosure controls and procedures

An evaluation of the effectiveness of the Group's disclosure controls and procedures as of 31 December 2023 was carried out by management, under the supervision and with the participation of the Chief Executive Officer and Chief Financial Officer. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures (as defined in Rules 13a- 15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) were effective as at 31 December 2023 at a reasonable assurance level. A controls system, no matter how well designed and operated, cannot provide absolute assurance to achieve its objectives.

Management's annual report on internal control over financial reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. Internal control over financial reporting is a process designed by, or under the supervision of, the Chief Executive Officer and Chief Financial Officer, or persons performing similar functions, and effected by the Company's board of directors, management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Management has assessed the effectiveness of internal control over financial reporting as of 31 December 2023 based on the framework in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission ('COSO'). Based on this evaluation, management has concluded that the Company's internal control over financial reporting was effective as of 31 December 2023 based on criteria in Internal Control — Integrated Framework (2013) issued by the COSO.

Ernst & Young LLP, an independent registered public accounting firm, has audited the effectiveness of the Company's internal control over financial reporting as of 31 December 2023, as stated in their report.

Change in internal control over financial reporting

During the period covered by this Annual Report on Form 20-F, there have been no significant changes in our internal control over financial reporting during the year ended 31 December 2023 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Audit Committee financial expert

The members of the Board of Directors of Pearson plc have determined that Graeme Pitkethly is an Audit Committee financial expert within the meaning of the applicable rules and regulations of the SEC.

Code of Ethics

Pearson has adopted a code of ethics (the Pearson code of conduct) which applies to all employees including the Chief Executive Officer and Chief Financial Officer and other senior financial management. This code of ethics is available on the Group's website (www.pearson.com/corporate/code-of-conduct.html). The information on this website is not incorporated by reference into this report.

Principal accountant fees and services

In line with best practice, the Group's relationship with Ernst & Young LLP (EY) is governed by its external auditor policy, which is reviewed and approved annually by the Audit Committee. The policy establishes procedures to ensure the auditors' independence is not compromised as well as defining those non-audit services that EY may or may not provide to Pearson. These allowable services are in accordance with relevant UK and US legislation.

The Audit Committee approves all audit and non-audit services provided by EY, unless clearly trivial. Where appropriate, services will be tendered prior to awarding this work to the auditor.

No fees were incurred in relation to taxation, including tax compliance, tax advice and tax planning.

Purchases of equity securities by the issuer and affiliated purchases

Period	Total number of shares purchased	Average price paid per share	Total number of units purchased as part of publicly announced plans or programs	Approximate maximum value of shares that may yet be purchased under the plans or programs
1 April 2022 – 30 April 2022	11,176,349	£ 7.77	9,885,524	£ 275m
1 May 2022 – 31 May 2022	4,518,993	£ 7.55	4,518,993	£ 241m
1 June 2022 – 30 June 2022	7,203,444	£ 7.52	5,363,132	£ 201m
1 July 2022 – 31 July 2022	2,897,074	£ 7.57	2,897,074	£ 179m
1 August 2022 – 31 August 2022	2,567,366	£ 8.75	2,567,366	£ 156m
1 September 2022 – 30 September 2022	5,496,817	£ 8.91	5,496,817	£ 107m
1 October 2022 – 31 October 2022	6,315,733	£ 9.03	6,315,733	£ 50m
1 November 2022 – 30 November 2022	3,017,726	£ 9.72	3,017,726	£ 21m
1 December 2022 – 31 December 2022	3,587,362	£ 9.46	2,205,695	n/a
1 March 2023 – 31 March 2023	1,757,098	£8.54	–	£301m
1 May 2023 – 31 May 2023	1,191,462	£8.39	–	£301m
1 September 2023 – 30 September 2023	2,459,066	£8.69	2,459,066	£280m
1 October 2023 – 31 October 2023	11,239,824	£9.03	11,239,824	£178m
1 November 2023 – 30 November 2023	3,108,579	£9.48	3,108,579	£149m
1 December 2023 – 31 December 2023	4,479,186	£9.44	3,436,047	£117m

On 20 September 2023, the Board approved a £300m share buyback programme in order to return capital to shareholders. During the year, approximately 20m shares were bought back and cancelled at a cost of £185m. The nominal value of these shares, £5m, was transferred to the capital redemption reserve, and the remainder of the purchase price is recorded within retained earnings. A further £117m was accrued for those amounts committed but not yet repurchased.

On 24 February 2022, the Board approved a £350m share buyback programme in order to return capital to shareholders. During the year, all of the shares were bought back and cancelled at a cost of £353m. The nominal value of these shares, £10m, was transferred to the capital redemption reserve, and the remainder of the cost is recorded within retained earnings. In 2021, no shares were bought back.

All purchases were made in open-market transactions in London in accordance with applicable law. Pearson did not structure such purchases to fall within the safe harbor provisions of the U.S. SEC's Rule 10b-18.

Change in registrants certifying accountant

Not applicable.

Cybersecurity

We believe cybersecurity is of critical importance to our success. We are susceptible to a number of significant, persistent and evolving cybersecurity threats, including those common to most industries as well as those we face as a worldwide learning company with principal operations in the education, assessment and certifications markets. The Group holds large volumes of personal data on individuals worldwide, including that of employees, customers, students, teachers and learners in the workforce, as well as other highly sensitive business critical data such as financial data, internal sensitive information, and intellectual property. Despite our implementation of security measures, threat actors of all types, including individuals, criminal organisations and state sponsored operatives, have from time to time gained access, and may in the future gain access to the Group's data through unauthorised means in order to misappropriate such information for fraudulent or other purposes. Failure to prevent or detect a malicious attack on the Group's systems has in the past and could in future result in loss of system availability, breach of confidentiality, integrity and/or availability of sensitive information, and damage to the customer experience and the Group's reputation and financial loss. Accordingly, we continuously evaluate the impact of cybersecurity threats, and are committed to the highest standards of data management and these will naturally evolve with our business as we continue our digital transformation.

Additional information for US listing purposes *continued*

Pearson's Executive team has overall responsibility for data privacy and security. Our reporting and risk management structure feeds upwards from individual businesses to Board level. Under the oversight of our Board of Directors, and the Audit Committee, our management has established comprehensive processes for identifying, assessing and managing material risks from cybersecurity threats, and these processes are integrated into our overall enterprise risk management programme. We have established lines of accountability and reporting procedures designed to enable senior management executives and divisional privacy owners to have greater visibility over managing data privacy and security risks. Our approach is proactive and adaptive, featuring regular security assessments, third-party audits and continuous improvement of our cybersecurity infrastructure. We also provide all colleagues with training on our updated and strengthened data privacy and cyber security principles and processes. We work to align our practices with industry best practices and regulatory standards. Our processes include detailed response procedures to be followed in the event of a cybersecurity incident, which outline steps to be followed from detection to assessment and escalation to notification and recovery, including internal notifications to management, the Audit Committee and the Board, as appropriate.

The Audit Committee of our Board is primarily responsible for oversight of risks, including those from cybersecurity threats, and is currently chaired by a Director with functional expertise in cybersecurity matters. Members of management, including our Chief Information Officer provide the Executive Team and the Trust & Safety committees that have been established with updates on cybersecurity risk matters on a quarterly basis and more frequently if circumstances dictate. In these updates, members of the committees are apprised of cybersecurity incidents that are deemed to have had a moderate or higher impact even if immaterial to us. In addition, the committees review and actively discusses with management and among themselves the risks related to cybersecurity and critical systems in order to provide input on the appropriate level of risk for our Company and reviews management's strategies for adequately mitigating and managing the identified risks. The Audit Committee and management regularly update our full Board with respect to cybersecurity matters.

Our Chief Information Officer is primarily responsible for managing material risks from cybersecurity threats, and is supported by a dedicated team of internal cybersecurity specialists. Our current Chief Information Officer has been in that position for eight years and has extensive information technology experience from that role and past work experience, and many of our internal team hold cybersecurity certifications such as Certified Information Systems Security Professional or Certified Information Security Manager. We also engage specialised cybersecurity consultants and leverage third-party expertise to bolster our cybersecurity defences.

In addition, our third-party vendors and service providers play a role in our cybersecurity. These third parties are integral to our operations but pose cybersecurity challenges due to their access to our data and our reliance for various aspects of our operations, including our supply chain. We have developed a third-party vendor risk management programme to assess and manage the risks associated with third-party partnerships, particularly in data security and cybersecurity. We conduct due diligence before onboarding new vendors and maintain ongoing evaluations to ensure compliance with our security standards.

As of the date of this report, no cybersecurity incidents have had, either individually or in the aggregate, a material adverse effect on our business, financial condition or results of operations. Notwithstanding the extensive approach we take to cybersecurity, we may not be successful in preventing or mitigating a cybersecurity incident that could have a material adverse effect on us. While we maintain cyber risk insurance, the costs relating to certain kinds of security incidents could be substantial, and our insurance may not be sufficient to cover all losses related to any future incidents involving our data or systems.

See 'Risk Factors' on pages 229-235 for a discussion of cybersecurity risks that may materially impact us.

Shareholder Information

Shareholder information

Pearson ordinary shares are listed on the London Stock Exchange and on the New York Stock Exchange in the form of American Depositary Receipts.

Corporate website

The investors' section of our corporate website www.pearsonplc.com/investors provides a wealth of information for shareholders. It is also possible to sign up to receive email alerts for reports and press releases relating to Pearson at www.pearsonplc.com.

Shareholder information online

Shareholder information can be found on our website at www.pearsonplc.com/investors.

Our registrar, Equiniti, also provides a range of shareholder information online. You can check your holding and find practical help on transferring shares or updating your details at www.shareview.co.uk. For more information, please contact our registrar, Equiniti, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA. Telephone 0371 384 2043* or, for those shareholders with hearing difficulties, text phone number 0371 384 2255*.

Information about the Pearson share price

The company's share price can be found on our website at www.pearsonplc.com/investors/performance/share-price-dividend. It also appears in the financial columns of the national press.

2023 dividends

	Payment Date	Amount per share
Interim	18 September 2023	7.0 pence
Final[1]	3 May 2024	15.7 pence

1. Subject to approval by shareholders at the 2024 Annual General Meeting.

2024 financial calendar	
Ex-dividend date	21 March 2024
Record date	22 March 2024
Last date for dividend reinvestment election	12 April 2024
Annual General Meeting	26 April 2024
Payment date for dividend and share purchase date for dividend reinvestment	3 May 2024

Payment of dividends to mandated accounts

Should you elect to have your dividends paid through BACS, this can be done directly into a bank or building society account, with the dividend confirmation voucher sent to the shareholder's registered address. Equiniti can be contacted for information on 0371 384 2043*.

Dividend reinvestment plan (DRIP)

The DRIP gives shareholders the right to buy the company's shares on the London stock market with their cash dividend. For further information, please contact Equiniti on 0371 384 2268*.

Individual Savings Accounts (ISAs)

Equiniti offers a Flexible Stocks and Shares ISA. For more information, please visit www.eqi.co.uk or call customer services on 0345 070 0720*.

Share dealing facilities

Equiniti offers telephone and internet services for dealing in Pearson shares. For further information, please contact their telephone dealing helpline on 0345 603 7037* or, for online dealing, log on to www.shareview.co.uk/dealing. You will need your shareholder reference number as shown on your share certificate.

A postal dealing service is also available through Equiniti. Please telephone 0371 384 2248* for details or log on to www.shareview.co.uk to download a form.

ShareGift

Shareholders with small holdings of shares, whose value makes them uneconomic to sell, may wish to donate them to ShareGift, the share donation charity (registered charity number 1052686).

Further information about ShareGift and the charities it has supported may be obtained from their website, www.ShareGift.org, or by contacting them at ShareGift, PO Box 72253, London, SW1P 9LQ.

American Depositary Receipts (ADRs)

Pearson's ADRs are listed on the New York Stock Exchange and traded under the symbol PSO. Each ADR represents one ordinary share. For enquiries regarding registered ADR holder accounts and dividends, please contact BNY Mellon Shareowner Services, PO Box 43006, Providence, RI 02940-3078, telephone 1 (866) 259 2289 (toll free within the US) or 001 201 680 6825 (outside the US). Alternatively, you may email shrrelations@cpushareownerservices.com.

Voting rights for registered ADR holders can be exercised through Bank of New York Mellon, and for beneficial ADR holders (and/or nominee accounts) through your US brokerage institution. Pearson will file with the Securities and Exchange Commission a Form 20-F.

*Lines open 8.30 am to 5.30 pm Monday to Friday (excluding UK public holidays).

Shareholder Information *continued*

Share register fraud: protecting your investment

Pearson does not contact its shareholders directly to provide recommendations or investment advice and neither does it appoint third parties to do so. As required by law, our shareholder register is available for public inspection, but we cannot control the use of information obtained by persons inspecting the register. Please treat any approaches purporting to originate from Pearson with caution.

For more information, please log on to our website at www.pearsonplc.com/en-GB/investors/shareholders/shares-shareholding

Tips on protecting your shares

- Keep any documentation that contains your shareholder reference number in a safe place and shred any unwanted documentation
- Inform our registrar, Equiniti, promptly when you change address
- Be aware of dividend payment dates and contact the registrar if you do not receive your dividend cheque or, better still, make arrangements to have the dividend paid directly into your bank account
- Consider holding your shares electronically in a CREST account via a nominee.

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This document includes forward-looking statements concerning Pearson's financial condition, business and operations and its strategy, plans and objectives. Readers are cautioned not to place undue reliance on such forward-looking statements. In some cases, you can identify forward-looking statements by terms such as "may", "will", "should", "expect", "intend", "plan", "anticipate", "believe", "estimate", "predict", "potential", "continue" or the negative of these terms or other comparable terminology.

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Finally, as an example, all statements that express forecasts, expectations and projections, including trends in results of operations, margins, growth rates, overall market trends, the impact of interest or exchange rates, the availability of financing, anticipated cost savings and synergies and the execution of Pearson's strategy, are forward-looking statements. The forward-looking statements, specifically the margin target, financial expectations, 2024 outlook and 2025 ambition information, included on page 27 of this document have been prepared by, and is the responsibility of, Pearson's management. Ernst & Young LLP has not audited, reviewed, examined, compiled nor applied agreed-upon procedures with respect to these forward-looking statements and, accordingly, Ernst & Young LLP does not express an opinion or any other form of assurance with respect thereto.

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Pearson plc

Registered number 53723 (England)

Pearson

Strategic progress. Sustainable profitable growth.

Annual report and accounts 2023

We are the world's leading learning company

Strategic report

Governance report

Financial statements

Other information

The strategic report, up to and including page 65, was approved for issue by the Board on 13 March 2024 and signed on its behalf by:

Sally Johnson Chief Financial Officer

Use this QR code to visit our Pearson plc website where you can find the online version of this report.

SCAN ME

https://plc.pearson.com/en-GB/investors/2023-annual-report-accounts

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

At a glance

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 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 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 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.

Chair's note *continued*

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

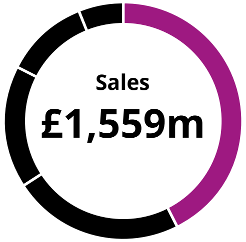
> **The opportunities to use AI as a tool for better learning, while driving growth in our business are immense. With our vast, high quality data sets and our trusted IP, we are well positioned to lead on creating value from AI in the future.**

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.

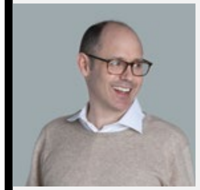
In 2023, Pearson was the first major higher education publisher to integrate generative AI study tools into its propriety academic content. It also grew Pearson+ subscriptions, adding over 1 million eTextbook subscriptions during the calendar year. In the upcoming year, the focus is on scaling AI-enhanced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

English Language Learning

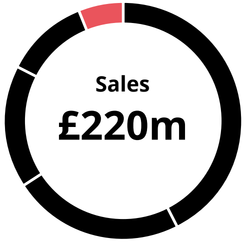
Our vision is to become the world's leading destination for committed learners to build and prove their proficiency in English, offering comprehensive English learning and assessment solutions, including the Pearson Test of English (PTE). Catering to a wide range of learners, including those in workplaces, 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



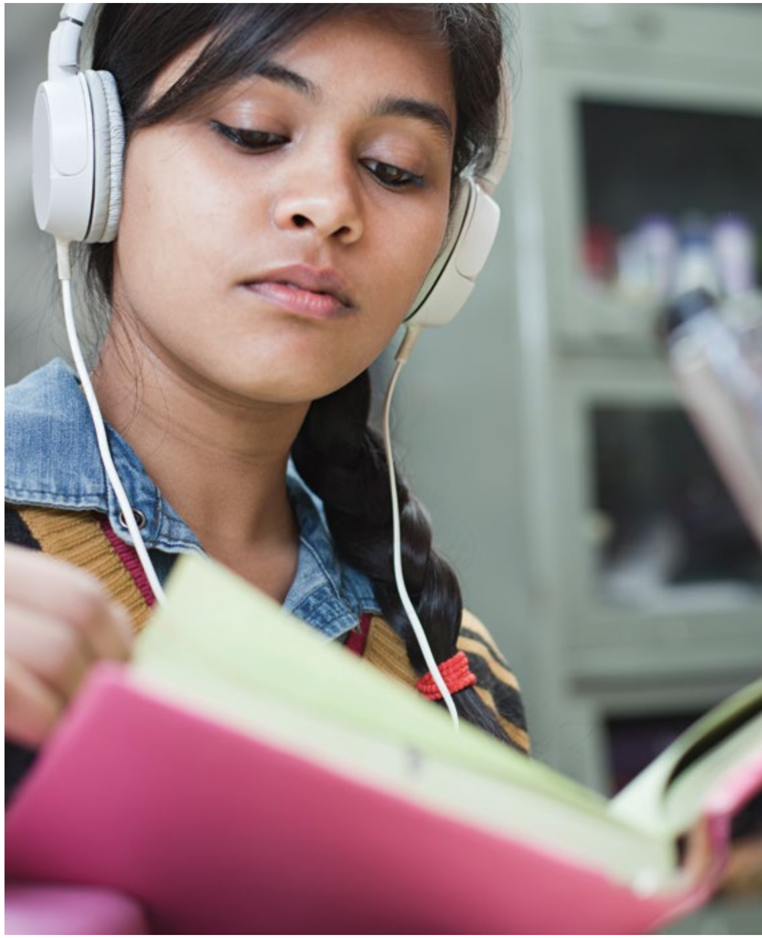
Workforce Skills



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

> **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

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

An integrated strategy

Key

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

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	AQ	Acquired PDRI in March 2023, leading to major federal contract wins with the TSA and US Air Force	AQ	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
	HE	Invested in product improvements and implemented new sales teams and processes, in addition to achieving a profitability increase of 3% driven by cost savings	HE	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
	EL	Grew PTE volumes c.50% to over 1m tests administered and earned recognition for the Student Direct Stream and Migration in Canada	EL	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
	VL	Launched and enrolled over 1k students in an innovative career readiness offering	VL	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
	WS	Expanded workforce reach to 66 of the Fortune 500 companies, achieving a growth rate of 11%	WS	Invest in skills intelligence, credentialing, and assessment solutions, and evolve corporate solutions from single to multi-product sales
	DC	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	DC	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**

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

Delight our customers and be obsessed with meeting their expectations	AQ	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	AQ	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
	HE	Piloted and launched AI-enhanced eText and Mastering titles, incorporating cutting-edge technology	HE	Increase the selection of AI-enhanced titles and invest in the channels component of Pearson+ with diverse formats, including integrated videos
	EL	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	EL	Implement more advanced Mondly content and expand reach to institutional and enterprise customers by harnessing synergies with the wider ELL portfolio
	VL	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	VL	Improve overall customer satisfaction by integrating content directly onto the Virtual Learning platform, in addition to driving operational improvements and expanding programme offerings
	WS	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	WS	Develop customised solutions and professional services that align with enterprise requirements, and launch the Official GED App by Summer 2024
	DC	Invested in AI and introduced AI-generated content summarisation, explanations, and practice quizzes to enhance the user experience within Pearson+	DC	Leverage the interconnectedness of Pearson+ with Higher Education's courseware to enhance personalisation and trial career-focused propositions

Divisional spotlights

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.

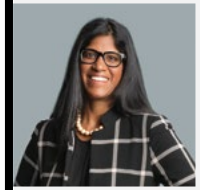
DALS has achieved year-over-year growth of 23% and a five-year CAGR at nearly 80%, supported by exceptional renewal rates. It is now being used by districts servicing 25% of IEPs currently in place across the country. In 2023, we signed deals with some of the largest and most influential school districts 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.

Educational institutions and educators

Why and how we engage

Educators are a cornerstone of our business and they maintain a close relationship with learners. Our engagement with educators helps to improve the teaching and learning experience, and often provides them with valuable professional development and gives Pearson insights on the needs of learners at all levels.

In our Virtual Schools business, part of our Virtual Learning division, our annual teacher and school leader conferences bring together teachers, school staff, and Pearson teams to attend sessions facilitated by experts from across the learning and education industry.

In our US Student Assessment business, we hold working sessions with educator committees in customer states as assessments are being developed.

In our Higher Education business, we employ a full-time team of active faculty advisors dedicated to supporting instructors in the setup and use of our products. Our Higher Education business has also conducted two surveys with faculty this year, measuring and tracking educator sentiment on the use of generative AI in learning. The division runs an ongoing, weekly AI webinar series to serve as professional development opportunities for faculty, awarding them a Credly badge for their participation.

In the UK, we brought together the perspectives of over 6,000 educators and 1,000 students to create and release the second Pearson School Report. The report takes an in-depth look at life in schools and how educators are pioneering change. It shares their invaluable insights on challenges, opportunities, diversity, equity and inclusion, plus sustainability and digital innovation. The report has reached a vast audience through accompanying media articles, free support and events.

Outcome of engagement

All of our educator engagement leads to a better understanding of how products are used in market and also raises the profile of Pearson in this important customer segment. Through our engagement, we build trust with educators and we help them see us as a true partner in their work.

Many of our more than 2,000 Pearson authors are also educators, along with being experts in their fields. They give us valuable insights about how their own students use our products. And, they help us test new ways of using digital tools in the courseware they author.

Across the board, our work with educators contributes directly to the quality of our products. Specifically, our engagement with educator committees at the US state level ensures that our US school assessments are aligned to state standards and free of bias.

Our Virtual Schools' conferences ensure that educators learn from one another in peer-to-peer engagement, tailoring solutions and exploring learnings that support the needs of students.

In our Higher Education business, our faculty engagement provides ongoing feedback on new AI product features such as generative AI and helps us understand how to best tailor those features to the needs of faculty and students, helping both become more effective users of AI.

The Pearson Schools report is another example of how listening to and engaging with educators builds trust and visibility with this important customer group.

Stakeholder engagement *continued*

Employers

Why and how we engage

Employers have always been a key stakeholder for Pearson and they are becoming even more important as the need for reskilling grows in our changing economy and jobs are being increasingly augmented by AI and other technology. Throughout our businesses, ongoing consultation and conversation with employers helps shape our offerings, with an eye toward the growth of our enterprise business. In addition, Pearson can provide useful insights and information that help employers understand the wider labour market and build important customer relationships.

Our Workforce Skills division works with employers to design solutions that fit their unique place in the labour market and help learners progress in their career goals. In our Vocational Qualification business, Pearson's BTEC qualifications are designed with relevant sector experts and employers, to ensure they cover the most relevant content. When expanding our Esports BTECs into Higher Nationals, we worked closely with the British Esports Federation to ensure that the qualifications offer students progression to entry-level jobs in the sector. We also created a bespoke BTEC qualification for opticians, specifically at the request of, and in consultation with, one of the UK's largest eyeglasses and contact lens retailers.

We also provide employers with data and thought leadership which helps them shape their decisions and helps to raise the profile of Pearson as a leader in workforce and career learning. In 2023, Pearson VUE completed its third Value of IT Certification report, which surveyed IT hiring managers and people managers in the US and India to understand their views on certification trends in the workplace. Not only does the research help inform the work of Pearson VUE, but it is also shared with employers so they can see the larger picture of the IT industry. The Pearson Skills Outlook, a thought leadership series that uses Faethm data to forecast skills trends, became an important outreach and engagement tool across the company with employers. The Skills Outlook reports help with lead generation and also provides data and information to employers and HR managers looking to better understand today's most in demand skills. English Language Learning also fielded a large piece of research in 2023, to be released in the coming year, that looks at the habits of English learners in five countries and how employers can better support them in the workplace.

Outcome of engagement

Engagement with employers helps us create offerings that meet the needs of more technology driven labour markets and appeal to large enterprise customers. By doing that, we further expand our presence in the growing workforce learning market. Specifically, feedback from enterprise customers is helping us refine our offering and go-to-market approach- including cross divisional sales to support the needs of these large accounts. For example, we identified a need for talent development assessments to support employees at a large telecommunications company. The team successfully matched a package of Pearson TalentLens, a Workforce Skills product, with our Versant language learning, an English Language Learning product, to meet the customer's needs.

Business partners

Why and how we engage

Working with partners who share our commitment to doing business responsibly strengthens our supply chain relationships and reduces risk. This helps Pearson improve our product offerings and make progress on our climate and diversity commitments.

We continue to analyse the carbon performance of our major suppliers. We have also introduced new language in all of our supplier contracts, ensuring they have provisions for increasing carbon maturity and increased visibility of emissions reporting.

We also engaged directly with a targeted pool of higher carbon impact suppliers, whose contracts don't yet include sustainability requirements. This is an effort to make them aware that alignment with our carbon targets is now a differentiating factor in our sourcing strategy.

In 2023 we spent £47.2m with diverse-owned suppliers (owners of businesses from historically underrepresented groups) and we are on track to meet our goal of spending £500m with diverse-owned suppliers by 2030.

Outcome of engagement

These actions are having a direct impact on how we execute our procurement strategies and help grow our reputation as a responsible business.

By collaborating with partners across our supply chain, we can prioritise decarbonisation efforts where they can make the biggest difference and demonstrate community level benefits of supply chain decarbonisation efforts.

Pearson's sustainable procurement maturity score, assessed by EcoVadis, improved from good to advanced, outperforming the EcoVadis customer average across all industries.

Government and regulators

Why and how we engage

Government policymakers across the world are charged with implementing policies to grow and sustain productive economies, ensuring that individuals have the educational and skill-development opportunities to achieve their life goals. Pearson acts as an important partner with governments, schools, colleges, universities, and the business sector to help achieve those economic and educational goals within the countries in which we operate. Governments everywhere are focused on how to position themselves for the future of work, to take advantage of advancements in technology to provide residents with the requisite high-quality education and training to meet the needs of a rapidly evolving workforce. Increasingly, the rise of AI in society and in the labour market challenges governments to devise sound policies to take advantage of opportunities and mitigate against risks to the labour force. Pearson is well positioned to share its expertise and knowledge with governments as they look to enact policies to regulate AI in their countries.

Given governments' need of support as economies face labour shortages, particularly in high-demand sectors, and students and workers seek accelerated learning opportunities and skill development, we engage, through meetings and presentations with elected and appointed government officials, discussing key concepts including skills-based hiring, certifications, and apprenticeships vital to their region.

Outcome of engagement

Our engagement helps inform policy decisions and share best practices on areas of focus for education, training, and recruitment. Many countries and students are looking to undertake English Language courses and proficiency assessments. Accordingly, we share our expertise and work with government leaders in key markets as they develop policies and programmes to meet this demand. In addition, AI, digital transformation, and energy transition are topics which countries from all regions are prioritising when developing policy and allocating investments on education and skills.

Communities

Why and how we engage

Pearson increases access to education around the world, ensuring our products and services enable more people to learn and develop new skills through a lifetime of learning. Learning is a key factor in empowering individuals and communities, improving social and economic outcomes, and creating a more equitable and sustainable world.

In addition to maintaining relationships with key organisations, we participate in multi-stakeholder initiatives to promote lifelong learning opportunities for all and ensure the lasting protection of our planet.

This year, we launched a skills-based social impact initiative for our employees, that focuses on learning, mobilising and building community. As part of the initiative, we evolved our volunteering policy to five days for causes aligned to our purpose and values, and award a Credly volunteering badge to recognise the skills learned while serving our communities.

Outcome of engagement

We strive to make a positive and meaningful impact in the communities in which we operate.

To support that, we gave over £477k in humanitarian aid support.

Additionally, our employees have given over 20,000 volunteer hours and supported 55 causes. You can find more detail on Learning for Impact on pages 34-43.

Stakeholder engagement *continued*

Employees

Why and how we engage

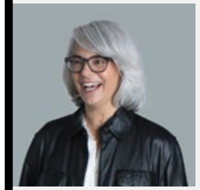
Pearson's greatest asset is its people. Our business success and ability to positively impact society heavily rely on our colleagues. We also know that managers account for as much as 70% of the variance in employee team engagement. That's why we continue empowering our managers with ongoing tools and training to support them and their teams, which is pivotal in driving engagement throughout Pearson.

At the enterprise level, we regularly communicated with our people through interactive forums, town halls, newsletters, and regular storytelling.

Outcome of engagement

Throughout 2023, we encouraged managers to hold regular one-to-one meetings with their direct reports. Additionally, 82% of employees actively participated in our engagement survey with a GrandMean score of 4.09 on a 5-point Likert scale. This is up from 72%.and 3.96 respectively in 2022 and is considered 'meaningful' improvement by Gallup.

> **We are incredibly proud of the diverse talent we have within Pearson and believe that highly engaged employees act as a powerful driver for the business. We will continue to invest in our people, in attracting new talent, and in seeking ways to create a culture of belonging.**
>
> **Ali Bebo** Chief Human Resources Officer



Investors / shareholders

Why and how we engage

Our shareholders play an important role in both the monitoring and safeguarding of the governance of our company and in providing access to capital. Some are also employees who have a critical role to play in the continued success of our business.

We have strong and constructive relationships with our key institutional investors and shareholders and regularly communicate with them on key issues, including at our financial results, our AGM and at investor meetings and conferences. We held 505 meetings with 272 institutions over the course of 2023, both virtually and in person. We discussed financial, operational and strategic matters.

Outcome of engagement

Our investors appreciate the time we spend with them to give them updates on our strategy and progress, and we continue to develop how we communicate effectively across a range of formats.

Our 2023 AGM was held as a hybrid (combined physical and electronic) meeting, enabling shareholders, should they so wish, to participate in the AGM, ask questions and vote on resolutions via a live webcast without being physically present at the AGM. The physical element of the meeting was held, for the first time, at our 80 Strand office in London.

Directors' duties statement

In accordance with Section 172 of the Companies Act 2006 (see box to the right), the Directors fulfil their duties to promote the success of the company through a well-established governance framework. Typically, in large and complex businesses such as Pearson, this framework includes delegation of day-to-day decision-making to employees of the Group.

This governance framework, summarised throughout this document, is far more than a simple delegation of financial authority, and includes the values and behaviours expected of our employees and business partners, including the standards to which they must adhere; how we engage with stakeholders, including understanding and taking into account their views and concerns; and how the Board ensures that we have a robust system of control and assurance processes in place.

In this annual report, we provide examples of how the Directors promote the success of Pearson while taking into account the consequences of decisions in the long-term, building relationships with stakeholders (including our eight key stakeholder groups, as mentioned previously), and ensuring that business is conducted ethically and responsibly.

While there are many parts of this annual report which illustrate how the Directors do this, with the support of the wider business, the following sections in particular are relevant:

— Learning from our stakeholders (pages 16-20), which outlines:
  — how we serve and engage with each of our eight key stakeholder groups, listen to their key concerns and provide our responses
  — how we have adapted our business to meet their needs
  — how we have had regard to the need to foster the company's business relationships with each of the stakeholder groups
— Understanding our stakeholders (pages 81-83), which summarises:
  — how Directors have engaged with employees and shareholders, and had regard to their interests
— Sustainability (pages 34-55), which describes:
  — Initiatives through which we strive to enable more engaging learning experiences, that are accessible to more people, and with a smaller carbon footprint
  — Our commitment to creating a culture that prioritises human rights, our employees, DEI, and socially responsible sourcing
  — How we align with widely accepted ESG reporting frameworks including GRI, SASB and TCFD. For further details on TCFD reporting, please see page 44

A continued understanding of the key issues affecting stakeholders is an integral part of the Board's decision-making process. The insights that the Board gains through its engagement mechanisms form an important part of the context for all the Board's discussions and decision-making processes. For an insight into how the Board has considered the interests of various stakeholders in its decision-making, and what matters the Directors considered when balancing various stakeholder perspectives, please see our case study on the Chief Executive appointment process on page 83.

Section 172 of the Companies Act

In summary, as required by Section 172 of the Companies Act 2006, a Director of a company must act in the way they consider, in good faith, would most likely promote the success of the company for the benefit of its shareholders as a whole. In doing this, the Director must have regard, among other matters, to:

— the likely consequences of any decisions in the long term,
— the interests of the company's employees,
— the need to foster the company's business relationships with suppliers, customers and others,
— the impact of the company's operations on the community and environment,
— the company's reputation for high standards of business conduct, and
— the need to act fairly as between members of the company.

Creating value

Our foundations

Committed people and partners

Our talented employees and fantastic partners share Pearson’s values and commitment to education. Our relationships with governments, customers, non-governmental organisations (NGOs) and other global organisations help us to amplify our positive impact on learners around the world.

R&D and product innovation

Our product team, with expertise in learning science, is committed to creating learning products which offer a great user experience and improved learning outcomes. Through ongoing innovation and Research and Development (R&D), we develop and incorporate the most advanced technologies, including generative AI, into our products and services.

Financial assets

Our shareholders entrust us with their capital in order to invest on their behalf for the long term.

Our physical footprint

Our products and services are available in most countries and territories around the world. At the same time we are progressing in simplifying our property portfolio and strengthening our digital and flexible ways of working.

Data and insight

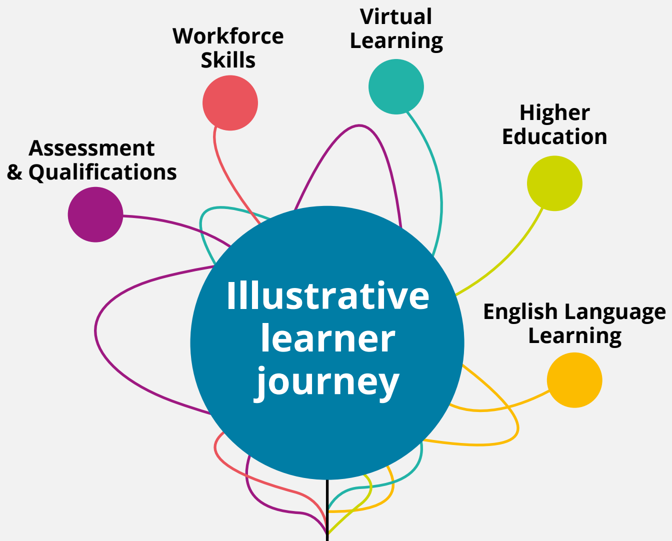
Through the effective and responsible use of data we are able to know our customers better and serve them more effectively. We are further building our capabilities in data analytics and AI such as those acquired through Faethm, which enable us to use data insights to help identify skill gaps and provide compelling solutions to workforce challenges.

Strong market fundamentals

We are well-placed to benefit from structural tailwinds in the global learning market including three big market opportunities:

1. Online and digital tools for schools and education
2. Solutions to evaluate and address workforce skills gaps
3. Academic and professional skills accreditation and certification

Pearson supports learners throughout their learning journey



VL (Virtual Schools)
Attend virtual K-12 school

WFS (GED)
Pass GED to gain high school equivalency diploma

ELL (Pearson Test of English)
Apply for student visa using Pearson Test of English to prove English proficiency

HE (Courseware / Pearson+)
Access eTexts and college level materials through AI-enhanced P+ and MyLab and Mastering homework platform

WFS (TalentLens)
Take ‘fit-to-role’ test as part of job application

WFS (Faethm)
Through employer, identify skills gaps and develop a learning plan to upskill and access future opportunities

ELL (Mondly by Pearson, Workplace English)
Refine language skills tailored to IT industry

A&Q (VUE)
Upskill, take practice tests and exams to obtain credentials in profession (e.g. tech)

WFS (Credly)
Leverage new IT badge to demonstrate skills proficiency and enhance career prospects

Direct to Consumer

Through initiatives across divisions we are expanding our offerings which go directly to consumers. This is in addition to our existing models whereby we reach the consumer via an educational institution, employer or other partner.

For example, we are scaling Pearson+, our digital learning service in Higher Education, expanding features such as Channels, to provide learners with tutorial videos and practice questions. We are also growing our Direct to Consumer language learning platform Mondly and introducing even more advanced AI features. Both of these services will be an important customer acquisition tool underpinning our direct to consumer offerings across the Group.

Partners and support functions

Technology is enabling consumers to learn virtually and in a more personalised and effective manner. This means we can improve accessibility to education, reach a larger market at a lower cost and be at the forefront of the evolving learning marketplace. This enables us to reach our ambition to be the leading, trusted provider of educational tools and services, and enhance learning outcomes globally.

> **We've made real progress building a tech strategy that supports a cross-functional approach to data, content delivery and product development.**

MaryKay Wells
Chief Information Officer

How we create long-term stakeholder value

Consumers

We empower learners across the globe with high-quality, trusted learning products and services.

Educators

We work with educators, from teachers to institutions, across all stages of education to support their learners in achieving their goals.

Employers

We partner with employers to empower their employees to learn and succeed in the future of work.

Business partners

We nurture long-term collaboration with our business partners to create shared value, building on our deep relationships and mutual trust.

Governments

We partner with local, federal and national government bodies around the world to develop learning solutions.

Communities

We prize our role in shaping the future of education and its impact on society, and strive to meet the expectations that accompany this responsibility.

Employees

We unlock the potential of our human capital by investing in our people's growth and providing opportunities to learn and progress.

Shareholders

We strive to deliver long-term value creation for our shareholders.

Sustainability

As a learning company, creating a more sustainable world is part of everything we do. Starting with the millions of users who already trust our products, we want to help more people create a better life for themselves and a better world for society. We recognise our responsibility to reduce our environmental impact and are making progress on our Climate Action Plan (see page 42). Our sustainability strategy is shaped by our stakeholders, and in line with the outcomes of our 2022 materiality assessment (see page 34).

Measuring progress

We measure our progress against five non-financial KPIs:

- **Digital Growth**
- **Consumer Engagement**
- **Product Effectiveness**
- **Culture of Engagement & Inclusion**
- **Sustainability Strategy**

Monitoring progress

Non-financial measures

Digital Growth

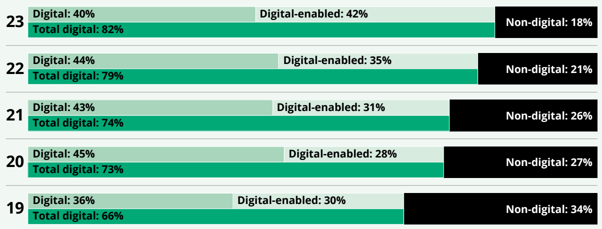
Objective: Drive digital revenue growth

Digital sales*

Underlying growth in group digital and digital-enabled sales

+3%
(2022: +9%)

+8%**
**Excluding OPM and Strategic Review



Partner Schools US enrolments[a]

100k
(2022: 105k)

OnVUE volumes

2.7m
(2022: 3.0m)

PTE volume

1,231k
(2022: 827k)

Higher Education US digital registrations

9.8m
(2022: 9.9m)

Consumer Engagement

Objective: Create engaging and personalised consumer experiences

NPS for Connections Academy

+67
(2022: +67)

NPS for PTE

+55
(2022: +52)

Mondly paid subscriptions

432k
(2022: 446k)

Workforce Skills new registered users

5.3m
(2022: 4.7m)

Pearson+ registered users

3.03m
(2022: 2.83m)

Product Effectiveness

Objective: Improve the effectiveness of our products to deliver better outcomes

PTE speed of score return

1.0 days
(2022: 1.3 days)

VUE Test volumes[b]

20.7m
(2022: 19.4m)

VUE partner retention

94%
(2022: 99.9%)

Workforce Skills number of enterprise customers

1,547
(2022: 1,503)

Workforce Skills enterprise customer net retention rate

66%
(2022: 74%)

Higher Education Product usage - text units

4.5m
(2022: 4.8m)

Culture of Engagement & Inclusion

Objective: Build an inclusive culture and increase diverse representation

Employee Engagement

Pearson uses the Gallup Q^{12}® survey to measure engagement, annually

4.09
grand mean on a 5 point Likert scale

(2022: 3.96)

Investing in diverse talent

The % of responses who agree or strongly agree to Gallup Q^{12}® survey questions

In the last six months, someone at work has talked to me about my progress

73%
(2022: 67%)

This last year, I have had opportunities at work to learn and grow

76%
(2022: 72%)

Culture of inclusion index

The grand mean of 3 Gallup Q^{12}® survey questions

— At work, I am treated with respect
— My company is committed to building the strengths of each employee
— If I raised a concern about ethics and integrity, I am confident my employer would do what is right

4.21
grand mean on a 5 point Likert scale

(2022: 4.12)

Increasing diverse talent[c]

Ⓡ Objective: Increase BIPOC/BAME representation at all manager levels and maintain overall gender parity

Representation of BIPOC/BAME employees at Manager level and above

22.0%
(2022: 20.7%)

Global % of female employees

59.1%
(2022: 59.0%)

Sustainability Strategy

Objective: Achieve net zero carbon by 2030

Reduction in total tCO_2e in 2023

16%
vs 2022[d]

Reduction in total tCO_2e in 2022

3%
vs 2021[d]

Ⓡ **Progress against achieving net zero carbon by 2030, as measured through percentage carbon reduction**

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a. Measure definition has changed to number of government-funded student enrolments at partner schools within the US as of 30th September. Excludes private-pay students at Pearson Online Academy and district partnerships. This is more closely aligned to business processes.
b. VUE test volumes include PTE and GED tests but sales for each of these tests are reflected in the English Language Learning and Workforce Skills divisions respectively. PDRI test volumes are not currently included in this metric.
c. Previously reported 'Increasing diverse talent' metrics retired and new strategic remuneration measures incorporated.
d. The net emissions reduction figures have been assured by an independent third-party, SLR Consulting Ltd. % reduction in total tCO_2e above is calculated using a location-based methodology. Within the 2023 number, 4% is due to portfolio changes. These will be removed following the normal rebasing exercise in 2024.
* Historical figures restated to exclude US K-12 Courseware (sold in 2019).

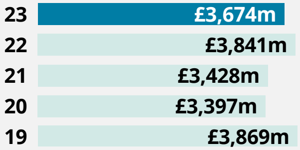
Please find further details on our Strategic KPIs here **https://plc.pearson.com/en-GB/company/our-targets-kpis**

Ⓡ **See how this aligns strategy to management reward: page 112**

Financial measures

Sales[b] Ⓡ

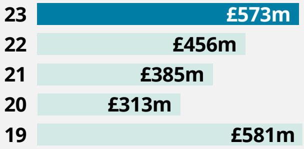
£3,674m



This is our revenue as reported in our income statement.

Adjusted operating profit[a] Ⓡ

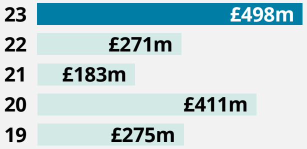
£573m



A non-GAAP financial measure that enables management to consistently track the underlying operational performance of the Group.

Operating profit[b]

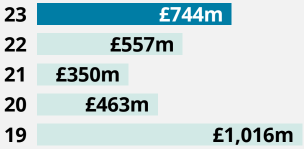
£498m



This is our operating profit as reported in our income statement.

Net debt[a]

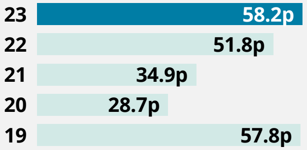
£744m



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

Adjusted earnings per share[a] Ⓡ

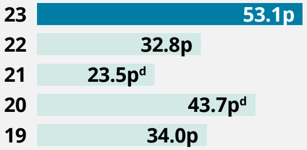
58.2p



A non-GAAP financial measure used to evaluate performance.

Basic earnings per share[b]

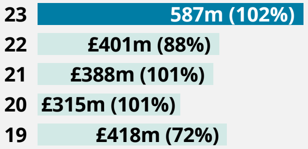
53.1p



A measure of the amount of profit that can be allocated to one share of our common stock.

Operating cash flow and cash conversion[a] Ⓡ

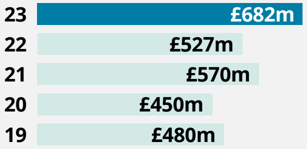
£587m



Operating cash flow is an adjusted measure and is presented in order to align the cash flows with corresponding adjusted operating profit measures.

Net cash generated from operations[b]

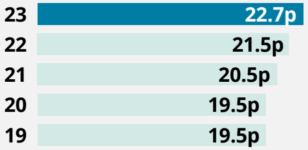
£682m



This is our net cash generated from operations as reported in our cash flow statement.

Dividend per share

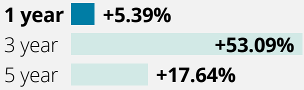
22.7p



This is the proposed full year dividend. Our dividend policy is to be progressive and sustainable.

Total shareholder returns[c] Ⓡ

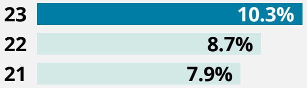
+5.39%



This is a measure of financial performance of shares over time.

Return on Capital[a] Ⓡ

10.3%



A non-GAAP measure of how efficiently we are generating returns from our asset base.

a. See pages 221-226 for an explanation and reconciliation of these alternative performance measures and non-GAAP measures.

b. Statutory measure.

c. Source: Bloomberg.

d. Comparatives were restated in 2022

Note: See pages 221-226 for full reconciliation of the alternative performance measures to the equivalent statutory measure.

Ⓡ **See how this aligns strategy to management reward: page 112**

> **We've delivered another strong set of results in 2023. This continued progress underpins our confidence that we're set for another good year in 2024 and on track to meet our 2025 objectives.**
>
> **Sally Johnson** Chief Financial Officer

Financial Summary

£m	2023	2022
Business performance		
Sales	**3,674**	3,841
Adjusted operating profit	**573**	456
Operating cash flow	**587**	401
Free cash flow	**387**	222
Adjusted earnings per share	**58.2p**	51.8p

£m	2023	2022
Statutory results		
Sales	**3,674**	3,841
Operating profit	**498**	271
Profit for the year	**380**	244
Net cash generated from operations	**682**	527
Basic earnings per share	**53.1p**	32.8p

Throughout this section: a) Growth rates are on an underlying basis unless otherwise stated. Underlying growth rates exclude currency movements and portfolio changes; b) The 'business performance' measures are non-GAAP measures, and reconciliations to the equivalent statutory heading under IFRS are included in the financial key performance indicators section on pages 221-226; c) Constant exchange rates are calculated by assuming the average FX in the prior year prevailed through the current year.

Group Financial Expectations

2024 expectations				Underlying sales 3-year CAGR 2022 to 2025*	2025 Margin expectations**
Sales growth	Adjusted operating profit	Tax	Interest		
Expect to be in line with current market expectations		c.24%	c.£45m***	Mid-single digits	16-17%

* Excluding the OPM and Strategic Review businesses.

** Adjusted operating profit margins.

*** Our interest charge will be c.£45m given our £300m share buyback and its extension by a further £200m.

NB: 2024 consensus on the Pearson website: underlying sales growth 3.7%, adjusted operating profit of £621m at £:$ 1.22, effective tax rate c.24%. For reference, each 1c move in USD FX rate equates to c.£5m of adjusted operating profit.

Operating results

On a headline basis, sales decreased by £167m or 4% from £3,841m in 2022 to £3,674m in 2023 and reported operating profit increased by £227m from £271m in 2022 to £498m in 2023. In addition, adjusted operating profit increased by £117m or 26% from £456m in 2022 to £573m in 2023 (for a reconciliation of this measure see page 28 and note 2 to the consolidated financial statements).

The increase in reported operating profit in 2023 is mainly due to increased trading profits and a reduction in the costs of major restructuring, partially offset by a net loss related to acquisitions and disposals compared to a net gain in 2022.

The headline basis simply compares the reported results for 2023 with those for 2022. We also present sales and adjusted operating profit on an underlying basis which exclude the effects of exchange, the effect of portfolio changes arising from acquisitions and disposals and the impact of adopting new accounting standards that are not retrospectively applied. Our portfolio change is calculated by excluding sales and profits made by businesses disposed in either 2022 or 2023 and by ensuring the contribution from acquisitions is comparable year on year. Portfolio changes mainly relate to the disposals of the Group’s interests in POLS, Pearson College, our international courseware local publishing business in India and businesses within Higher Education in 2023, the disposal of our international courseware local publishing businesses in Europe, French-speaking Canada, South Africa and Hong Kong in 2022, the acquisition of PDRI in 2023 and the acquisitions of Credly and Mondly in 2022.

On an underlying basis, sales increased by 5%, excluding OPM and Strategic Review, and by 1% in aggregate, in 2023 compared to 2022 and adjusted operating profit increased by 31%. Currency movements decreased sales by £33m and decreased adjusted operating profit by £10m. Portfolio changes decreased sales by £175m and decreased adjusted operating profit by £8m. There were no new accounting standards adopted in 2023 that impacted sales or statutory or adjusted operating profits.

2024 outlook

We expect Group underlying sales growth, adjusted operating profit and tax will be in line with current market expectations. Our interest charge will be c.£45m given our ongoing £300m share buyback and extension by a further £200m.

- In Assessment & Qualifications we expect sales growth of low to mid-single digit.
- In Virtual Schools we expect sales to decline at a similar rate to 2023, given the previously cited loss of a larger partner school for the 2024/25 academic year. We are pleased to have secured two new schools in the States impacting the 2023/24 and 2024/25 academic years and therefore expect the division to return to growth beyond 2024.
- In Higher Education we expect to return to sales growth.
- In English Language Learning we continue to expect high single digit sales growth.
- In Workforce Skills we expect to achieve high single digit sales growth.
- We expect a free cash flow conversion of 95-100%.

2025 ambition

We continue to expect the Group to achieve mid-single digit underlying sales 3-year CAGR from 2022 to 2025, excluding OPM and Strategic Review businesses, and remain on track to achieve our 16-17% adjusted operating profit margin guidance.

All figures in £ millions	2023	2022
Operating profit	**498**	271
Add back: Cost of major restructuring	**-**	150
Add back: Property charges	**11**	-
Add back: Intangible charges	**48**	56
Add back: UK pension discretionary increases	**-**	3
Add back: Other net gains and losses	**16**	(24)
Adjusted operating profit	**573**	456

Adjusted operating profit includes the results from discontinued operations when relevant but excludes charges for intangible amortisation and impairment, acquisition related costs, gains and losses arising from disposals, the cost of major restructuring, certain property charges and one-off costs related to the UK pension scheme. A summary of these adjustments is included below and in more detail in note 2 to the consolidated financial statements.

In 2023, there are no costs of major restructuring. Property charges of £11m relate to impairments of property assets arising from the impact of updates in 2023 to assumptions initially made during the 2022 and 2021 restructuring programmes. In 2022, restructuring costs of £150m mainly related to staff redundancies and impairment of right-of-use property assets including the impact of updated assumptions related to the recoverability of right-of-use assets made in 2021.

Intangible amortisation charges in 2023 were £48m compared to a charge of £56m in 2022. This is due to decreased amortisation from recent disposals partially offset by additional amortisation from recent acquisitions.

UK pension discretionary increases in 2022 related to one-off pension increases awarded to certain cohorts of pensioners in response to the cost of living crisis.

Other net gains and losses in 2023 relate largely to the gain on disposal of the POLS business and gains on the releases of accruals and a provision related to previous acquisitions and disposals, partially offset by losses on the disposal of Pearson College and costs related to current and prior year disposals and acquisitions. Other net gains and losses in 2022 largely related to the gain on disposal of the international courseware local publishing business in French-speaking Canada and a gain arising on a decrease in the deferred consideration payable on prior year acquisitions, offset by costs related to disposals and acquisitions.

Divisional Results

£m	2023	2022	Headline growth	CER Growth	Underlying growth
Sales					
Assessment & Qualifications	**1,559**	1,444	8%	9%	7%
Virtual Learning	**616**	820	(25)%	(24)%	(20)%
Higher Education	**855**	898	(5)%	(4)%	(3)%
English Language Learning	**415**	321	29%	32%	30%
Workforce Skills	**220**	204	8%	8%	11%
Strategic Review	**9**	154	(94)%	(94)%	(74)%
Total	**3,674**	3,841	(4)%	(3)%	1%
Total, excluding OPM[1] and Strategic Review[2]					5%

Adjusted operating profit/loss					
Assessment & Qualifications	**350**	258	36%	36%	33%
Virtual Learning	**76**	70	9%	9%	(17)%
Higher Education	**110**	91	21%	22%	20%
English Language Learning	**47**	25	88%	116%	112%
Workforce Skills	**(8)**	(3)	(167)%	(167)%	(400)%
Strategic Review	**(2)**	15	(113)%	(107)%	94%
Total	**573**	456	26%	28%	31%

Assessment & Qualifications

In Assessment & Qualifications, sales increased 8% on a headline basis and 7% on an underlying basis. Adjusted operating profit increased 33% in underlying terms due to operating leverage on sales growth and margin and opex cost efficiencies, partially offset by inflation and 36% in headline terms due to this, portfolio changes and currency movements.

Pearson VUE sales were up 10% in underlying terms with particularly strong growth in the IT and healthcare segments, alongside the commencement of new contracts. VUE test volumes grew 6% to 20.7m. We maintained our high contract renewal track record, reporting a rate of 93.6% across the business for 2023.

In US Student Assessment, sales increased 4% in underlying terms driven by the commencement of new contracts following new business wins.

In Clinical Assessment, sales increased 5% in underlying terms supported by pricing, good government funding and continued focus on health and wellbeing.

In UK and International Qualifications, sales increased 6% in underlying terms driven by price increases and good international growth.

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[1] We have completed the sale of the POLS business and as such have removed from underlying measures throughout. Within this specific measure we exclude our entire OPM business (POLS and ASU) to aid comparison to guidance.

[2] Strategic Review is sales in international courseware local publishing businesses being wound down. There will be no sales or profits reported in the division going forwards.

Virtual Learning

In Virtual Learning, sales decreased 25% on a headline basis and 20% on an underlying basis, primarily due to the expected decrease in our OPM business. Adjusted operating profit decreased 17% in underlying terms due to trading performance partially offset by cost efficiencies and increased 9% in headline terms due to this and portfolio changes.

Sales in our OPM business were down 87% on an underlying basis, as expected, following the wind down of the ASU contract. Pearson Online Learning Services sales are no longer included in underlying measures following the completion of the disposal in the first half of the year.

Virtual Schools sales were down 2%, driven by lower enrolments and lower district partnership renewals, partially offset by good retention rates, improvements in funding and growth associated with the launch of our Connections Academy Career Pathways. Enrolments for the 2023/24 academic year were down 5% due to the previously cited loss of a larger partner school. Excluding the impact of this school, enrolments were up 1%.

Higher Education

In Higher Education, sales decreased 5% on a headline basis due to trading, currency movements and portfolio changes, and declined 3% for the full year on an underlying basis, in line with expectations. Adjusted operating profit increased 20% in underlying terms driven primarily by cost efficiencies, partially offset by trading performance and inflation, and increased 21% in headline terms due to this, currency movements and portfolio changes.

In the US, sales declines were driven by the loss of adoptions to non-mainstream publishers in the first half of the year, as well as pricing mix. There was strong growth in Inclusive Access with 22% sales growth to not-for-profit institutions and the total number of institutions increasing to c1,250. We delivered 2% growth in platform units in 2023 enabled by changes we have made to our sales team and go to market strategy with the support of increasing platform stability. Pearson+ performed well in the Fall semester with 3.03m registered users and 516k paid subscriptions, representing 27% growth compared to the prior year Fall semester. Pearson+ passed the milestone of 1 million cumulative paid subscriptions for the calendar year.

English Language Learning

In English Language Learning, sales were up 29% on a headline basis and 30% on an underlying basis. Adjusted operating profit increased by 112% in underlying terms due to sales growth partially offset by increased investment in brand awareness and testing capacity and inflation, and was up 88% in headline terms due to this and currency movements.

PTE volumes were up 49% supported by favourable migration policy in Australia as well as market share gain in India. Our Institutional business performed well, with strong performance across Latin America and Middle East markets. Our Mondly business also contributed to growth with an increase in consumer billings.

Workforce Skills

In Workforce Skills, sales were up 8% on a headline basis and 11% on an underlying basis. Adjusted operating profit declined by £8m in underlying terms due to investment in the business across our Workforce Solutions product suite partially offset by trading and decreased £5m in headline terms due to this and portfolio changes.

Sales growth was driven by solid performances in both the Vocational Qualifications and Workforce Solutions businesses. The Vocational Qualifications business grew by 10% in underlying terms. The Workforce Solutions business grew by 13% in underlying terms. Pearson has 1,547 enterprise clients in its Workforce Skills portfolio, up 3% on last year.

Strategic Review

Sales in our international courseware local publishing businesses under strategic review were down 94% on a headline basis for the full year and declined 74% on an underlying basis. Operations in these businesses have now been wound down in line with our previous communications. There will be no sales or profits reported in this division going forwards.

Net Finance Costs

Net finance costs increased on a headline basis from a net income of £52m in 2022 to a net cost of £5m in 2023. The increase is primarily due to the release, in 2022, of £35m of interest recorded in respect of provisions for uncertain tax positions, a reduction in gains arising from mark to market movements on investments and derivatives, partially offset by additional finance income in respect of retirement benefits.

Net interest payable reflected in adjusted earnings in 2023 was £33m, compared to £1m in 2022. The difference is primarily due to the items noted above. In addition, in 2023, there were increased interest costs related to the drawdown during the year of the revolving credit facility, partially offset by reduced bond interest due to the bond repayments made in 2022.

Net finance income in respect of retirement benefits has been excluded from our adjusted earnings as we believe the income statement presentation does not reflect the economic substance of the underlying assets and liabilities. Also included in the net finance costs (but not in our adjusted measure) are interest costs relating to acquisition or disposal transactions, fair value movements on investments classified as fair value through profit and loss, foreign exchange and other gains and losses on derivatives. Interest relating to acquisition or disposal transactions is excluded from adjusted earnings as it is considered part of the acquisition cost or disposal proceeds rather than being reflective of the underlying financing costs of the Group. Foreign exchange, fair value movements and other gains and losses are excluded from adjusted earnings as they represent short-term fluctuations in market value and are subject to significant volatility. Other gains and losses may not be realised in due course as it is normally the intention to hold the related instruments to maturity (for more information see the financial key performance indicators section on pages 221–226). Interest on certain tax provisions is excluded from our adjusted measure in order to mirror the treatment of the underlying tax item.

Financial review *continued*

In 2023, the total of these items excluded from adjusted earnings was income of £28m compared to income of £53m in 2022. Net finance income in respect of retirement benefits increased from £9m in 2022 to £26m in 2023 reflecting the comparative funding position of the plans at the beginning of each year and there were higher prevailing discount rates. Interest costs in respect of deferred and contingent consideration are £4m in 2023 compared to £5m in 2022, these costs relate to recent acquisitions. Fair value gains on investments in unlisted securities are £13m in 2023 compared to £28m in 2022. In addition, there were losses year on year on long-term interest rate hedges and an interest charge on tax provisions of £5m was recognised in 2022 in relation to the EU State Aid matter.

all figures in £ millions	**2023**	2022
Net interest payable	**(33)**	(1)
Finance income in respect of retirement benefits	**26**	9
Fair value movements on investments held at FVTPL	**13**	28
Other net finance costs	**(11)**	16
Net finance costs	**(5)**	52

Taxation

The reported tax charge on a statutory basis in 2023 was £113m (23.0%) compared to a £79m charge (24.5%) in 2022.

The tax on adjusted earnings in 2023 was a charge of £124m (2022: £71m), corresponding to an adjusted effective tax rate on adjusted profit before tax of 23.0% (2022: 15.6%). The increase in the effective rate from prior year is primarily due to the release of tax provisions following the expiry of the statute of limitations in the US driving a lower tax rate in 2022 which is not recurring in 2023. For a reconciliation of the adjusted measure see financial key performance indicators section on pages 221–226.

In 2023, there was a net tax payment of £97m (2022: £109m). The overall amount decreased primarily as a result of one-off disposal events in 2022 that are not recurring in 2023.

A net deferred tax liability of £11m is recognised in 2023 compared to a net £20m deferred tax asset in 2022. The overall amount decreased mainly due to the acquisition of PDRI during the year and ongoing utilisation of tax losses.

The current tax creditor principally consists of provisions for tax uncertainties. See note 34 to the consolidated financial statements for details of other uncertain tax positions.

Earnings per share

Basic earnings per share is 53.1p in 2023 compared to 32.8p in 2022. The increase in 2023 is mainly due to increased operating profits and a decrease in the number of shares following the share buy back, partially offset by increased interest and tax charges.

Adjusted earnings includes adjusted operating profit and adjusted finance and tax charges. The reconciling items between the statutory inputs to earnings per share and the adjusted inputs are discussed in the previous sections.

Adjusted earnings per share is 58.2p in 2023 compared to 51.8p in 2022 reflecting adjusted operating profit growth, normalisation of tax and interest charges and the reduction in issued shares as a result of share buybacks.

Other comprehensive income

Included in other comprehensive income are the net exchange differences on translation of foreign operations. The loss on translation of £177m in 2023 compares to a gain in 2022 of £330m. The loss in 2023 arises from an overall weakening of the currencies to which the Group is exposed and in particular the US dollar. A significant proportion of the Group's operations are based in the US and the US dollar weakened in 2023 from an opening rate of £1:$1.21 to a closing rate at the end of 2023 of £1:$1.27. At the end of 2022, the US dollar had strengthened from an opening rate of £1:$1.35 to a closing rate of £1:$1.21. The gain in 2022 was driven by this movement in the US dollar.

Also included in other comprehensive income in 2023 is an actuarial loss of £85m in relation to the retirement benefit obligations of the Group. The loss arises largely from returns on assets below the discount rate and changes in actuarial assumptions including the discount rate and inflation. The actuarial loss in 2023 of £85m compares to an actuarial gain in 2022 of £54m.

Fair value gains of £1m (2022: £18m) have been recognised in other comprehensive income and relate to movements in the value of investments in unlisted securities held at FVOCI.

In 2023, a gain of £122m was recycled from the currency translation reserve to the income statement in relation to the disposal of the POLS business. In 2022, a gain of £5m was recycled from the currency translation reserve to the income statement in relation to various businesses disposed.

Cash flow and working capital

Net cash generated from operations, was £682m in 2023 compared to £527m in 2022. The increase is largely explained by the drop-through of increased trading profits, good cash collections and the impact of disposals, partially offset by increased restructuring cash outflows.

Our operating cash flow measure is an adjusted measure used to align cash flows with our adjusted profit measures. Compared to net cash generated from operations, this measure excludes restructuring costs and acquisition costs but includes regular dividends from associates. It also includes capital expenditure on property, plant, equipment and software, and additions to right-of-use assets as well as disposal proceeds from the sale of property, plant, equipment and right-of-use assets (including the impacts of transfers to/from investment in finance lease receivable). In 2023, restructuring cash outflow was £63m compared to £35m in 2022.

Operating cash inflow increased on a headline basis by £186m from £401m in 2022 to £587m in 2023. The increase is largely explained by the drop-through of increased trading profits, good cash collections and reduced investment spend in Higher Education connected to the 2022 efficiency programme, as well as the impact of disposals.

In 2023, there was an overall £234m decrease in cash and cash equivalents compared to a decrease of £394m in 2022. The decrease in 2023 is primarily due to payments for acquisitions of subsidiaries of £171m, dividends paid of £154m, share buyback programme of £186m, other own share purchases of £35m, tax paid of £97m, capital expenditure of £126m, and repayments of lease liabilities of £84m. These were offset by the cash inflow from operations of £682m.

all figures in £ millions	**2023**	2022
Net cash generated from operations	**682**	527
Dividends from joint ventures and associates	**-**	1
Purchase / disposal of PPE and software	(121)	(133)
Net addition of right-of-use assets	(41)	(29)
Net costs paid for major restructuring	63	35
Other net gains and losses	4	-
Operating cash flow	**587**	401
Tax paid	(97)	(109)
Net finance costs paid	(40)	(35)
Net cost paid for major restructuring	(63)	(35)
Free cash flow	**387**	222

Liquidity and capital resources

The Group's net debt increased from £557m at the end of 2022 to £744m at the end of 2023. The increase is largely due to the share buyback programme, cash outflows on acquisitions and disposals, dividend payments and tax payments, partially offset by strong operating cash flow.

The Group's borrowings fluctuate by season due to the effect of the school year on working capital requirements. Assuming no share buyback prorammes, acquisitions or disposals, the maximum level of net debt normally occurs in the third quarter, and the minimum level of net debt normally occurs in December.

In May 2022, the Group repaid the remaining $117m (£95m) of its 2022 US dollar bond upon maturity. In December 2022, the Group repaid the remaining $94m (£76m) of its 2023 US dollar bond.

At 31 December 2023, the Group had approximately £1.0bn in total liquidity immediately available from cash and its Revolving Credit Facility maturing February 2027. In assessing the Group's liquidity and viability, the Board analysed a variety of downside scenarios including a severe but plausible downside scenario where the Group is impacted by a combination of all principal risks, as well as reverse stress testing to identify what would be required to either breach covenants or run out of liquidity. The Group would maintain comfortable liquidity headroom and sufficient headroom against covenant requirements during the period under assessment in the severe but plausible scenario, even before modelling the mitigating effect of actions that management would take in the event that these downside risks were to crystallise. In all scenarios it is assumed that the Revolving Credit Facility is available and that the €300m bond with a maturity due within the going concern assessment period is refinanced ahead of time with a £250m bond or bank facility.

At 31 December 2023, the Group was rated BBB- (positive outlook) with Fitch and Baa3 (stable outlook) with Moody's.

Net debt

all figures in £ millions	**2023**	2022
Cash and cash equivalents (excluding overdrafts)	**312**	558
Overdrafts	**(3)**	(15)
Investment in finance lease	**100**	121
Derivative financial instruments	**5**	(6)
Bonds	**(611)**	(610)
Lease liabilities	**(547)**	(605)
Net debt	**(744)**	(557)

Post-retirement benefits

Pearson operates a variety of pension and post-retirement plans. The UK Group pension plan has by far the largest defined benefit section. The Group has some smaller defined benefit sections in the US and Canada but, outside the UK, most of the companies operate defined contribution plans.

The charge to profit in respect of worldwide pensions and post-retirement benefits amounted to £45m in 2023 (2022: £66m), of which a charge of £71m (2022: £75m) was reported in operating profit and income of £26m (2022: £9m) was reported in other net finance costs. In 2022, a charge of £3m related to one-off discretionary pension increases has been excluded from adjusted operating profit.

The overall surplus on UK Group pension plans of £574m at the end of 2022 has decreased to a surplus of £491m at the end of 2023. The decrease has arisen principally due to the actuarial loss noted above in the other comprehensive income section. In total, the worldwide net position in respect of pensions and other post-retirement benefits decreased from a net asset of £520m at the end of 2022 to a net asset of £455m at the end of 2023.

Businesses acquired

In March 2023, the Group completed the acquisition of 100% of the share capital of Personnel Decisions Research Institutes, LLC (‘PDRI’) for cash consideration of £152m ($187m). There is no contingent or deferred consideration. Net assets acquired of £91m were recognised on the Group’s balance sheet including £117m of acquired intangible assets. Goodwill of £61m was also recognised in relation to the acquisition.

The cash outflow in 2023 relating to acquisitions of subsidiaries was £171m plus £4m of acquisition costs. In addition, there were cash outflows relating to the acquisition of associates of £5m and investments of £8m.

The cash outflow in 2022 relating to acquisitions of subsidiaries was £228m arising primarily from the acquisitions of Credly and Mondly. In addition, there were cash outflows relating to the acquisition of associates of £5m and investments of £12m.

Businesses disposed

In 2023, the Group disposed of its interests in its POLS businesses in the US, UK, Australia and India. The business disposed excludes Pearson’s contract with ASU. The consideration to be received is deferred and comprises a 27.5% share of positive adjusted EBITDA in each calendar year for 6 years and 27.5% of the proceeds received by the purchaser in relation to any future monetisation event. The consideration has been valued at £12m and a pre-tax gain on disposal of £13m has been recognised.

In addition, £19m of losses arose from the disposals of Pearson College and the international courseware local publishing business in India, £12m of costs related to previous disposals were recognised and a gain of £9m has been recognised in relation to the release of a provision related to a historical disposal.

In 2023, the cash outflow from the disposal of businesses of £38m mainly relates to the disposals described above. In 2022, the cash inflow from disposals of £333m mainly related to the disposal of the Group's international courseware local publishing businesses and the receipt of deferred proceeds from the US K12 Courseware sale in 2019.

In addition, proceeds of £7m (2022: £17m) were received in relation to the disposal of investments.

Dividends

The dividend accounted for in our 2023 financial statements totalling £155m represents the final dividend in respect of 2022 (14.9p) and the interim dividend for 2023 (7.0p). We are proposing a final dividend for 2023 of 15.7p bringing the total paid and payable in respect of 2023 to 22.7p. This final 2023 dividend which was approved by the Board in February 2024, is subject to approval at the forthcoming AGM. For 2023, the dividend is covered 2.6 times by adjusted earnings.

Share buyback

On 28 April 2023, the Group announced its intention to commence a £300m share buyback programme in order to return capital to shareholders. The programme commenced on 21 September 2023. At 31 December 2023, approximately 20m shares had been bought back at a cash cost of £186m. The liability for the remainder of the £300m programme plus related costs has been accounted for in 2023. The nominal value of the cancelled shares of £5m has been transferred to the capital redemption reserve.

The £300m share buy back programme completed on 7 March 2024 with a total of 32m shares repurchased across the programme. We intend to extend our share buy back programme by £200m.

Climate change

The Group has assessed the impacts of climate change on the Group's financial statements. The assessment did not identify any material impact on the Group's significant judgements or estimates, the recoverability of the Group's assets at 31 December 2023 or the assessment of going concern for the period to June 2025.

Conclusion

We delivered another strong set of financial results, exceeding financial expectations in 2023 and achieving cost savings of £120m. We are on track to meet expectations in 2024 and remain committed to our targets out to 2025. We have a strong balance sheet, providing optionality, and are extending our share buy-back programme by £200m. Free cash flow has improved and we expect 95-100% conversion in 2024.

My colleagues across finance have once again helped the business successfully respond to opportunities and challenges that have arisen, through appropriate financial control, critical insights and value creation. I would like to thank them for their hard work and commitment throughout the year.

> **We have a strong balance sheet providing optionality and are extending our share buyback by £200m. We have improved our free cash flow and expect 95-100% conversion in 2024.**
>
> **Sally Johnson** Chief Financial Officer

Learning for Impact

Why sustainability matters to Pearson

Learning spurs human progression. It's the greatest force for change in our world, and helping people gain knowledge and skills is, inherently, a way to improve our planet and our communities.

We recognise that Pearson can play a unique role in increasing access to education around our world. Not only can we reach learners at scale throughout their lifetime, but we also strive for all learning experiences to be high quality, vibrant and enriching, with greater representation. Our approach is learner-led, powered by technology and developed responsibly.

Learning for Impact framework

Our Learning for Impact framework, published in 2021, outlines our commitment to leading sustainably across three pillars:

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

Our strategy is shaped by our stakeholders. Our 2022 materiality assessment incorporated a view of Pearson's most significant impacts on people and the environment as well as the most material sustainability risks and opportunities for the company. The findings highlighted the importance of assessing and developing the skills of learners and colleagues, protecting our users' data, and our role in driving positive change through climate action. For more information see: https://plc.pearson.com/en-GB/purpose/our-esg-reporting.

Our Learning for Impact framework is underpinned by Pearson's robust corporate governance, strong culture, and effective policies to ensure we achieve our ambitions.

The metrics used to track our performance against this framework are also our corporate non-financial KPIs as shown on page 24 of this report. This illustrates the connection between our corporate strategy and our mission to create learning experiences for real-life impact.

The Board reviews our non-financial KPIs regularly, and these are also linked to remuneration.

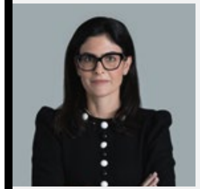
Additionally, we maintain positive results in rankings and ratings, including Moody's, MSCI, Sustainalytics, Dow Jones Sustainability Indices (DJSI), and others.

A strong governance structure

Pearson has a strong governance structure that supports our sustainability strategy. Our Reputation & Responsibility Committee (RRC) is a standing Board Committee, and it works alongside other Board Committees to oversee a range of environmental and social impact topics, including climate-related risks and opportunities. Read more about our governance approach on page 66. We will continue to evolve how we govern sustainability matters, to ensure our structures remain fit for purpose in this fast-moving landscape.

The RRC circulates its conclusions and minutes to the Board, and the Committee Chair is responsible for ensuring action points are followed up. In 2023, the RRC approved the introduction of a new sustainability data platform and received an update on sustainability regulation from its legal counsel. Priorities for 2024 include submission of our net zero long-term targets to 2050 to the Science Based Targets initiative (SBTi) for validation, the publication of a standalone climate transition plan in line with the Disclosure Framework of the UK Transition Plan Taskforce which expands on our existing Climate Action Plan, and overseeing the development of Learning for Impact initiatives and thought leadership, as well as strengthening the way we embed social impact in data. For more information see page 94.

> **Our approach is learner-led, powered by technology and developed responsibly.**
>
> **Cinthia Nespoli** Chief Legal Officer and Executive Leader for Sustainability



Outlook

For the coming year, our priorities are to continue with our decarbonisation journey including energy efficiency and paper procurement, evolve our skills-based volunteering programme, and undergo a double materiality assessment to further define our sustainability strategy alongside our corporate strategy.

More information on Directors' remuneration reporting requirements can be found on page 107, and a link to our Directors' Remuneration Policy can be found in our non-financial and sustainability information statement on page 55.

Measuring progress on commitments

Our purpose — Add life to a lifetime of learning

Learning for Impact pillars

1 Driving learning for everyone with our products

Achieved through:

consumer engagement* product effectiveness*

digital growth* affordability and access

data privacy, cyber security, and safeguarding

responsible and sustainable content

2023 progress

— Continued to increase access to learning through the ethical use of technology. Regularly update and improve our data privacy and security systems.

Read more on page 36

2 Empowering our people to make a difference

Achieved through:

culture of engagement and inclusion*

2023 progress

— Maintained our focus on employee engagement and made progress on our commitment to build a more diverse pipeline of talent

Read more on page 39

3 Leading responsibly for a better planet

Achieved through:

reducing our environmental impact*

investing with purpose

2023 progress

— Advanced our Climate Action Plan by reducing our carbon emissions, and increased the use of 100% renewable electricity consumption

Read more on page 42

Robust governance, a strong culture and effective policies

* See our non-financial KPI section page 24 for more on how these link to our strategy.

Rankings and Recognition

Sustainalytics
Received a negligible risk ranking and are ranked #1 in our industry.

FTSE 4 Good Index
Remain a constituent of the FTSE 4 Good Index Series.

Dow Jones Sustainability Indices (DJSI)
Included in both the DJSI World and DJSI Europe Indices.

Moody's ESG Solutions
Award above sector average score performance.

MSCI ESG
Maintained a rating of AA.

The Sustainable Development Goals (SDGs) linked to our ESG framework:

4 QUALITY EDUCATION

8 DECENT WORK AND ECONOMIC GROWTH

10 REDUCED INEQUALITIES

Driving learning for everyone with our Products

New technologies are shaping the way that students of all ages are learning and accessing information - and we believe that those technologies can have a positive impact on teaching and learning, and how we serve our customers. Digital product growth and the responsible application of technology also have the capacity to reach more learners. During the year, our Group digital and digital-enabled sales grew by 8%, excluding the OPM and Strategic Review businesses.

Our differentiator in this space is the combination of deep subject matter expertise, teaching experience, and learning science knowledge that our authors, faculty, and content creators bring to the table. The structures, methods, and pedagogy behind our intellectual property make it unique. We also have proprietary content and data that we leverage to create rich learning experiences.

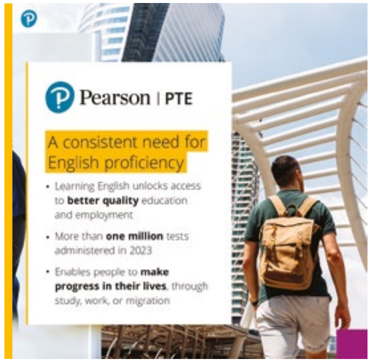
Access powered by technology

We have been using our deep experience with AI for many years, and embedding AI technology across key products in a way that enhances the teaching and learning experience and improves lives.

In 2023, we focused on developing beta versions of generative AI tools in select higher education Pearson+ eTextbooks that will support the learning process. This includes being able to summarise eTextbook content and generate practice quiz questions. In MyLab and Mastering, we are developing tools that provide practice questions that support teaching by guiding students through complex problems, moving them towards mastery of challenging concepts in a personalised way.

We believe that finding ways to safely introduce generative AI tools needs to involve regulation, training, policies and support for everyone. We need to ensure that when we use these tools they are truthful, reliable, safe, fair and can be trusted for the purpose we set. When thoughtfully developed and implemented, generative AI can have a positive impact on students and teachers. Its improvement over time can only benefit teaching, learning and assessment. You can learn more about how we're approaching AI to safeguard learners here: https://plc.pearson.com/en-GB/news-and-insights/blogs/bringing-ai-life-empowering-students-their-learning-journey

We acknowledge that it's our responsibility to tap our global expertise to inform policymakers around technology and education, as we all work to develop products that improve the lives of learners globally. Details on our approach are outlined in our Global Government Relations Policy, and our Code of Conduct references political activity guidance for employees and business partners. Both of these policies can be found here: https://plc.pearson.com/en-GB/corporate-policies, along with our list of trade associations.



A consistent need for English proficiency

- Learning English unlocks access to **better quality** education and employment
- More than **one million** tests administered in 2023
- Enables people to **make progress in their lives**, through study, work, or migration

Pearson Test of English (PTE)

What is the societal opportunity?

There is a consistent need for English proficiency in global employment and education, a growing demand for online language learning, and renewed global mobility.

How does PTE help solve this?

For many, learning English unlocks access to better quality education and employment. PTE helps people learn and prove their English proficiency, which enables them to make progress in their lives, whether through study, work opportunities or migration.

What is our unique learning design?

PTE is the first completely computer-based English test, although we take a human approach to automated scoring. We use sophisticated algorithms based on tens of thousands of real-world data points to score each test. This allows us to match the expertise and accuracy of a human examiner, but with the precision, consistency, and objectivity that only machine learning can achieve. We've done extensive research to ensure the validity, reliability and fairness of the test.

What's the impact?

More than 1m tests were administered in 2023. These tests allow test takers to study, work, or migrate, including taking part in academic courses with language requirements, applying for jobs with specific language requirements, and migrating to certain countries that have language requirements. The NPS score for 2023 is +55.

> **Learning English is vital in today's global economy. With education now a lifelong pursuit, language skills are essential for both academic success, career advancement and achieving the life you imagine.**
>
> **Gio Giovannelli** President – English Language Learning

Pearson and Forage are teaming up to offer innovative virtual job simulations to millions of US college students who use MyLab and Pearson+. This first-of-its-kind partnership is one more way we're helping to bridge the gap between the college classroom and the workplace. Forage job simulations allow students to gain skills and explore careers while they study, helping level the playing field for students who are not able to obtain an internship or gain access to certain career fields.

Pearson+

Promoting engagement and active learning

- Gives students access to **all Pearson eTextbooks** in one place
- In the 2023 academic year, there were **3 million registered users** on Pearson+
- **Interactive study tools** allow students to retain what they learn

Responsible and sustainable content

Learning for sustainability equips learners with the confidence, values, knowledge, attitudes, capabilities, and skills that will enable us to contribute effectively to building socially just, sustainable, and equitable communities.

This year, we have delivered learning and credentialing to our corporate customers, and we recognise the crucial role they play in the achievement of sustainable goals.

For example, we are partnering with the IFRS Foundation, a public interest organisation established to develop unified and globally accepted accounting and sustainability disclosure standards. Working with the IFRS, Pearson has accredited thousands of professionals worldwide in the Fundamentals of Sustainability Accounting (FSA) Credential®.

Similarly, Credly partners with many other corporate organisations to issue a number of badges that recognise an understanding of current sustainability trends including the application of sustainability strategy within organisations, sustainable finance, regulatory policies, as well as the tools needed to achieve impact on a global stage.

Pearson | VUE

Turning learners into earners

- Progresses workers in their careers through **professional credentials**
- We're delivering an exam **every 1.6 seconds**

The Pearson Positive Impact

Designed to deliver

Learn how our digital products and services play a role in future-proofing individuals and the workforce.

Editorial guidelines

We are committed to content that is grounded in fact, inclusive and free from discrimination, and is ethical and adheres to legal requirements. The Global Content Policy is at the heart of how we act on this commitment and provides clear and consistent guidance for our content contributors. It applies to all Pearson-owned content, whoever creates it, in any format. The Policy goes through a periodic review process designed to help content contributors keep pace with the latest developments in educational concepts, terminology, laws and regulations, technology, and best practices in diversity, equity and inclusion.

> **Generative AI has opened up some exciting opportunities in product development. With our unique IP and extraordinary talent, we want to build AI tools that help students learn and help teachers teach.**
>
> **Tony Prentice** Chief Product Officer and Co-President, Direct to Consumer

Credly
by Pearson

Building a diverse and inclusive workforce

- Proves verifiable skills to **reduce inequality** in talent sourcing
- Over **80 million credentials** earned and managed
- **650k+** digital credentials shared every month

Designing accessibility requirements into our products and services

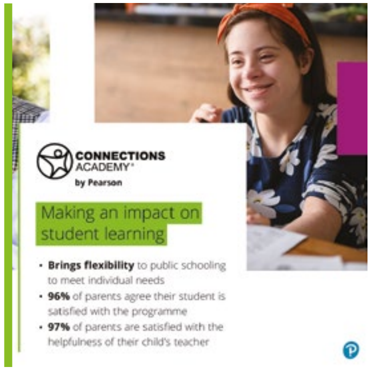
We strive to incorporate accessible thinking into everything we do, from ensuring accessibility is woven into our culture and training, to innovating and using technology to design and deliver our products.

The work of Pearson's Braille Services team provides an example of our commitment to creating learning experiences that build a more inclusive world. The team – some of whom themselves went through school using Braille – work to ensure that blind and visually impaired students have the best experiences possible to learn and succeed. They meticulously transcribe assessments into Braille, examining test questions to determine how they need to be modified. In addition to textual content, they consider how to transcribe any charts, graphs and images into tactile graphics, thinking critically, for example, about the elements of a map that might be essential to answer a question without compromising the integrity of what it might be assessing. Additionally, our GCSE English 2.0 and Level 2 Ext. Maths Cert qualifications have been designed to be accessible. Our focus is always to ensure that onscreen assessments are accessible.

Data privacy and cyber security

In addition to ensuring our products are effective, we are committed to ensuring the personal data we hold on individuals worldwide remains safe and secure, and we continuously update and improve our standards of data management. In 2023, we evolved our security strategy to align to the NIST Cyber Security Framework (an industry-recognised framework of cyber security standards, guidelines and best practices) built around five key principles: Identify, Protect, Detect, Respond and Recover. We have also started the process of aligning our data privacy programme to the NIST Privacy Framework both for consistency and to ensure that the business can effectively gauge its practices against a respected external framework which will also be recognised by external stakeholders.

The governance structure originally created to support the data protection programme has been expanded into a wider framework for trust and safety at Pearson. Business leads are able to leverage holistic, real-time metrics that include data privacy, end-of-life hardware, phishing failure rates, vulnerability management, and audit compliance to prioritise and take actions that lower our risk. Our clear system of escalation gives senior management greater awareness and oversight of key areas and activities, and better visibility over managing data privacy and security risks.



CONNECTIONS ACADEMY®
by Pearson

Making an impact on student learning

- **Brings flexibility** to public schooling to meet individual needs
- **96%** of parents agree their student is satisfied with the programme
- **97%** of parents are satisfied with the helpfulness of their child's teacher

We also provide all colleagues with training on our updated and strengthened data privacy and cyber security principles and processes and conduct monthly phishing exercises designed to educate employees to recognise malicious web links or attachments. We have created a product development playbook which will help us adhere to high standards of data management, and a consistently considered approach to the adoption and expansion of AI in our products and services.

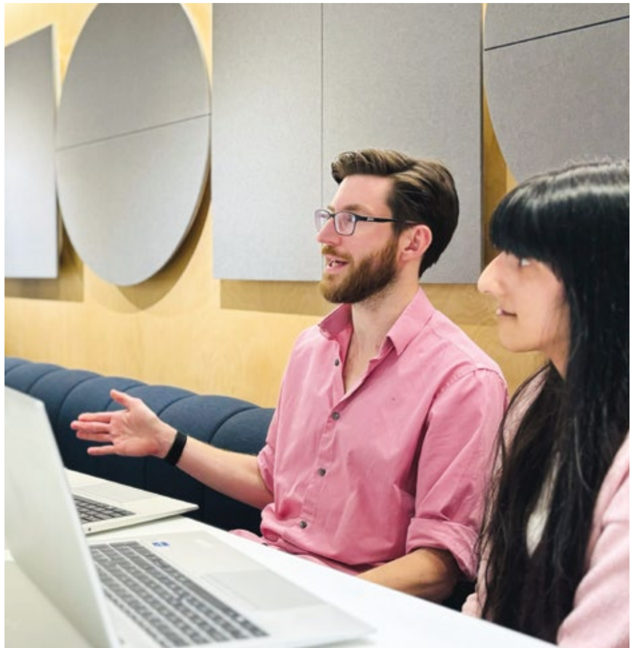
Empowering our People to make a difference

We recognise that our success and our ability to have a real-life impact on the world is highly dependent upon our colleagues. Our goal is to be a world class place to work, offering an inclusive environment where everyone can leverage their strengths to drive high performance.

Our people strategy has three focus areas:

1. Employee engagement: driving better employee engagement and high performance.
2. Investing in talent: providing continuous learning, growth, and progress for our people.
3. Diversity, equity, and inclusion: driving a culture of belonging and aiming for increasingly diverse representation throughout the company.

These areas are reflected in our non-financial KPIs on page 24, which highlight the progress we made in 2023 on delivering on our people strategy. Key human resources policies, including our human rights statement and modern slavery statement, can be found here: https://plc.pearson.com/en-GB/corporate-policies



Our values

Our **values** begin with 'we' because they **apply to all of us**. They help guide how we show up every day for our customers, each other, and the communities we serve.

1. We ask 'why'?

We challenge the status quo by challenging ourselves.

2. We ask 'what if'?

We spark curiosity to innovate new possibilities for everyone.

3. We earn trust.

We build credibility by acting with integrity every day.

4. We deliver quality.

We hold our customers and consumers in the highest regard, and our work to the highest standards.

5. We make our mark.

We execute with speed and agility to leave a lasting impact on everyone we serve.

Employee engagement

We continued to prioritise employee engagement across our business, and we made progress in our mean scores for all 12 questions in the engagement survey conducted on our behalf by Gallup. We also made a meaningful overall improvement, with our engagement GrandMean score increasing to 4.09 out of 5 (from 3.96 in 2022). As a result, we now rank in the 70th percentile in Gallup's global company database for engagement.

We have 10 employee and business resource groups (ERGs) - voluntary, employee-led groups that aim to foster a diverse, inclusive and equitable workplace culture for Pearson employees. The ERGs support leadership to champion inclusive efforts and promote collaboration and community between all Pearson employees. More information on each group is provided on the Careers section of our website here: https://plc.pearson.com/en-GB/careers/diversity-equity-inclusion. This year, as part of the Stonewall Workplace Equality Index, the UK chapter of our Spectrum ERG received a 'High Commendation' award in recognition of its work to make real, impactful change in support of LGBT+ colleagues, customers, and students as well as our suppliers and partners.

In 2023, we launched a skills-based volunteering initiative for our people, that focuses on learning, mobilising, and building community. As part of the launch, we refreshed our volunteering policy to five days aligned to our purpose and values. We also launched a Credly by Pearson volunteering credential series, which recognises the impact that our employees make in their communities. Our employees around the world have participated in events at home, in the office, and on the road. To date, employees have completed over 20,000 hours of volunteering.

Investing in talent

We see upskilling managers as a priority because of the critical role they play in engaging our employees. In addition to offering new managers a formal development programme, over 700 existing employees participated in our Coaching for Performance series community, which focuses on developing our managers as coaches. 96% of attendees reported identifying an opportunity to use the skills they learned with their teams. We also measured our progress using Gallup's Coaching Index, which combines two questions from our database to assess the extent to which managers exhibit key coaching behaviours. Our coaching index score has improved to 3.95 from 3.75 in 2022 (out of 5) and this will again be a primary focus for us in 2024.

We also continued to enhance our workforce by bringing in new colleagues with critical skills that support our strategy. These skills included software development, sales and customer service. We also continued to offer alternative routes into Pearson such as internships and apprenticeships.

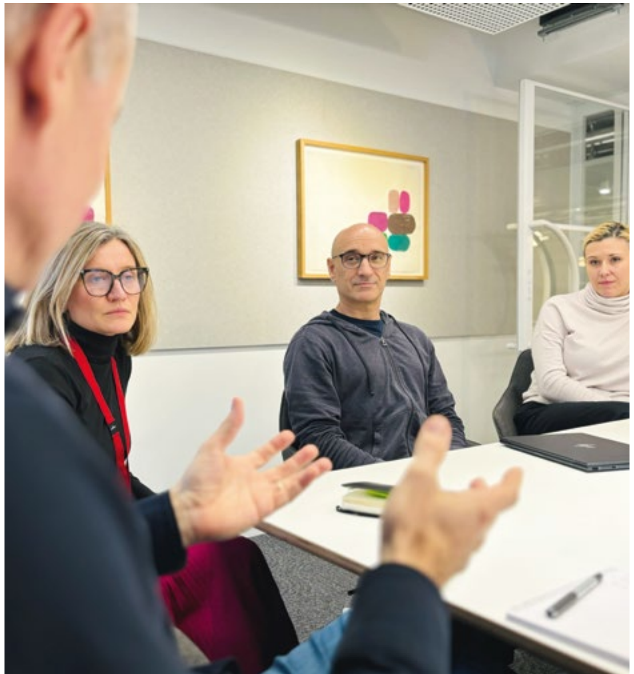
Our commitment to employee development is reflected in the increase in the percentage of employees who agree or strongly agree in the Gallup engagement survey that they have 'had opportunities to learn and grow'. This rose to 76% from 72% in 2022. Our approach to employee learning is underpinned by our capabilities framework. We are continuing to evolve this using Faethm, our proprietary AI. Employees use the capabilities framework to plan their own learning journeys aligned to the skills needed to drive the company strategy and equip them for the future of work.

We organised a global summit for 100 leaders to align on strategy and performance priorities and respond to developments in consumer culture and generative AI.

Following this in-person event, we looked at input from employees via the engagement survey about their learning and skills needs. We combined this needs assessment with content from the summit to produce 31 live, virtual, learning sessions via our global Learning at Work series for all employees. This series leveraged Pearson authors as well as Pearson leaders as teachers.

In addition, we launched a new learning experience platform that integrates third-party content libraries, Pearson commercial content, bespoke learning content on a range of topics aligned to current priorities (e.g. generative AI), and digital credentials powered by Credly by Pearson. To date, 16,100 Pearson employees have earned a credential from Credly by Pearson.

Other Pearson commercial learning opportunities include our direct to consumer apps, Pearson+ and Mondly, and joint offerings with commercial partners, including Pearson eTextbooks via VitalSource, Golden Personality Profiler, Accelerated Pathways and Apprenticeships. These are all offered to employees free of charge. We offer reimbursement to US employees for tuition costs up to 18 credits, provided their education programme is related to a job or skills needed within Pearson. Tuition costs are reimbursed after pupils successfully complete a course with a grade C or above, or equivalent mark.



Diversity, equity and inclusion

We fully integrated a focus on inclusion into our manager development and continued to offer a learning experience to all employees designed to promote an inclusive culture. Training uptake was high at 92%, and feedback showed that it was highly effective in conveying the benefits to Pearson and catalysing individual action. As a result of its impact, this programme was recognised at the Women in Technology Excellence Awards UK as the best Diversity and Inclusion initiative 2023.

We continued our commitment to build a more diverse pipeline of talent via Board mentoring, coaching from Hult Ashridge Business School, the McKinsey Management Accelerator Programme and McKinsey Executive Management Programme. This year, we have seen some improvements in both female representation and in under-represented people of colour in the US and UK.

More detailed information can be found on our performance section on page 49.

We have aligned metrics focusing on and incentivising increased diversity in our executive remuneration. Female representation at Board level has improved with the additions of Alison Dolan and Alex Hardiman, counterbalancing Linda Lorimer's retirement. Our Board diversity reporting can be found on page 53 and our gender pay gap reporting can be found on page 41.

We also maintained the level of diverse representation on our Executive Management team. Notably we have maintained our position of having surpassed the FTSE Women Leaders Review target for 40% of leadership roles (defined as the Executive Committee and their direct reports) to be filled by women, well ahead of the end of 2025 deadline. This includes a 50:50 gender split on the Pearson Executive Management team.

In March 2023, the Parker Review Committee launched a new ethnic diversity target for FTSE 350 companies. All FTSE 350 companies were asked to set a percentage target for senior management positions that will be occupied by ethnic minority executives by December 2027 and to report on the target annually. Currently, 18% of our Executive Management and the senior leaders that report directly into them (SVPs and VPs) have self-identified as ethnically diverse – this includes only US and UK employees. We have set a global target of 20% ethnic diversity for the Executive Management team and the senior leaders that report directly into them (SVPs and VPs) by 2027.

The combined percentage of under-represented people of colour in the US and UK, at all levels, is 28%, a 0.1% decrease versus 2022, primarily due to the divestment of our POLS business. Investing in increasing recruitment of under-represented people of colour at all career levels, and of women at senior levels, will continue to be a focus area in 2024.

We also give full and fair consideration to all applicants and support the continued employment of disabled persons, having regard to their aptitudes and abilities, and making reasonable adjustments to address individual needs. Recruitment, promotion, and training are conducted on the basis of merit, against objective criteria that avoid discrimination. We are also proud that 'Disability:IN' (https://disabilityin.org/what-we-do/disability-equality-index/2023companies/) recognised Pearson as a Best Place to Work on its 2023 Disability Equality Index.

Workforce engagement

Our workforce includes regular and limited-term employees, (full-time and part-time), casual/seasonal employees (primarily for scoring), and contingent workers (individual contractors, consultancy workers, and agency workers). We follow local labour and human rights regulations, including works councils, in each jurisdiction in which we operate.

Most of our workforce is in the UK and US, and we communicate with our employees in several ways. They hear regularly from their divisional leaders and the CEO through virtual and in-person town halls. They also have access to regular CEO updates through the corporate intranet.

Employees receive news on the company's share price via the corporate intranet, and through regular communications and town halls with the CEO and their respective business leaders. You can learn more about how the Board engages with employees on pages 82, and our Employee Resources Groups on page 39.

In 2023, our Group employee turnover was 34% (16% voluntary / 18% involuntary). At a Pearson-wide level, this is in line with expectations and broadly comparable to the previous two years. However, as we continue to make progress with our three focus areas, our voluntary turnover is reducing, with the in-year increase in involuntary turnover largely due to strategic divestitures and sales, most notably Pearson Online Learning Services and Pearson College London.

Reward, benefits and wellbeing

At Pearson, our reward, benefits and wellbeing proposition stands in support of our ambition to become the destination for the world's best talent, able to attract and retain talent to execute our digital-first strategy. To ensure this is the case, we make a significant investment in our people by offering a holistic Total Reward package, underpinned by our guiding pay principles.

These principles ensure that our people know that there is a consistent approach to how pay and benefits are managed and understood at Pearson – no matter where they are, with consistent and robust reward structures and clear guidelines for determining and rewarding individuals' contributions. We are committed to providing fair and equitable pay and benefits for our employees across the world.

Our commitment to pay equity was the guiding force behind the decision to publish Pearson's first Fair Pay Report and ethnicity pay gap data on a voluntary basis in April 2023. This is initially focused on the UK from a data perspective, but the report aims to tell a more holistic story of the ways that we lead on diversity and honour our commitments as an inclusive employer. We are committed to greater transparency and want this to be a reason the best talent joins, and stays at, Pearson. We released our 2023 Fair Pay Report as part of our transparency efforts, and plan to continue making this analysis available on an annual basis.

We evaluate our benefit programmes annually to ensure they are meeting the needs of a diverse range of demographics and life stages. In 2023, we added several benefits for our employees in the UK in an effort to align with our commitment to inclusivity. These new benefits include: (i) a Mental Health Pathway which provides assessment, support and, if necessary, referrals to the appropriate clinical setting with either outpatient or inpatient treatment under the care of a treating mental health specialist, (ii) menopause support including expert guidance from trained health professionals, (iii) gender affirmation services to support a patient's journey from assessment pre-surgery up to and including gender confirmation surgery, and (iv) fertility and family planning services that reimburses members up to £20,000 for the costs of a wide range of fertility treatments.

In addition, we have continued to strengthen our strong culture of employee share ownership. Over 1 in 4 of our employees now choose to save to purchase Pearson shares via our savings-related employee share plans ('Save For Shares' and the 'Employee Stock Purchase Plan'). This enables them to become shareholders and owners of Pearson, and share in the value they help to create.

Health and safety

Our employee health and safety KPIs are reflected in the nine standards in our policy here: https://plc.pearson.com/en-GB/careers/diversity-equity-inclusion, and performance on those standards is reported to the Board's Reputation & Responsibility Committee (RRC). Our strategy has been modelled against ISO 45001 standards and other relevant regional and national standards, and our 80 Strand headquarters holds ISO 45001 certification. Over the past year, our health and safety approach has evolved in line with our risk profile and strategic business changes, with our Protective Services team reporting on its activities to the Reputation & Responsibility Committee.

Leading responsibly for a better planet

We recognise our responsibility to reduce our environmental impact and are making progress on key commitments, aided by our transition from one of the world's largest print publishers to becoming a digital-first organisation. We are making progress on our Climate Action Plan and our response to the TCFD recommendations can be found on page 44. Our latest materiality assessment, conducted in 2022, ensures our areas of environmental focus align with our stakeholders' concerns.

Climate Action Plan

In 2018, we set ambitious carbon targets which include a reduction commitment approved under the Science Based Targets Initiative to reduce scope 1, 2 and 3 emissions by 50% by 2030 against a 2018 baseline; and another target of becoming a net zero company by 2030.

Central to our decarbonisation strategy is our shift towards a more environmentally beneficial product portfolio. Our Climate Action Plan is underpinned by three main areas of work:

- Achieving a decrease in the overall quantity of paper purchased and increasing the share of ethically sourced material.
- Increased the use of 100% renewable electricity consumption, while reducing reliance on renewable energy certificates to achieve this target.
- Engaging with our suppliers in the climate transition.

Environmental impact targets are assigned to the business divisions and central functions, with progress reviewed internally on a quarterly basis and validated by an external third party once a year. Our headquarters, as well as three major sites in the UK, are also ISO 14001:2015 certified.

We believe that the most meaningful and important contribution that Pearson can make to society's journey to net zero is by focusing on reducing our absolute emissions as described in the following sections.

We will also continuously review our long-term decarbonisation plans and net zero targets to ensure they remain aligned with global best practice, the latest climate science, and reflect continual improvements in our data quality. That's why this year we are considering options for revising the company's long-term science-based targets.

Emissions reduction

Pearson achieved a 16.3% reduction during 2023 compared to 2022, which led to a 44% reduction of our GHG emissions overall (vs a market-based target of 50% reduction in 2030 against a 2018 baseline).

Our progress was ahead of expectations, partly due to portfolio changes below our rebaselining threshold (5%), and the knock on effect of cost reductions reflected in our carbon accounting.

These reductions also highlight the work that we have been building to achieve better data quality across the business. In 2024, we will continue to prioritise data accuracy and plan to rebaseline our figures as we bring on board a new data collection system, as detailed on page 43.

In 2023, actual emission reductions were driven by an accelerating demand for our digital solutions; and operational efficiencies in our properties, workforce, and paper-related purchasing, including transport and distribution.

Resource use

Responsible environmental stewardship helps to create a healthy and sustainable planet for our learners and all of society. Our biggest direct impacts are carbon emissions from our use of energy, so we need to ensure we manage our own operations responsibly.

Energy

Improving the energy efficiency of our buildings is a key component of our Climate Action Plan. In 2023, we began a programme of decommissioning utility-intensive buildings – with a reduction in our physical footprint of 8% – and have implemented ESG guidelines on the selection of new buildings. Since 2016, over 100% of our electricity has been purchased through green tariffs, onsite generation, or renewable energy certificates (RECs).

Next year, we are seeking to reduce our use of RECs as pricing has been volatile and they do not necessarily support the development of new renewable capacity. While they will continue to have a role to play – for example where we do not expect to be long-term occupiers of a building – we will focus our efforts on reducing energy consumption and driving procurement from sustainable and renewable sources.

As we continue to invest in technology and innovation, renewable energy technology will be increasingly important for us. We are committed to designing our products and services to be as eco-friendly as possible, as this has a direct influence on the emissions generated in our own operations.

This year, we assessed the carbon footprint of our English Language Learning app, Mondly, to better understand the environmental impact of our digital products. Our findings confirmed what we had already suspected – that emissions from digital products such as Mondly are much lower than traditional print language learning books.

Most of Mondly's use-phase emissions come from the consumption of energy from end-user devices, which is difficult for us to control. Therefore, we will need to establish the correct partnerships to drive change as an industry going forward.

However, another significant portion of emissions are held in data centres used by Mondly. This is an area where we can have more direct influence. For example, during the year, we streamlined the number of data centres we use, including closing six, opening two new more efficient centres, and optimising two. We are also moving to cloud-based data centres that provide more efficiency on resource use, where possible.

Waste and water

As reported last year, we saw a sharp upward trend during 2022 in total water and waste consumption partly due to the estimation methodology used. Even though our office-based operations have a limited impact on water use and waste, we continue to focus on data improvements by using more accurate methodologies of calculation for estimations.

Next year, we are planning a water risk assessment and the continued certification of our largest offices. For example, the Berger Tower, one of Pearson's main Indian offices has been certified LEED Platinum which is the highest rating and awarded only to the best-in-class properties in terms of sustainability management.

In terms of our indirect impacts, we are increasing our investment in print-on-demand services, instead of holding paper-based inventory. This helps us to reduce the risk of out of date content and enables us to become more efficient in managing our waste resources. As well as this drive to be ‘inventory free’, we are also promoting the expansion of print service agreements to expand local printing and avoid the environmental impacts of shipping product to different locations. As a result, we have achieved a reduction of approximately 15m book miles.

We are also prioritising a reduction in goods we transport by air. By consolidating orders (regrouping orders from different locations into single shipments) and shifting to an ocean-freight-first strategy, we have reduced the quantity of goods shipped by air. Next year, we will intensify our efforts alongside our key logistics partners.

We are also exploring options to shift to sustainable fuel for our ocean freight.

Building sustainable supply chains

In 2023 we purchased over £1.4bn of goods and services. Around 80% of our global spend is represented by 190 large-scale suppliers. We believe in doing business with partners who share our commitment to human rights and the environment — strengthening our supply chain through shared values and commitments such as carbon reduction and diverse representation. We conduct detailed analysis of our larger suppliers through a third-party sustainability ratings platform (EcoVadis) as well as our own maturity criteria for carbon reduction and diversity practices based on publicly available data.

Supplier engagement

The great majority of our GHG emissions come from our indirect emissions that occur in upstream and downstream activities, which represent over 95% of our total market-based emissions. Our Global Procurement team has resources dedicated to developing our ethical and sustainable procurement practices.

Working with and providing education to our business divisions, they have implemented an end-to-end process to engage suppliers in assessment, growth and accountability to accelerate our decarbonisation journey.

This year, we have updated our Responsible Procurement policy to further strengthen the minimum standards we expect of our suppliers and third parties. We continue to review and update our ways of working to embed carbon maturity considerations into every stage of the supplier lifecycle from sourcing through to ongoing governance, and we seek diverse perspectives to enrich Pearson’s products and services.

Paper sourcing and nature-related impacts

While we have a growing technology-enabled supply chain reflecting our increasing shift to digital, some of our customers still require traditional paper-based products, and will continue to do so for the foreseeable future. Therefore, we continue to manage the use of paper and print production to minimise any potentially negative environmental impacts further down our supply chain.

During 2023, our overall paper consumption decreased (2023: 22,859 tonnes; 2022: 24,187 tonnes), due to our digitalisation strategy. We are also maintaining our commitment to source 100% of our paper from ethically certified papers. This year, we sourced 69% (2022: 62%) of our paper from certified sources (FSC, PEFC and SFI).

In addition to purchasing ethically sourced papers, which put an emphasis on banning deforestation, enhancing biodiversity and protecting nature, we maintain strong due diligence procedures in our direct supply chain, as this is a key component in how we manage nature-related risks.

We rate suppliers as medium or high-risk based on a Book Chain tool designed specifically to help companies identify labour and environmental risks in the supply chain. We use Book Chain’s Forest Sourcing and Chemicals & Materials tools to reduce the likelihood of purchasing paper from sources associated with endangered species, reduce our exposure to deforestation and ensure our suppliers are complying with safety legislation. The audits are carried out by third-party auditors and shared via the Book Chain platform. In 2024, we will conduct a third-party audit of nature-related risks to include our wider supply chain, beyond paper sourcing.

Strengthening data and reporting

Following a rigorous and comprehensive selection process, we will implement a new data management system in 2024. The internationally recognised, best-in-class, integrated platform covers emissions tracking and reporting, and we expect that the adoption of the system will provide us with significantly enhanced visibility and a more accurate view of our footprint. This is supported by the system’s ownership of the CEDA multi-regional input-output (MIRO) database of emissions factors, which covers over 95% of global emissions. It will also support our emission-reduction initiatives within our operations and along our value chain.

Task Force on Climate-related Financial Disclosures

Below we set out our climate-related financial disclosures consistent with the four Task Force on Climate-related Financial Disclosures (TCFD) recommendations, and 11 recommended disclosures in the 2017 report 'Recommendations of the Task Force on Climate-related Financial Disclosures', together with its subsequent annex and implementation guidelines. The statement includes the climate-related financial disclosures required by section 414CB (A1) and (2A) of the Companies Act 2006. Additional information on climate-related issues (beyond the recommended TCFD disclosures)" can be can be found in other parts of this document. Where this is the case, it is referenced within the relevant paragraphs.

Governance

Board oversight

The Board continues to have ultimate oversight of Pearson's climate change strategy and achievement of our targets. Day-to-day responsibility for Pearson's environmental, social and governance issues is delegated to the Board's Reputation & Responsibility Committee (RRC). The RRC receives updates on emissions on a regular basis and met four times in 2023 to develop plans for delivering and embedding the Learning for Impact strategy across the Group (including the climate strategy), monitor and track progress against plans, support management, Group leadership and functions on sustainability-related matters, and discuss recommendations for the wider Board.

As a group, the RRC brings a deep understanding of climate and sustainability. For information on the Board's composition and skills profile please see page 68. Pearson's other Board Committees work alongside the RRC on several ESG topics, for example, the link between climate and remuneration and reporting compliance and audit. Read more about our governance structure and approach, including our organisational structure on climate governance on page 94.

Strategy management and implementation

The role of assessing and managing climate-related risks and opportunities is a shared responsibility across Pearson. Our Chief Legal Officer is the Executive sponsor of our ESG strategy and chairs the environmental steering group, which includes our Chief Financial Officer and Chief Strategy Officer. She also participates in the RRC. The steering group meets quarterly and directs the implementation of our overall carbon reduction plan, oversees climate-related risks and opportunities and communicates objectives to the rest of the Executive Management team.

Each business division and corporate function has appointed senior representatives to lead sustainability actions and ensure that risks and opportunities are embedded into their planning and divisional oversight. The sustainability team meets quarterly with the management of divisions and corporate functions to provide expertise and guidance on the implementation of carbon reduction activities both at a central and individual business unit level. The sustainability team also holds responsibility for monitoring and reporting on our goals and representing the company in wider partnerships aimed at achieving transformational change.

Throughout the business, Pearson has subject matter expertise that touches on various areas of our climate-related agenda. For example, our Responsible Procurement team engages with our suppliers on a regular basis and ensures relevant policies and procedures exist to enable a transition to a green economy.

Strategy and risk management

Identified risks and management approach

Last year, we commissioned the specialist consultancy ERM to undertake a climate risk assessment to identify and quantify the potential impacts of climate change risks and opportunities on our businesses, strategy and financial planning. The process undertaken included assessing the materiality of climate-related risks; identifying the range of scenarios described in the following sections; evaluating business impacts and shortlisting the most meaningful risks accordingly, and finally, identifying Pearson's management responses and mitigation actions to each of the key risks identified.

In order to prioritise the nine key risks identified, we took an evidence-based approach, drawing on climate scenarios and Pearson's financial data, to assess their materiality, likelihood and velocity.

This year, we refreshed ERM's assessment internally, updating for changes in the sustainability strategy and refreshing the risks through discussions with management, and leadership. The conclusion of this exercise was that the risks remain consistent with last year. The various climate risks identified are integrated into the organisation's overall risk management processes, dependent on the nature of the risk. For example, physical risks are integrated into business continuity planning by the central workplace team, costs and availability of paper by the centralised procurement team, and other transition risks such as changes in regulations are managed by regulatory alert systems held in the Legal function. Managing wider stakeholder expectations and stakeholder engagement is managed by the sustainability team and respective communications team, whether it is internal or external.

The Group has assessed the impact of climate change on the Group's financial statements, including our commitment to achieve net zero by 2030, and the actions the Group intends to take to achieve those targets. The assessment did not identify any material impact on the Group's significant judgements or estimates as at 31 December 2023, or the assessment of going concern for the period to June 2025 and the Group's viability over the next five years.

Risk description	Scale	Pearson mitigation actions
Physical risks		
Facility damage due to acute hazards: Two of the assets included in the physical risk screening have relevant exposure to acute hazards. — Melbourne has present day exposure to a flood; and — Manila experiences a hurricane once every three years on average, with a maximum observed wind speed of 127mph.	Time frame – short Likelihood – possible Magnitude of impact before any mitigation action – low Magnitude of impact with mitigation actions – low	We have insurance policies in place that would cover the costs of structural damage and some lost revenue. Therefore, the impact is expected to be minimal.
Wildfire interruption to Assessment & Qualifications: Wildfire is the physical climate hazard that has the potential to trigger widespread disruptions to transportation and facility accessibility. The Assessment & Qualifications business unit is not fully digitised and relies on physical locations for instruction and examinations. Under a pessimistic warming scenario, wildfire risk may increase across the US, Canada and Australia.	Time frame – medium Likelihood – likely Magnitude of impact before any mitigation action – low Magnitude of impact with mitigation actions - low	We have insurance policies in place that would cover the costs of structural damage. Therefore, the impact is expected to be partially mitigated.
Increased water scarcity: According to data from WRI Aqueduct, Pearson has a relatively low number of properties with exposure to water scarcity across its portfolio of operating locations.	Time frame – medium Likelihood – likely Magnitude of impact before any mitigation action – low Magnitude of impact with mitigation actions - low	We expect water usage to remain minimal, and any increased costs or consumption will be offset by property upgrades (e.g. taps automatically switching off).
Increased paper costs: The global paper market is inherently exposed to physical risk, such as exposure to potential increased destruction from thunderstorms, wildfires, hurricanes and flooding. These events can also cause logistical disruptions that further impact the paper market. Accordingly, paper costs may increase.	Time frame – long Likelihood – likely Magnitude of impact before any mitigation action – moderate Magnitude of impact with mitigation actions - low	In the short-term pricing changes will be reflected in operational and strategic plans. In the medium term we expect digital product/services alternatives to be widely available.
Increased use of cloud services: Data centres require ever-increasing quantities of electricity and water to cool their systems. As Pearson increases its reliance on digitisation, exposure to the physical risks of data centres owned by cloud service providers may materialise in the form of increased costs to use their services, should they face increased costs to run and cool their systems.	Time frame – short Likelihood – likely Magnitude of impact before any mitigation action – low Magnitude of impact with mitigation actions - low	Mitigation actions would include shifting services to alternative locations or servers. Any incremental increase in costs would be reflected in operational and strategic plans.

* Impact scales:

Time frame	Magnitude of impact
Short: within 5 years	Low: below £5m
Medium: between 5 – 10 years	Moderate: £5m - £20m
Long: more than 10 years	High: £20m or above

Risk description	Scale	Pearson mitigation actions
Transition risks		
Building efficiency standards: Building efficiency and performance standards are becoming more stringent across the globe and are being imposed by regulation potentially increasing costs of occupied space.	Time frame – short Likelihood – likely Magnitude of impact before any mitigation action – low Magnitude of impact with mitigation actions - low	Our property strategy is continuously updated, and our selection criteria for newly leased properties is well above building efficiency minimal requirements.
Procurement of sustainably-certified paper: Prices and supply chain shortages may continue affecting the procurement of sustainably-certified paper.	Time frame – short Likelihood – likely Magnitude of impact before any mitigation action – low Magnitude of impact with mitigation actions - low	We expect a reduction of paper use based on our ongoing digitalisation strategy and availability of digital alternatives. Impact will also be decreased through improved product design and appropriate pricing strategies. Therefore, the impact is expected to be minimal.
Increased cost in EU ETS certificates for paper mills in Italy, Sweden, Germany and Belgium: As a result of the Paris Climate Agreement and the resulting Nationally Determined Contributions (NDCs) framework, there will be an increase in cost of EU Emissions Trading System (ETS) certificates as more EU countries work to meet their decarbonisation commitments. This is due to the limited supply of, and growing demand for, ETS certificates.	Time frame – medium Likelihood – likely Magnitude of impact before any mitigation action – low Magnitude of impact with mitigation actions - low	The risk of impact is decreased through digitalisation, which assumes a lower ETS exposure level through product design.
Reputational risk of having a non-SBTi approved "net zero" target What it means to reach 'net zero carbon' continues to evolve and concerns have been raised that companies claiming carbon neutral status are simply buying carbon credits, rather than taking concrete steps towards minimising their own carbon footprint. As a result, companies are revisiting their net zero target.	Time frame – medium Likelihood - possible Magnitude of impact before any mitigation action – moderate Magnitude of impact with mitigation actions - low	We will continue to focus on our own decarbonisation actions in alignment with the latest globally recognised standards. Pearson will submit a net zero long-term target to 2050 to the Science Based Targets Initiative (SBTi) for validation to mitigate this risk.

* Impact scales:

Time frame	Magnitude of impact
Short: within 5 years	Low: below £5m
Medium: between 5 – 10 years	Moderate: £5m - £20m
Long: more than 10 years	High: £20m or above

Opportunities

Pearson's strategy focuses on empowering individuals and communities by acquiring and credentialing skills across all life stages. Last year, our products and services impacted the lives of around 160 million global users, and we now have 1547 enterprise learning clients in Workforce Skills. Learning encourages action, promotes collaboration, supports innovation, and facilitates data-driven decisions for adopting more sustainable practices.

Urgent, beyond value chain mitigation activities are essential in the achievement of societal climate goals. By the very nature of our purpose, Pearson has an opportunity to provide the learning, credentialing and tools needed for a more sustainable future. However, measuring the impact that learning has on a global sustainability transformation is not a straightforward endeavour and one that requires continuous improvement in data and technology.

Nonetheless, the continuous decarbonisation of Pearson's products and operations through digitisation, energy efficiency, and flexible working continue to put us on the right path to achieving our long-term climate goals.

Resilience to climate change

Our climate risk analysis ran across multiple time periods up to 2050, to help us assess the speed of impact on our business model of various scenarios, and to reflect the critical future dates for reducing carbon emissions. The articulation of short-, medium, and long-term time horizons aligns with our goals and processes. The short-term horizon reflects our risk forecasting process, including our going concern and viability statements. The medium-term horizon to 2030 alludes to the date of our reduction targets, and the long-term horizon marks societal goals of achieving carbon neutrality by 2050.

The physical risk of Pearson's business was assessed using both the RCP 2.6 scenario (low GHG emissions that keep the world below 2°C warming by 2100, aligned to current commitments under the Paris Climate Agreement), and the RCP 7 scenario (high GHG emissions with average warming greater than 3°C by 2100). Our financial quantification above was based on the pessimistic scenario such as RCP 7 and IEA Beyond 2°C.

Six physical assets were assessed for exposure to material physical risk. These were chosen because they represent a sample of assets providing a range of critical Pearson services that, if disrupted, could result in delivery failures caused or aggravated by climate physical risks. Each physical hazard was mapped on a materiality matrix and changes in materiality from 2023 to 2050 were projected.

The analysis concluded that Pearson's business is moderately vulnerable to climate change from physical risks in the medium and long-term. The main areas of exposure are climate change-driven extreme heat and water scarcity which may affect the operations of cloud-based data centres that play a central role in our business strategy. Some of Pearson's physical locations, such as testing centres, are also moderately vulnerable to wildfires or flooding that could impact normal business operations. However, we have business contingency plans in place, including insurance, to reduce our potential financial exposure to such impacts.

The transition risk of Pearson's business was also assessed, using four scenarios from the IEA's World Energy Outlook 2021, (WEO-2021). The analysis concluded that Pearson is minimally vulnerable to transition risk in the 2030 time frame, but risk increases for longer time horizons across all risk categories.

The main transition risks include the reputational risk associated with having a net zero target which is reliant on offsetting unabated emissions, and the increasing cost of ethically sourced paper. The transition risks identified in the table on page 46, are largely mitigated by the opportunities also identified in the analysis. They include the further digitisation of our business, developing climate-related educational content and services, and adopting more ambitious reduction plans.

Impacts of climate-related risks and opportunities

The Board of Directors has undertaken a robust assessment of the current risks facing Pearson as disclosed in the risk section on pages 56-65 of this report. This assessment identifies principal risks, as well as several emerging risks and risks which, while more modest, could have a significant near-term impact. The corporate risk register reflects the following conclusions:

- Climate change overall does not represent a principal risk for Pearson. The financial impact of the aggregate climate-change-related risks and opportunities individually and in aggregate are well below the threshold for an item to be considered a principal risk.
- The physical and transition risk assessment highlighted no significant material risks arising from climate change in the short term (within the next five years).
- There were no substantial transition risks in the short term. However, in the medium term, the key risk is the reputational risk associated with maintaining a net zero target to 2030. We are mitigating this by realigning our long term targets with updated guidance produced by the SBTi.
- On physical risks, there are no material short-term substantial risks identified once the impact of mitigating activities is taken into account. In the medium to longer term, the most significant physical risk is water scarcity. In addition, whilst certain sites were identified with exposure to impacts from wildfire such as on closure of VUE test centres, or storms, the impact of these is currently expected to be mitigated through insurance policies and business continuity insurance.

In making this assessment, we considered the actions needed to achieve our commitments, as well as the strategic and financial impact of potential risks and opportunities. We concluded that these did not have a material impact on the carrying value of any assets and liabilities as of 31 December 2023, as we explain in further detail in note 1c to the financial statements.

Strategic outlook

Our business model places the consumer at the heart of everything we do, and we are integrating our products to create a learning ecosystem that reaches our consumers across all of their life stages. As we build out our digital learning capabilities, we will continue to shift away from physical paper-based products and services, in turn accelerating our decarbonisation trajectory. In addition, we continue to reduce our property footprint which also contributes to reducing our risk exposure to physical and transitional risks, and we expect these trends to continue. This year, we will be conducting a refreshed materiality review in preparedness for climate-related reporting regulations. This analysis will be closely integrated into broader corporate strategy work and decision making.

By the end of 2023, we had achieved a reduction of 44% in our Group emissions across our Scopes 1-3 (market-based) against our 2018 baseline, putting us on track to achieve our 2030 target of a reduction of at least 50%.

Sustainability *continued*

We believe that the most meaningful and important contribution that Pearson can make to society's journey to net zero is by focusing on reducing our absolute emissions, both in our own activities and along our value chain, with scope 3 emissions accounting for more than 95% of our total. Last year, we published our Climate Action Plan, and we are currently advancing our plans to do this beyond 2030 – mapping out the carbon reduction actions that the business will need to take as wider society does the same, in the context of developments in and the evolution of carbon offset markets and in line with the latest science-based guidance.

Metrics and targets

Our primary target is to reduce our absolute scope 1, 2 and 3 carbon emissions by 50% by 2030 (validated by the Science Based Targets initiative) using a 2018 baseline. We have made good progress this year, achieving a 44% reduction in emissions since 2018.

Climate-related metrics

In addition to carbon reduction targets, Pearson has business-relevant non-financial KPIs that address the climate-related risks and opportunities discussed throughout this report, namely:

Metric category	Metrics	Pages
GHG emissions	Sustainability strategy Progress against achieving net zero carbon by 2030, as measured through percentage carbon reduction	42-43
Strategy	Digital growth	24
Governance	Remuneration ESG weighting of 10% into LTIP	107

Our full set of environmental data and methodology for calculations can be found in the ESG performance tables on pages 48-55, and categories of scope 3 emissions included in our targets are also detailed in our independent assurance statement, see https://plc.pearson.com/en-GB/sustainability/our-esg-reporting. Our emissions data is calculated following the GHG Protocol Corporate Accounting and Reporting Standard and can be summarised as follows:

Our emissions data

tCO_2e	**2023**	2022
Scope 1	**4,661***	4,622
Scope 2 location-based	**14,052**	29,034
Scope 2 market-based	**14**	182
Scope 3	**302,572**	362,473
Total location-based	**321,285**	396,128
Total market-based	**307,247**	367,276
Intensity ratio – tCO_2e/sales (Scopes 1,2 market-based and 3)	**83.6**	95.6

* Small increase in Scope 1 emissions primarily driven by an increase in activity for company vehicles in the US.

Table of contents

Section	Section	Page Reference
Governance	Board's oversight of climate-related risks and opportunities	44-48
	Management's role in assessing and managing climate-related risks and opportunities	44
Strategy	Climate-related risks and opportunities over the short, medium and long term	44-48
	Impact of climate-related risks and opportunities	47
	Pearson's resilience taking into consideration different climate-related scenarios	47
Risk management	Processes for identifying and assessing climate-related risks	44
	Processes for managing climate-related risks	44
	Integration of climate-related risks into the organisation's overall risk management	44
Metrics and targets	Metrics used to assess climate-related risks and opportunities	48
	Scope 1, scope 2, and scope 3 GHG emissions	48
	Performance against targets	48

Our performance

About our reporting

This report provides a summary of Pearson's sustainable business strategy and our environmental, social, and governance (ESG) performance for the calendar year ended 31 December 2023. The Board's Reputation & Responsibility Committee has reviewed the reported information, including the list of material topics on page 94.

Global Reporting Initiative (GRI)

Our report is in accordance with the GRI standards, using the GRI 1: Foundation 2021 guidance. There is no relevant GRI sector standard for our industry.

Sustainability Accounting Standards Board (SASB)

We continue to report in line with the SASB's standards to provide industry-based insights into the most relevant sustainability-related risks and opportunities for the media, and professional services sectors.

UN Global Compact (UNGC) and the UN Sustainable Development Goals (SDGs)

We were proud to participate in the Early Adopter Programme of the UN Global Communication on Progress (CoP) designed to add value and streamline sustainability reporting for all participating companies of the UNGC. Our CoP is publicly available on our participant profile at: https://unglobalcompact.org/what-is-gc/participants/7319-Pearson-plc

Lifelong learning and education have an important role to play in achieving all the UN SDGs, but we focus our efforts on those where we have the greatest impact. Our priority SDGs are: 4 quality education, 8 decent work and economic growth, and 10 reducing inequalities.

ESG material issues reporting against GRI and SASB

Material issues	GRI	SASB	Page/web reference	Comments/omissions
Product effectiveness	GRI 203-2: significant indirect impacts		Risks, opportunities, and management approach: Pages 34-38 Performance: non-financial KPIs Page 24	
Consumer engagement	GRI 203-2: significant indirect impacts		Risks, opportunities, and management approach: Pages 34-38, 16-17 Performance: non-financial KPIs Page 24	
Digital growth	GRI 203-2: significant indirect impacts		Risks, opportunities, and management approach: Pages 34-38 Performance: non-financial KPIs - Page 24	
Employee learning and development	GRI 404-1: average hours of training per year, per employee GRI 404-2: programmes for upgrading employee skills and transition assistance programmes GRI 404-3: percentage of employees receiving regular performance and career development reviews		Risks, opportunities, and management approach: Pages 39-41 Performance: Pages 24, 39-41	We do not report on average hours of training, or % of employees receiving reviews. 100% of direct employees are covered by the Gallup survey.

ESG data *continued*

Material issues	GRI	SASB	Page/web reference	Comments/omissions
Employee engagement		SV-PS-330a.2. (1) voluntary and (2) involuntary turnover rate for employees SV-PS-330a.3. employee engagement %	Risks, opportunities, and management approach: Pages 39-41 Performance: Page 34	
Inclusion and diversity	405-1 Diversity of governance bodies and employees	SV-PS-330a.1. & SV-ME-260a.1. percentage of gender and racial/ethnic group representation for: (1) Executive Management (2) professionals (3) all other employees SV-ME-260a.2. description of policies and procedures to ensure pluralism in news media content	Risks, opportunities, and management approach: Pages 40-41 Performance: Pages 24, 39-40 Social Equity portal: https://www.pearson.com/content/global-store/sites/en-us/social-equity.html	
Reducing our environmental impact	GHG Emission scope 1, 2, 3. Baseline and methodology. Any offsets including type, amount, criteria		Risks, opportunities, and management approach: Pages 35, 42-43 TCFD Report: Pages 44-48 Performance: Pages 24, 42-43	
Data privacy and cyber security	GRI 418 -1 Substantiated complaints received concerning breaches of customer privacy and losses of customer data	SV-PS-230a.1description of approach to identifying and addressing data security risks SV-PS-230a.2. description of policies and practices relating to collection, usage, and retention of customer information SV-PS-230a.3. number of data breaches percentage involving customers' confidential business information or personally identifiable information number of customers affected	The following sections of our report detail: — our approach to data security risks: Page 100 — governance of data privacy, cyber security and technology resilience: Page 96 — approach to customer data and safeguarding and training provided: Pages 34, 38 — consumer-facing privacy centre explaining how Pearson uses personal information: https://www.pearson.com/en-gb/privacy-center.html	In the event of a reportable breach, we would disclose information about the incident and commit to contact any affected data subjects in a timely way. In line with regulations, we will disclose material lapses to the relevant regulators. To the extent that any relevant regulator should find fault with our data management and/or data security practices, they will publish their findings/sanctions.
Journalistic integrity & sponsorship identification		SV-ME-270a.3 Description of approach for ensuring journalistic integrity of news programming related to: (1) truthfulness, accuracy, objectivity, fairness, and accountability, (2) independence of content and/or transparency of potential bias, and (3) protection of privacy and limitation of harm	— Business Partner Global Content Policy, on page 94	

GRI General Disclosures Index

Disclosure	Page/Location	Comment
2-1 Organisational details	68, 72,74	
2-2 Entities included in the organisation's sustainability reporting	94-96	
2-3 Reporting period, frequency and contact point		2023 annual report, sustainability@pearson.com
2-4 Restatements of information	81	
2-5 External assurance		https://plc.pearson.com/en-GB/purpose/our-esg-reporting
2-6 Activities, value chain and other business relationships	11	
2-7 Employees	53-54	
2-8 Workers who are not employees		We do not currently report on workers who are not employees. Most common type of workers are regular employees (17,128) and most common type of work performed is in testing centres, technology, sales, customer services, and professional development
2-9 Governance structure and composition	66-80	
2-10 Nomination and selection of the highest governance body	88-90	
2-11 Chair of the highest governance body	66	
2-12 Role of the highest governance body in overseeing the management of impacts	68-80	
2-13 Delegation of responsibility for managing impacts	80	
2-14 Role of the highest governance body in sustainability reporting	94-96	
2-15 Conflicts of interest	76	
2-16 Communication of critical concerns	94	
2-17 Collective knowledge of the highest governance body	74-77	
2-18 Evaluation of the performance of the highest governance body	85-87	
2-19 Remuneration policies	107-135	
2-20 Process to determine remuneration	110	
2-21 Annual total compensation ratio	110	
2-22 Statement on sustainable development strategy	34	
2-23 Policy commitments	16	
2-24 Embedding policy commitments	16-20	
2-25 Processes to remediate negative impacts	94	https://plc.pearson.com/en-GB/corporate-policies
2-26 Mechanisms for seeking advice and raising concerns	94	https://plc.pearson.com/en-GB/corporate-policies
2-27 Compliance with laws and regulations	94	
2-28 Membership associations	92	We are also members of the Global Business Coalition for Education, and the Corporate Consultative Group of the World Resource Institute (WRI).
2-29 Approach to stakeholder engagement	16-20	
2-30 Collective bargaining agreements	134	Board members engage with employees on a regular basis.

ESG performance tables

Environment

Methodology: We follow the requirements from the GHG Protocol Corporate Accounting and Reporting Standard (revised edition) to calculate our emissions.

For scope 2, we use the dual reporting methodology (location and market-based approach), together with some of the latest emission factors from recognised public sources, including, but not limited to, the UK Department for Business, Energy and Industrial Strategy, the International Energy Agency, the US Energy Information Administration, the US Environmental Protection Agency, and the Intergovernmental Panel on Climate Change (IPCC). Energy use includes gas and electricity consumption in MWh and vehicle fuel use converted from mileage into MWh using BEIS conversion factors. We are also using the latest global warming potential from the IPCC's Sixth Assessment Report.

An independent third party has verified and provided limited assurance of our energy consumption; scope 1, 2 and 3 GHG emissions; and renewable electricity claims, as well as our social KPIs. See SLR Consulting assurance statement here: https://plc.pearson.com/en-GB/sustainability/our-esg-reporting

Greenhouse gas (GHG) (carbon dioxide equivalent) emissions overview (metric tons CO_2e)

	2023	2022
Scope 1	**4,661**	4,622
Scope 2 (market-based [1])	**14***	182
Scope 2 (location-based [2])	**14,052**	29,034
Scope 3	**302,572**	362,473
Total - location-based	**321,285**	396,128
Total - market-based	**307,247**	367,276
Total global scope 1 and 2 (location-based)	**18,713**	33,656
Total UK scope 1 and 2 (location-based)	**2,280**	5,671
Total global scope 1 and 2 (market-based)	**4,675**	4,804
Total UK scope 1 and 2 (market-based)	**821**	1,662

1. The market-based approach reflects emissions from electricity purposefully chosen. It derives emission factors from a contract for the sale and purchase of energy.
2. The location-based approach reflects the average emissions intensity of grids on which energy consumption occurs.

* We purchase renewable electricity in countries of consumption. For American Samoa, Bangladesh, Kenya, Republic of Korea, Northern Marina Islands and Romania, Pearson was not able to purchase country-specific Energy Attribute Certificates and we had to buy from neighbouring countries/regions such as United States, India, Uganda, China and Poland. However, this represents only 0.1% of Pearson total electricity consumption.

Intensity ratio	2023	2022
tCO_2/ m £ sales revenue (scope 1, 2 market-based and 3)	**83.6**	95.6

Energy	2023	2022
% electricity from renewable sources	**100%**	99%
Total electricity consumption from renewable sources only (MWh)	**36,321**	83,523
Total electricity consumption from non-renewable sources only (MWh)	**0**	957
On-site generated electricity (MWh)	**177**	184
Total gas consumption (MWh)	**18,309**	24,170
Total fuel oil consumption (MWh)	**49**	159
Vehicles (MWh)	**4,693****	347
Total energy consumption (MWh)	**59,372**	109,340
Global (gas, electricity and transport)	**59,323**	108,997
UK (gas, electricity and transport)	**11,519**	29,811

Resource use	2023	2022
Paper used (t)	**22,859**	24,187
% FSC	**50%**	33%
% PEFC	**6%**	20%
% SFI	**13%**	9%

Waste	2023	2022
Total waste generated (t)	**680*****	1,298
Share of waste recycled in office space	**23.9%**	17.7%

Water	2023	2022
Total water consumption (m^3)	**84,857*****	538,556

** An increase in activity for company vehicles in the US is included in this year's figures.

*** We report estimated water and waste in some of our properties by applying an intensity ratio per sqm based on all actual data available. This year, the intensity ratio per sqm for waste generated and water consumption was much lower than 2022.

Social

All employee figures, with the exception of total average number of employees (as noted below) are based on employee volumes as at 31 December 2023.

Our employees	2023	2022
Total average number of employees for the year†	18,360	20,438
Employees by geography (regional representation)	**17,612**	20,169
US as of 31 December	**9,241**	10,694
UK as of 31 December	**3,359**	3,931
Rest of world as of 31 December	**5,012**	5,544

† Total average number of employees is calculated using a Full-time Equivalent (FTE) methodology, as an average across the reporting period. Seasonal/temporary staff are excluded from calculation.

Gender diversity breakdown	2023	2022
Total number of permanent, regular employees	**97%**	97%
Male	**40%**	40%
Female	**59%**	59%
Non-binary	**0%**	0%
No data	**1%**	1%
Total number of temporary, limited-term employees	**3%**	3%
Male	**36%**	32%
Female	**63%**	66%
Non-binary	**0%**	0%
No data	**1%**	2%
Total full-time, regular employees	**79%**	79%
Male	**44%**	44%
Female	**56%**	55%
Non-binary	**0%**	0%
Not disclosed	**1%**	1%
Total part-time, regular employees	**21%**	21%
Male	**27%**	27%
Female	**72%**	72%
Non-binary	**0%**	0%
Not disclosed	**1%**	1%

Board and Executive Management team's gender identity or sex	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in Executive Management*	Percentage of Executive Management
Men	5	45.5	3	6	54.5
Women	6	54.5	1	5	45.5
Other categories					
Not specified / prefer not to say					

Board and Executive Management team's ethnic background	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in Executive Management*	Percentage of Executive Management
White British or other White (including minority-white groups)	8	73	4	8	73
Mixed/Multiple Ethnic Groups	2	18		1	9
Asian/Asian British	1	9		1	9
Black/African/Caribbean/Black British					
Other ethnic group, including Arab				1	9
Not specified/ prefer not to say					

* Prepared in accordance with UK Listing Rule 9.8.6R(10) as at 31 December 2023. As prescribed by this rule and for the purpose of this disclosure, the Executive Management includes the Company Secretary. The data contained in the tables above was collected as part of the annual declaration process, whereby the Board and the Executive Management team received declaration forms for self-completion. The declaration forms included, for all individuals whose data is being reported, the same questions relating to ethnicity and gender. The data is used for statistical reporting purposes and is provided with consent.

Female leadership breakdown	2023	2022
Senior leadership	**47%**	41%
VP and Director	**47%**	48%
Manager	**51%**	51%
Percentage of women in technology roles (IT/engineering)	**30%**	31%

Employee racial and ethnic diversity breakdown	2023	2022
Total workforce (US and UK)	**32% (US) / 17% (UK)**	32% (US) / 18% (UK)
Senior leadership (US and UK)	**15% (US) / 14% (UK)**	19% (US) / 12% (UK)
VP and Director (US and UK)	**18% (US) / 16% (UK)**	18% (US) / 13% (UK)
Manager (US and UK)	**27% (US) / 18% (UK)**	25% (US) / 14% (UK)

ESG data *continued*

Employee racial and ethnic diversity breakdown - US	2023	2022
% of total workforce	**32%**	32%
Asian	**11%**	10%
Black or African American	**11%**	11%
Hispanic or Latino	**9%**	9%
Other	**2%**	2%
White	**68%**	67%
Not stated	**0%**	1%

Employee racial and ethnic diversity breakdown - UK	2023	2022
% of total workforce	**17%**	18%
Asian	**10%**	10%
Black	**4%**	4%
Hispanic or Latino	**0%**	0%
Other	**4%**	4%
White	**64%**	66%
Not stated	**18%**	16%

% of total management workforce (US and UK)	2023	2022
Asian	**12%**	10%
Black or African American	**4%**	4%
Hispanic or Latino	**4%**	4%
Other	**2%**	2%
White	**76%**	77%
Not stated	**2%**	3%

Turnover	2023	2022
Turnover rate, total average for the year[1]	**6,446 / 34%**	6,974 / 33%
Voluntary turnover	**3,037 / 16%**	4,658 / 22%
Involuntary turnover	**3,409 / 18%**	2,316 / 11%

[1] % calculated using average 2023 H/C of 18,360, not 2023 year-end position.

Turnover by gender	2023	2022
Total female	**3,840 / 20%**	4,233 / 20%
Total male	**2,475 / 13 %**	2,659 / 12%
Non-binary	**21 / 0%**	6 / 0%
Not disclosed	**110 / 1%**	76 / 0%

Turnover by age group	2023	2022
Under 30 years old	**1,693 / 9%**	1,720 / 8%
30-50 years old	**3,324 / 18%**	3,449 / 16%
Over 50 years old	**1,414 / 7%**	1,785 / 8%
No date	**15 / 0%**	20 / 0%

New hires	2023	2022
Total number and rate of new employee hires (number of hires/ average headcount)[2]	**3,770 / 20%**	5,600 / 26%
Total number of new hires - female	**2,289 / 61%**	3,378 / 60%
Total number of new hires - male	**1,374 / 36%**	2,076 / 37%
Total number of new hires - non-binary	**19 / 1%**	24 / 0%
Total number of new hires - not-disclosed	**88 / 2%**	122 / 2%

[2] % calculated using average 2023 H/C of 18,360, not 2023 year-end position.

New hires by age group	2023	2022
Under 30 years old	**38%**	38%
30-50 years old	**44%**	44%
Over 50 years old	**18%**	17%
No date	**0%**	1%

Employee engagement measures[3]	2023	2022
Engagement	**4.09^**	3.96^
Inclusion	**4.21^**	4.12^
Progress	**73%**	67%
Learning and growth	**76%**	72%
Volunteering hours	**20,694**	n/a

[3] Sourced from Gallup Access. Propriety data.

^ GrandMean on a five-point Likert scale.

BTEC International Registrations	2023	2022
	65,033[4]	37,994

Governance	2023	2022
Total number of concerns raised and investigated	**92**	92
Percentage of employees completing code of conduct certification or training	**100%**	100%

[4] Increase due to partnership with the Ministry of Education in Jordan to offer BTEC qualifications in public schools.

Non-financial and sustainability information statement

In accordance with Sections 414CA and 414CB of the Companies Act 2006, which outline requirements for non-financial reporting, the table below signposts to content in this strategic report, relevant to the management, performance and position of the company, and the impact of our activities in specific non-financial areas.

Non-financial matter and relevant sections of Annual Report	Page/link reference
Business model	Business model: Page 22 Stakeholders: Page 16 ESG-linked remuneration: Page 113
Environmental matters Climate Resource use	Policies: Addressed in the following pages, with full policies for Pearson Plc available at: https://plc.pearson.com/en-GB/corporate-policies Position and performance: Pages 42-43 Risks/opportunities: Pages 45 KPIs: Pages 24 Climate-related financial disclosure as defined in section 414CA(2a) Companies Act 2006': Governance – (a) on page 40; Strategy – (d), (e) and (f) on pages 41-43; Risk management – (b) and (c) on page 42; Metrics and Targets – (g) and (h) on page 48.
Social and community matters Driving learning for everyone with our product Social engagement	Policies: Addressed in the following pages, with full policies for Pearson Plc available at: https://plc.pearson.com/en-GB/corporate-policies Position and performance: Pages 39-41 Risks/opportunities: https://plc.pearson.com/sites/pearson-corp/files/pearson/esgmateriality2023-14-04.pdf KPIs: Page 24
Employee matters Employee engagement Investing in talent Diversity, equity and inclusion	Policies: Addressed in the following pages, with full policies for Pearson Plc available at: https://plc.pearson.com/en-GB/corporate-policies Position and performance: Pages 39-41 Risks/opportunities: https://plc.pearson.com/sites/pearson-corp/files/pearson/esgmateriality2023-14-04.pdf KPIs: Page 24
Human rights matters Customer welfare (data privacy, security, and safeguarding) Empowering our people to make a difference Sustainable procurement	Policies: Addressed in the following pages, with full policies for Pearson Plc available at: https://plc.pearson.com/en-GB/corporate-policies Position and performance: Page 39 Risks/opportunities: https://plc.pearson.com/sites/pearson-corp/files/pearson/esgmateriality2023-14-04.pdf KPIs: Page 24
Anti-corruption and bribery matters	Policies: https://plc.pearson.com/en-GB/corporate-policies Position and performance: Page 99 Risks/opportunities: Pages 100-101 KPIs: Page 24

Pearson has a wide range of policies that underpin our sustainability commitments, including:

— Pearson Code of Conduct
— Pearson Business Partners' Code of Conduct (Partner Code)
— Responsible Procurement Policy; and our Modern Slavery and Human Rights Statement
— Anti-Bribery and Corruption (ABC) Policy; Raising Concerns and Anti-Retaliation Policy
— Pearson's safeguarding principles (include data privacy/security)
— Global Content Policy

The implementation of these policies are discussed throughout the report and on our website.

Risk management

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

The table below sets out the Group's governance structure for risk management.

Plc Board (oversight)

- Responsible for the Group's strategy
- Ultimately responsible for reviewing management's assessment of the Group's principal risks
- Approves the annual budget and long-range financial plans
- Determines risk appetite in line with the Group's strategy

Audit Committee (oversight)

- Provides oversight and assurance to the Board concerning the integrity of the company's procedures for identifying, assessing, managing, and reporting on risk
- Monitors and evaluates the Group's compliance and risk management processes and control programmes
- Conducts targeted reviews of key risks
- Approves the Group risk management framework
- Approves internal audit plans

Reputation & Responsibility Committee (oversight)

- Considers the Group's impact on the communities in which Pearson operates, including ensuring that risk management processes are in place to manage relevant risks

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

- Comprises the CEO, CFO, and other senior leaders as shown on page 68
- Accountable for ensuring that risks are mitigated in line with risk appetite
- Responsible for the execution of the Group's strategy
- Responsible for reviewing and approving the principal risks, mitigation plans and controls
- Reports to the Audit Committee on risks where required

The internal audit function (Assurance)

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

Enterprise Risk Management function (identification, assessment, and mitigation)

- Prepares the Group risk management framework
- Maintains the Group risk register and the list of principal risks
- Reviews risks with divisions to assess and monitor risk exposures
- Prepares a consolidated risk view for the Executive Management
- Provides oversight over Group risk management activity
- Reports to the Audit Committee on risks

Senior leadership (identification, assessment, and mitigation)

- Senior leadership is responsible for monitoring, mitigating, and reporting on risk
- Risk committees within each division assess the principal risks and implement further sub-committees as appropriate for division-specific exposures

Technical specialists (identification, assessment, and mitigation)

- Functional heads work in conjunction with group technical experts to monitor and manage significant Group risks. These experts provide operational support, guidance, policy, and advice

Risk management experts (identification, mitigation, and assurance)

- Dedicated teams providing guidance, review, and assurance over key operational and financial risks including finance, legal, and compliance

Pearson Personnel (identification, assessment, and mitigation)

- Personnel across the company are trained in relevant risk management to identify, assess, mitigate and escalate risks

Risk oversight

Risks are managed by members of the Pearson Executive Management team (PEM), either on a divisional basis or by function (as set out in the accountability for principal risks section on page 63).

Risk owners conduct regular risk reviews with their leadership teams, consulting others where appropriate, including technical specialists, either within their division or operating in one of the centres of expertise. Risk reports are shared with key stakeholders, including the Enterprise Risk Management team, and are discussed at PEM team meetings.

The Audit Committee has the delegated responsibility for reviewing the effectiveness of the Group's procedures for the identification, assessment, management, and reporting of risk.

Each division is expected to present an overview of its risk register to the Audit Committee at least annually and to provide an annual deep dive on key risks, supported by central risk team experts as required. Deep dive sessions are also held with enterprise-wide functions such as tax, treasury and cyber security.

The Audit Committee uses these deep dive sessions to understand the rigour of management's risk scanning and to challenge any judgements being made in response to risks.

The internal audit team provides independent assurance to the Audit Committee on the design and effectiveness of internal processes, to mitigate strategic, financial, operational and compliance risks. Internal audit plans are aligned to the principal risks but also consider other key risk areas and other assurances available. Plans are agreed in advance with the PEM team and the Audit Committee.

Risk environment

The Group operates in markets in learning, content, assessment and qualifications where it has held leading positions over several years and where the businesses and markets have progressively become more digital.

Factors affecting the markets in which the Group operates include the Group's position as an accredited provider of high-stakes tests, organisational capability, competitive dynamics, learner preferences, delivery methods including the growing adoption of AI tools and the reputation of companies operating in the market. The Group seeks to maximise the opportunities from changing market conditions while balancing its expansion with appropriate monitoring and understanding of associated risks.

Further information on the Group's divisions and key markets can be found in the strategy section on pages 12-21.

Risk identification and monitoring

Our risk identification processes follow a dual approach. Firstly, we take a top-down view which considers strategic risks relevant across the whole of Pearson. Secondly, we take a bottom-up approach at a divisional or functional level, to identify and assess a complete list of each business unit's risks, with key risks highlighted in management reporting and in each division's long-range plan.

Detailed interviews are conducted throughout the year with each division to assist with risk assessment and management. Risks are then ranked according to their likely impact as principal risks, significant near-term risks, emerging risks, or other risks.

Classification as principal risks, significant near-term risks, and emerging risks

We define our principal risks as those which could have a significant and ongoing effect on the Group's valuation by reducing the demand for, or profitability of, its products and services. This assessment considers multiple dynamics including the duration, velocity, and size of the potential impact. Effective management of these risks is essential to executing our strategy, achieving sustainable shareholder value, maintaining our reputation, and ensuring good governance. However, they do not comprise all the risks associated with our business, and are not set out in priority order. Additional risks not known to management, or currently deemed to be less material, may also have an adverse effect on our business.

Significant near-term risks are risks which could have a significant near-term cash impact or affect the Group's short-term results, but would not be expected to have a significant ongoing effect on company valuation.

Emerging risks are risks which we believe are well mitigated in the short term but may represent a significant future opportunity or threat. These include company-specific risks and risks affecting the macro economy.

Principal risks

The Board of Directors has undertaken a robust assessment of the current risks facing Pearson, in accordance with Provision 28 of the 2018 UK Corporate Governance Code. This assessment identified the following principal risks, as well as a number of emerging risks and risks which while more modest could have a significant near-term impact. For each of our principal risks, the tables below identifies:

- the change in the risk over the last 12 months
- the movement and outlook for that risk
- management actions
- the link between the risk and Group strategy
- our risk tolerance
- examples of the risk
- risk 'contagion', i.e. the extent to which issues in one area could increase the risk in other areas
- the assessed risk 'velocity', i.e. an indication of the speed at which a risk could materially impact the Group.

Accreditation risk

Description	Termination or modification of accreditation due to policy changes or failure to maintain the accreditation of our courses and assessments by states, countries, and professional associations, reducing their eligibility for funding or attractiveness to learners. Awarding bodies may also require modification of tests to continue to receive accreditation which may reduce the convenience to learners or increase the cost of delivery.
Movement and outlook	The risk has increased to a high level, from moderate-high, due to an uncertain political environment with upcoming elections in the UK and US and upcoming contract renewals in a number of assessments businesses during 2024. During the year the Group achieved accreditation to deliver the Pearson Test of English in Canada for study and migration. BTEC results season was successfully executed. The risk is expected to remain at an elevated level for the foreseeable future.
Management actions	1. Focus on creating a culture where learners and awarding bodies can depend on Pearson and know that we will meet their standards. We recognise our obligations, particularly in the testing space, to ensure prompt and accurate exam grading, and take actions accordingly. 2. Continuing the evolution and enhancement of security, data and governance standards to ensure the Group continues to meet and exceed the required standards to be an accredited provider. 3. Broadening the range of services offered and the range of stakeholders. During the year, Pearson Test of English won recognition for Canadian Student Direct Stream and economic migration visa applications and the Group acquired PDRI which provides recruitment assessment for Federal employees. 4. Continue to grow full-service offering, including online proctoring. This helps to ensure the Group has offerings that can cater for customers' many needs, especially in the global assessment market. 5. Focus on flawless or near flawless execution of marking and delivering assessment results.
Link to strategy	Ensuring we can participate in satisfying the growing need for accreditation and certification.
Risk tolerance	Low – Pearson seeks to operate in stable, well-regulated markets with known requirements to be accredited, and then has a low tolerance for taking risks which may jeopardise that accreditation.
Examples of risks	Political and regulatory.
Risk contagion	Accreditation risks are likely to have a financial impact but have limited risk of contagion.
Risk velocity	Changes in regulation or loss of contracts could occur within a 12 month period.

Artificial Intelligence, Content and Channel risks

Description	The risk that Pearson's intellectual property is harder to protect as a result of increased content generation through artificial intelligence and that Pearson's content and method of delivery (channel) is, or is perceived to be, insufficiently differentiated in terms of outcomes or learner experience. This could lead to lost sales and a significant decline in the market value of Pearson.
Movement and outlook	The risk has increased from a moderate to a moderate-high level. The Group is demonstrating capability in leveraging improvements in AI but the accelerating pace of change increases the risk. The risk is expected to remain at a similar level for the next 12 months, as more companies bring new products and services to market. The Group is also anticipating revenue growth from a number of new products, including Channels, which have not yet been proven on a large scale.
Management actions	1. Use of AI in both developing content and delivering outcomes, such as the successful beta launch of AI study tools in Higher Education and use of large language models in English Language Learning. 2. Increasing use of interactivity and multi-channel content, particularly on Pearson+, including by offering podcast content and videos (Pearson+ Channels). 3. Launch of content offerings in Pearson VUE to aid test takers in their test preparation. 4. Deployment of new curriculum materials in Virtual Schools and launch of the Connections Academy Career Pathways programme. 5. Actions to reduce piracy and to manage and enforce intellectual property rights including legal enforcement where appropriate. 6. Investment in acquisitions offering new methods for testing or delivering content.
Link to strategy	Managing AI, content and channel risk helps achieve our offering of high-quality, affordable products which lead to better access and outcomes, protecting revenue.
Risk tolerance	Medium – This is a strategic risk and Pearson should be rewarded for successfully developing and delivering products and services that consumers value. Some risk is accepted to ensure the consumer remains at the centre of what we do.
Examples of risks	— Intellectual property protection — Method of delivery — Balance of content creation and content purchased
Risk contagion	Failure to deliver high-quality and engaging products and services may have an impact on reputation and responsibility risks and on meeting customer expectations.
Risk velocity	Significant short-term impacts are possible but due to longer-term contracts or the time required for instructors, or consumers themselves, to learn how to use the new products and services, it is more likely that the impact will be felt over years.

Capability risk

Description	Inability to meet our contractual obligations or to transform as required by our strategy due to infrastructure, systems or organisational challenges.
Movement and outlook	The risk continues to be rated at moderate. The Group has successfully executed its cost efficiency programme resulting in a lower cost base, albeit ongoing maintenance of cost levels needs constant and rigorous monitoring and control. The Group's financial plan assumes that costs will be successfully managed in all divisions, despite the lower cost base. Further improvements have been made in data and cyber governance and resilience during the year. The Group is undergoing a migration process that will enhance its system resilience and reduce the risk of outages. The migration involves moving key servers to the cloud or to a new consolidated US site, with the major remaining work streams expected to be completed during 2024. Agility has been demonstrated in the use of new technology such as the use of generative AI. Capability remains a foundational requirement to continue to meet the Group's objectives, with greater risk where the Group is entering new markets, such as Workforce Skills, which has experienced some delivery challenges.
Management actions	1. Risk ratings are applied to each system and plans put in place to maintain system up time. Recovery plans are in place in the event of downtime to allow customers to maintain as much functionality as possible or to get back online as soon as possible. 2. Regular patching, activity, employee training and security measures such as multi-factor authentication help to ensure the stability and security of key Group systems. 3. Migration of servers for platform products to the cloud to enhance resilience. 4. Enhanced agility, notably in how the Group has been able to develop and deploy beta tests of products using large language models.
Management actions continued	5. Dedicated resources to focus on testing and developing AI products and to understand evolving market capabilities. 6. Supply chain planning to ensure that the Group is able to respond should a key customer or supplier fail. 7. Enhanced focus on developing products to serve new markets and user groups and cross-selling between divisions. 8. Employee engagement monitoring and learning development programmes to help retain key talent. Senior management has undertaken leadership capability assessments and changes have been made to enhance capability, including new hires and development training. 9. Acquisitions such as Faethm and Mondly have been made to build the Group's capability in key strategic areas, such as AI and direct to consumer language learning. 10. The Group regularly reviews its cost base to ensure its competitiveness and identify operations for efficiencies.
Link to strategy	Capability relates to the three priorities to unlock growth: — Consumer-focused and technology-enhanced approach — Portfolio and organisational structure — Talent and culture
Risk tolerance	Medium – the Group aims to ensure it has the capability to deliver strategic objectives, requiring strong coordination and planning, but without stifling innovation.
Examples of risks	— Business resilience — Business transformation and change — IT resilience — Safety and corporate security — Talent
Risk contagion	Failures in capability could result in increased reputation and responsibility risk and failures to meet customer expectations.
Risk velocity	Failures of capability could impact within a six-month period.

Competitive marketplace

Description	Significant changes in our target markets could make those markets less attractive. This could be due to significant changes in demand or in supply which impact the addressable market, market share and margins (e.g. changes in enrolments, in-sourcing of learning and assessment by customers, open educational resources, a shift from in-person to virtual learning or vice versa, or innovations in areas such as generative AI).
Movement and outlook	The risk has remained at a moderate-high level. The largest risk to the Group relates to the large value of customer contracts scheduled for renewal during 2024, particularly in US Student Assessment. Pearson's Virtual Schools business faces revenue headwinds following the termination of one of its major customers and with another due to terminate in the fall of 2024. Both have decided to operate services in-house. In Higher Education, the courseware market includes channel partners who operate at low margins, as well as competition from various sources including, open education resources and new entrants. The Group faces a risk of financial loss should a channel partner fail with balances outstanding to the Group. Market share loss in Higher Education stabilised during 2023. Channels was launched as an additional paid product potentially offering a new revenue stream. The risk is expected to remain elevated for the next 12 months, due to the level of competitor activity being observed, as well as continued investment in educational technology.
Management actions	1. The Group's Assessment & Qualifications and Virtual Learning businesses, as service businesses, have a particular focus on working in partnership with customers, including IP owners, to ensure that their needs are being met, resulting in high retention rates on the long-term contracts in place. 2. A significant proportion of the Group's revenue comes from governments or bodies funded by governments (for example, schools and colleges) where higher retention rates are typically observed, provided accreditation and customer expectations risks are well managed (see Accreditation for further information). 3. The strategy in Higher Education has been focused on reducing reliance on channel partners and the opportunity for secondary resale by providing digital solutions.
Management actions continued	4. The Group invests in emerging and evolving technologies to lead and respond to changes in market dynamics. Examples include the launch of AI products using large language models in Higher Education in beta and use of AI in workforce. 5. The Group's strategy is to address learners wherever they choose to learn, reducing reliance on learners' choosing particular types of institution. Direct to consumer offerings such as Mondly and Pearson+ can be accessed via smartphone by anyone, and VUE's international test centre network (also used by Pearson Test of English) allows test takers to sit exams close to home. This complements our existing businesses such as Higher Education and US Student Assessment where the Group is introduced to learners through their college or school. 6. Competitive analysis is undertaken to monitor and respond to competitive threats, with decentralised teams able to mobilise quickly to maximise opportunities and manage risk.
Link to strategy	We have identified three big global opportunities and associated marketplaces: — Technology disruption in education — The workforce skills gap — The growing need for accreditation and certification
Risk tolerance	Medium – This is a strategic risk associated with successfully selecting attractive global opportunities and seizing them. Pearson seeks to lead the shift to digital ways of learning and consequently to maintain strong market positions.
Examples of risks	— Substitutes — Market pricing — Product differentiation — Consumer learning preferences
Risk contagion	Changes in the competitive marketplace could increase portfolio change.
Risk velocity	Changes are to be expected in the global learning market over the Group's five-year planning horizon, but the timing and pace of such changes is uncertain. Pearson's Assessment & Qualifications and Virtual Schools businesses benefit from long-term contracts, which reduce the potential velocity in these divisions in particular.

Customer expectations

Description	Rising end-user expectations increase the need to offer differentiated value propositions, risking margin pressure to meet these expectations and potential loss of sales if not successful.
Movement and outlook	The risk has remained at a moderate level. While the risk is well managed within many of our businesses, as demonstrated by strong NPS scores and retention rates, cost pressures and a changing technology landscape are leading to changes in customer expectations. Evidence of higher customer expectations has been observed in the direct to consumer market, particularly for Mondly, where the cost of acquiring and retaining new learners is high, leading to some re-balancing towards offering language tuition for enterprises. Concerns about identity verification and the risk of cheating have resulted in some increase in demand for in-person testing in our VUE and PTE businesses. In Workforce Skills, feedback from customers led to a re-focus on modular solutions rather than a fully integrated platform as previously envisaged. The outlook is expected to be similar for the next 12 months.
Management actions	1. Monitoring and targeting strong NPS scores, responding to customer feedback. 2. The Group's direct to consumer offerings of Mondly and Pearson+ provide valuable insights about usage. 3. Our service businesses conduct regular reviews with customers to ensure that their expectations are well understood and met and where gaps arise, steps are taken to address these concerns.
Link to strategy	Focus on delighting our customers and meeting their expectations.
Risk tolerance	Medium – This is a strategic risk and Pearson should be rewarded for successfully developing and delivering products and services that consumers value. Some risk is accepted to ensure the consumer remains at the centre of what we do.
Examples of risks	— Customer experience — Data architecture and usage — Accessibility
Risk contagion	Failure to produce products and services meeting customer expectations could also impact reputation and responsibility risks.
Risk velocity	Typically, one to three years, as long-term contracts run off.

Portfolio change

Description	Failure to effectively execute desired or required portfolio changes to promote scale or capability and increase focus on key divisional and geographic markets, due to either execution failures or inability to secure transactions at appropriate valuations.
Movement and outlook	The risk has reduced to moderate-low as recent acquisitions are largely integrated and disposals have been successfully executed. The risk level will remain at a similar level until further portfolio activity is undertaken.
Management actions	1. Investment plans included in strategic plans, aligning requirements with divisional structure. 2. Disposal of the Pearson Online Learning Services business, helping to focus the group on future growth opportunities. 3. Acquisition of PDRI, significantly expanding Pearson's services to the US federal government. 4. An experienced Corporate Finance team to execute transactions, supported by a dedicated post-deal Operations team. 5. Pearson Ventures allows Pearson to take stakes in companies in early funding rounds supporting growth through innovation.
Link to strategy	Portfolio and organisational structure to unlock growth.
Risk tolerance	Medium – The Group seeks to balance carefully the opportunity to achieve growth through increasing capability and/or scale with the execution risk of portfolio change.
Examples of risks	— Identification of requirements — Achieving value on acquisitions/disposals — Integration of acquisitions
Risk contagion	Failures in managing portfolio change could impact capability and the ability to meet customer expectations.
Risk velocity	The speed of achieving the full benefits of an acquisition will vary depending on the size and scope of the acquisition, but typically from six months for a simple small acquisition to two years for a larger complex transaction.

Reputation & responsibility

Description	The risk of serious reputational harm through failure to meet obligations to key stakeholders. These include legal and regulatory requirements, the possibility of serious unethical behaviour and serious breaches of customer trust.
Movement and outlook	The risk remains at a moderate to high level, due to high ongoing cyber security threats and reputational risks, including data privacy and biometric risks, and the complexity of navigating different regional regulatory environments. The Group's aim is to operate in a highly reputable and responsible manner and so we intend to maintain strong mitigations to reputation and responsibility risks. However, numerous threats exist including from those who seek to do harm to the Group or to its customers, including nation-state actors, organised criminal rings, and ransomware attackers, so constant vigilance is required.
Management actions	1. Dedicated risk management teams throughout the organisation monitor and respond to key risks. These teams provide regular updates to senior management and report to the Reputation & Responsibility Committee or Audit Committee as relevant. 2. Mandatory training for all staff covers key reputational risks including cyber and data risks. 3. Insurance cover, where available, supports the Group financially in the event of major incidents. 4. The Group makes significant investments to ensure high levels of IT resilience, including migrating systems to the cloud. Tools are in place to repel cyber threats and safeguard customer information.
Management actions continued	5. Cyber security and data privacy are topics which are always reviewed as part of the divisional risk deep dive exercises undertaken and reported to the Audit Committee. This work highlights any issues which have arisen and the relative vulnerability of platforms and software. 6. Strong financial controls are in place which are monitored by the controls steering committee and compliance teams as well as local management. 7. Reviews are undertaken after incidents and significant near misses to allow lessons to be learned and any remedial actions put in place. Internal Audit are asked to provide assurance around remediation actions for key risks in a timely manner.
Link to strategy	Our reputation and commitment to behaving responsibly underpin our strategy to be a trusted partner for consumers, businesses and educators.
Risk tolerance	Low – the Group seeks to be a highly trusted consumer learning brand. Any significant failures could negatively affect our relationship with consumers today and in the future.
Examples of risks	— Compliance with laws and regulations — Cyber security — Data privacy — Safeguarding — Test failure — Use of third parties
Risk contagion	Significant failures in this area could increase Pearson's capability and accreditation risks and weaken our position in the competitive marketplace.
Risk velocity	Reputational risks could have a significant impact in a short period in the event of a significant issue.

Accountability for principal risks

For each of our principal risks (shown in bold), the table below lists the accountable senior executive(s) for each sub-risk. Since 2022, the Group has created a new position of Chief Product Officer, which has led to the changes in accountability marked in the table below.

Risks	Accountability	Change since 2022
Accreditation risk		
Political and regulatory	Chief Legal Officer and Divisional Presidents	No
Artificial Intelligence, Content and Channel risk		
Effective method of delivery (podcast, video, test, in-person, online)	Chief Product Officer and Divisional Presidents	Yes
Intellectual property protection	Chief Legal Officer and Divisional Presidents	No
Products and services – effective investment in own and third-party content	Chief Product Officer and Divisional Presidents	Yes
Balance of content creation vs content purchased	Chief Product Officer and Divisional Presidents	Yes
Capability risk		
Business resilience	Chief Legal Officer and Divisional Presidents	No
Business transformation and change	Chief Executive Officer and Divisional Presidents	No
IT resilience	Chief Information Officer and Divisional Presidents	No
Safety and corporate security	Chief Legal Officer and Divisional Presidents	No
Talent	Chief Human Resources Officer and Divisional Presidents	No
Competitive marketplace risk		
Consumer learning preferences	Divisional Presidents	No
Market pricing	Divisional Presidents	No
Product differentiation	Divisional Presidents	No
Substitutes	Divisional Presidents	No

Risks	Accountability	Change since 2022
Customer expectations risk		
Customer experience	Chief Product Officer and Divisional Presidents	Yes
Accessibility	Chief Human Resources Officer, Chief Product Officer and Divisional Presidents	Yes
Data architecture and usage	Chief Information Officer, Chief Strategy Officer and Divisional Presidents	Yes
Portfolio change risk		
Achieving value on acquisitions/disposals	Chief Financial Officer and Chief Strategy Officer	No
Identification of requirements	Chief Executive Officer, Chief Financial Officer and Chief Strategy Officer	No
Integration of acquisitions	Chief Financial Officer	No
Reputation and responsibility risk		
Compliance with laws and regulations	Chief Legal Officer and Divisional Presidents	No
Cyber security	Chief Information Officer	No
Safeguarding	Chief Legal Officer and Divisional Presidents	No
Test failure	Assessment & Qualifications, English Language Learning and Workforce Skills Divisional Presidents	No
Data privacy	Chief Legal Officer and Divisional Presidents	No
Use of third parties	Chief Financial Officer and Divisional Presidents	No

Significant near-term and emerging risks

The main near-term and emerging risks are shown in the table below, which also notes accountabilities and where the risk represents a change since the previous year.

Risks	Description	Accountability	Classification and change since 2022
Climate transition	Risks relating to sustainability and climate are outlined in pages 45-46. Expectations around climate change commitments and measurements change on a regular basis.	Chief Legal Officer and Divisional Presidents	Emerging risk. No change.
Inflation & interest rates	High global inflation risks increasing the cost of production for Pearson, which the Group may not be able to fully pass on. High interest rates also increase the risk of the failure of a key customer or supplier, although the Group has a well-diversified customer and supplier base. The Group has a significant proportion of its debt held at fixed interest rates, but faces the risk of increased costs when refinancing.	Chief Financial Officer and Divisional Presidents	Significant near-term risk. Previously classified as emerging but reclassified due to ongoing elevated inflation and interest rates.
Recession	Recession in global markets could put pressure on school, enterprise and consumer budgets, reducing demand for our products and services. This has particular potential to negatively impact our English Language Learning and Workforce Skills divisions, unless disruption in the labour market encourages more people to retrain. Historically, demand for certain Pearson businesses, such as Higher Education, has been counter-cyclical, but there is no guarantee this will continue to be the case.	Chief Executive Officer	Emerging risk. No change.
Supply chain	Disruption at ports globally and challenges for suppliers due to war or economic stress may lead to business interruption if not fully planned for and mitigated.	Chief Financial Officer and Divisional Presidents	Significant near-terms risk. Previously classified as an emerging risk but reclassified due to ongoing disruption.
Tax	The outcome of tax decisions relating to prior year transactions in Brazil could lead to significant cash costs. The UK/EU State Aid case has been partially provided for and the potential liability paid, but there is potential for near-term change.	Chief Financial Officer	Significant near-term risk. No change.
Sanctions and geopolitics	High levels of geopolitical volatility has led to the increased use of sanctions, which could inhibit the Group's ability to trade (as happened with our small business in Russia) or if inadvertently breached could lead to fines, penalties and actions against officers. The company also has offices in Israel which could be affected by the ongoing conflict in the region.	Chief Executive Officer, Chief Legal Officer	Significant near-term risk. Previously classified as an emerging risk but reclassified due to ongoing disruption.

Risk assessment of prospects and viability

Corporate planning process

The board assessed the prospects of the company using the company's five-year plan, reviewing going concern over the period to 30 June 2025 and viability to 31 December 2028. The five-year period corresponds with Pearson's strategic planning process which is discussed by the board at least annually and represents the time over which the company can reasonably predict market dynamics and the impact of additions to the product portfolio.

The strategic plan takes account of a range of factors including market conditions, the likely impact of principal risks to the Group, product and capital investment levels, as well as available funding. Pearson's strategy and business model is discussed in more detail on pages 12-23.

Viability assessment approach and outputs

Base case five-year plan

In considering the long term prospects of the company, the five-year plan was used as the base case model for assessment. Sales, profits and cash are forecast to grow in the base case. The company's subsidiary Pearson Funding plc has a debt maturity of €300m due within the going concern assessment period and it is assumed that this is refinanced ahead of time with a £250m bond or bank facility.

Severe but plausible downside model

In considering the viability of the Company, a severe but plausible model was prepared based on the base case adjusted for the probability weighted impact of all principal risks as well as other significant risks. The net impact of the risks modelled was to reduce adjusted operating profit by around 40% in each year.

At 31 December 2023, the group had available liquidity of £1bn comprising central cash balances and its undrawn $1bn Revolving Credit Facility (RCF) which matures in February 2027. The RCF can be extended by a further year in December 2024, extending the maturity to February 2028. It is assumed that the facility is then refinanced for the same value to beyond December 2028.

Under the severe but plausible downside case, the company would maintain comfortable liquidity headroom and sufficient headroom against covenant requirements during the period under assessment. That is, even before modelling the mitigating effect of actions that management would take if these downside risks were to crystalise. Such measures could include discretionary cost cutting measures, reducing dividends and reducing investment.

Reverse stress tests

Two reverse stress tests were modelled to determine the reduction in profit versus the plan that would be required to exhaust liquidity.

In the case of the going concern assessment, the profit reduction needed before 30 June 2025 was calculated. The model showed that operating losses were required in both 2024 and 2025 to exhaust liquidity.

For viability, the profit reduction and consequent reduction in cashflow needed to exhaust liquidity in 2028 was calculated, requiring cumulative losses of £300m more than identified in the severe but plausible downside case.

In each case, the downside required to exhaust liquidity significantly exceeded the downside in the severe but plausible scenario, even before allowing for any mitigation.

Conclusion

Based on the results 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 2028. Further details of the Group's liquidity are shown in the "Financial Review" on pages 26-33.

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

Accreditation Risk

- Loss of accreditation for Pearson Test of English in a major market
- Risks associated with potential political and regulatory changes in US Student Assessment and UK & International Qualifications
- Risks associated with potential political and regulatory changes in Virtual Schools

Capability Risk

- Capability challenges in sales and technology reduce sales and result in increased costs
- Additional costs to recruit teachers and students due to market conditions

Competitive Marketplace

- Revenue declines in Higher Education due to enrolment and competition pressures
- Loss of Virtual Schools due to insourcing
- Impact of major distributor failing/bankruptcy

AI, Content and Channel Risk

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

Customer Expectations

- Additional costs to provide higher than planned functionality and levels of user experience
- Challenges achieving customer expectations in Workforce Skills
- Failure to achieve desired growth in Channels revenue

Portfolio Change

- Failure to achieve anticipated acquisition synergies

Reputation and Responsibility

- Potential cyber and data breaches negatively impacting reputation on an ongoing basis
- Potential safeguarding incidents negatively impacting reputation on an ongoing basis

Recession and inflation

- Potential for increased costs and lower sales because of a weak macro environment

Omid Kordestani Chair

> **The Board is focused on strategic progress, operational discipline and sustainable success for the benefit of all stakeholders.**

Dear shareholders,

It is a pleasure to introduce our Governance Report for 2023. During the year, we have continued to accelerate our strategic goals, in which the Board and its Committees have played a critical role. This was also an exciting year with the appointment of a new Chief Executive and two independent Non-Executive Directors joining the Board, which you can read more about throughout this report.

Strategy and performance

The Board has continued to be heavily engaged with the management team in overseeing the continued implementation of our growth strategy, with a particular focus on embedding operational discipline around the business divisions.

The Board also continued to reshape and refine Pearson’s portfolio in support of our strategy through both acquisitions and divestitures. In 2023, we completed the sale of Pearson Online Learning Services (POLS), the international Online Program Management business, to conclude the strategic review of the business announced in 2022, demonstrating further progress in reshaping Pearson's portfolio towards future growth opportunities, centred around lifelong learning.

Further, we completed our acquisition of PDRI, a trusted provider of workforce assessment services with significant expertise in providing assessment solutions to the US federal government, one of the largest employers in the US. PDRI has built a strong reputation for delivering quality talent assessments, including tailored assessments to support hiring practices for US federal government agencies. The acquisition of PDRI has expanded Pearson’s portfolio, accelerated our strategy to capture new market opportunities and grown our presence with large employers in the US. We are now fully focused on executing against the growth opportunity ahead and there is significant opportunity to learn from each other to further improve our products and reach more customers with our proven assessment and talent solutions.

The Board continued to pay close attention to maintaining a strong financial position, which enabled us to increase the dividend again in 2023, in line with our progressive dividend policy. We were also able to launch a £300m share buyback programme to return capital to shareholders, in line with our capital allocation priorities and disciplined approach to capital allocation, which enables Pearson to create sustainable, long-term value for every stakeholder. We have also announced an extension of our share buyback programme by £200m.

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 page 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 97-106, including 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.

Sustainability, stakeholder engagement and culture

As the world’s leading learning company, Pearson recognises its enormous potential to make a positive impact on people and the planet, as outlined in our sustainability framework, which you can learn more about on page 35. 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 94.

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 Understanding our stakeholders section on page 81.

During the year, the Board held engagement sessions with employees in London and Hoboken to hear employee views. Read more about this engagement, and plans for Board engagement with the workforce in 2024, on page 82. Promoting a diverse and inclusive 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 progress on improving our workforce diversity, but we always recognise there is more to be done.

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 (both through the work of the Reputation & Responsibility Committee and as a full Board) the results of the engagement survey and annual deep dives into succession and the talent pipeline. 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 diverse backgrounds, perspectives and skill sets, whose range of expertise includes digital and direct to consumer strategy and business models, sustainability, education and workforce learning, and leadership of global, complex organisations through periods of transformation and disruption, as well as financial acumen. You can read more about the Board's skills and experience on page 90.

A key area for the Board's attention in 2023 was the selection process for Pearson's new Chief Executive, following Andy Bird's indication to the Board of his intention to retire. This was a thorough and considered process in which all Board members participated and, as a Board, we are delighted to have appointed Omar Abbosh as Chief Executive. You can read more about the Board's decision-making and selection processes for the appointment on pages 83 and 91 respectively. On behalf of the Board, I would like to thank Andy for his outstanding leadership over the last three years, during which he implemented an ambitious strategy, successfully transitioned Pearson into a more consumer-focused business, orientated around lifelong learning, and delivered consistently strong financial performance. We send Andy our very best wishes for the future.

We also appointed two new independent Non-Executive Directors to the Board during 2023, further enhancing the skill set and diversity of our Board, as you can see on page 71. 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.

On behalf of all Directors, I extend our deepest gratitude to Tim Score who, after serving for nine years on the Board, will step down at the AGM in April 2024. During his tenure, Tim has held several key roles on the Board, including as Deputy Chair, Senior Independent Director and Chair of both the Audit Committee and Nomination & Governance Committee, as well as a member of the Remuneration Committee. Tim has been a stable and knowledgeable voice on the Board, during periods of transformation and restructure. Every one of us on the Board will greatly miss Tim's wise counsel, warmth and commitment to the company. We send Tim our very best wishes for the future. I am delighted that Graeme Pitkethly has agreed to succeed Tim as Deputy Chair and Senior Independent Director, alongside his existing key role as Chair of the Audit Committee – the company and I are fortunate to have such an outstanding colleague stepping into Tim's shoes in that role.

Alison Dolan and Alex Hardiman joined the Board as independent Non-Executive Directors in June 2023, both bringing significant leadership experience in high-profile and respected digital brands, along with deep expertise in digital and consumer products. They have each already made strong contributions to the Board and as members of the Audit Committee, and for Alex as a member of the Reputation & Responsibility Committee. More detail on their induction processes can be found on page 84.

The Board is fully engaged in planning for future succession needs, and closely monitors the evolution of skill sets needed to drive the company forward. More detail about the Board's succession planning can be found in the Nomination & Governance Committee report on pages 88-93.

The annual Board evaluation process in 2023 was externally facilitated by Manchester Square Partners, in accordance with our three-year evaluation cycle. The results demonstrate that our Board is collaborative, while providing constructive challenge and independent judgement, and operates a robust governance approach that will support Pearson in continuing to drive strategic progress. Good progress has also been made on the recommendations from the 2022 review. You can read more about the 2023 evaluation, and how the Board implemented recommendations from the previous evaluation, on pages 85-87.

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

The principles set out in the UK Corporate Governance Code (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. 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 2023 the company was in full compliance with all applicable principles and provisions of the Code, save that, as described last year, Pearson is not fully compliant with Provision 36 of the Code on the basis that the shares awarded under the previous Chief Executive's co-investment award made in 2020, and approved by shareholders at the time, were subject to a post-vesting holding period until 31 December 2023, rather than the total vesting and holding period of five years or more required by the Code. Further detail is provided in the Directors' remuneration report on pages 108 and 119.

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: 60

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: 57

Appointment

Chief Executive Officer
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 comes to 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 where he 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 also serves as a non-executive board member for 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.

Current notable commitments

Zuora, Inc. (Non-Executive Director)

Sally Johnson

Chief Financial Officer
Age: 50

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 divisions, 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 and acquisitions. She has held various senior-level roles across the business, most recently as Deputy CFO of Pearson.

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

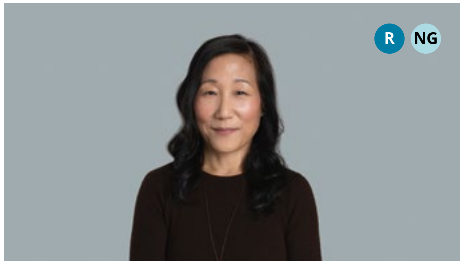
Non-Executive Director
Age: 60

Alison Dolan

Non-Executive Director
Age: 54

Alex Hardiman

Non-Executive Director
Age: 42



Esther Lee

Non-Executive Director
Age: 65

Appointment

Non-Executive Director
since 1 May 2019

Non-Executive Director
since 1 June 2023

Non-Executive Director
since 1 June 2023

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.

Presently, Sherry also Chairs the Remuneration Committee at Raspberry Pi, the world's largest single-board computer company and Founders4Schools, the UK's largest transition-to-work charity.

Sherry is an experienced non-executive director which includes 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 previously acted as an advisor 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.

Alison is the Chief Financial Officer of Rightmove plc, a position she has held since September 2020. She brings to the Board extensive commercial and operational finance experience, specifically in digital businesses. Prior to Rightmove, 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 the Chief Strategy Officer at the forefront of the business's digital transformation.

Current notable commitments

Rightmove plc (Chief Financial Officer)

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

Alex currently serves as The New York Times' Chief Product Officer where she oversees the company's News, Cooking, Games and Audio products that power its digital business. She also leads The Times's 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 their 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*


A RR

Graeme Pitkethly

Non-Executive Director
Age: 57


NG R A

Tim Score

Deputy Chair and Senior Independent Director
Age: 63


RR R NG

Annette Thomas

Non-Executive Director
Age: 58


A RR

Lincoln Wallen

Non-Executive Director
Age: 63

Appointment

Non-Executive Director
since 1 May 2019

Non-Executive Director since 1 January 2015

Senior Independent Director since 30 April 2021

Deputy Chair since 29 April 2022

Non-Executive Director
since 1 October 2021

Non-Executive Director
since 1 January 2016

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 Vice Chair of the Task Force on Climate-related Financial Disclosures, a Member of the Strathclyde University Centre for Sustainable Development and is a Chartered Accountant.

Tim has extensive experience of the technology sector in both developed and emerging markets, having served for 13 years as CFO of ARM Holdings plc, the world's leading semiconductor IP company. He is an experienced Non-Executive Director and was appointed as a Non-Executive Director of Bridgepoint Group PLC in 2021, alongside his roles as Chair of The British Land Company plc, a Non-Executive Director of the Football Association, and a Trustee of the National Theatre. Tim has garnered extensive financial and listed company experience during previous and current positions. He served on the board of National Express Group plc from 2005 to 2014, including time as interim Chair and six years as SID. Earlier in his career, Tim held senior finance roles with Rebus Group, William Baird, LucasVarity plc and BTR plc.

Current notable commitments

The British Land Company plc (Chair)

Bridgepoint Group PLC (Non-Executive Director)

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 this, 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 advisor to Creative Commons and Bain Capital.

Current notable commitments

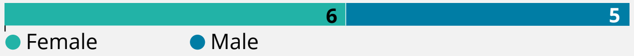
Schroders plc (Non-Executive Director)

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.

He was previously CTO of Improbable Worlds, a technology start-up supplying cloud hosting, networking and technology services to the video game industry. Lincoln was CEO of DWA Nova, a Software-as-a-Service spin-out of DreamWorks Animation Studios in Los Angeles, a position he held until 2017. 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.

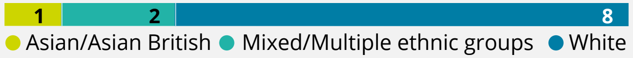
Board composition

Gender



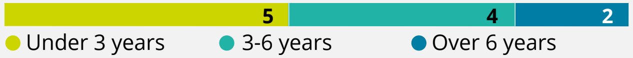
Nationality

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 2023. To learn more about Board diversity, please see page 92. For diversity data in the format prescribed by LR 9.8.6R(10), please see page 53.

Independence of Directors

All of the Non-Executive Directors who served during 2023 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, Mr Wallen will reach nine years' service on the Pearson Board. Upon or in anticipation of 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. The Nomination & Governance Committee gave particular consideration to Mr Wallen's independence in February 2024, ahead of proposing to shareholders that he be re-appointed for a further year at the forthcoming Annual General Meeting, recognising that he will reach nine years' service during the coming year, if re-elected. 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.

Tim Score will be retiring from the Board at the 2024 AGM and will not be seeking re-election. In 2023, the Committee assessed Mr Score's independence, having regard to, among other factors, the Financial Reporting Council's Guidance on Board Effectiveness, and concluded that Mr Score remained independent. In assessment of his own independence, undertaken in January 2024 to address the requirements of the NYSE and the Code, Mr Score did not declare any matters which may cause his independence to be questioned.

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)

Key to Committees

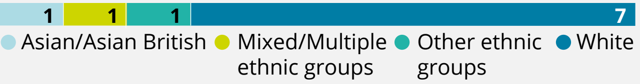
○ **Internal appointment**
◉ **External appointment**

	Ali Bebo ◉	**Lynne Frank** ◉	**Gio Giovannelli** ○	**Mike Howells** ◉	**Sulaekha 'Sue' Kolloru Barger** ◉
					
	Chief Human Resources Officer Age: 55	Chief Marketing Officer and Co-President, Direct to Consumer Age: 57	President – English Language Learning Age: 51	President – Workforce Skills Age: 47	Chief Strategy Officer Age: 48
Appointment	Joined Pearson 13 December 2021 Appointed to the PEM 13 December 2021	Joined Pearson 16 November 2020 Appointed to the PEM 16 November 2020	Joined Pearson 1 February 2014 Appointed to the PEM 1 April 2016	Joined Pearson 1 December 2020 Appointed to the PEM 1 December 2020	Joined Pearson 16 May 2022 Appointed to the PEM 16 May 2022
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.	Lynne has over 25 years of experience in the global media industry. Previously, she has worked in companies such as WarnerMedia, ESPN/Disney and Turner Broadcasting. She holds a degree in economics and business, and a certificate in corporate board governance from the University of California, Los Angeles (UCLA).	Gio has over 25 years of international business experience, including four CEO roles in Brazil. Previous board roles include BOVESPA-listed Natura and CVC Viagens. Gio graduated from Bocconi University, holds an Economics PhD and is an OPM graduate of Harvard Business School.	After 3 years' service, Mike is stepping away from his role as President of Workforce Skills in 2024. Mike has more than 20 years of international business experience. Prior to joining Pearson, he held senior leadership roles in the British Diplomatic Service and worked in international law. Mike holds a Master's degree in International Law from the University of Nottingham and an Anthropology Degree from University College London.	Sue has more than 20 years of global strategy and corporate experience. Previously, 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.

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. The Chief Executive and Chief Financial Officer have been excluded and are counted in the Board metrics on page 71. For diversity data in the format prescribed by LR 9.8.6R(10), please see page 53.

				
Cinthia Nespoli ○	**Tony Prentice** ◉	**Tom ap Simon** ○	**Art Valentine** ○	**Marykay Wells** ○
Chief Legal Officer Age: 43	Chief Product Officer and Co-President, Direct to Consumer Age: 51	President – Higher Education and Virtual Learning Age: 45	President – Assessment & Qualifications Age: 59	Chief Information Officer Age: 61

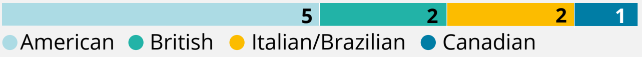
Appointment

Joined Pearson 1 February 2014	Joined Pearson 1 May 2023	Joined Pearson 1 December 2004	Joined Pearson 23 January 2006	Joined Pearson 14 July 2014
Appointed to the PEM 21 May 2020	Appointed to the PEM 1 May 2023	Appointed to the PEM 1 April 2021	Appointed to the PEM 1 February 2022	Appointed to the PEM 16 March 2022

Skills and experience

Cinthia has over 20 years of international legal and compliance experience. Previously, 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.	Art has more than 30 years of leadership experience in assessments, testing, and technology. Prior to his 16 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 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 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).

Nationality



External/Internal Appointment

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, Board experience and diversity; 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 diverse 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 and diversity, equity and inclusion (DEI) initiatives
- reviewing and determining the company's strategy, including in relation to sustainability matters, 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
- 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 considerable 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 divisions or the vision and wider strategy of the company 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 portfolio changes during 2023, 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 81-83 about how the Board engages with stakeholders and takes their views into account when making decisions.

Portfolio changes

The Board receives regular updates on portfolio and corporate finance activities throughout the year, including regular updates on live transactions (disposals, acquisitions and corporate joint venture activity) and outputs of periodic portfolio reviews. 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 executive and divisional management, supported by the Corporate Development team and, where necessary, external advisers. 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. In 2023, such portfolio updates included the disposal of the Pearson Online Learning Services (POLS) business and the completion of the acquisition of PDRI, as well as a review of potential pipeline opportunities.

Board meetings

The Board held six scheduled meetings in 2023, 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, including the developments in generative AI, more detail on which can be found on page 78. Major items covered by the Board in 2023 are shown in the table on page 76. In addition to its scheduled meetings, the Board convenes as necessary to consider matters of a time-sensitive nature. In 2023, the Board also held several additional discussions regarding the Chief Executive recruitment process.

Reflecting on the level and quality of engagement by the Board in 2023, the Board is satisfied that each Director contributed to Board discussions and demonstrated sufficient commitment to be able to meet their responsibilities. As shown in the table on page 77, each of the Non-Executive Directors attended all scheduled Board meetings during 2023, with the exception of Graeme Pitkethly who was unable to attend the meeting in April due to a pre-existing commitment. 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 activities *continued*

Board attendance

Directors are expected to attend all Board and Committee meetings, but in certain circumstances, such as pre-existing business or personal commitments, 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 2023, as shown in the table on page 77 and in the Committee reports that follow.

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, 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 & 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. 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 reviews any authorisations previously granted on an annual basis.

Board meeting focus 2023

Strategy	Performance	Leadership and people	Governance and risk	Shareholder engagement
— Ongoing digital transformation — Enterprise ecosystem and direct to consumer growth opportunities and strategies — AI strategy — Strategy implementation — Oversight of Five-Year Strategic Plan and approval of 2024 annual operating plan — M&A pipeline and post-acquisition reviews, as well as consideration, approval and regular updates of major transactions — Product updates and demos, including Pearson+ Channels and Workforce Skills — Data strategy	— Approving 2022 preliminary results and annual report and accounts — Approving 2023 performance expectations and guidance to the market — Approving the 2023 interim results and Q1 and Q3 trading statements — Monitoring 2023 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 — Business unit and corporate function operational deep dives	— Talent review, pipeline development and succession planning, including overseeing Chief Executive succession process — Culture — DEI initiatives — Employee engagement sessions with Board — Employee engagement survey assessments	— Legal, regulatory and governance matters — Data privacy and cyber security matters — Board and Committees' effectiveness evaluation — Regular review and annual confirmation of Directors' commitments and/or potential conflicts of interest — Approval of Committees' terms of reference — Risk management report	— Investor relations strategy, updates, and share price performance — Shareholder issues and voting — AGM and related shareholder interactions — Feedback from Board member meetings with shareholders — Major shareholders and share register analysis

When making new appointments in 2023, the Board considered other demands on the proposed Directors' time. The Board considered Alison Dolan's existing commitment as Executive Director and Chief Financial Officer of Rightmove plc, a UK-listed online real-estate portal, and Alex Hardiman's existing commitment as Chief Product Officer for The New York Times, as part of their appointment process. The Board agreed that Alison and Alex's existing commitments would not have a negative impact on their ability to contribute to Pearson.

Omar Abbosh's existing commitments were considered as part of his appointment process. The Board was of the opinion that Omar's additional notable commitment as a Board member of Zuora, Inc. was acceptable. The Board noted that the Higher Education division of the company has an existing relationship with Zuora, Inc. but this was deemed to be non-material in terms of Omar's role as Chief Executive. The Board also concluded that Omar's existing commitments would not prevent him from giving the time and attention that his role as the Chief Executive would require.

On 1 April 2023, Sally Johnson was appointed to the Board of Rentokil Initial plc as a Non-Executive Director and took on the role of Chair of its Audit Committee on 10 May 2023. When considering this new commitment, the Board assessed any potential conflicts of interest and the time commitment required, as well as taking into consideration the requirements under Provision 15 of the UK Corporate Governance Code. The Board agreed that Sally's new commitment would not have a negative impact on her role as Chief Financial Officer of Pearson.

The Board believes that the experience gained by Directors through their other commitments brings valuable perspectives to the Pearson Board.

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

1. Alison Dolan and Alex Hardiman joined the Board on 1 June 2023.
2. Linda Lorimer retired from the Board on 28 April 2023.
3. Graeme Pitkethly was unable to attend the Board meeting on 27 April 2023 due to a pre-existing commitment. He reviewed the papers and provided his perspectives to the Chair prior to 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.

AI

AI plays an important role across Pearson's product portfolio. For instance, large language models within Workforce Skills which develop proprietary predictive algorithms designed to assess trends in demand for skills and occupations globally and recommend career and learning pathways for consumers, enterprises and governments. Within English Language Learning there are AI-based open response assessments. We have also recently brought to market a generative AI tool within our Pearson+ service, which you can read more about on page 15, which enables users to automatically summarise the content of Channels videos into simple bullet points. Additional generative AI study tools designed to help students better learn and understand challenging subjects launched in the latter part of 2023. Opportunities to consider how we can continue to leverage innovative AI technology to drive further efficiency and generate additional cost savings are also being explored.

As generative AI develops, we expect it to create significant positive opportunities for Pearson, due to our unrivalled depth of content and data. Learners and educators place enormous trust in us so we have a responsibility to be thoughtful and considered in how we use this technology, whilst continuing to move at pace to enhance our products with the customer in mind.

During the past year, the Board, the Audit Committee, the Reputation & Responsibility Committee and the Executive Management team have been focused on keeping informed on AI developments both within Pearson and in the wider market, considering both opportunities and implications of the technology for Pearson.

The Board regularly receives updates on AI capabilities and developments within the business, particularly as part of the divisional deep dives. Such deep dives included the integration of AI into Mondly's capabilities as part of the English Language Learning division, and how greater harnessing of AI and machine learning technologies could impact the Higher Education division.

In May 2023, Pearson provided an update to the market and external stakeholders on the generative AI enhancements in products across its portfolio.

These enhancements, when combined with Pearson's unparalleled collection of high-quality proprietary intellectual property assets, further strengthen the Company's position as a digital-first learning company focused on delivering an unmatched experience for the consumer across their lifetime of learning. The Board was updated on the progress against our generative AI strategy announced in May 2023, which further embeds AI technology across key products throughout our portfolio in a way that enhances the teaching and learning experience. The Board is actively focused on the significant opportunities across the company and the work to embed generative AI across a number of key products within Workforce Skills, Mastering and MyLab, Pearson+ and English Language Learning.

The Board was updated on considerations around the development of AI technology, including discussing the company's IP protection strategies with management. The Board also discussed the impact of wider market statements regarding the potential effects and opportunities of generative AI, and management conducted a number of meetings with investors and analysts on the impact the acceleration of generative AI technology could have for the company.

The Board was also frequently updated on 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, and Common ID – the development of singular customer profiles and log-in capabilities.

In addition to considering AI through specific lenses, in July 2023, the Board conducted an enterprise-wide strategic deep dive into AI, including: its use in PTE scoring in the English Language Learning division; its use in Faethm's skill ontology analysis; VUE's deployment of AI technology as part of its security capabilities; and Higher Education's use of AI in content creation, in partnership with authors.

The Audit Committee was provided with updates on AI workstreams within the legal and government relations function, as well as ongoing work being undertaken to understand potential risks and opportunities relating to IP rights enforcement, including by monitoring the landscape in other sectors and having careful regard for Pearson's future strategy and business model.

The Audit Committee considered the risks associated with generative AI, and reviewed its status as part of the risk management update and Group risk review. In particular, as part of the Audit Committee's strategic risk sessions:

- The Assessment & Qualifications deep dive included an overview of risks associated with AI and the competitive marketplace, as well as perspectives on the use of AI in the Assessment & Qualifications business, drawing a distinction between the AI techniques that had been in use for some time and the recent developments in generative AI, where possibilities were still being assessed.
- The Higher Education deep dive included an overview of Pearson's capabilities relating to AI in personalisation of materials and consideration of Pearson's thinking regarding IP, licensing and royalties in an AI-powered environment.

Across multiple sessions, the Reputation & Responsibility Committee considered the AI landscape from a regulatory, policy and media perspective, including:

- Conducting a government relations deep dive, which highlighted the significant amount of regulatory and policy focus on this topic. Alongside this, the Committee noted the programme of engagement with government offices and participation in notable forums and events to share the company's perspectives in this field.
- Considering Pearson's positioning and engagement strategy in terms of corporate voice on AI-related matters, with more work to be done on this.

The Reputation & Responsibility Committee also discussed AI as part of its session on online trust and safeguarding. Overall, the Committee noted AI as a potential reputational risk and agreed that it should therefore continue to be a matter for the Committee's attention.

You can read more about how we manage AI from a risk perspective on page 56.

Talent and culture

Ensuring that we have both a talented, engaged workforce that is focused on delivering our strategy and an inclusive 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 inclusive and high-performing, and in which our people can leverage their strengths. We track Group-wide progress through our 'Culture of engagement and inclusion' non-financial KPI (see page 24 for more details on our KPIs). Pearson's purpose, vision, mission and values (set out on page 2) are key to developing our culture to support our strategic vision, particularly in driving a culture of performance.

The Board monitors culture and organisational health, together with its Committees, and receives regular updates from the Chief Executive and Chief Human Resources Officer. In addition to tracking culture as a non-financial KPI, the Board monitors other Group-wide initiatives that underpin our culture, including employee engagement, the code of conduct programme, compliance, health & safety and talent attraction and retention (see table below for further information).

The Reputation & Responsibility Committee's remit includes oversight of culture and employee engagement, increasing the Board-level focus on these matters. 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 83), and in conducting their business more broadly.

During the year, the Reputation & Responsibility Committee conducted a deep dive into the results of Pearson's employee engagement survey, to establish the trends and actions that needed to be taken to improve engagement with employees, with the key themes and indicators also discussed with the full Board. The Board also has a particular focus on the current and future leaders of Pearson, including our talent pipeline for leadership and other pivotal roles, and we conducted our annual deep dive into talent and succession planning in December 2023. Read more on page 89.

Cultural indicator	How it is overseen	Board level responsibility
Employee engagement	The Board ensures engagement through multiple channels, including the employee engagement survey (the results of which were discussed by the Reputation & Responsibility Committee and the Board), town hall sessions and in-person engagement events, such as the face-to-face listening sessions with employees in London and Hoboken. Read more on page 82.	RR 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 in 2023. We also have mandatory training for all employees on cyber security and data privacy, with targeted training for employees in certain roles, divisions or geographies.	A
Compliance, including whistleblowing and investigations	The Chief Compliance Officer 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.	A
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.	A
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.	RR
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.	R
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 56.	R

How the Board is kept informed *continued*

Sustainability

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

Indicative sustainability duties falling within remits of Board Committees

Board

Reputation & Responsibility Committee

- Overseeing 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 sustainable business 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 sustainable business 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 2023 throughout this Governance Report, in particular in the Reputation & Responsibility Committee's report on pages 94-96.

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: consumers, educational institutions and educators, employers, business partners and institutions, government and regulators, employees, shareholders, and our communities.

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 2023, is in the strategic report on pages 16-20. Further information on how the Directors discharge their duties under Section 172 of the Companies Act 2006 is on page 21.

Engagement in 2023

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. The use of digital technology allowed for broader engagement, helping to ensure that stakeholders retained a voice within the Boardroom.

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 2023. A detailed review of the Chief Executive recruitment process, and how it relates to our stakeholders and Pearson's long-term success, is on page 83.

Shareholders

Shareholders are a key consideration in the Board's decision-making. We have continued our focus on driving shareholder engagement through in-person meetings and events, while also using digital technology to reach a wider base of shareholders.

The Board is committed to fostering shareholder engagement by making it easier for all types of shareholder to attend annual general meetings (AGMs), recognising that they represent an opportunity for shareholders to interact with the Board and share their views, concerns, and feedback. Following the success of our first hybrid AGM in 2022, we held a hybrid AGM in 2023 for the first time 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 believe that the hybrid approach enables a broader cross-section of our shareholders to participate in general meetings and will therefore be holding a hybrid AGM in 2024 and look forward to welcoming our shareholders. Further details will be shared in our notice of the 2024 AGM.

The Board ensured a continued shareholder dialogue throughout the year. We undertook an extensive engagement exercise on our remuneration arrangements and proposed Directors' remuneration policy prior to our 2023 AGM. Further, in accordance with the UK Corporate Governance Code, following a significant minority vote against our Directors' remuneration policy at our 2023 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 Directors' remuneration policy, and shareholder engagement prior to and after our 2023 AGM, is on page 108. 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.

Shareholder engagement at a glance

Over 2023, our Chief Executive, Chief Financial Officer and Divisional Presidents, as well our investor relations team, participated in meetings, conferences, roadshows and events across the world. This included a seminar at the New York Stock Exchange on the Assessment & Qualifications business, conference participation across the US, Europe and the UK and concluded with a Q4 roadshow.

Over 500 meetings **with** **Over 270 institutions**

Understanding our stakeholders *continued*

Employees

The Reputation & Responsibility Committee leads on employee engagement on behalf of the Board. 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 strengthen their voice. Examples of how the Board engaged with employees in 2023 to ensure that they are listened to, supported and rewarded, are illustrated below.

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. During the year, the Board evolved its approach to employee engagement to include a wider programme of engagement activities with employees, including in-person, structured listening sessions, which complemented existing executive employee engagement and expanded opportunities for direct engagement by Non-Executive Directors. During the year, the Board held two structured, face-to-face listening sessions with employees in London and Hoboken, facilitating meaningful interactions between Board members and various groups of employees. The invitations to attend both events were open to all employees based in the 80 Strand and Hoboken offices, with approximately 40-50 employees attending in each location. The sessions were held informally over breakfast, with Board members sharing tables with small groups of employees to hear their thoughts, feedback and questions. Board members engaged on a variety of topics, including the appointment of the new Chief Executive, the shape of Pearson and our strategy going forward. Both events were received very positively by employees and the Board spent time after both sessions sharing their feedback and discussing what they had heard from employees.

> **This is a golden chance for professionals like me to bridge the gap with our top decision-makers.**
>
> **Mrunal Bhagat** a UK schools marketing executive
>
> *(Attended the London engagement event)*

Omid Kordestani also engaged in a virtual fireside chat with a global audience of Pearson leaders, fostering an open dialogue and sharing perspectives across the organisation.

Looking ahead, the Board intends to hold similar events, including in-person and structured listening sessions, as well as virtual events, in 2024 to ensure we continue to be inclusive, authentic and representative of our diverse employee base.

Town halls

Throughout 2023, the Chief Executive, Chief Financial Officer and the Executive Management team held virtual town hall meetings, which 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 financial results announcements.

Surveys

During 2023, we conducted a further Pearson employee engagement survey, following the launch of a refreshed approach in 2022. We heard from c. 13,600 employees, with an overall response rate of 82% compared with 72% in 2022. The Reputation & Responsibility Committee received a detailed update on the survey results, including additional insights on the culture of inclusion, coaching effectiveness, and opportunities to increase engagement, which were also discussed at Board level. Further information on the outcomes of the Pearson employee engagement survey is on page 39.

> **I had such an insightful conversation with Lincoln Wallen about the hiring process of our new CEO, and what Omar will hopefully bring to Pearson when he joins us.**
>
> **Emma Devlin** UK BTEC & apprentices senior marketing executive
>
> *(Attended the London engagement event)*

> **The board members genuinely seemed interested in hearing from employees on the front line, I never had this type of opportunity in previous companies.**
>
> **Nichol DeGruccio** a Pearson VUE real estate administrator, based in New Jersey
>
> *(Attended the Hoboken engagement event)*

Our Board's decision-making in action

This case study on the Chief Executive appointment process illustrates how the Directors considered the various aspects of their statutory duties in making the decisions related to Omar Abbosh's appointment and the implications for stakeholders. This case study should be read in conjunction with the Directors' duties statement on page 21 and the Nomination & Governance Committee report on pages 88-93. In its decision-making, the Board considered Pearson's key stakeholders in the following ways:

Consumers

When the profile of the desired candidate and the role specification were developed for the Chief Executive recruitment process, the Board took into account the key skills and attributes that would be needed to expand upon and accelerate Pearson's digital transformation and continue Pearson's commitment to its purpose of adding life to a lifetime of learning, offering our consumers and learners new and exciting ways of learning. Omar has extensive experience in driving service and solutions for customers and delivering high-quality services and products. He is passionate about learning and education, having worked across many sectors in his career.

Communities

We strive to make a positive and meaningful impact in the communities in which we operate and the Board considered this in assessment of the candidates, to ensure that the successful candidate was aligned with the importance of this to Pearson and in driving this forward. Omar is a dynamic and innovative leader, who has the skills to ensure we continue to widen access to education in our global communities through innovation. He is a highly mission-driven and people-centric leader.

Employees

As part of the extensive selection process, the Board was focused on ensuring that the chosen candidate aligned with Pearson's values and ambition, that they saw Pearson's employees as the company's greatest asset driving our success and ability to make a positive impact. The Board sought a candidate who was a strong cultural fit with Pearson, with the ability to effect and accelerate change. Omar is an inspirational, dynamic and growth-oriented leader, who the Board believes will help drive the future success of the business. He has strong people engagement skills and his personal values are very much aligned with those of Pearson.

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. The Board agreed that the candidate would need to have highly successful experience in leading a large, high-performing, purpose-driven international business, with experience in brand building and a passion for education. Omar has deep commercial and operational expertise focused on delivering high-quality services and products across diverse markets and customer sets. His most recent position as President of Microsoft's Industry Solutions business, together with his experience on the board of NYSE-listed, enterprise SaaS company, Zuora, Inc., mean that he is ideally positioned to understand the diverse needs of employers that Pearson seeks to serve through its products and services.

Shareholders

In considering the candidates, the Board paid particular attention to ensuring the successful candidate had sufficient depth of experience to continue to build on our strategy across our global markets and deliver long-term value, thereby promoting the success of the company for the benefit of its members. Omar has a wealth of experience with global enterprises, deep expertise in digital transformations and a proven track record of delivering growth and value creation. Following the announcement of Omar's appointment, Omid Kordestani engaged with a number of our key shareholders.

The Board is confident in Omar's ability to deliver on strategy and execution, which ultimately will be for the benefit of all our stakeholders and is delighted to have secured such an outstanding candidate as Chief Executive of Pearson.

Directors’ induction

> **I received a detailed induction, including divisional deep dives and tailored meetings with colleagues, which helped me better understand Pearson’s priorities and enabled me to engage and contribute at Board meetings effectively from the start of my tenure as a Non-Executive Director.**
>
> **Alex Hardiman**
>
> Appointed to the Board on 1 June 2023

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 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.

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; Divisional Presidents	Overview of the strategic priorities of the company and each division, 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.

Inductions for Alison Dolan and Alex Hardiman

Alison Dolan and Alex Hardiman joined the Board as Non-Executive Directors on 1 June 2023. As part of their onboarding arrangements, Alison and Alex received comprehensive and engaging induction programmes that included a series of meetings.

In addition to meeting the Chair, Chief Executive and Chief Financial Officer, Alison and Alex met with each of the Executive Management team members, key representatives of our corporate functions, and our brokers. Both induction programmes also included one-to-one meetings with each of their fellow Non-Executive Directors and a comprehensive introduction to the activities of each of the Board’s Committees, including their objectives and priorities and, as they have both joined the Audit Committee, they met with the company’s audit partner. Alison and Alex also held meetings with the company’s legal advisers to discuss directors’ duties, corporate governance and external reporting, among other topics.

Board evaluation

The Board operates a three-yearly evaluation cycle which employs a variety of methodologies to ensure the most effective results.

Following internally facilitated reviews in 2021, led by the Senior Independent Director, and in 2022, led by the Chair, in accordance with the three-year evaluation cycle, the 2023 review was externally facilitated.

Typical three-yearly evaluation cycle

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

Approach and methodology

The 2023 evaluation was carried out by Manchester Square Partners, which operates as an independent advisory firm. Manchester Square Partners was selected following consideration by the Nomination & Governance Committee of various providers and the potential scope of the evaluation. Manchester Square Partners has no other connections to the company or individual Directors beyond this process.

The review was conducted through a series of one-to-one conversations with each Director and anchored in a set of questions shared with Directors in advance. One-to-one meetings were also held with each member of the Executive Management team and selected other senior executives. The review process also included observation by the evaluator of a full set of Board and Committee meetings, including the private sessions. The one-to-ones were conducted in a 'free-format' style, to allow organic discussions and to provide ample opportunity for Directors and executives to raise matters of importance.

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

In reporting back to the Board, Manchester Square Partners opined that, based on their experience of evaluating the effectiveness of boards in a variety of industries, including many FTSE 100 companies, the Pearson Board operates highly effectively. It was found to be well chaired and comprised of high-quality Non-Executive Directors who provide an appropriate balance of challenge and support to the Executive Directors and management team.

The Chair discussed the report with the evaluator and subsequently the Board reviewed the detailed findings from the report with the evaluator at its meeting in February 2024. The Board will develop an action plan to address recommendations and areas for improvement and the Nomination & Governance Committee will monitor progress during the year.

Board evaluation process

▼ The format of the review was agreed by the Deputy Chair & Senior Independent Director (including in their capacity as Chair of the Nomination & Governance Committee).

▼ The scope of the review was finalised by the Deputy Chair & Senior Independent Director with support from the Company Secretary.

▼ Manchester Square Partners interviewed each of the Directors on a confidential and unattributable basis, as well as the Executive Management team and other senior executives.

▼ Manchester Square Partners observed the Board and Committee meetings held in December 2023.

▼ The output of the evaluation was captured in a report to the Board in February 2024, with the Board then discussing the points raised by the review.

▼ Progress on the findings of the evaluation will be monitored by the Nomination & Governance Committee throughout 2024.

Board evaluation *continued*

Key findings included:

- Directors are highly engaged and diligent, with a broad range of relevant business experience. The Board acknowledged the skills and valuable contribution of the newly appointed Non-Executive Directors and the opportunity for Graeme Pitkethly, in his new role as Deputy Chair and Senior Independent Director, to focus on maintaining strong engagement with UK shareholders. The Board further acknowledged the strength and diversity of contributions made by all, particularly from external experiences.
- Board meetings and discussions are considered to be dynamic, focused and relevant, with the Board as a whole considered to be collegial and respectful, with an open dialogue, while providing an appropriate amount of challenge to management. The Board is appreciative of the continued efforts by management to deliver focused, succinct meeting papers and materials.
- The Board recognised the progress that had been made and improved financial performance, and recognised that the new Chief Executive, Omar Abbosh, would have an important role to play in building out the strategy further.
- The Board acknowledged the quality of the Chief Executive recruitment process, while the two new Non-Executive Directors commended the induction process.
- Board members have relevant skills and experience, albeit the Board recognised the importance of focusing on succession planning and talent development at the Executive Management and senior leadership level.
- Directors would appreciate deeper dives at Board level on major customer relationships and the competitive landscape, recognising the challenges of the separation between the main buyers of Pearson's products and services and the end users.
- The Board welcomed the opportunity to reintroduce in-person employee engagement events to its calendar which involved the full Board and recognised the continued need to focus on ensuring an engaged workforce and healthy culture generally.
- The Board appreciates the access to, and engagement with, the Executive Management team.
- 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 he demonstrates objective judgement, promotes a culture of openness and debate, and facilitates constructive Board relations and the effective contribution of all Non-Executive Directors. This, in turn, supports 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 2024 were:

- Continuing to evolve Pearson's strategic direction, building on the optionality that has been created through recent work on the strategy and vision.
- Ongoing focus on succession planning, talent review and the culture of the company, at executive level as well as more broadly, to ensure Pearson has engaged employees with a performance mindset and the right skillset to deliver on the company's strategic vision, together with a strong pipeline of talent to allow continued execution in the future.
- 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.
- Continued development of customer and marketplace insights shared with the Board, to help increase the Board's understanding as these areas evolve.
- 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.
- 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.

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

Individual evaluation

In addition to the evaluation 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 evaluation. 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 & Senior Independent Director leading this review and providing feedback to the Chair.

Committee evaluation

All Committees undertake an annual evaluation process to review their performance and effectiveness. For 2023, the Committee evaluation process was facilitated externally by Manchester Square Partners, as part of the broader Board evaluation process. Read more in the Committee reports on the pages that follow.

Progress on findings of previous evaluation

A number of actions were taken during the year in response to findings from the 2022 Board evaluation process, 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 2024.

Finding or focus area	Response or action taken
Continued focus on execution of strategy, including clarity on how the Board can best monitor and measure the execution plan while maintaining its distance from operational matters.	The Board has reviewed strategic KPI metrics and processes during the year, in order to better align them with Pearson's strategic narrative and demonstrate our strategic progress more succinctly. Additionally, the Board discussed strategy as a regular item at Board meetings, with more focused sessions taking place at the July and October Board meetings.
Ensure accountability for execution in the next phase of the company's transformation.	The Board received operational plan presentations from the Divisional Presidents and also discussed financial dashboard reports at every Board meeting, in order to monitor performance and drive accountability.
Focus on post-acquisition integration and evaluation of the performance of the acquired businesses.	The Board conducted a post-acquisition review of Faethm and Credly in December 2022 and will conduct a review of Mondly and PDRI in April 2024, to consider the performance of these acquisitions and how they have integrated commercially, financially and operationally. These reviews also include considerations for changes in approach to M&A going forward and lessons learnt.
Ongoing development of roadmap for market visits and deep dives to ensure alignment with Group's aspirations and international footprint.	Divisional deep dives were integrated into the Board agenda throughout 2023. The December 2023 Board meeting took place in Hoboken, New Jersey, and was an opportunity for the full Board to visit the office and meet with employees. There is an action plan in place to take such engagement further forward in 2024.
Continued sharing of customer and marketplace insights with the Board.	Customer and marketplace insights shared as part of divisional updates, and deep dives and product demos such as the one held on Pearson+ Channels. There is an action plan in place to take this further forward in 2024.
Ongoing focus on succession planning and talent review at Board and executive level, as well as more broadly.	The Nomination & Governance Committee has reviewed the composition of the Board and its Committees throughout 2023, including as part of the appointment of two Non-Executive Directors in June 2023 and ongoing considerations for upcoming retirements in coming years, as well as focus on the recruitment of a new Chief Executive. The Board conducted a review of succession and talent at executive level at the December 2023 Board meeting.
Continue to pay close attention to culture and engagement in 2023.	There is an ongoing initiative throughout the organisation to evolve ways of monitoring culture and behaviours. Culture and employee engagement now sit within the remit of the Reputation & Responsibility Committee and the Chief Human Resources Officer attends all meetings. The Reputation & Responsibility Committee reviewed the results of the employee engagement survey on behalf of the Board and its perspectives were then discussed by the full Board.
Focus on the importance of the risks inherent in the technology, cyber and online spaces, including information security, safeguarding and reputation.	The Audit Committee conducts regular deep dives on technology resilience, data privacy and information and cyber security, and the Chief Information Officer is a regular attendee of Audit Committee meetings. There is attention to these themes through the work of Internal Audit, which the Audit Committee discusses. The Reputation & Responsibility Committee received a report on online safeguarding in April 2023. The full Board undertook a Technology deep dive session with the Chief Information Officer in 2023.
Identify and focus on the elements of sustainability that are particularly relevant and critical for Pearson's success.	The Reputation & Responsibility Committee reviewed investor perceptions on sustainability and agreed a strategy and action plan for 2023. The Reputation & Responsibility Committee received updates on progress throughout 2023.

Nomination & Governance Committee report

Tim Score 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, diversity 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 evaluation 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 in the Governance section of our website (www.pearsonplc.com).

Committee members and attendance

Attendance by Directors at scheduled Nomination & Governance Committee meetings throughout 2023:

Committee members	Meetings attended
Sherry Coutu	3/3
Omid Kordestani[1]	1/3
Esther Lee	3/3
Tim Score	3/3
Annette Thomas	3/3

1. Mr Kordestani was unable to attend the meetings held in March and July 2023 due to pre-existing commitments. He reviewed the papers and provided his perspectives to the Committee Chair outside the meetings.

Role and composition of the Committee

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 April 2024.

After serving nine years on the Board, I will be stepping down at the AGM in April 2024, therefore this will be my last report as Chair of the Nomination & Governance Committee. It has been a privilege to serve as Chair of the Committee and I would like to extend my thanks to my fellow Committee members for their input and commitment, particularly during the process to select a new Chief Executive. I am delighted that Omid Kordestani will succeed me as Chair of the Committee. Further to this, Graeme Pitkethly has agreed to succeed me as Deputy Chair and Senior Independent Director, alongside his existing key role as Chair of the Audit Committee – the company is fortunate to have such an outstanding colleague stepping into this role.

Nomination & Governance Committee report *continued*

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 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. You can read more about the Chief Executive succession process that took place in 2023 on page 91. 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.

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 90) demonstrate that Pearson has a strong spread of skills across all areas identified as being of particular importance. 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.

Board search processes and appointments

The Committee has been very active over the past year in relation to Board search activity, conducting search processes resulting in the appointment of two new independent Non-Executive Directors, Alison Dolan and Alex Hardiman, and supporting the Board in the selection of a new Chief Executive, Omar Abbosh.

Before commencing the Non-Executive Director search process, the Committee considered the recent and anticipated Board retirements and the impact of these on the overall skills and expertise on the Board. These were mapped against the key areas of strategic importance to the business to ensure our Board has the appropriate balance of skills and experience to deliver our strategy, while also taking diversity considerations into account. The Committee agreed that it was particularly interested to identify two candidates, each with specific skills and expertise to complement the Board. The first category focused on established finance leaders, with a deep understanding of public company governance standards, ideally from a UK-listed business, who had capacity to serve on the Audit Committee. The second category focused on individuals with operating experience with subscription and/or enterprise SaaS business models, at a scale and complexity commensurate to Pearson, experience developing innovative digital products and/or driving digital business transformation and direct to consumer business engagement skills.

Taking into account the agreed specifications, the Committee engaged Spencer Stuart to undertake the search process. In line with the objectives of the Board's Diversity Policy, the Committee asked Spencer Stuart to ensure that the lists of candidates reflected diversity of gender, ethnicity, geography and age as well as diversity in its broadest sense. You can read more about the Board Diversity Policy and diversity across Pearson on pages 92-93. I worked closely with Spencer Stuart to develop the candidate lists, with the Committee then considering the candidate profiles in detail, including their current commitments, skills and previous experience. I met with all shortlisted candidates and provided my feedback to the Committee. A number of other Board members met with the preferred candidates, following which the Committee made its recommendation to the Board. The search processes culminated in the appointments of Alison Dolan and Alex Hardiman as Non-Executive Directors with effect from 1 June 2023. You can read about their induction on page 84.

In addition to the Non-Executive Director and Chief Executive search processes, 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. Following a review of talent and succession planning in December 2022, particularly the executive pipeline from which the future leaders of Pearson were likely to emerge, in December 2023 the Board held a discussion on the current Executive Management team and requirements to support the new Chief Executive in executing the next stage of the company's strategy. The company also has targeted development programmes for high-potential talent and mentorship programmes for diverse leaders, as well as development programmes for junior and middle management.

Other areas of focus during 2023

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 Code on page 67.

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 Tim Score prior to making a recommendation for his re-election at the 2023 AGM (recognising his length of service on the Board), Board diversity reporting and the approval of a new target for ethnic diversity in senior management to be achieved by December 2027, and the annual review of the contribution of each Director to the Board.

Committee evaluation

The Committee undertakes an annual evaluation process to review its performance and effectiveness. For 2023, feedback relating to the Committee was sought from Directors as part of the wider Board evaluation led by Manchester Square Partners. 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 effectiveness review process for 2023 indicated that the Committee is considered to be working well with appropriate agendas, papers produced to a good standard and high-quality discussions. Positive feedback was noted on the handling of the Chief Executive and Non-Executive Director recruitment processes. You can read more about the Board evaluation process on page 85.

Committee aims for 2024

The Committee's priorities for the coming year will be to ensure a smooth Chief Executive transition and the successful onboarding and induction of Omar Abbosh. The past year has required the Committee to be particularly focused on Board search activity and so, in 2024, we will look to focus on other areas of our governance framework, including monitoring progress against the latest Board evaluation findings, overseeing management's response to the revised UK Corporate Governance Code, and working with our HR colleagues to focus on diversity.

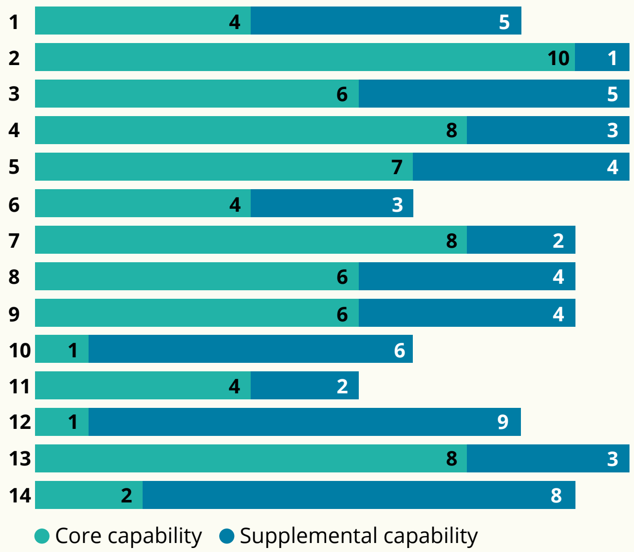
Tim Score Chair of Nomination & Governance Committee

Skills matrix

This matrix represents the number of Directors with core or supplemental capability in areas that are relevant to Pearson's strategy, business model and organisational characteristics. A core capability is one of the strongest areas of a Director's skill and expertise, where they bring considerable value to Board discussions. A supplemental capability is an area where the Director is competent or has experience, but is not one of the primary skills or attributes that they bring to the Pearson Board.

Category

1. Accounting and finance
2. Corporate strategic development (including value creation and M&A)
3. Digital and technology (including data and cyber security governance and AI)
4. Disruption management (including talent leadership through change, marketing and data insights, new business models and innovation)
5. Direct to consumer business models (including consumer brand, sales and marketing)
6. Education and public sector
7. Global markets
8. Listed company governance & regulation (particularly UK)
9. People / general talent focus (including workforce learning)
10. Policy and government relations
11. Prior CEO experience, particularly of multinational businesses
12. Remuneration
13. Scale and complexity
14. Sustainability



Appointment of Chief Executive

During 2023, the Board commenced a search process for a new Chief Executive, following notice from Andy Bird of his intention to retire from the Pearson Board, applying the ongoing succession planning processes which are regularly reviewed by the Board. The Chief Executive search process was led by the Chair of the Board, Omid Kordestani, and a working group of the Committee was appointed to manage the process, which was reviewed several times by the full Board. Spencer Stuart was selected by the Board to support the Chief Executive succession activity.

The search process resulted in the appointment of Omar Abbosh, who became Pearson's Chief Executive on 8 January 2024.

Spencer Stuart met with each member of the Board individually to seek their input into the profile of the desired candidate and to refine the role specification. The Directors agreed that the key attributes they were seeking in proposed candidates included:

— Passionate, results-oriented, collaborative, and mission-driven leader who can build on the current Pearson strategy and deliver value to Pearson's shareholders over the medium and long term
— Highly successful experience in leading a large, complex international business
— Extensive experience in one or multiple of the following sectors: enterprise technology, media, consumer or other tangential sectors with technology/digital as the core of the business
— Demonstrated track record of successfully developing and leading the commercialisation and go-to-market strategies within a business to deliver results and growth
— Proven global leader who can win in multiple markets, drive results and act strategically
— An agent of change who can communicate a mission and vision, inspiring hearts and minds to align stakeholders and bring the mission/vision to bear and a cultural fit with Pearson's values
— Experience of delivering high-quality products and services for both enterprises and consumers
— Strong reputation, integrity, independent thinker

The Board also made clear to Spencer Stuart that diversity, including gender and ethnicity, was an important consideration in the candidate search process.

The Board considered 43 candidates over the course of the process, of which 16 were women and 12 were from an ethnic minority background. As this progressed, the longlist of 43 was refined to a group of eight individuals (including three women and two individuals from an ethnic minority background), each of whom met with the working group of the Board. In the final stage of the process, Omid Kordestani and Tim Score, as well as a number of other Board members, met on both one-to-one and panel bases with each of the three shortlisted individuals. Each shortlisted individual was also invited to present to the full Board on their strategic vision for Pearson and to address questions from all Board members. The final shortlist included one woman and one individual from an ethnic minority background.

As a result of the comprehensive selection process, the Board identified Omar Abbosh as its preferred candidate for the role of Chief Executive. Once appropriate checks and referencing had been completed, the Board was satisfied that Mr Abbosh met and exceeded the selection criteria and approved the appointment of Mr Abbosh as Chief Executive, who took up the role on 8 January 2024.

The Board is pleased to welcome Omar, who has deep commercial, technology and operational expertise focused on delivering high-quality services and products across diverse markets and customer sets, with extensive experience in creating and executing strategies to enable companies to harness technology and succeed in a world of disruptive change.

Omar shares our values and our ambition and has a strong track record of execution. His expertise will help to further accelerate our strategy and continue to deliver value for all our stakeholders.

Andy Bird did not take part in the search and selection process save that he participated, firstly, in the initial individual scoping sessions with Spencer Stuart in terms of what the specification should focus on as the ideal future leader of Pearson and, secondly, in the final decision to appoint Omar, with this resolution being passed unanimously by the Board.

On behalf of the Board and Pearson colleagues, the Committee would like to thank Andy for his outstanding leadership during his time as Chief Executive. During his tenure, Andy implemented an ambitious vision and strategy, successfully transitioned Pearson into a more consumer-focused business and drove cultural and organisational change while delivering strong financial performance.

Diversity across Pearson

Over the past few years, we have been on an intentional journey to redefine what diversity, equity, and inclusion (DEI) mean at Pearson and to take action. We have reshaped our policies, practices, and principles around DEI and created a long-term strategy focusing on recruitment and promotion, retention, inclusive culture, and social impact.

Our ambition is to be an inclusive and high-performing place to work where everyone can leverage their unique strengths. That's why our people strategy has DEI as one of our three pillars with the aim of creating a culture of belonging and increasing diverse representation throughout the company. As part of the Pearson employee engagement survey, we have a culture of inclusion index to benchmark and measure against three principles: employees are treated with respect, managers value employees for their strengths, and our leaders do what is right.

In addition, Pearson's Code of Conduct in relation to ethical practices takes account of gender, age, race, ethnicity, disability, and sexual orientation, and applies to all employee levels, including the Executive Management team. It is underpinned by a global statement on DEI, along with country and business-specific policies. Standards are set consistently worldwide – both internally and externally – as part of our efforts to make Pearson a great place to work.

Together, our goal is to drive the transformation of learning, making it more diverse, equitable, and inclusive. It is a continuous combination of intentional bottom-up and top-down leadership across all levels of the company to foster a culture where everyone feels a sense of belonging.

Board diversity

We believe that Board diversity makes us a better and more sustainable business, contributing to high performance, enhanced commercial results, and an inclusive leadership culture. Research indicates that high-performing boards provide an increased competitive advantage and wider perspectives, while the needs for greater inclusion and diversity 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 Board embraces the UK Corporate Governance Code's underlying principles with regard to Board balance and diversity, including in respect of ethnicity, gender and age. The objectives set out in the Board's Diversity Policy and our progress towards these are shown in the table on page 93.

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. It requires appointments to be made on merit and relevant experience, while taking into account the broadest definition of diversity. In any Non-Executive Director search processes, the Nomination & Governance Committee encourages the retained search firms to place an emphasis on putting forward candidates who would enhance the overall diversity of the Board.

In light of recent changes to the UK Listing Rules put forward by the Financial Conduct Authority (FCA), the Nomination & Governance Committee updated the objectives that support the Board Diversity Policy, and which underpin Pearson's commitment to creating a more equitable and inclusive company. The objectives now include the following:

- 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 CFO is a woman

We also expanded our objectives to confirm that the Board will consider its own diversity, and that of its Committees, as part of the annual effectiveness review processes. Further, the Board will explore expanding its diversity considerations to include characteristics such as sexual orientation, disability and socio-economic background.

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 diverse 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.

As at 31 December 2023, 55% of Directors were women (2022: 50%), exceeding the target of 40% women's representation by the end of 2025, as recommended by the FTSE Women Leaders Review.

We are also satisfied that, ahead of the target implementation date, we are compliant with the new FCA requirements stating that boards should have at least one woman in the Chair, Chief Executive, Senior Independent Director or Chief Financial Officer role, and that at least one member of the Board should be from an ethnic minority background, among other targets.

During its evaluation process conducted in 2023, the Board considered the effectiveness of the organisation and dynamics of the Board, including in respect of diversity. The results and feedback provided by the evaluation indicated that the Directors believe the Board's diversity is strong. The Board recognised the increasing importance of DEI and acknowledged the progress being made. It noted that it would explore expanding its considerations to wider forms of diversity, such as sexual orientation, disability, age, and socio-economic background, when making new appointment decisions.

Diversity and talent at executive level

Five members of our Executive Management team of 10, excluding the Chief Executive and Chief Financial Officer who are counted in the Board's metric, are women (50%) (2022: 50%). Including the Chief Executive and Chief Financial Officer, this ratio stays at 50% (six women out of 12 members) (2022: 50%). As of 31 December 2023, 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 45 women, representing 47% of that group (2022: 50%). In response to the Parker Review's new 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 2023, the senior management team, as defined above, contained 17 individuals who identify as minority ethnic, representing 20% of that group, who have provided the company with ethnicity data. For diversity data in the format prescribed by LR 9.8.6R(10), please see page 53.

Board diversity objectives

The Nomination & Governance Committee monitors progress on the company's DEI framework, governance and measurement models, and priority areas. As part of this, the Nomination & Governance Committee reviewed and updated the objectives which underpin the Board Diversity Policy. The objectives in place during 2023 and Pearson's performance against them are set out below:

Objectives	Progress
We will strive to achieve and maintain a Board composition of: — at least 40% Directors are women — at least two Directors are from an ethnic minority background — at least one of the Chair, Chief Executive, Deputy Chair and Senior Independent Director or CFO is a woman	As at 31 December 2023: ✓ 54.5% Directors were women ✓ The Board included three Directors from an ethnic minority background ✓ One of the Chair, Chief Executive, Deputy Chair and Senior Independent Director or CFO is a woman
All Board appointments will be made on merit, in the context of the skills and relevant experience that are needed for the Board to oversee Pearson's strategic development and that reflect the global nature of our business.	✓ Our most recent Board search processes considered a wide range of candidates, including from diverse backgrounds, all of whom were evaluated on the basis of merit. The search processes resulted in the appointment of Omar Abbosh, Alison Dolan and Alex Hardiman, whom the Board believes possess the requisite skills and experience for their roles.
The Board will continue to incorporate a focus on a diverse pipeline in its succession and appointment planning, including to prioritise the use of search firms which adhere to the Voluntary Code of Conduct for Executive Search Firms (the Voluntary Code) when seeking to make Board-level appointments.	✓ The Committee actively includes diversity in its search criteria for Board appointments, and proactively encourages engaged search firms to include candidates from a range of diverse backgrounds in its candidate lists. Spencer Stuart assists Pearson with search activities, including for the recent Chief Executive and Non-Executive Director search processes. Spencer Stuart is a signatory to the Voluntary Code.
The Board will continue to adopt best practice, as appropriate, in response to the Parker Review, FTSE Women Leaders Review, FRC Board Director Effectiveness Review, and Financial Conduct Authority requirements.	✓ The Board is cognisant of the recommendations of the FTSE Women Leaders Review and Parker Review. The new FCA requirements in respect of gender and ethnic diversity are also reflected in the Board Diversity Policy.
The Board will consider its composition and diversity, and that of its Committees, as part of its consideration of effectiveness in the Board evaluation review process. The Board will also explore expansion of these considerations to cover ethnicity, sexual orientation, disability and socio-economic background characteristics.	✓ These matters were considered in the 2023 evaluation process. Read more on pages 85-86.
Where appropriate, we will assist with the development and support of initiatives that promote all forms of DEI in the Board, Pearson Executive Management team and other senior management.	✓ A mentoring programme where six mentees at the Senior Vice President (SVP) level were mentored by six Non-Executive Directors concluded in June 2023. 67% of SVP participants were female and/or persons of colour (target at 50%). The intention is for a new cohort to be identified for 2024.
We will review and report on our progress in line with the policy and our objectives in the annual report, including providing details of initiatives to promote DEI in the Board, Pearson Executive Management team and other senior management.	✓ Objectives that accompany the Board's Diversity Policy have been monitored. The Committee continues to monitor developments on DEI in the external landscape.
We will continue to make key DEI information about the Board, senior management and our wider employee population available in the annual report, and aim for ongoing transparency in this area in line with best practice.	✓ This information is included in the annual report. Read more about DEI matters in the wider employee population on page 40.

Key

✓ Target achieved

✗ Target not met

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 consumers, employees, shareholders, educational institutions and educators, employers, governments and regulators, communities and business partners.

Sustainability and associated non-financial KPIs: 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 the non-financial KPIs linked to the three pillars of the Learning for Impact strategy.

Culture and employee engagement: Assisting the Board in monitoring Pearson's approach to employee engagement and the company's culture, which stresses diversity and high performance.

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 2023:

Committee members	Meetings attended
Andy Bird[1]	4/4
Alex Hardiman[2]	2/2
Linda Lorimer[3]	1/1
Graeme Pitkethly	4/4
Annette Thomas	4/4
Lincoln Wallen	4/4

1. Mr Bird stepped down from the Committee with effect from 7 January 2024.
2. Ms Hardiman was appointed to the Committee with effect from 1 August 2023.
3. Ms Lorimer stepped down from the Committee with effect from 28 April 2023.

Reputation & Responsibility Committee role

I am pleased to present my first report as Chair of the Reputation & Responsibility Committee following my appointment to the role on 28 April 2023. I offer my sincere thanks on behalf of the Committee to my predecessor, Linda Lorimer, for her considerable contributions during her six years as Committee Chair. I also extend my thanks to Andy Bird who served as a member of the Committee until his retirement as Chief Executive in January 2024. We look forward to welcoming Omar Abbosh as a regular attendee at the Committee's meetings in the future.

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 sustainability at Pearson, providing important oversight of our sustainability framework; this includes climate change considerations. As part of this role, we promote and oversee Pearson's Learning for Impact strategy and assess progress against its commitments. We also monitor branding, employee engagement, culture and values, and provide ongoing oversight and scrutiny across all reputational matters.

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 April 2024.

Committee composition and attendees

The Committee currently has four members, including me as Chair. During the year, the Committee was pleased to welcome Alex Hardiman as a new member. Together, Committee members bring a range of expertise across key areas of our remit, including sustainability, product, stakeholder management, people and talent, and policy and government relations. You can read more about the Committee members' skills and experience on pages 68-70.

In addition, we benefit from the regular attendance of senior executives whose work is central to the remit of the Committee. These include the Chief Legal Officer, who is the executive leader responsible for the development, monitoring and execution of Pearson's sustainability strategy; the Chief Marketing Officer and Co-President of Direct to Consumer; the Chief Human Resources Officer; SVP – Investor Relations; and SVP – Corporate Communications.

Sustainability activities in 2023

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 34, our Learning for Impact strategy comprises three pillars that align with the interests of 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 also materially influential in helping Pearson succeed as a business. The pillars have a clear, natural fit to our non-financial KPIs, reflecting the common goal of alignment between our corporate and sustainability strategy. 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.

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:

Driving learning for everyone with our products

In the course of the year, we reviewed and provided input to the latest edition of the Global Content Policy, which provides a set of underpinning principles for Pearson employees and business partners alike on producing evidence and fact-based content which aligns with Pearson's purpose and values.

We also discussed with management their focus on successful delivery of the 2023 BTEC results, reflecting on changes to operations, enhanced ways of working with customers and proactive stakeholder engagement following challenges in the previous year's results season. Additionally, 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.

At each meeting, the Committee receives a report on recent incidents and issues that could have an impact on the company's reputation, including those relating to our products and business partners. We consider Pearson'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.

Empowering our people to make a difference

Following a refreshed approach to employee engagement introduced the previous year, during 2023 we conducted a deep dive with the Chief Human Resources Officer into the findings of our latest employee survey, recognising the importance of engagement as a driver of performance. It was pleasing to note the meaningful improvement in key metrics compared with 2022 and we endorsed a particular focus on upskilling managers and leaders. The Committee and Board alike will continue to monitor progress in this area, focusing on growth, performance and agility in our workforce, supported by a culture of diversity and trust.

Given world events, the Committee received an update from management on the status of Pearson's business operations in Israel and the Middle East, with a particular focus on our employees. We also conducted our annual review of health and safety across the company.

Leading responsibly for a better planet

In the past year, the Committee has monitored Pearson's climate related initiatives, including:

- Considering options for revising the company's long-term science-based targets. Based upon clear analysis from management covering feasibility, cost and external impact, the Committee unanimously agreed to support adoption of a new target which will now be taken forward for validation by SBTi and, once obtained, for formal Board approval.

- Approving the first iteration of Pearson's Climate Action Plan, being a high-level plan that sets out the actions that will help Pearson meet its decarbonisation targets and lays the foundation for successful longer-term carbon transition
- Receiving updates on progress in relation to emissions reduction, resource use, building sustainable supply chains and strengthening our data and reporting capabilities, the last being of increasing importance given developments in the regulatory and legislative landscape across many jurisdictions in which Pearson operates.

Sustainability governance and policies

The three pillars of our Learning for Impact strategy are underpinned by robust governance, a strong culture and effective policies. In this regard, during the year:

- We received an update from external legal advisers on developments in the global regulatory and legislative landscape, including the EU's Corporate Sustainability Reporting Directive, the recommendations of the UK's Transition Plan Taskforce and developments in other markets in which Pearson operates, including the US. As part of this session, we considered how this important topic would be communicated to key internal stakeholders, noting the importance of a robust organisational infrastructure relating to data gathering, reporting and disclosure, and we supported the introduction of a dedicated sustainability data reporting platform
- We reviewed insights gathered from an investor sustainability perception study together with the latest analyst rankings and ratings of Pearson's sustainability performance and credentials and a snapshot of areas for improvement. We considered how this information could support our external sustainability communications and action plans, in particular demonstrating the inherent social impact of certain Pearson products and services to support our investment case
- We reviewed the annual Modern Slavery Statement with management prior to recommending that the Board approve the statement for publication

You can read more about our overall Board framework for sustainability governance, including the related work of other Committees, on page 80.

Other areas of focus during 2023

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

- At every meeting during the year, we considered updates from our global government relations and policy team, recognising the importance of governments as both a customer and regulator of many of our products and services
- We discussed the strategy, engagement approach, risks and opportunities relating to data privacy and content, being two of the current major policy issues of significance to Pearson
- Looking ahead to the elections in both the UK and US, we reviewed a snapshot of the key learning, education and skills related issues for the major political parties and considered Pearson's approach to policy and engagement on these topics
- A significant theme in the Committee's work during the past year has related to the risks and opportunities presented by developments in AI, particularly generative AI, including policy and regulatory developments in that space. You can read more about the work of the Committee relating to AI as part of the case study on page 78
- The brand team shared with the Committee that, having reset Pearson's purpose, vision, mission and values in 2022, they were now beginning work on developing an evolved brand strategy, architecture and visual identity for the company

You can read more about stakeholder engagement at Pearson, including with governments and regulators, on page 16.

Committee evaluation

The Committee undertakes an annual evaluation to review its performance and effectiveness. In 2023, the Committee evaluation process was conducted as part of the externally facilitated Board effectiveness review, led by Manchester Square Partners. The process included:

- one-to-one interviews conducted by the independent reviewer with each of the Committee members, all other members of the Board and the Pearson Executive Management team
- observation of a full Committee meeting, including the private sessions, by the independent reviewer
- assessment of a sample of meeting papers
- discussion of the reviewer's findings and recommendations

You can read about the Board effectiveness review in more detail on pages 85-87.

Topics covered 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. The findings of the independent reviewer noted that the Committee was functioning well and has an appropriate level of focus on the key topics within its remit including attention to external stakeholders, matters relating to content in our products, and management of reputational risk factors.

The matters identified during the previous year's evaluation process have been addressed to the Committee's satisfaction during the year and adopted into our ongoing practices where appropriate.

Committee aims for 2024

Our priorities for the coming year include:

- Monitoring progress towards SBTi validation of our intended net-zero long-term targets beyond 2030
- Approval of a standalone climate transition plan in line with the disclosure framework of the UK Transition Plan Taskforce
- Reviewing the process and outputs of a double materiality assessment which will be undertaken by management to further define our sustainability strategy alongside our corporate strategy.

We will also continue our close attention to employee engagement and Pearson's social impact initiatives, undertake a horizon scanning exercise in respect of emerging risks and trends in the external landscape, and remain attentive to the fast-moving topic of generative AI, including regulatory, legislative and stakeholder perspectives.

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 auditor.

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 2023:

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

1. Ms Dolan was appointed to the Committee with effect from 1 August 2023.
2. Ms Hardiman was appointed to the Committee with effect from 1 December 2023.
3. Ms Lorimer stepped down from the Committee with effect from 28 April 2023.

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 auditor.

As at the date of this report, the Committee comprises five independent Non-Executive Directors, as more particularly set out on page 99. On behalf of the Committee, I offer my sincere thanks to Linda Lorimer, who stepped down from the Pearson Board in April 2023, for her significant contributions to the Committee's work during her tenure. During the year, the Committee was pleased to welcome two new members – Alison Dolan and Alex Hardiman – who are already making valuable contributions and bringing fresh perspectives across many areas of the Committee's remit. You can read more about Alison and Alex's skills and experience in their biographies on pages 68-70.

Pearson's Vice President – Internal Audit 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 April 2024.

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 2023 included:

- oversight of delivery of the audit action plan, a programme of work that sought to deliver on recommendations arising during the previous year's review of effectiveness of the external auditors. On behalf of the Committee, I extend my thanks to management and Pearson colleagues for their commitment to the successful delivery of this programme working collaboratively with the external auditors. You can read more on page 103
- 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 portfolio changes, including the acquisition of Personnel Decisions Research Institutes, LLC (PDRI) and disposal of Pearson Online Learning Services (POLS)
- important areas such as data privacy, cyber security 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
- focus on emerging developments in the regulatory landscape, including new or anticipated requirements relating to fraud prevention and internal assurance and control frameworks

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 2024 will include:

- Responding to the requirements of the recently published FRC minimum standard for audit committees, including reviewing our methodology for the oversight and assessment of external auditor effectiveness (read more on page 103)
- Following the publication of the revised UK Corporate Governance Code in January 2024, we will consider any impacts on Pearson's processes and practices relating to risk management and internal control and will ensure the company is ready for implementation of the new requirement with effect from the 2026 financial year
- Working closely with our colleagues on the Reputation & Responsibility Committee to remain abreast of developments in non-financial reporting, including in the UK, EU and US, and to provide any necessary input to Pearson's evolving sustainability assurance frameworks

Additional meeting attendees

The Chief Financial Officer, Deputy Chief Financial Officer, Chief Legal Officer, 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. We also meet regularly in private with the external auditors and with the Vice President – Internal Audit.

In addition to the Committee's formal meeting schedule, I meet as needed with the external auditors, Chief Financial Officer, Deputy Chief Financial Officer, Chief Legal Officer, Chief Compliance Officer and Senior Vice President – Treasury, 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. In 2023, the Committee evaluation process was conducted as part of the externally facilitated Board effectiveness review, led by Manchester Square Partners.

The process included:

- one-to-one interviews conducted by the independent reviewer with each of the Committee members, all other members of the Board, the Pearson Executive Management team, the Deputy Chief Financial Officer and the Vice President – Internal Audit
- observation of a full Committee meeting, including the private sessions, by the independent reviewer
- assessment of a sample of meeting papers
- discussion of the reviewer's findings and recommendations

You can read about the Board effectiveness review in more detail on pages 85-87.

Members

As at the date of this report, the Committee comprises five 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 2023, Graeme was Chief Financial Officer of Unilever plc and serves as Vice-Chair of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD). Graeme's full biography is on page 70.

The qualifications and relevant experience of the other Committee members are detailed on pages 68-70. You can read more on page 71 about the process through which the Board assesses the independence of Non-Executive Directors.

Topics covered 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. The findings of the independent reviewer included the following key points:

- The Committee is considered to be operating to a high level of performance with appropriate agendas, papers produced to a good standard and high-quality discussions
- The composition of the Committee is appropriate and includes the necessary skills, including three members who are current or former Chief Financial Officers of listed companies
- The Committee has a broad remit and a substantial workload but is considered to run very effectively with high levels of engagement by members and benefits from the attendance of relevant Executive Management

Reflecting the findings of the previous year's evaluation, the Committee was pleased to hold its December 2023 meeting in Pearson's office in Hoboken, New Jersey, allowing in-person access to US-based management and employees. We have also continued our focus on the risk management aspects of the Committee's remit and have benefited from insightful reports by, and discussions with, management across many elements of the company's principal and emerging risks, seeing clear alignment with the work and recommendations of the internal audit function.

Fair, balanced and understandable reporting

In response to the Code's Principle N, the Committee considered whether the 2023 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 134.

Financial reporting and policies

In February 2024, the Committee considered the 2023 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 2023 financial statements are set out on pages 105-106.

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 2023, the Committee had oversight of management's approach towards risk identification and monitoring. Pearson's enterprise risk management programme has evolved in line with the structure of the business, which is managed through five global operating divisions supported by enterprise-wide corporate functions. Through a series of business-focused risk deep dives, the President of each operating division provides an overview of its risk register to the Committee at least annually and leads a session on the key risks facing their particular division. 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 57-65.

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 divisional 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.

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 enterprise-wide functions including data privacy, cyber security, tax, treasury, anti-bribery and corruption, and business resilience. You can read more on some of these themes elsewhere in this report.

Additionally, during 2023, the Committee reviewed and endorsed a new enterprise risk framework document which brings together Pearson's existing principles, processes and methodology for risk management and aims to further embed such activity and practice within the organisation.

Data privacy, cyber security and technology resilience

Prudent management of data privacy, cyber security and Pearson's technology estate are fundamental to our success and to building and 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:

- considered developments in the global regulatory landscape and trends in enforcement actions, focusing on the importance of transparency and controls around the use of personal information, together with an elevated scrutiny of artificial intelligence which is increasingly used by businesses to provide customers with a personalised experience
- discussed the ways in which Pearson's privacy programme helps to monitor and manage these risks, including through provision of specialist guidance to the business in ensuring compliant product design
- noted the expansion of the data privacy governance framework into a broader programme governing customer trust and safety, with cyber security and online harms now managed under the umbrella of this newly expanded Trust & Safety governance framework
- noted the introduction of data privacy compliance reports for Pearson's core products and services that enable the business to take a proactive approach to addressing key risks
- considered the progress that continues to be made through implementing security processes, leveraging industry-leading tools and modernising the technology estate, as well as investing in defences against increasingly sophisticated threats and building a culture of security
- endorsed the adoption of the NIST cyber security framework, which will provide the Committee and management with clear visibility into the current status of Pearson's cyber security 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

Audit Committee meeting focus during 2023

Financial reporting	Policy and finance operations	External audit	Internal audit, risk and internal control	Compliance and governance
— Accounting and technical updates — Impact of legal claims and regulatory issues on financial reporting — Fair, balanced and understandable reporting — Going concern and viability statements including supporting analysis — Annual report and accounts: preliminary announcement, financial statements and income statement — Review of interim results and trading updates — Form 20-F and related disclosures, including annual Sarbanes-Oxley Act Section 404 attestation of financial reporting internal controls — Significant issues reporting	— Accounting matters and Group accounting policies — Treasury Policy and reporting — Tax update — Update on global deployment of ERP system	— Oversight of audit action plan (see page 103) — Provision of non-audit services by external auditor – approval of policy and regular reporting — Re-appointment of external auditors — Report on half-year review procedures — Confirmation of auditor independence — 2023 external audit plan — Remuneration and engagement letter of external auditors — Interim review report on H1 2023 — Review of the effectiveness of external auditors — EY feedback on internal controls over financial reporting (ICFR) — Receipt of external auditors' report on annual report and Form 20-F	— Internal audit activity reports and review of key findings — 2023 and 2024 internal audit plans including resourcing — Assessment of the effectiveness of internal audit function, internal control environment and risk management systems — Risk management including Group's principal and emerging risks — Strategic risk reviews led by Divisional Presidents — Group-wide risk deep dives on cyber security; technology resilience; data privacy; treasury and insurance; and business resilience and crisis management — Controls Centre of Excellence updates, including on ICFR and 2023 work plan	— Fraud, whistleblowing reports and compliance investigations — Anti-bribery and corruption and sanctions programmes — Compliance with accounting and audit-related aspects of the UK Corporate Governance Code — 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

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 continue to work to identify areas to further enhance its practices and protocols. In 2023, in addition to its regular review of compliance and employee relations investigations, we noted the continued enhancements made to the overall compliance programme, including:

- development of a new fraud policy, based upon a guiding principle of 'zero tolerance' towards any form of fraud. The Committee has approved this policy, which has a broad applicability across all Pearson businesses, employees and wider workforce, and business partners
- ongoing training for staff, including ethical decision-making and anti-trust modules for applicable employees and sanctions refresher training for Pearson's network of local compliance officers
- action taken by the legal and HR teams to establish processes tying compliance to remuneration, responding to a new requirement from the US Department of Justice
- implementation of a new platform and provider for our ethics and whistleblowing hotline, PearsonEthics.com

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 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. The audit plan and any changes thereto are also 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, 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 auditor 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 2023, internal audit carried out engagements across Pearson's business units and corporate functions, as well as Group-wide thematic audits, covering most of the principal risks. The audit plan changes throughout the year based on changes in Pearson's risk profile. Key themes in 2023 related to information security and data privacy, cyber security, assessment of integration progress and controls in recently acquired businesses, safeguarding, accessibility, payroll, and regulatory compliance.

Internal audit evaluation

At its December 2023 meeting, the Committee considered the findings of the review of the performance, effectiveness and independence of Pearson's internal audit function, a process which is undertaken annually. The 2023 review was conducted by distributing a questionnaire to the key stakeholders of the internal audit function – including Committee members, the lead external audit partner, members of the Executive Management team, and senior financial, legal and operational management.

The evaluation process sought views on an anonymised basis on the internal audit function's work programme, resource levels, skills and expertise, and ways of working. Based on the findings of the 2023 review, the Committee is of the opinion that the quality, experience and expertise of the internal audit function is appropriate for the business. The Committee further believes that the internal audit function operates with an appropriate degree of independence and has the ability to raise matters with the Committee without management present. The Committee recognised the findings of the review which noted that the internal audit function continues to engage proactively and constructively with management, providing assurance over key risks impacting the business and identifying related areas for improvement. The Committee will remain attentive to ensuring the internal audit function has access to the necessary skills, capabilities and knowledge to conduct specialist audits, supplementing its own resource, and that the function continues to consider Pearson's risk appetite and tolerance as part of their audit activities.

The Committee will ensure that an independent third-party assessment of the effectiveness and processes of the internal audit function is conducted at least once every five years, in line with the requirements of the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing. The most recent such assessment was undertaken in 2019 and it is therefore expected that the next such assessment will be undertaken during 2024.

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, including periodic audits of the risk processes across the organisation. It provides assurance on the management of risk (including via risk deep dives, as described on page 99), and receives reports at each meeting on the effectiveness and efficiency of internal controls with input from the Deputy Chief Financial Officer and external auditor. In 2023, Internal Audit provided assurance over several principal risk areas, most notably information security and data privacy, safeguarding, cybersecurity and integration of acquisitions.

Each business area maintains internal controls and procedures appropriate to its structure, business environment and risk assessment, while complying with company-wide policies, standards and guidelines. The financial 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 2023 to further enhance Pearson's control environment as part of the audit action plan. This included a refreshed training programme for control owners across the business to establish consistent standards and protocols for 'information provided by the entity' (IPE), being the evidence that underpins control operation, which was well-received by employees. You can read more about the audit action plan on page 103.

The Committee, acting on behalf of the Board, confirms that it has conducted 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 2023, 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, divisional and technology assurance teams
- work conducted by the external auditor
- 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 2023 year-end process. The Committee also reviewed all internal financial control deficiencies identified during the year and noted that the majority were remediated during 2023. 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 pages 57-65.

External audit

The Committee is responsible for overseeing and assessing Pearson's external audit and its auditors. Ernst & Young LLP (EY) was first appointed as Pearson's external auditor by shareholders at the AGM in April 2022, replacing PricewaterhouseCoopers LLP following a tender process. Pearson's 2023 audit was the second 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 ten 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 2023.

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.

In conducting its 2023 review of the effectiveness of the external auditors and making its recommendation to re-appoint EY for 2024, the Committee had regard to factors such as those set out in the FRC's guidelines entitled 'Audit Quality Practice Aid for Audit Committees'. In particular, the Committee considered its 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.

The review was conducted by distributing a questionnaire to key audit stakeholders, including members of the Committee and key management who interact with the external auditors on a regular basis, including the Chief Financial Officer, Deputy Chief Financial Officer, Senior Vice President – Treasury, Risk and Insurance, Vice President – Internal Audit, Senior Vice President – Finance for each business division, and other heads of corporate functions. The process sought views on an anonymised basis on many aspects of EY's work and interactions with the company, as well as their mindset, skills and knowledge. In the second year of EY's tenure as Pearson's external auditor, there was an additional focus on the effectiveness with which EY uses technology in its audit and review processes, and the extent to which EY has successfully delivered on the expectations and commitments set through the tender and selection process.

In considering the independence of the external auditor, the Committee has regard to, among other things, EY's challenge to management, the degree to which the external auditors demonstrate professional scepticism, integrity and judgement in their work, the amount of time passed since a rotation of audit partner and the volume of non-audit work that the external auditor undertakes (details of which can be found on page 104).

The responses to the evaluation indicated that the external audit partners and staff exhibit professional scepticism in their work and are robust in dealing with issues identified during the audit. Overall, having reviewed the effectiveness and independence of the external auditors during 2023, including taking into account the enhancements delivered through the audit action plan (described further below) and discussing the results of the questionnaire in a private session with the Chief Financial Officer and Deputy Chief Financial Officer, the Committee concluded that the auditors demonstrate independence and objectivity in their work and agreed to recommend the re-appointment of EY for 2024.

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.

Audit action plan

As described in last year's report, with 2022 having been a year of transition for the external auditor, a number of opportunities for incremental improvement were identified as a result of the 2022 effectiveness review. These primarily related to ways of working between the Pearson and EY teams. In early 2023, following the conclusion of the previous year's audit, Pearson and EY, led by the Deputy Chief Financial Officer and lead audit partner respectively, developed a joint action plan in response to the recommendations. The Committee oversaw implementation of this action plan throughout 2023 and was satisfied that all workstreams had either been successfully completed during the year or were on target for completion in early 2024. The Committee will remain attentive to the areas of focus considered by the plan during the coming year, to ensure any agreed enhancements become embedded into 'business as usual' practices. Additionally, we will continue to look at opportunities for an efficient and effective audit and ways of working with EY to support on this.

FRC Minimum Standard

In May 2023, the FRC introduced the 'Audit Committees and the External Audit: Minimum Standard' (the 'FRC Minimum Standard' or 'Standard'), which currently operates on a 'comply or explain' basis.

Following the introduction of the FRC Minimum Standard, the Committee updated its Terms of Reference to reflect the new requirements. In order to achieve full compliance with the FRC Minimum Standard, we intend to refresh the external audit effectiveness review methodology ahead of our 2024 process to ensure the factors described in provisions 15 to 23 of the Standard are considered in our assessment of the external auditors.

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 2023 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 2023 Committee meeting, explaining to the Committee that they had reduced their risk assessment in respect of goodwill impairment due to the level of headroom in the CGUs. At the February 2024 Committee meeting, the external auditors' risk assessment was further updated including the refinement of the significant risk in respect of the valuation of acquired intangibles to certain specific intangible assets, the removal of a significant risk in relation to School Assessments revenue recognition and the reduction in risk level over the useful economic lives of product development and internally developed software assets. These risks were then confirmed as final at the conclusion of their audit of the financial statements in February 2024.

The table on pages 105-106 sets out the significant issues considered by the Committee together with details of how these items have been addressed. The Committee discussed these issues with the auditors throughout the 2023 audit process.

In December 2023, 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, work over manual adjustments to revenue and work over modifications to certain contracts in the OPM business. 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 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

- their work in assessing management's judgements and assumptions regarding the impairment of its right-of-use assets and whether property assets should be classified as investment property
- their procedures performed to audit the material acquisition in the year and specifically their work over the valuation of the acquired intangible assets. Their work focussed on the valuations of certain specific acquired intangibles and their procedures included the use of EY valuation specialists. In addition, they reported on their work over disposals completed in the year including evaluating management's judgement that the POLS businesses should not be classified and presented as a discontinued operation
- 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 provision made in relation to the EU state aid tax matter
- the results of their controls testing for Sarbanes-Oxley Act Section 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 retirement benefit obligations 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 and approved annually 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. Any allowable services are in accordance with relevant UK and US legislation and auditor standards. The policy applies to all Pearson businesses globally, including associate companies. 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.

The Committee approves all audit and non-audit services provided by external auditors. Our policy on the use of the external auditors for non-audit services that was in operation during 2023 complied with the FRC's Revised Ethical Standard published in December 2019. The 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. The policy also 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. In particular, we expressly prohibit the provision of certain tax, HR and other services by the external auditor. The policy also complies with all relevant SEC independence rules. We review non-audit services on a case-by-case basis, including reviewing the ongoing effectiveness and appropriateness of our policy.

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 on a case-by-case basis by the Group finance team. Any such pre-approved services are presented for noting by the Committee at its next meeting.

The Committee receives regular reports summarising the amount of fees paid to the auditors. During 2023, Pearson spent a similar amount on non-audit fees when compared with 2022. For 2023, non-audit fees represented 2% of external audit fees (1% in 2022).

For all non-audit work in 2023, 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 2023 included:

- half-year review of interim financial statements
- audit-type procedures of a stub period in respect of a subsidiary entity in order to satisfy local requirements in advance of a cross-border merger

A full statement of the fees for audit and non-audit services is provided in note 4 to the financial statements on page 170.

Graeme Pitkethly Chair of Audit Committee

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.	— 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.
Acquisitions and disposals		
— Pearson acquired 100% of Personnel Decisions Research Institutes, LLC (PDRI). — Pearson disposed of its Pearson Online Learning Services (POLS) businesses in the US, UK, Australia and India.	— The Committee reviewed the accounting for the PDRI acquisition with specific focus on consideration, net assets acquired including the valuation of intangibles and the recognition of goodwill. The Committee noted the use of third-party valuation experts to value the acquired intangible assets and the controls performed over all aspects of the acquisition accounting, including but not limited to, the review of assumptions used by the third–party valuation experts. — The Committee reviewed the accounting for the disposal of the POLS businesses with specific focus on consideration, net assets disposed and disposal costs. The Committee also reviewed tax assumptions relating to the disposal transactions. In addition, the Committee reviewed the judgement related to whether the results and cash flows of the disposed businesses should be classified and presented as discontinued operations by reference to the criteria set out in IFRS 5.	— The Committee determined that the acquisition accounting for PDRI had been undertaken appropriately but notes that it remains provisional as at 31 December 2023. — The Committee determined that disposal accounting for the POLS businesses had been appropriately recorded. The Committee is satisfied with the judgement that the results and cash flows of the disposed businesses should not be classified and presented as discontinued operations and is also satisfied with the disclosures related to this item.
Revenue recognition		
— Pearson has a number of revenue streams where revenue recognition is complex. 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.	— The Committee is satisfied that revenue is being recognised appropriately.

Audit Committee report *continued*

Issue	Action taken by Audit Committee	Outcome
Recoverability of non-current assets		
— Pearson holds significant non-current assets including right-of-use assets (in relation to leased properties); property, plant and equipment; goodwill and intangible assets. — There are significant estimates and assumptions used in the impairment reviews. — In addition, assumptions made in previous years, regarding the ability to sublet right-of-use assets and sell owned assets, have been revisited.	— 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 and the properties classified as held for sale. Updates to key assumptions – including those arising from subleases signed in 2023 – were reviewed and challenged. The Committee considered the adequacy of related disclosures. The Committee noted the input of third-party property specialists in determining the key assumptions. — 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 management's view that the recoverability of goodwill is no longer an area of significant estimation.	— The Committee is satisfied with the results of the property impairment reviews and the subsequent impairment charges recognised in the income statement. — The Committee is satisfied that the property impairment charges relate to updates to assumptions made during the 2021 and 2022 major restructuring programmes and so meet the Group's criteria to be excluded from adjusted performance measures. — 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 no longer an area of significant estimation.
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 exposure. — 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 Pearson's ongoing response 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.	— The Committee is satisfied with Pearson's approach to the EU state aid matter including reconfirming the ongoing appropriateness of the provision made in 2022 in relation to amounts paid in 2021 and ongoing disclosure about this matter. — The Committee is satisfied with Pearson's approach to managing the impact of tax legislation changes and agreed with the views of management regarding tax provisioning levels. — The Committee is satisfied with the disclosures relating to the expected impact of Pillar 2.

Sherry Coutu CBE
Chair of Remuneration Committee

Key messages from the Remuneration Committee

- The Directors' Remuneration Policy approved by shareholders at the 2023 AGM was instrumental in allowing Pearson to successfully recruit our new Chief Executive, Omar Abbosh, a highly regarded global leader. Omar's remuneration arrangements are consistent with the Remuneration Policy.
- As part of our long-standing commitment to an ongoing and transparent dialogue with shareholders and their advisers, we undertook an extensive engagement exercise both prior to and following the 2023 AGM. Shareholder input is very important to the Committee when developing remuneration proposals and arrangements.
- The Committee considered performance outcomes for 2023. The annual incentive outcome for Executive Directors is 85% of maximum reflecting another year of strong financial and strategic progress in 2023. The long-term incentive granted in 2021 will vest at 85% of maximum considering the earnings growth and value created for shareholders over the three-year performance period.
- A thorough review was conducted ahead of the release of the third and final tranche of the co-investment award for the previous Chief Executive, considering performance underpins, TSR and broader company performance, and stakeholders' experience and it was determined that this tranche should vest in full.
- Consistent with historical and best practice, the Committee also reviewed the implementation of the Directors' Remuneration Policy for 2024, in particular the performance framework, to ensure it appropriately supports delivering on Pearson's forward-looking strategy. No changes to metrics will be made for 2024, although the carbon metric will switch from the AIP to the LTIP to reflect the long-term nature of the goal.
- The Committee remains focused on ensuring remuneration policies and practice for all Pearson's colleagues are consistent with our need to attract and retain the right talent for the Company's digital future, and are appropriately aligned to Pearson's forward-looking strategy, purpose, and mission, vision, and values.
- There was no payment for loss of office upon Andy Bird's retirement from the Company and the Committee determined that Andy would be treated as a 'good leaver' in respect of his outstanding awards under the LTIP, in accordance with the Policy and LTIP rules.

Terms of reference

The Committee's terms of reference are in line with the 2018 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 129).

Board Committee attendance

There were five scheduled meetings of the Remuneration Committee in 2023. Attendance by Directors was as follows:

Committee members	Meetings attended
Sherry Coutu CBE	5/5
Esther Lee	5/5
Tim Score	5/5
Annette Thomas	5/5

Dear Shareholder

On behalf of the Board, I am pleased to present the 2023 Directors' Remuneration Report.

For a third consecutive year, Pearson has delivered a strong financial performance. Underlying Group sales increased by 5%, and Group adjusted operating profit was up 31% versus 2022. This was supported by the ongoing work to streamline the business and make it more efficient, with delivery of £120m of cost savings helping to drive an improvement in adjusted operating profit margin to 16%.

Pearson has continued to generate strong free cash flow enabling the Company 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. Strong cash generation has enabled the delivery of returns for shareholders, with a £300m share buyback programme supplementing a progressive ordinary dividend. The Board have also announced our intention to extend the share buyback programme by £200m. 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.

Additionally, Pearson has seen change in the Executive Directors with the appointment of a new Chief Executive, Omar Abbosh, who joined on 8 January 2024 and the retirement of Andy Bird, who stepped down from his role as Chief Executive, but remains with the Company until 31 March 2024 to ensure a smooth transition. We will also welcome Alison Dolan, Non-Executive Director, to the Committee from 1 April 2024.

Shareholder engagement

While the Committee very much appreciated the support shown by the majority of shareholders, it was naturally disappointing that a significant minority of shareholders voted against the 2023 Directors' Remuneration Policy.

In advance of the 2023 AGM, the Committee had conducted an extensive consultation process, receiving feedback from, or directly engaging with, approximately 55% of Pearson's ownership as well as the key proxy advisers.

There was an understanding of the challenges faced by Pearson and the need for a Policy that adequately acts as an attraction, retention, and incentivisation tool for global talent, particularly in the US which represents the majority of the Company's business, and growth prospects. We acknowledge that these challenges are not unique to Pearson and have in the last year, been widely raised and discussed by a range of stakeholders. That said, our engagement exercise highlighted that the extent of the increases to variable incentive opportunities in both the annual and long-term incentive plans was principally too much for some shareholders to support.

Following the outcome at the AGM and given Pearson's commitment to an ongoing and transparent dialogue with shareholders and their advisers, a further engagement exercise was initiated to provide the opportunity for shareholders to offer any additional views on Pearson's executive remuneration arrangements following the AGM vote. We received a relatively small number of responses, often welcoming the offer to engage again, but noting that there was no requirement given the extensive consultation prior to the AGM, as referred to above.

While understanding and acknowledging the diverse views of our shareholders, the Committee continues to believe that the Policy is necessary for remaining competitive in the global talent market and driving sustainable, profitable growth. This was reaffirmed by the Board's appointment of Omar Abbosh as the Company's new Chief Executive. Omar is a highly regarded global leader with over 30 years of experience in enterprise technology and joined Pearson from Microsoft, one of the world's largest multinational technology companies.

Pearson remains committed to a constructive and positive relationship with all its shareholders and their advisers and will continue to engage widely as appropriate going forward.

Incentive outcomes for 2023

2023 AIP

The strong financial and strategic progress delivered in 2023 resulted in a formulaic AIP outcome for Executive Directors of 85% of maximum, with outperformance against the stretching targets for Adjusted Operating Profit, Sales and Free Cash Flow. Overall, the Committee was satisfied that the formulaic outcome was reflective of the performance achieved.

2021 LTIP

The LTIP granted in 2021 will vest in 2024 at 85% of maximum, principally reflecting EPS performance above the upper end of the stretching range and exceptional upper quartile TSR performance over the three-year performance period. The shares vesting will remain subject to a two-year holding period. Further details are set out on page 120.

Final tranche of Andy Bird's co-investment award

The third and final tranche of the one-off co-investment award granted to Andy Bird, vested following 31 December 2023. Similar to the first two tranches, vesting was subject to achievement of performance underpins linked to strategic progress and there being no significant ESG issues resulting in significant reputational damage. The third tranche was also subject to an additional TSR underpin.

The Committee undertook a rigorous assessment of the relevant performance underpins as well as a holistic review of broader Pearson performance and the experience of all stakeholders.

In its assessment, the Committee followed the framework developed and disclosed in prior years. Pearson's TSR over the period was 76%, resulting in the creation of over £3bn of shareholder value over the period and significantly in excess of the required threshold. Pearson's TSR was ranked 21 out of 92, above the upper quartile (71.8%) TSR of the FTSE 100. As such, the Committee determined that the third tranche of the award would vest in full and detailed disclosure of the Committee's deliberations in this regard is set out on pages 121 and 122.

Leadership changes

Appointment of Omar Abbosh, new Chief Executive

Omar Abbosh was appointed as Chief Executive on 8 January 2024. Omar has a deep understanding of the dynamic business and technology landscape having helped to shape and execute successful strategies in a world of disruption. This positions him very well to build on the foundations that have been laid over the last few years and lead Pearson through its continued journey as a digital-first consumer-focused lifelong learning company. The Committee looks forward to working with Omar as we accelerate our strategy and continue to deliver value for all our stakeholders.

Omar's remuneration arrangements are consistent with the remuneration policy approved by shareholders at the 2023 AGM. The principal elements are as follows:

- An annual base salary of £1,000,000;
- An annual cash allowance of 16% of base salary in lieu of pension; in line with the maximum available company pension contribution for UK employees of a similar age;
- Participation in Pearson's performance based Annual Incentive Plan (AIP) from 2024, with a maximum annual opportunity of 300% of base salary and a target bonus equal to 50% of the maximum opportunity, prorated to reflect his service during the bonus year;
- From 2024, participation in the performance-based Pearson Long Term Incentive Plan with an annual face value of 450% of base salary and based on stretching performance targets (as set out in this report for 2024);
- In addition, Pearson will compensate Omar for remuneration he forfeited as a result of resigning from his previous role at Microsoft on a like-for-like basis in accordance with our Remuneration Policy. It will consist of a cash payment in lieu of his forfeited annual bonus expected to be £249,050 covering the 6 months between the end of his prior employer's financial year end and the beginning of his eligibility for Pearson's AIP in 2024; an award of 1,391,718 Pearson restricted shares which are of equivalent value to the forfeited Microsoft shares and which will vest annually in three equal tranches. This share award has a value of approximately £13.1m based on the three-month average share price and FX leading up to the start of his employment

in January 2024. 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 the calibre of Omar in companies in our key talent markets. Additionally, the restricted share award creates immediate alignment with shareholders and fulfils Omar's shareholding guidelines from the outset.

— Subject to the shareholding guideline under which he is expected to maintain a holding of at least 450% of salary, and to retain that level (or his actual holding if lower) for two years following stepping down as an Executive Director.

Further information on these arrangements can be found on page 112.

Retirement of Andy Bird

Andy Bird announced his intention to retire from the role of Chief Executive on 20 September 2023. He stepped down as Chief Executive and as a Pearson Board member on 7 January 2024 and will leave Pearson on 31 March 2024. There was no payment for loss of office. The Committee determined that Andy would be treated as a 'good leaver' in respect of his outstanding awards under the LTIP and treatment of the awards was in accordance with the relevant plan rules. Andy will not receive any LTIP award in respect of 2024, but is eligible for a pro-rated award under the AIP for the period to 31 March 2024, whilst he remains in employment. In line with the Policy, Andy will also be required to meet his shareholding guideline of 450% of base salary for two years following stepping down as an Executive Director. Further details of remuneration arrangements in respect of Andy's retirement can be found on page 123.

Looking forward to 2024

Salaries for 2024

There was no increase to Andy Bird's base salary before his retirement in March 2024. The Committee reviewed the salary of Sally Johnson and approved an increase of 3% bringing her salary to £574,000 for 2024. This increase was in line with the 3% increase for the wider UK workforce. Omar Abbosh's salary remains fixed at £1,000,000 until 2025.

Performance framework

Consistent with prior years, the Committee undertakes an annual review of the performance framework to ensure it continues to align with the forward-looking strategy. Overall, the Committee considered that the performance framework principles remain appropriate, with the only change for 2024 being to move the carbon reduction metric, aligned to Pearson's 2030 carbon reduction goals, from the AIP to the LTIP to reflect the long-term nature of the goal.

Target-setting for 2024

One of Pearson's remuneration principles, which apply across the whole organisation, centres on pay for performance, and this is actively considered by the Committee when determining targets. For 2024, 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.

The Committee has a strong focus on pay for performance and a robust track record of setting stretching targets, as demonstrated by the targets set in recent years and subsequent incentive outcomes. The approach taken this year is no different. Disclosure of the 2024 LTIP targets is on page 112. For both EPS and 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. As in previous years, we will disclose financial targets for the 2024 AIP in full retrospectively following the end of the performance period.

Remuneration across Pearson

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. Remuneration across the workforce is designed to reflect the role, skills, experience, and performance of any relevant individual as well as local market practice. Many of the features of our Directors' Remuneration Policy apply more broadly, for example, over half of all Pearson employees (c.10,300 employees) participated in the Annual Incentive Plan during 2023 which was funded based on similar performance measures as those used for Executive Directors - and it was pleasing to note that this was funded at the highest level in a number of years, reflecting a strong performance by the Company.

Similarly, all eligible colleagues (including Executive Directors) can participate in savings-related share acquisition programmes that are not subject to any performance conditions. Over 1 in 4 of our employees save to purchase discounted Pearson shares via our employee share plans, thereby becoming potential owners of the business and benefiting from the value they help to create for all Pearson shareholders. It was particularly pleasing that at the most recent maturity of our 'Save For Shares' plan in August 2023 the average gain for a participant was £5,700.

To align with Pearson's diversity, equity and inclusion (DEI) and global benefits strategies, Pearson expanded healthcare coverage for Pearson colleagues in the UK in 2023 to include more inclusive benefits such as menopause support, fertility and family planning services, and gender affirmation services.

The Committee receives regular updates on talent matters and wider workforce considerations and actively considers the approach to reward throughout the organisation when determining executive remuneration. In addition, the Committee closely reviews relevant pay ratios and pay gaps and supports efforts to make progress against these metrics. In 2023, Pearson published its first Fair Pay report which contained the gender pay gap and ethnicity pay gap in Great Britain, the latter of which Pearson voluntarily disclosed for the first time. While Pearson currently has initiatives and strategies in place to support competitive, equitable and inclusive pay and benefits, the Company is committed to delivering greater pay transparency in the future.

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 2024 AGM in relation to our 2023 Directors' remuneration report.

Sherry Coutu CBE

Chair of Remuneration Committee

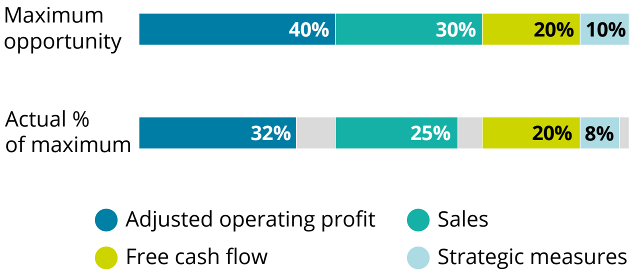
Pearson's Remuneration Framework - 2023 'At A Glance'

Base salaries (from 1 April 2023)

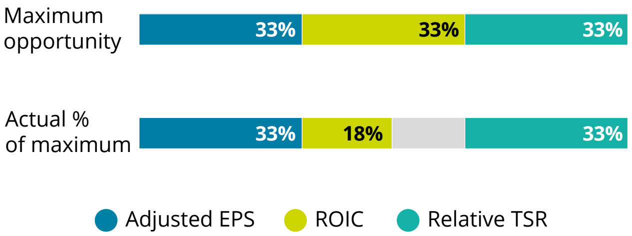
CEO (Andy Bird) - $1,293,750

CFO - £557,225

2023 annual incentive plan payout (85% of maximum)



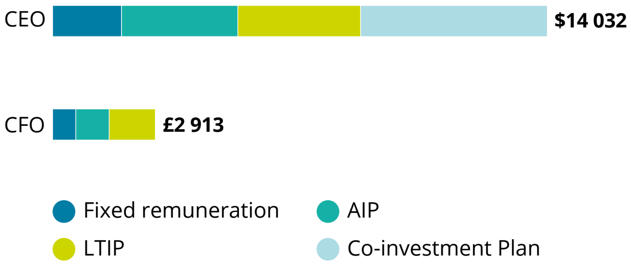
2021 long-term incentive plan payout (85% of maximum)



Final tranche of co-investment award

After Committee assessment of performance underpins (including TSR), it was determined the final tranche would vest in full.

2023 single figure



$000 for CEO; £000 for CFO

Strategic progress. Sustainable profitable growth.

Revenue

£3,674m

5% underlying growth (excl OPM & Strategic Review)

Adj. operating profit

£573m

31% underlying growth on prior year

Free cash flow

£387m

74% growth on prior year

Adjusted EPS

58.2p

12% growth on prior year

Return on Capital

10.3%

+1.6% on prior year

Dividend per share

22.7p

6% increase on prior year

Strategic highlights

— Acquired PDRI to drive additional growth in our biggest business: Assessments and Qualifications.
— Delivered a £120m cost savings programme, accelerating group margin expansion to 16%.
— Launched beta version generative AI tools in Mastering and MyLab.
— Strong cash performance with free cash flow of £387m and launched a £300m share buyback.
— Passed milestone of 1m cumulative paid subscriptions for Pearson+.

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, 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 (e.g., an environmental, social and/or governance measure). — Payout of 20% of maximum for threshold performance with 65% payable for on-target 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 of the remuneration policy in 2024 - At a Glance

		Omar Abbosh CEO	Sally Johnson CFO	Purpose and link to strategy
Base salary		£1,000,000	£574,000	Recognise market value of role and individual's skills, experience and performance to ensure the business can attract and retain talent.
Allowances and benefits		Travel, health and risk benefits		Provide employment benefits to ensure overall package is market competitive to attract and retain high calibre talent.
Retirement benefits		16% of salary in lieu of pension		Provide competitive retirement benefits to ensure overall package is market competitive to attract and retain high calibre talent.
Annual incentive plan	Target/ maximum opportunity (% of salary)	150%/300%	100%/200%	Drive and reward annual performance on both financial and non-financial metrics in order to deliver sustainable growth in shareholder value. Deferral into shares if shareholding guidelines are not met increases alignment with long-term shareholder interests.
	Performance condition	See table overleaf		
	Deferral if shareholding guidelines not met	One-third into shares for two years		
Long-term incentive plan	Grant (% of salary)	450%	300%	Direct financial measures that drive our financial ambitions for the Company and measures linked to our key long-term strategic priorities aligned to the long-term interests of our shareholders.
	Performance condition	See table overleaf		
	Vesting	Three-year performance conditions, with two year post-vesting holding period		
Shareholding guidelines	% of salary	450%	300%	Provide long-term alignment with shareholder interests.
	Post-employment shareholding guidelines	450% for two years	300% for two years	Provides continuing alignment with shareholder interests following the end of an Executive Directors' tenure.

Performance measures and targets for 2024

Annual incentive plan performance measures are outlined below. As in previous years, we will apply a financial underpin to the strategic measures. We will disclose financial targets in full retrospectively following the end of the performance period.

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

	Weighting	Threshold	Target	Maximum
Invest in diverse pipeline and increase BIPOC/BAME representation at all manager levels	10%	2% increase in representation of BIPOC/BAME employees at Manager level and above + maintain overall gender parity as an underpin	5% increase in representation of BIPOC/BAME employees at Manager level and above	10% increase in representation of BIPOC/BAME employees at Manager level and above

Long-term incentive plan performance measures and targets for 2024 are as follows:

	% of total	Threshold	Maximum	Payout at threshold	Payout at maximum
Adjusted EPS	30%	63p	82p	20%	100%
Return on Capital	30%	10.3%	13%	20%	100%
Relative TSR	30%	Median	Upper quartile	20%	100%
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)	20%	100%
ESG - Carbon reduction	5%	4% reduction vs 2023	13% reduction vs 2023	20%	100%

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 FTSE100 and half against the S&P500, 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.

Alignment of performance framework to Pearson's strategy

Financial objectives

Objective	No.	Measure	2024 AIP	2024 LTIP
Sustainable profitable growth	1	**Total shareholder return (TSR)**		✓
Revenue: Mid-single digit (three-year CAGR 2022-2025)	2	**Sales**	✓	
Adjusted operating margins (2025): 16-17%	3	**Adjusted EPS**		✓
	4	**Adjusted Operating Profit**	✓	
Free Cash Flow conversion (2024): 95-100%	5	**Free Cash Flow**	✓	
Return on capital	6	**Return on Capital**		✓

Strategic objectives

Objective	No.	Measure	2024 AIP	2024 LTIP
Digital sales: Drive digital revenue growth	1	**Sales**	✓	
Consumer engagement: Create engaging and personalised customer experiences	2	**Sales**	✓	
Product effectiveness: Improve the effectiveness of our products to deliver better outcomes	3	**Sales**	✓	
Culture of engagement and inclusion: Build an inclusive culture and increase diverse representation	4	**Various KPIs including diversity and employee engagement**	✓	✓
Sustainability strategy: Achieve 50% reduction in absolute Scope 1,2 & 3 carbon emissions by 2030	5	**Reduction in tCO_2**		✓

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

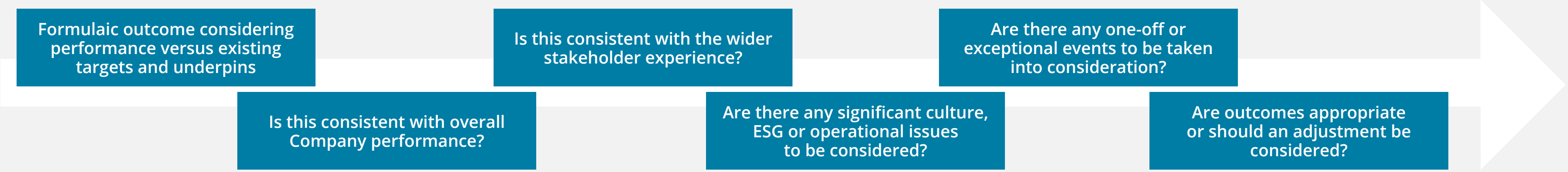
Our Directors' Remuneration Policy and its implementation supports our Company purpose of adding life to a lifetime of learning, our strategy and ultimately the delivery of long-term sustainable value for all stakeholders, including our shareholders.

In developing the Directors' Remuneration Policy, the Committee had due regard to the principles outlined within the UK Corporate Governance Code.

- 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 digital future. 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**:
  - Selected performance measures for the AIP (Annual Incentive Plan) and LTIP (Long Term Incentive Plan) 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 **predictions** of how the Directors' Remuneration Policy may apply in various performance scenarios
  - When determining pay-outs, 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. The Committee **engaged extensively with shareholders** on the current Directors' Remuneration Policy to ensure they fully understood the rationale for change, and to give them the opportunity to feed into the decision-making process and inform final conclusions.

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.



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?

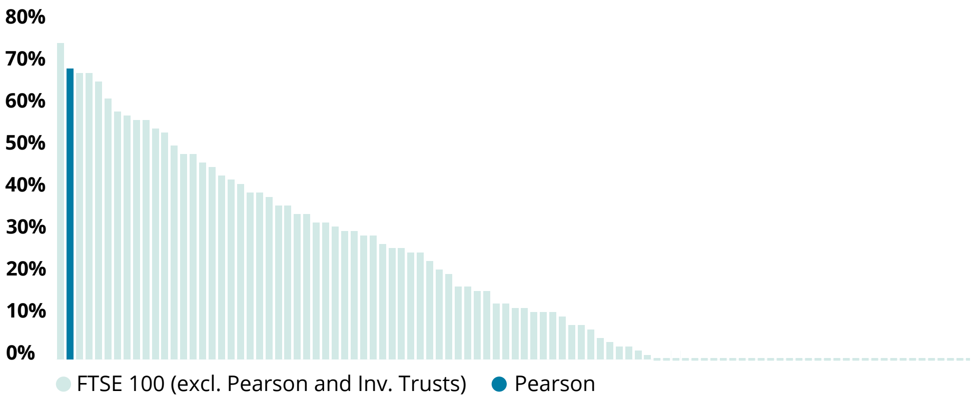
Are there any one-off or exceptional events to be taken into consideration?

Are outcomes appropriate or should an adjustment be considered?

Market context for remuneration at Pearson

Pearson has more US exposure than almost all of the UK market with c.70% of revenues from the US.

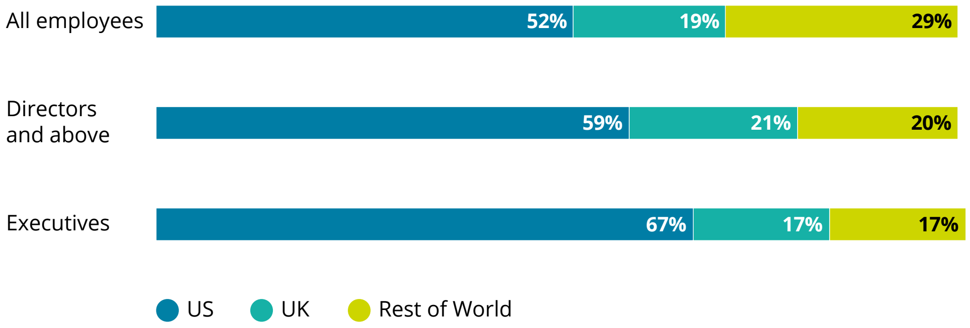
Proportion of Revenue from US geographic segment (FTSE 100)



Based on the publicly disclosed geographic revenue segment which covers the US or Americas as a proportion of disclosed Group revenue. Data for Pearson are based on the year ending 31 December 2023. Data is shown for the FTSE 100 excluding investment trusts, and were sourced from Datastream and published annual reports as at January 2024.

Additionally, more than half of Pearson's employees are based in the US and two-thirds of the Pearson Executive Management (PEM) are also based in the US, with several joining us from US-based companies.

Data as of 31 December 2023



Market reference points

Given that Pearson is a UK-listed company, but has significant operations in the US and draws significantly on talent from the US, the Remuneration Committee considered remuneration levels at comparable companies in both the UK and US when determining the 2023 Directors' Remuneration Policy and its implementation. The Committee also considers remuneration levels at both public and privately-owned or held companies, but notes that market data for private companies is more limited. The approach to market data was to consider multiple different reference points, including those described below, to provide a rounded view of overall positioning against the market. This approach has evolved over time in line with Pearson's strategic evolution to appropriately reflect the different global talent needed for Pearson's growth ambitions and execution of our digital-first strategy. **The Committee has not sought to follow any specific market reference and is mindful of the balance between needing to ensure remuneration packages are sufficiently attractive in the US, a primary and fiercely competitive talent market, and maintaining a UK market-aligned remuneration framework.**

- Executive Director remuneration in UK-listed companies of a similar market capitalisation to Pearson, the FTSE 41 to 100. This comparator group recognises Pearson's London listing, the fact that Pearson is a member of the FTSE 100, and that UK investors and proxy agencies would likely consider competitiveness of remuneration levels at Pearson in this context primarily. Market data for the FTSE 100 as a whole was also considered as an additional reference point given the growth in Pearson's market capitalisation in recent years.

- Executive Director remuneration in US-listed companies of a broadly similar financial size and in a similar sector to Pearson. This comparator group included companies in the broadcasting, interactive media and software sector with similar revenue to Pearson. It considers what Executive Directors are paid in broadly similar US-listed companies, although it does not directly align to Pearson's talent market.

- Remuneration in US-listed companies more closely aligned to Pearson's talent market and strategic ambitions. This comparator group comprised US 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. Recognising, however, that many of these companies were materially larger than Pearson in terms of financial size, rather than considering remuneration levels for the CEO role, the market data considered was for roles reporting into the CEO (primarily heads of business units or Chief Executives of subsidiary businesses) which is analogous to Omar Abbosh and Andy Bird's previous executive roles. This data was only considered in respect of the CEO role at Pearson.

The Committee is mindful of the views of many investors in relation to setting executive pay solely based on market data as well as views on using international peer groups. The Committee therefore wanted to take a balanced and thoughtful approach which incorporates the views of all key stakeholders.

Pay positioning

Overall, the intention of the Committee was to ensure a package for the Chief Executive which was competitive considering Pearson’s primary talent market. While it is acknowledged the package for the Chief Executive is towards the top end of market practice from a UK perspective, it is within the broad range of pay received by executives below CEO level at relevant US-listed companies.

<table>
<tr><th></th><th colspan="2">Chief Executive Officer</th><th colspan="2">Chief Financial Officer</th></tr>
<tr><th></th><th>UK positioning</th><th>US positioning</th><th>UK positioning</th><th>US positioning</th></tr>
<tr><td>Salary</td><td>Towards the top end of UK practice</td><td>Within US market competitive range for CEO roles</td><td>Within UK market competitive range</td><td>Within US market competitive range</td></tr>
<tr><td rowspan="2">Annual bonus opportunity</td><td colspan="4">For CEO roles, the market data illustrated that annual bonus opportunity levels in the US were around double opportunity levels in the UK. The same picture is not however true for other executive roles, where annual bonus opportunity in the US is more closely aligned to, although still marginally higher than, UK levels.</td></tr>
<tr><td>Towards the top end of UK practice</td><td>Within US market competitive range</td><td>Within UK market competitive range</td><td>Within US market competitive range</td></tr>
<tr><td rowspan="2">LTIP opportunity</td><td colspan="4">Long-term incentive opportunity is the key driver in the difference between UK and US remuneration levels. Opportunity levels in the US are many multiples of UK levels. For CEO roles in US-listed companies in a similar sector and of a similar financial size to Pearson, many receive long-term incentives with a target opportunity greater than 1000% of salary.</td></tr>
<tr><td>Towards the top end of UK practice</td><td>Substantially below US levels</td><td>Towards the top end of UK practice</td><td>Substantially below US levels</td></tr>
</table>

Conclusions

The market data highlighted the stark difference in pay practices between the UK and US, and the Remuneration Committee applied careful judgement when considering how remuneration at Pearson should be positioned taking into account the various reference points as well as the views of shareholders.

The Committee determined, with input from shareholders, that the incentive framework at Pearson for Executive Directors should continue to align to typical UK practice, and as such incentives remain fully performance-linked, which is not typically the case in the US market where often a significant proportion of the long-term equity award is delivered in restricted stock with no performance conditions and over shorter time horizons. In addition, annual bonus deferral and additional holding periods on LTIP awards are uncommon in the US market.

Overall, while it is acknowledged that the 2023 Directors’ remuneration policy positions Pearson towards the top-end of the UK market, the Committee has not sought to match US quantum levels or market practice in terms of incentive design or the overall remuneration framework.

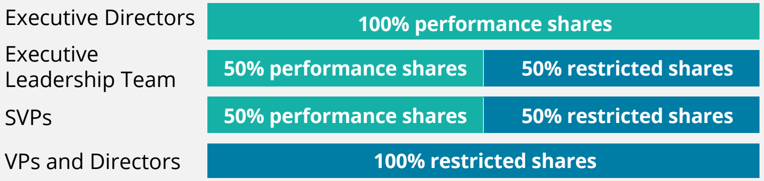
That the approach taken in the 2023 Policy is necessary for remaining competitive in the global talent market was reaffirmed by the Board’s appointment of Omar Abbosh as the Company’s new Chief Executive Officer. Omar is a highly regarded global leader with over 30 years of experience in enterprise technology and joined Pearson from Microsoft, one of the world’s largest multinational technology companies.

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 114 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

Base salary	Set considering economic factors, competitive market rates, roles, skills, experience, and individual performance.
Allowances and benefits	Reflect the local labour market in which colleagues are based and may include healthcare and wellbeing benefits. Aligned with Pearson's diversity, equity and inclusion (DEI) policies we actively review to ensure our benefits are inclusive (e.g., menopause support, fertility and family planning services, and gender affirmation services provided to colleagues in the UK).
Retirement benefits	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.
Annual incentives	Over half of all Pearson employees, around 10,300 colleagues, participate in an Annual Incentive Plan, which is funded based on similar performance measures to the Executive Directors. Several other colleagues (c. 2,000) 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.
Share incentives	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 750 colleagues (c.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 Leadership team have an equal mix of both performance shares (subject to 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.  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). Over 1 in 4 of our employees currently save to purchase Pearson shares via our employee share plans, contributing to a strong culture of share ownership.

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. Further detail on Pearson’s approach to employee engagement is provided on page 41.

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, a number of "Breakfast with the Board" sessions were conducted with employees in both the UK and the US. This gave a wider group of employees the chance to talk with Board members about their roles, and to express their opinions on a wide range of topics. See page 82 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 (the latter of which Pearson voluntarily disclosed for the first time in 2023), 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, as well as other diverse talent groups, to ensure equal opportunities for all its people. Some initiatives include creating strategic partnerships with organisations that focus recruiting efforts on under-represented talent, rolling out training programmes for recruiters and hiring managers focused on specific diversity topics, and reviewing and challenging job requirements which require a formal higher education qualification in order to create a greater level of accessibility and equity to all candidates. Building an inclusive culture and increasing diverse representation is one of Pearson’s six strategic pillars, and reflective of the Company’s commitments in this area diversity targets were included in both the AIP and LTIP for Executive Directors for 2023. Further details can be found within our 2023 fair pay report which was published in December 2023.

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:

- 2023 was a year of strong performance for the business and this was reflected in the highest level of funding under the Annual Incentive Plan in many years. As noted on page 117, over half of all Pearson employees (c.10,300 employees) benefitted from participating in an AIP during 2023.
- Similarly, all eligible colleagues, including Executive Directors, can participate in savings-related share acquisition programmes that are not subject to any performance conditions. Over 1 in 4 of our employees save to purchase discounted Pearson shares via our employee share plans. At the most recent maturity of our ‘Save For Shares’ plan in 2023, the average gain for a participant was £5,700 reflecting a near doubling between the option exercise price and the Pearson share price on the date of maturity – allowing those who participated to benefit from the shareholder value they have helped to create over the previous three years.

Remuneration report for 2023

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. Those tables subject to audit are marked with an asterisk.

Single total figure of remuneration and prior year comparison*

Total aggregate emoluments for Executive and Non-Executive Directors were £15,597k in 2023. These emoluments are included within the total employee benefit expense (in Note 5 to the financial statements page 170).

Executive Director 'single figure' remuneration

The remuneration received by Executive Directors for the financial years ended 31 December 2023 and 31 December 2022 is set out below.

Overall, the Committee considers that the Remuneration Policy operated as intended during 2023.

Executive Director 'single figure' remuneration*

	Andy Bird $000s		Sally Johnson £000s	
	2023	2022	**2023**	2022
Base salary	**1,282**	1,250	**552**	533
Allowances and benefits	**466**	448	**16**	16
Retirement benefits	**205**	200	**88**	64
Total fixed pay	**1,953**	1,898	**656**	613
Annual incentives	**3,299**	1,900	**947**	692
Long-term incentives	3,482	–	**1,310**	1,043
Co-investment award	**5,298**	4,684	–	–
Total variable pay	**12,079**	**6,584**	**2,257**	**1,735**
Total remuneration	**14,032**	**8,482**	**2,913**	**2,348**

Notes to single figure table*

Base salary

The base salary shown in the single figure table reflects salary paid in the financial year as a Pearson Executive Director. Andy Bird was paid in USD, and Sally Johnson is paid in GBP.

Allowances and benefits

The breakdown of benefits is as follows for 2023:

	Andy Bird $000s	**Sally Johnson £000s**
Travel	–	14
Health	15	2
Risk-related	2	–
Accommodation	449	–

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. This cost was capped at $240,000 per year ($20,000 per month) prior to any taxes due.

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 are affected by the lifetime allowance and have opted out of The Pearson Pension Plan.

Retirement benefits

Further detail on retirement benefits is on page 123.

Annual incentives

The 2023 AIP for the Executive Directors was based on a mix of financial (90% weighting) and strategic measures (10% weighting). The 2023 AIP resulted in an 85% of maximum payment for both Andy Bird and Sally Johnson. Bonus is calculated using salary at 31 December 2023, in line with how bonuses are calculated for all participants.

More detail on performance metrics and performance against targets in 2023 is on page 120.

Long-term incentives

The 2021 LTIP award was subject to performance conditions assessed to 31 December 2023. Performance targets were partially met resulting in the award vesting at 85% of maximum. The 2021 LTIP awards for Andy Bird and Sally Johnson were granted on 4 May 2021, based on a share price of 826.7p (five-day average to 4 May 2021). The value of the 2021 LTIP included in the single-figure table is based on a three-month average ADR / share price to 31 December 2023 of $11.63 / 937.0p. The LTIP values include dividend equivalent amounts of $196,795 and £76,141 for Andy Bird and Sally Johnson respectively. The proportion of the 2021 LTIP attributable to share price growth is $98,009 for Andy Bird and £145,245 for Sally Johnson. The Remuneration Committee did not exercise discretion in respect of this share price appreciation. For further details see page 120.

The value of the 2020 LTIP reported in last year's report for Sally Johnson (£1,199k) was an estimate based on the three-month average share price to 31 December 2022 (939.4p). The actual value of the 2020 LTIP, on the 2 May 2023 vesting date was £1,043k (based on a closing share price of 754p).

Co-investment award

The third and final tranche of the one-off investment award, granted to Andy Bird to secure his appointment (with shareholder EGM approval), was subject to performance underpins assessed to 31 December 2023. It was determined the third tranche of the award would vest in full. The value disclosed, which includes an additional amount equal to the value of dividends payable on the shares vesting, is calculated using the ADR share price at the date of vesting (30 Jan 2024) of $12.19. The award was originally granted over Ordinary Shares based on a share price of 590.2p (with the USD value at award calculated using a USD:GBP exchange rate of 1.365), and so $1,666k of the above figure is attributable to share price growth. An additional $386k of the value is attributable to dividend equivalent shares. The award has been satisfied using market-purchased ADRs and ADRs retained after tax must be held until 31 December 2025. For further details see pages 121-122.

Executive Directors’ annual incentive payments for 2023*

Andy Bird and Sally Johnson were eligible to participate in the 2023 AIP. 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 an 85% of maximum payout.

Overall outcome

		Performance range				Payout
	% of total	Threshold	Target	Maximum	Actual results	% of max bonus opportunity
Adjusted operating profit	40%	£520m	£525m	£605m	£573m	32%
Sales	30%	£3,395m	£3,520m	£3,760m	£3,674m	25%
Free cash flow	20%	£300m	£305m	£345m	£387m	20%
Strategic measures	10%			See below		8%
	100%					**85%**

Performance against strategic measures

The targets and outcomes for performance against each of the strategic measures 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	5%	2% increase in representation of BIPOC/BAME employees at Manager level and above + maintain overall gender parity as an underpin	5% increase in representation of BIPOC/BAME employees at Manager level and above	10% increase in representation of BIPOC/BAME employees at Manager level and above	Achieved 6.4% increase & maintained overall gender parity
Reduce carbon footprint – net annual reduction versus 2022 baseline toward 2030 goal	5%	1% reduction	2% reduction	5% reduction	Achieved an 8% reduction[2]
Total	**10%**				**8%**

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

Note 2: As disclosed on page 42, Pearson achieved carbon reduction of 16.3% during 2023. For the purpose of assessing AIP performance, the Committee made a discretionary adjustment to this figure to account for factors which did not reflect underlying performance, such as portfolio changes.

Executive Directors’ Long-Term Incentive Plan award vesting for 2023*

In May 2021, Andy Bird and Sally Johnson were granted an LTIP award. This award is due to vest based on performance the business delivered over the three-year period from 2021 to 2023.

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	A third	43.9p	50.5p	57.6p	15%	65%	100%	57.7p	100%	33.3%
Net ROIC	A third	5.4%	6.3%	7.3%	15%	65%	100%	6.1%	55%	18.4%
Relative TSR	A third	Median	-	Upper quartile	25%	-	100%	Ranked 16 out of 93	100%	33.3%
	100%								**Total**	**85%**

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

In determining the vesting outcome, the Committee carefully considered the portfolio changes over the last three years and made modest adjustments to reflect the impact of these, in particular the divestment of various businesses under strategic review during the performance period – the adjusted targets and adjusted results are presented in the table above. The Committee considers such adjustments appropriate to ensure performance is measured on a like-for-like basis and reflect the principles against which the original targets were set as these did not consider the impact of the portfolio changes.

Overall, 85% of this award will vest on 1 May 2024, and its value is included in the single figure table on page 119. Shares vesting are subject to an additional two-year holding period to 1 May 2026.

Co-investment award*

To secure the appointment of Andy Bird as Chief Executive, the Committee designed a one-off co-investment award. The conditions of this award were that Andy Bird purchased Pearson ordinary shares equal to 300% of his base salary and held all of these shares until 31 December 2023. The co-investment award vests in three equal annual tranches, with shares vesting subject to a holding period until 31 December 2023.

The vesting of each tranche of the award was subject to these performance underpins:

- an appropriate level of continued progress being made in relation to delivering Pearson’s strategy, including the ongoing transition from print to digital, and
- no significant ESG issues occurring, which relate to Andy Bird’s tenure as Chief Executive, and which result in significant reputational damage for Pearson

In addition, the vesting of the final tranche of the award was subject to the following TSR underpin:

- Pearson’s TSR from the date of the announcement of Andy Bird’s appointment to 31 December 2023 is either (1) positive; or (2) is at median or above when compared to the performance of the FTSE 100
- If one or more of the underpins are not achieved, then the Committee will consider whether, and to what extent, a discretionary reduction in the number of shares vesting is required.

Assessment of performance underpins

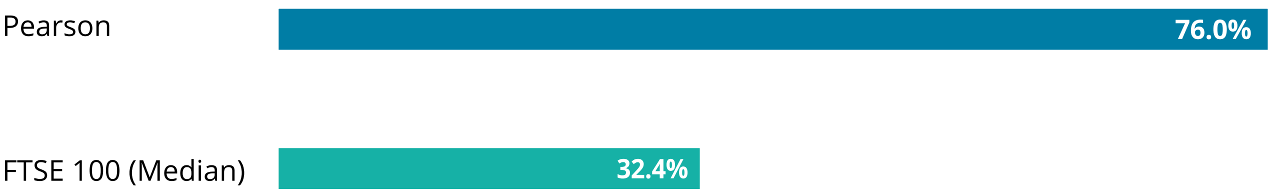
The third tranche of the co-investment award vested as soon as practical following 31 December 2023. The Committee undertook a rigorous assessment of the relevant performance underpins, reviewed broader Pearson performance, and evaluated the experience of all stakeholders. The Committee followed the framework disclosed in the 2020 Remuneration Report.

In 2023, there have been no ESG issues which, in the opinion of the Committee, have resulted in significant reputational damage.

Progress in delivering Pearson's strategy	Significant strategic progress was made during 2023 which included: — Completed the acquisition of Personnel Decisions Research Institutes ('PDRI') in support of the growth strategy, building on the previous acquisitions of Credly, Mondly and Faethm. — Continued to refine the portfolio through the completion of the strategic disposal of Pearson's interest in the POLS businesses in the US, UK, Australia and India, as well as the disposal of Pearson College London. — Reorganised salesforce in Higher Education to increase adoption retention rates and generate new wins. — Further progressed Pearson's Generative AI strategy including the launch of additional generative AI study tools in Pearson + and Mastering. — Delivered a £120m cost savings programme, accelerating group margin expansion to 16%. — Passed milestone of 1m cumulative paid subscriptions for Pearson+.

TSR Underpin

Pearson's TSR from the date of the announcement of Andy's appointment to 31 December 2023 was 76.0%, resulting in the creation of over £3bn of shareholder value over the period. This compares to a median FTSE 100 TSR of 32.4%, and was therefore significantly in excess of both required thresholds for vesting (noting that only exceeding one threshold was required). Pearson's TSR was ranked 21 out of 92, in excess of the upper quartile (71.8%) TSR of the FTSE 100.



Source: Refinitiv Datastream

Consideration of broader performance and stakeholder experience

Robust financial performance

Revenue	Adj. operating profit	Free cash flow	Adjusted EPS	Return on Capital
£3,674m	£573m	£387m	58.2p	10.3%
5% underlying adjusted growth on prior year (excl OPM & Strategic Review)	31% underlying growth on prior year	74% growth on prior year	12% growth on prior year	1.6% improvement on prior year

Wider stakeholder experience

Shareholders

— Strong financial position has enabled Pearson to grow its dividend (up 6% to 22.7p in 2023), in line with Pearson's commitment to a progressive and sustainable dividend.

— Pearson commenced a £300 million share buyback programme to return capital to shareholders in Q3 2023, We have also announced our intention to extend our share buyback programme by £200m.

— Pearson has strong and constructive relationships with its key institutional investors. During 2023, Pearson held 505 meetings with 272 institutions, both virtually and in person.

Directors’ remuneration report *continued*

Employees

- Over 80% of colleagues participated in the enhanced employee engagement survey, a 10 percentage point increase over last year. Our engagement grand mean increased to 4.09 out of 5 (up from 3.96 in 2022) and as a result, we are now ranked in the 70th percentile in Gallup’s global company database for engagement.
- Over 700 existing employees participated in the Coaching for Performance series which focused on developing managers as coaches. Pearson’s coaching index score improved from 3.75 out of 5 in 2022 to 3.95 in 2023.
- Pearson launched a new learning experience platform that integrates third party content libraries, Pearson commercial content, bespoke learning content on a range of topics (e.g. generative AI), and digital credentials powered by Credly by Pearson. To date, 16.1k Pearson employees have earned a credential from Credly by Pearson.
- Pearson’s UK benefits offerings were expanded to be more inclusive including support and medical cover for those seeking gender affirmation care, menopause support, and support for those expanding their families whether through birth, surrogacy, or adoption.
- There was improvement in female representation at Vice President level and above (44%) and Pearson continued to maintain its position of having surpassed the FTSE Women Leaders Review target for 40% of leadership roles (defined as the executive committee and their direct reports) to be filled by women, well ahead of the end of 2025 deadline.

Customers

- In Assessment & Qualifications, Pearson VUE launched the delivery of the Next Generation NCLEX Nurse licensure exam in the US and PDRI launched a full suite of hiring assessment programmes for the Transportation Security Administration (TSA). VUE also successfully opened its largest company-owned test center in Chandigarh, India, with capacity to deliver 14,000 tests per month.
- In Virtual Learning, Pearson launched a new Connections Academy Career Pathways programme for middle and high school students to offer a tri-credit approach to career-readiness courses in partnership with Coursera and Acadeum, amongst others.
- In Higher Education, momentum continued for Pearson+ as registered users grew to around 5m by the end of 2023 and Pearson+ passed the milestone of 1 million cumulative paid subscriptions for the calendar year. A generative AI tool was brought to market within the Pearson+ service to enable users to automatically summarise the content of Channels videos into simple bullet points as well as generate explanations and practice quizzes
- Workforce Skills registered users grew to 5.3 million, and there was an increase in the number of enterprise customers to 1,547. Pearson signed a contract with the Jordanian Ministry of Education to partner on the reform of Jordan’s technical and vocational education and training provision in schools with over 50,000 learners expected to take these courses over the next three years.
- In English Language Learning, Pearson won recognition for the Pearson Test of English (PTE) for Canadian Student Direct Stream and economic migration visa applications. The Canadian market is the largest of the three key markets which Pearson has recognition to operate in. PTE also grew volumes by c. 50% to pass the milestone of over 1 million tests administered per year.

Suppliers & Business Partners

- Supplier Diversity and Responsible Procurement continued to be key priorities for Pearson in 2023. All employees have access to a diverse supplier portal to provide access to over one million diverse suppliers and we spent £47.2m in the area in 2023.
- Pearson is continuing its transition to ethically sourced papers with 69% of paper used in 2023 being certified (FSC / PEFC / SFI) and expects 100% of papers to be ethically sourced by end 2025. Pearson is also continuing to consolidate its printer base reducing its approved vendor count to 60 vendors from approximately 120 vendors at the beginning of 2023 whilst also working to have all approved vendors signed up to the Book Chain Project to develop better understanding and mitigation of potential labour and environmental risks within both the paper and manufacturing supply chain.
- Pearson continued to encourage key suppliers to participate in an EcoVadis sustainability assessment (or equivalent) in 2023. Our key suppliers performed well, with an average score of 57.6/100 ("Good"), a 0.3 point increase year-over-year. Among suppliers who have completed a reassessment cycle, 69% of them showed improvement averaging +3.5 points.
- Pearson has made great progress in assessing and benchmarking the carbon maturity of its key, high impact suppliers. Results of this assessment are shared with suppliers as part of the ongoing governance process and suppliers are asked to provide insight into their plans to increase carbon maturity over time. A full review of its end to end supplier lifecycle management processes was completed and updates were made to ensure that carbon maturity is considered at every stage and higher maturity suppliers are selected wherever possible.

Taking all the above into account, the Committee has determined that the third and final tranche of the co-investment award will vest in full.

Long-term incentives awarded in 2023*

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
Andy Bird	2 May 2023	1 May 2026	545,529	$5,821,885	450%	20%	1 Jan 23 – 31 Dec 25
Sally Johnson	2 May 2023	1 May 2026	194,345	£1,671,678	300%	20%	1 Jan 23 – 31 Dec 25

Face value for Andy Bird's award was determined using a share price of $10.672 and for Sally Johnson's award using a share price of 860.16p. In both cases this represented the five-day average up to and including 28 April 2023, which is same approach used for the wider employee population.

For 2023, performance measures and targets are as follows:

	% of total	Threshold	Stretch	Maximum	Payout at threshold	Payout at stretch	Payout at maximum
Adjusted EPS	30%	53.0p	63.0p	68.0p	20%	65%	100%
Return on Capital	30%	8.5%	10%	11.5%	20%	65%	100%
Relative TSR vs. FTSE 100 (excl. certain sectors)	15%	Median	–	Upper quartile	20%	–	100%
Relative TSR vs. S&P 500 (excl. certain sectors)	15%	Median	–	Upper quartile	20%	–	100%
ESG	10%	Improve gender representation at leadership levels overall vs 2022 (VP and above)	Achieve gender parity at leadership levels in aggregate (VP and above)	Achieve gender parity at all leadership levels (VP and above)	20%	65%	100%

Note 1: 2023 LTIP targets have been set at an USD:GBP exchange rate of 1.21.

Note 2: Companies within financial services, energy, basic materials, utilities and healthcare sectors will be excluded from both TSR groups.

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 2025 will be subject to an additional two-year holding period to 1 May 2028.

Executive Directors' retirement benefits and entitlements*

Details of the Executive Directors' pension entitlements and pension-related benefits in 2023 are as follows:

	Andy Bird $000s	Sally Johnson £000s
Value of defined benefit	-	-
Other allowances in lieu of pension	205	88
Total value in 2023	205	88
Accrued pension at 31 December 2023	-	66

Note 1: The value of defined benefit reflects the change in value over the period, less inflation.

Note 2: Other allowances in lieu of pension represent the cash allowances paid.

Note 3: Total value is the sum of the previous two rows and is disclosed in the single figure of remuneration table.

Note 4: The accrued pension at 31 December 2023 is the deferred pension at 30 September 2022 (the date accrual for the pension ceased) revalued to 31 December 2023 in line with the Plan rules. It relates to the pension payable from the UK Plan. Normal retirement age is 62.

Payment in Lieu of Pension

Omar Abbosh receives a payment in lieu of pension at 16% of his base salary, in line with the pension provision for UK employees of a similar age.

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

Beginning 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.

Remuneration arrangements in respect of Andy Bird's retirement

Andy Bird stepped down as Chief Executive and as a Director of Pearson plc on 7 January 2024 and will retire on 31 March 2024.

- On ceasing to be employed by Pearson, and in accordance with the terms of his contract of employment, there will be no payment for loss of office.
- Andy remains eligible for a pro-rated award under the AIP for the period to 31 March 2024 whilst he remains in employment. The award will be based on Pearson Group performance for 2024.
- Andy did not receive any LTIP award in respect of 2024.

- Andy was treated as a good leaver in respect of his outstanding awards under the LTIP and treatment of the awards was in accordance with the relevant plan rules (including malus and clawback provisions). His LTIP awards granted in 2021, 2022, and 2023 will vest on the original vesting dates subject to the achievement of the applicable performance conditions as determined by the Remuneration Committee following completion of the relevant performance periods. His 2022 and 2023 LTIP awards will also be subject to time pro-rating based on the relevant performance periods. As described on page 120, the 2021 LTIP will vest in May 2024.
- As described on page 120 the third and final tranche of his co-investment award granted in connection with his initial employment by the Company vested in full.
- In line with the Directors' remuneration policy, Andy is required to retain Pearson shares with a value of 450% of his base salary for a period of two years from 7 January 2024. This guideline does not apply to shares purchased by Andy.
- Andy can elect for continued medical, dental and vision insurance coverage through the Company's plans under COBRA for 18 months following his retirement and the Company will pay premiums to continue this coverage for 12 months following his retirement. Andy will be reimbursed for reasonable costs necessarily incurred in connection with his tax return preparation for the 2024 calendar year. He will also be reimbursed for reasonable attorneys' fees necessarily incurred related to his review and consideration of his retirement arrangements. Andy will also be paid all accrued, unused paid time off upon his retirement.

Payments to former Directors*

There were no payments to former Directors in 2023.

Payments for loss of office*

All payments made to Andy Bird in connection with his retirement as Chief Executive are set out above. There were no additional payments for loss of office made to or agreed for Directors in 2023.

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 last 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. Based on shares beneficially held and shares due to vest from LTIP awards having met the performance targets (on a net-of-tax basis), it was confirmed that the guideline was met for Andy Bird and Sally Johnson.

Executive Directors are expected to retain their current 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 Director.

The 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) at 31 Dec 23	Conditional shares subject to performance at 31 Dec 23	Conditional shares subject to employment only at 31 Dec 23	Total number of ordinary and conditional shares at 31 Dec 23
Chair				
Omid Kordestani	65,059	–	–	–
Deputy Chair				
Tim Score	78,735	–	–	–
Executive Directors				
Andy Bird	586,437	1,636,864	424,131	2,647,432
Sally Johnson	103,260	517,675	–	620,935
Non-Executive Directors				
Sherry Coutu CBE	14,987	–	–	–
Alison Dolan	671	–	–	–
Alex Hardiman	930	–	–	–
Esther Lee	3,639	–	–	–
Graeme Pitkethly	11,467	–	–	–
Annette Thomas	4,192	–	–	–
Lincoln Wallen	18,664	–	–	–

Note 1: Share interests are shown as at 31 December 2023.

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. The figures include both shares and ADRs acquired by individuals under the LTIP and any other share plans in which they might have participated.

Note 3: Conditional shares subject to performance means unvested shares, which are subject to performance conditions and/or performance underpins and continuing employment for a pre-defined period. This includes the LTIP awards granted in 2021, 2022, and 2023 and, in respect of Andy Bird, the third tranche of his co-investment award.

Note 4: Conditional shares subject to employment only means unvested shares, which are subject to a holding period and continued employment. For Andy Bird this includes the first and second tranches of his co-investment award.

Note 5: There have been no other changes in the interests of any Director between 31 December 2023 and 13 March 2024, being the latest practicable date prior to the publication of this report.

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

Remuneration in 2023

The remuneration paid to the Chair, Deputy Chair and Senior Independent Director and Non-Executive Directors for the financial years ended 31 December 2023 and 31 December 2022 is set out below.

			2023			2022
Director £000s	**Total fees**	**Taxable benefits**	**Total**	Total fees	Taxable benefits	Total
Omid Kordestani	**500**	**34**	**534**	417	19	436
Tim Score	**175**	**5**	**180**	163	3	166
Sherry Coutu CBE	**106**	**11**	**116**	100	5	105
Alison Dolan	**47**	**-**	**47**	–	–	–
Alex Hardiman	**45**	**8**	**54**	–	–	–
Esther Lee	**88**	**16**	**104**	78	7	85
Linda Lorimer	**33**	**15**	**48**	100	9	109
Graeme Pitkethly	**105**	**5**	**110**	98	4	102
Annette Thomas	**101**	**12**	**113**	90	6	97
Lincoln Wallen	**93**	**15**	**108**	93	6	99
Total	**1,294**	**121**	**1,415**	1,139	59	1,198

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: Omid Kordestani joined the Pearson Board with effect from 1 March 2022. He became Chair on 29 April 2022.

Note 4: Alison Dolan and Alex Hardiman joined the Pearson Board with effect from 1 June 2023.

Note 5: Linda Lorimer stepped down from the Pearson Board on 28 April 2023.

Note 6: Some figures and subtotals add up to different amounts than the totals due to rounding.

Service contracts

Terms and conditions of our Directors' appointment 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

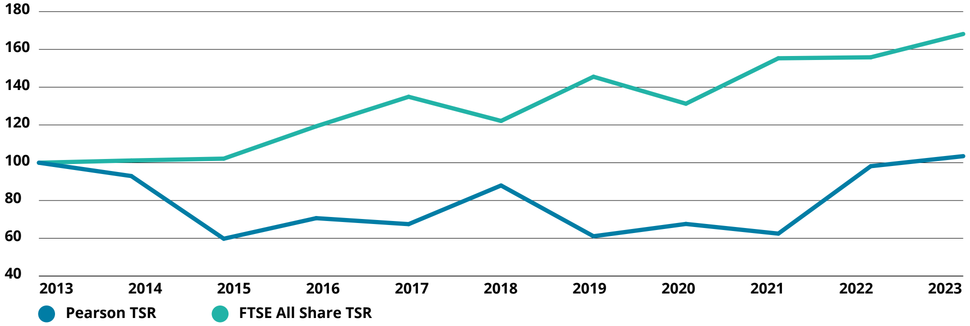
Our current Executive Directors hold the following external commitments: Omar Abbosh is a Non-Executive Director of Zuora Inc. and Sally Johnson is a Non-Executive Director of Rentokil Initial plc and Chair of its Audit Committee.

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 2014 to 31 December 2023. 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.

Alongside this a summary of the single figure of total remuneration for the Chief Executive over the last 10 years is provided, and a summary of the variable pay outcomes relative to the prevailing maximum at the time.



Source: Refinitiv Datastream

	John Fallon							Andy Bird			
	2014	2015	2016	2017	2018	2019	2020	2020	2021	2022	**2023**
Total remuneration (single figure, £000s)	1,895	1,263	1,518	1,758	3,094	1,616	855	334	5,167	6,856	**11,269**
Annual incentive (% of maximum)	51%	Nil	24%	44%	45%	Nil	Nil	N/A	63%	76%	**85%**
Long-term incentive (% of maximum)	Nil	Nil	Nil	Nil	42%	33%	Nil	N/A	N/A	N/A	**85%**

Note 1: Total remuneration is as reflected in the single total figure of remuneration table. The 2021, 2022, and 2023 figures for Andy Bird include vesting of the first, second, and third tranches of the co-investment award, respectively.

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 in 2022 and 2023 have been converted using a USD:GBP exchange rate of 1.24 (average exchange rate for 2022) and 1.25 (average exchange rate for 2023).

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 119 and page 125. 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.

	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
Average employee[1]	**2%**	**6%**	**22%**	4%	8%	16%	4%	17%	38%	1%	6%	9%
Executive Directors												
Andy Bird	**3%**	**4%**	**74%**	0%	20%	21%	0%	–	–	–	–	–
Sally Johnson	**4%**	**1%**	**37%**	2.5%	0%	24%	1%	–	–	–	–	–
Chair and Non-Executive Directors[2]												
Omid Kordestani	**0%**	**78%**	**–**	–	–	–	–	–	–	–	–	–
Tim Score	**7%**	**73%**	**–**	25%[3]	–	–	13%	–	–	0%	-20%	–
Sherry Coutu CBE	**6%**	**119%**	**–**	9%	–	–	5%	–	–	5%	–	–
Alison Dolan	–	–	–	–	–	–	–	–	–			
Alex Hardiman	–	–	–	–	–	–	–	–	–			
Esther Lee	**3%**	**122%**	**–**	–	–	–	–	–	–	–	–	–
Linda Lorimer	**3%**	**66%**	**–**	0%	–	–	1%	–	–	1%	102%	–
Graeme Pitkethly	**8%**	**23%**	**–**	5%	–	–	1%	–	–	8%	–	–
Annette Thomas	**12%**	**102%**	**–**	7%	–	–	–	–	–	–	–	–
Lincoln Wallen	**0%**	**154%**	**–**	0%	–	–	1%	–	–	1%	-97%	–

Note 1: The average employee pay figure is impacted by changes in headcount (18,360 employees for 2023 vs 20,438 in 2022). Actual merit increase budgets for 2023 were 4% in the UK and 3.5% in the US.

Note 2: Changes in NED 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.

Note 3: Increase due to Tim Score taking over as Deputy Chair in April 2022

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.

All figures in £	2023	2022	Headline change £	Headline change %
Adjusted operating profit[1]	**573**	456	117	26%
Dividends	**155**	156	-1	-1%
Dividend per share	**22.7p**	21.5p	1.2p	6%
Share buybacks[2]	**186**	353	-167	-47%
Total wages and salaries[3]	**1,252**	1,382	-130	-9%

Note 1: Adjusted operating profit is as set out in the financial statements.

Note 2: The Board approved a £300m share buyback programme in September 2023 with an extension of £200m announced 1 March 2024.

Note 3: Wages and salaries include continuing operations only and include Directors. Average employee numbers for continuing operations for 2023 were 18,360 (2022:20,438), hence the year-on-year negative movement in overall spend. Further details are set out in Note 5 to the financial statements on page 170.

Chief Executive to employee pay ratio

The table below illustrates the ratio of Chief Executive to employee pay for 2023. We use the single total figure of remuneration (as disclosed on page 119), 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.

Year	Method	Chief Executive pay ratio 25th percentile	Chief Executive pay ratio 50th percentile	Chief Executive pay ratio 75th percentile
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 2023 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.
- We compared total remuneration for each employee, calculated with reference to 31 December 2023, compared to the Chief Executive's single figure (this was converted using a USD:GBP exchange rate of 1.25 – the average exchange rate for 2023).
- 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 2022. None of the employees at the 25th, 50th or 75th percentile had share awards vesting in 2023.
- Total remuneration figures for the 25th, 50th and 75th percentile employees are: £37,066, £53,685 and £75,912. The respective base salaries are: £33,280, £45,054 and £59,650.
- A significant proportion of the Chief Executive's pay is linked to performance and, in respect of the LTIP and co-investment award, share price performance. Therefore, the Chief Executive's pay can vary significantly year-on-year, based on company performance.
- The increase in this year's pay ratio is a result of a higher payout under the AIP for the Chief Executive (85% of maximum compared to 76% of maximum last year) as well as the vesting of the 2021 LTIP, which was the first LTIP award granted to Andy Bird following his appointment as CEO in 2021.
- 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.

Dilution and use of equity

We can use existing shares bought in the market, treasury shares or newly issued shares, to satisfy awards under our various share plans. 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 we can use. 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 headroom available for all Pearson plans, Executive or discretionary, and shares held in trust is as follows:

Headroom	2023
All Pearson plans	**7.6%**
Executive or discretionary plans	**4.6%**
Shares held in trust	**4.7%**

The Remuneration Committee in 2023

Role	Name	Title
Chair	Sherry Coutu CBE	Independent Non-Executive Director
Members	Esther Lee	Independent Non-Executive Director
	Tim Score	Deputy Chair and SID
	Annette Thomas	Independent Non-Executive Director
Internal attendees	Omid Kordestani	Chair
	Andy Bird	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	Deloitte LLP (to September 2023)	
	Alvarez & Marsal (appointed in October 2023)	

Advisers to the Remuneration Committee

During most of 2023, the Remuneration Committee received independent advice from Deloitte LLP.

Deloitte LLP was appointed by the Committee in July 2017, following a competitive tender process. It has advised 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 2023, Deloitte LLP were paid fees of £131,500, based on time spent. During the year, separate teams at Deloitte LLP also provided Pearson with certain tax and other advisory and consultancy services. Deloitte LLP is a founding member of the Remuneration Consultants' Group and adheres to its Code of Conduct.

In the summer of 2023, the Committee undertook a formal tender process, the outcome of which resulted in Alvarez & Marsal being appointed as the independent Remuneration Committee advisers in October 2023. Alvarez & Marsal supplied the Committee with advice on current market trends and developments, incentive plan design and target setting, investor engagement and other general executive remuneration matters. For provision of these services in 2023, Alvarez & Marsal were paid fees of £25,250, based on time spent. Alvarez & Marsal does not provide any other services to Pearson. Alvarez & Marsal is a member of the Remuneration Consultants' Group and adheres to its Code of Conduct.

The Committee is satisfied that advice provided by both Deloitte LLP and Alvarez & Marsal was objective and independent, and that the provision of other services in no way compromised its independence. The Committee believes that the engagement partners and teams from both Deloitte LLP and Alvarez & Marsal do not have any connections with Pearson or its Directors that may impair its independence. The Committee reviewed the potential for conflicts of interest and believes there are appropriate safeguards against such conflicts.

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 below.

The terms of reference reflect the provisions of the 2018 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 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 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

Remuneration Committee meeting focus during 2023

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 2022
- Reviewed and approved incentive arrangements for Pearson, and how these will apply to Executive Directors and senior management in 2023
- Approved the 2022 Directors’ Remuneration Report
- Engaged extensively with shareholders in advance of and following the 2023 AGM to understand the views of shareholders in respect of the 2023 Directors’ remuneration policy (further detail on this was included in the Chair letter on page 108)
- Reviewed and considered all feedback received from shareholder engagement exercises as part of the Committee’s discussions and considered ongoing shareholder engagement strategy
- Determined remuneration arrangements for the appointment of a new Chief Executive
- Approved remuneration arrangements in respect of Andy Bird’s retirement
- 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 2023 AGM remuneration reporting season, and anticipated areas of focus in 2024
- 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
- Undertook a formal competitive tender process to select an independent adviser to the Committee, the outcome of which resulted in Alvarez & Marsal being appointed in October 2023
- Evaluated the Remuneration Committee and the Committee’s Terms of Reference

Committee evaluation

Annually, the Committee reviews its performance, constitution, charter, and terms of reference and recommends any changes it considers necessary to the Board for approval. For 2023, feedback relating to the Committee was sought from Directors and certain other stakeholders as part of the wider Board evaluation led by Manchester Square Partners.

Overall, the Committee was considered to be working well with appropriate agendas, papers produced to a good standard and high-quality discussions. There was acknowledgment of the challenges faced by the Committee in 2023 in respect of its work relating to the new Directors' Remuneration Policy, in needing remuneration arrangements that act as an attraction, retention, and incentivisation tool for global talent (particularly in the US where North America represents the majority of our business), whilst being sensitive to the views of our diverse shareholder base. The Committee was deemed to have managed these issues with a high level of rigour and balance, including extensive engagement with shareholders, and ensuring an appropriate level of focus on the metrics and KPIs that would incentivise the delivery of the Company’s strategy.

In 2024, the Committee will continue to focus on ensuring remuneration arrangements for senior management and the wider workforce continue to support the attraction and retention of key talent as well as the delivery of Pearson’s strategy. The Committee continually assesses how its activities support and enable Pearson’s progress.

The Directors’ remuneration report has been approved by the Board on 13 March 2024 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
Directors’ Remuneration Policy (2023 AGM)	299,899,081	53.63%	259,251,476	46.37%	223,851
Annual report on Remuneration (2023 AGM)	484,017,430	86.85%	73,300,461	13.15%	2,056,516

Additional disclosures

Pages 66-136 of this document comprise the Directors' report for the year ended 31 December 2023.

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 2025. The consolidated financial statements have therefore been prepared on a going concern basis.

Further details on the procedures undertaken may be found on page 160.

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 2028. Further details may be found on page 65.

Share capital

Details of share issues and cancellations are given in note 27 to the financial statements on page 198. 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 2023, 697,298,680 ordinary shares were in issue. At the AGM held on 28 April 2023, the company was authorised, subject to certain conditions, to acquire up to 71,612,324 ordinary shares by market purchase and to issue up to 477,415,494 ordinary shares. Shareholders will be asked to renew these authorities, subject to revised caps, at the AGM on 26 April 2024.

As at 8 March 2024, 2,381 record holders with registered addresses in the United States held 29,631,529 ADRs which represented 4.32% 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 28 April 2023, the company announced its intention to commence a share buyback programme during 2023, which was subsequently launched on 21 September 2023 and completed on 7 March 2024. Under the programme, 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.

On 1 March 2024, the company announced its intention to launch a £200m share buyback programme during 2024, which commenced on 8 March 2024 and is anticipated to end on or before 8 August 2024. 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 2023, 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	41,236,375	5.02%
Silchester International Investors LLP[2]	36,341,993	<5%
Artemis Investment Management LLP	35,207,368	5%
Libyan Investment Authority[3]	24,431,000	3.01%

1. Includes 10,034,738 (1.38%) qualifying financial instruments to which voting rights are attached.
2. Investor has dropped below the reportable threshold, therefore they are no longer required to disclose their holding under DTR 5.
3. 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.

Additional disclosures *continued*

Annual general meeting

The notice convening the AGM, to be held at 10:30am on Friday, 26 April 2024 at 80 Strand, London WC2R 0RL, is contained in a circular to shareholders to be dated 22 March 2024.

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.

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 his/her 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 2,160,045 shares held as at 31 December 2023. 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 2023, there were 2,214,425 shares held in the Sharestore account administered by Equiniti Limited (Equiniti). The beneficial owners of shares held in Sharestore are invited to submit voting instructions online at www.shareview.co.uk. If no instructions are given by the beneficial owner by the date specified, the trustees holding these shares will not exercise the voting rights.

As at 31 December 2023, there were 2,949,951 shares held in the Computershare Share Plan Account (SPA), which is administered by Computershare Investor Services plc (Computershare). Beneficial holders of shares held in the Computershare Share Plan Account (SPA) are invited to submit voting instructions online at www.equateplus.com. If no instructions are given by the beneficial owner by the date specified, the nominee 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 his or her 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 2023 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.

Additional disclosures *continued*

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 2023, 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 60 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:

Summary disclosures index	See more
Dividend recommendation	Page 33
Financial instruments and financial risk management	Page 186
Important events since year end	Page 206
Future development of the business	Pages 6-7
Research and development activities	Page 22
Employment of disabled persons	Page 41
Employee involvement	Page 39
Greenhouse gas emissions and energy consumption data	Page 52
Statement describing employee engagement	Page 20
Statement describing regard to suppliers, customers and other stakeholders' interests	Page 21

With the exception of the dividend waiver described on page 132 there is no information to be disclosed in accordance with Listing Rule 9.8.4.

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 2023. 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. In particular, for 2023, the Audit Committee considered a report evidencing how the fair, balanced and understandable criteria were 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 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 52 in the Sustainability section of this report:

- Annual global 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 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	E S Lee
A P Bird – resigned on 7 January 2024	LK Lorimer – retired on 28 April 2023
S L Coutu	G D Pitkethly
A Dolan – appointed on 1 June 2023	T Score
A Hardiman – appointed on 1 June 2023	A C Thomas
S K M Johnson	L A Wallen
O Kordestani	

The Directors' report has been approved by the Board on 13 March 2024 and signed on its behalf by:

Graeme Baldwin Company Secretary

Statement of Directors' responsibilities in respect of the financial statements

Statement of Directors' responsibilities

The Directors are responsible for preparing the annual report and accounts and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have prepared the Group and company financial statements in accordance with UK-adopted international accounting standards. In preparing the Group and company financial statements, the Directors have also elected to comply with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards as issued by IASB).

Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and company and of the profit or loss of the Group for that period. In preparing the financial statements, the Directors are required to:

— Select suitable accounting policies and then apply them consistently.

— State whether applicable UK-adopted international accounting standards and IFRS Accounting Standards as issued by IASB have been followed, subject to any material departures disclosed and explained in the financial statements.

— Make judgements and accounting estimates that are reasonable and prudent.

— Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and company will continue in business.

The Directors are responsible for safeguarding the assets of the Group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and company's transactions, and disclose with reasonable accuracy at any time the financial position of the Group and company and enable them to ensure that the financial statements and the Directors' remuneration report comply with the Companies Act 2006.

The Directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' confirmations

Each of the Directors, whose names and functions are listed in the Governance report, confirms that, to the best of their knowledge:

— The Group and company financial statements, which have been prepared in accordance with UK-adopted international accounting standards and IFRS Accounting Standards as issued by IASB, give a true and fair view of the assets, liabilities and financial position of the Group and company, and of the profit of the Group.

— The Strategic report includes a fair review of the development and performance of the business and the position of the Group and company, together with a description of the principal risks and uncertainties that it faces.

This responsibility statement has been approved by the Board on 13 March 2024 and signed on its behalf by:

Sally Johnson Chief Financial Officer

Independent Auditor's Report to the members of Pearson plc

Opinion

In our opinion:

- Pearson plc's group financial statements and parent company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2023 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with UK adopted international accounting standards and IFRS accounting standards as issued by the International Accounting Standards Board (IASB);
- the parent company financial statements have been properly prepared in accordance with UK adopted international accounting standards and IFRS accounting standards as issued by the International Accounting Standards Board (IASB) as applied in accordance with section 408 of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Pearson plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2023 which comprise:

Group	Parent company
Consolidated income statement for the year ended 31 December 2023	Balance sheet as at 31 December 2023
Consolidated statement of comprehensive income for the year ended 31 December 2023	Statement of changes in equity for the year ended 31 December 2023
Consolidated balance sheet as at 31 December 2023	Cash flow statement for the year ended 31 December 2023
Consolidated statement of changes in equity for the year ended 31 December 2023	Related notes 1 to 11 to the financial statements, including material accounting policy information
Consolidated cash flow statement for the year ended 31 December 2023	
Related notes 1 to 38 to the financial statements, including material accounting policy information	

The financial reporting framework that has been applied in their preparation is applicable law, UK adopted international accounting standards and IFRS accounting standards as issued by the IASB and as regards the parent company financial statements, as applied in accordance with section 408 of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the group and parent in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company and we remain independent of the group and the parent company in conducting the audit.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the group and parent company's ability to continue to adopt the going concern basis of accounting included:

- In conjunction with our walkthrough of the Group's financial statement close process, we confirmed our understanding of management's going concern assessment process to understand and challenge the key assumptions made in their assessment.
- We assessed the appropriateness of the duration of the going concern assessment period to 30 June 2025 and considered the existence of any significant events or conditions beyond this period based on our procedures on the Group's long-range plan and knowledge arising from other areas of the audit.
- We agreed the 31 December 2023 cash and debt balances included in the going concern assessment to the Group's year end balances.
- We read the group's debt agreements to confirm availability and to understand the covenant requirements and reperformed management's covenant compliance test to check that no covenants have been breached during the year to 31 December 2023. We have also tested management's forecast covenant compliance test to check that there is no forecast covenant breach in either the base or severe but plausible downside case scenarios during the going concern assessment period covering the period to 30 June 2025.
- For debt amounts that are repayable within the going concern assessment period we have understood the assumptions that management has made in respect of refinancing.
- We checked the logic and arithmetical integrity of management's going concern model that includes the cash forecasts for the going concern assessment period to 30 June 2025.
- We challenged the appropriateness of the assumptions used to calculate the cash forecasts under base and plausible downside case scenarios, including whether the downside scenarios were sufficiently severe, by reference to historical forecasting accuracy and comparison to sector benchmarks and other evidence obtained during the audit, such as audit procedures on the long range plans which underpin management's goodwill impairment assessments.
- We evaluated the key assumptions by searching for contrary evidence to challenge these assumptions, including third party sector forecasts and analyst expectations. Further, we validated that these assumptions were consistent with the budget approved by Pearson's Board.
- We considered the mitigating actions that are within the control of the Group and evaluated the Group's ability to control these outflows if required.

- We considered the Group’s reverse stress testing to identify the magnitude of decline in revenue and operating profit that would lead to the Group utilising all liquidity or breaching a covenant during the going concern assessment period and we have challenged the likelihood of such a decline.
- We reviewed the Group’s going concern disclosures included in the Annual Report, in note 1(b) to the financial statements, to assess that they were accurate and in conformity with the reporting standards.

We observe that in management’s base case and severe but plausible downside scenarios, there is headroom without taking the benefit of any identified mitigations.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group and parent company’s ability to continue as a going concern for a period to 30 June 2025.

In relation to the group and parent company’s reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors’ statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group’s ability to continue as a going concern.

Overview of our audit approach

Audit scope	— We performed an audit of the complete financial information of 5 components and audit procedures on specific balances for a further 6 components. We also performed specified audit procedures on specific balances for a further 2 components. — The components where we performed full or specific audit procedures accounted for 82% of adjusted Profit before tax, 83% of Revenue and 89% of Total assets.
Key audit matters	— Fraud risks in revenue recognition — Valuation of acquired intangible assets — Uncertain tax provision for EU State Aid case
Materiality	— Overall group materiality of £24.6m which represents 5% of adjusted Profit before tax.

An overview of the scope of the parent company and group audits

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each company within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account size, risk profile, the organisation of the group and effectiveness of group-wide controls, changes in the business environment, the potential impact of climate change and other factors such as recent Internal Audit results when assessing the level of work to be performed at each company.

The Group operates finance shared service centres in Belfast and Manila, the outputs of which are included in the financial information of the reporting components they service and therefore they are not separate reporting components. Each of the service centres is subject to specified risk-focused audit procedures, predominantly the testing of transaction processing and controls testing.

Additional procedures are performed at the scoped components to address the audit risks not covered by the work performed over the shared service centres, or where the scoped components are not served by the shared service centres.

In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the 497 reporting components of the Group, we selected 13 components covering entities within the UK, US and Australia, which represent the principal business units within the Group.

Of the 13 components selected, we performed an audit of the complete financial information of 5 components (“full scope components”) which were selected based on their size or risk characteristics, including the parent company; Pearson plc. For 6 components (“specific scope components”), we performed audit procedures on specific accounts within that component that we considered had the potential for the greatest impact on the significant accounts in the financial statements either because of the size of these accounts or their risk profile.

For an additional 2 components (“specified procedures components”), we performed certain audit procedures on specific accounts within that component that we considered had the potential for the greatest impact on the significant accounts in the financial statements, either because of the size of these accounts or their risk profile. These procedures were undertaken by separate component audit teams under the primary audit team’s direction.

The reporting components where we performed audit procedures accounted for 82% (2022: 85%) of the Group’s adjusted Profit before tax, 83% (2022: 89%) of the Group’s Revenue and 89% (2022: 95%) of the Group’s Total assets. For the current year, the full scope components contributed 56% (2022: 71%) of the Group’s adjusted Profit before tax, 72% (2022: 73%) of the Group’s Revenue and 83% (2022: 88%) of the Group’s Total assets. The specific scope components contributed 25% (2022: 14%) of the Group’s adjusted Profit before tax, 11% (2022:16%) of the Group’s Revenue and 6% (2022: 7%) of the Group’s Total assets. The audit scope of these components may not have included testing of all significant accounts of the component but will have contributed to the coverage of significant accounts tested for the Group. We also instructed 2 locations to perform specified procedures over certain balances, including aspects of revenue recognition.

Of the remaining 484 components that together represent 18% of the Group's adjusted Profit before tax, none are individually greater than 3% of the Group's adjusted Profit before tax. For these components, we performed other procedures, including testing certain management review controls, analytical review, testing of consolidation journals and intercompany eliminations to respond to any potential risks of material misstatement to the Group financial statements.

Involvement with component teams

In establishing our overall approach to the Group audit, we determined the type of work that needed to be undertaken at each of the components by us, as the primary audit engagement team, or by component auditors from other EY global network firms operating under our instruction. The audit procedures performed at the finance shared service centres were performed by the primary team with assistance from the Philippines member firm. Due to the financial shared service environment described earlier, of the 5 full scope components, audit procedures were performed on all of these directly by the primary audit team, with assistance from our US component team. Of the 6 specific scope components, audit procedures were performed on 5 of these directly by the primary audit team, with assistance from our US component team. For the 1 specific scope component, where the work was performed by component auditors, we determined the appropriate level of involvement to enable us to determine that sufficient audit evidence had been obtained as a basis for our opinion on the Group as a whole.

The Group audit team continued to follow a programme of planned visits that has been designed to ensure that each full or specific scope component was visited by either the Senior Statutory Auditor, or other senior members of the Group audit team. During the current year's audit cycle, visits were undertaken by the primary audit team to the component team in the US and the Manila shared service centre team. These visits involved discussing the audit approach with the component team and any issues arising from their work, meeting with local management, attending planning and progress meetings and reviewing relevant audit working papers on risk areas.

The primary team interacted regularly with the component teams where appropriate during various stages of the audit, reviewed relevant working papers and were responsible for the scope and direction of the audit process. Close meetings for full, specific, and specified procedures components (excluding those performed by the primary audit team) were held via video conference in January and February 2024 and were attended by the Senior Statutory Auditor and/or other members of the primary audit team. This, together with the additional procedures performed at Group level, gave us appropriate evidence for our opinion on the Group financial statements.

Climate change

Stakeholders are increasingly interested in how climate change will impact Pearson. The Group has determined that the most significant future impacts from climate change on their operations will be from physical risks in the medium and long term. These are explained on pages 44-48 in the required Task Force for Climate related Financial Disclosures. They have also explained their climate commitments on pages 42-43. All of these disclosures form part of the "Other information," rather than the audited financial statements. Our procedures on these unaudited disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated, in line with our responsibilities on "Other information".

In planning and performing our audit we assessed the potential impacts of climate change on the Group's business and any consequential material impact on its financial statements.

The Group has explained in the Basis of Preparation note the key areas of the financial statements that may be impacted by climate change and the Group concluded there is no material financial statement impact from climate change. These disclosures also explain where governmental and societal responses to climate change risks are still developing, and where the degree of certainty of these changes means that they cannot be taken into account when determining impairment assessments under the requirements of UK-adopted International accounting standards and IFRS accounting standards as issued by the International Accounting Standards Board (IASB).

Our audit effort in considering the impact of climate change on the financial statements was focused on evaluating management's assessment of the impact of physical and transition climate risk, their climate commitments, the effects of material climate risks disclosed on pages 45-46 and whether these have been appropriately reflected in asset values where these are impacted by future cash flows and associated sensitivity disclosures, this primarily being impairment assessments following the requirements of UK-adopted international accounting standards and IFRS accounting standards as issued by the International Accounting Standards Board (IASB). As part of this evaluation, we performed our own risk assessment, supported by our climate change internal specialists, to determine the risks of material misstatement in the financial statements from climate change which needed to be considered in our audit.

We also challenged the Directors' considerations of climate change risks in their assessment of going concern and viability and associated disclosures. Where considerations of climate change were relevant to our assessment of going concern, these are described above.

Based on our work we have not identified the impact of climate change on the financial statements to be a key audit matter or to impact a key audit matter.

Independent Auditor's Report *continued*

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Fraud risk in revenue recognition (revenues of £3,674 million, 2022 £3,841 million) *Refer to the Audit Committee's Report (page 105); Accounting policies (page 158; and note 3 of the Consolidated Financial Statements (page 163)* Given revenue is a key performance indicator, both in communication of the Group's results and for management incentives, we have identified a risk of management override of controls through topside manual journal entries to revenue.	We obtained an understanding of and evaluated the design and tested the operating effectiveness of controls over the Group's material revenue processes. We performed testing over revenue recognition in 5 full scope components, 6 specific scope components and 2 specified procedures components. The audit of topside manual journals included central testing of the consolidation and close-process adjustments, testing any that had an entry against revenue and obtaining supporting evidence. Where relevant, we have understood each significant revenue stream in each full, specific and specified procedure location. Where a process is automated, we have performed testing over all manual journals recorded against revenue. Where a process has more manual intervention, we performed testing during the year and placed increased focus over testing manual adjustments at year end and obtained supporting evidence. The testing was performed in combination by the component teams and the Group audit team.	Revenue for the year to 31 December 2023 has been recognised appropriately and based on our procedures performed, we have not identified any inappropriate revenue journal entries.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Valuation of acquired intangible assets (£117 million, 2022 £110 million) *Refer to the Audit Committee Report (page 105); Accounting policies (page153); and Note 30 of the Consolidated Financial Statements (page 201).* During the year, Pearson made one significant acquisition: Personnel Decisions Research Institutes, LLC ('PDRI') for cash consideration of £152 million. The valuation of acquired intangible assets requires specialised skills since it involves complex judgement due to the estimation uncertainty and the application of valuation techniques built, in part, on assumptions around the future performance of the acquired business. Changes in certain of these assumptions can have a material effect on the valuation of acquired intangible assets. We focused our procedures on the most significant elements of the valuation, namely the software as a service ('SaaS') customer contracts and technology intangible assets, with an aggregate value of £97 million. The most significant assumption that is most sensitive for the valuation of these assets was revenue growth rates.	Our audit of the fair values of the acquired intangible assets was performed by the Group audit team, with specified procedures performed by a non-EY audit team over certain Prospective Financial Information ("PFI") used in the valuation model. We reviewed the underlying sale and purchase agreements and tested the consideration for the acquisition. We obtained an understanding, evaluated the design, and tested the operating effectiveness of controls over the Group's process to identify and value intangible assets, including their use of an external valuation specialist. We assessed the independence and expertise of management's external valuation specialist. We assessed the valuation methodologies applied by management, with the assistance of EY valuation specialists, to validate that they were appropriate. We focused our testing of the PFI included in the valuation calculation on the significant assumption that is most sensitive to the valuation, namely revenue growth rates. We challenged these assumptions by comparison to historical performance, underlying contractual terms and corroborating the rationale for any future growth. We instructed a non-EY audit team to test details of revenue for FY23 to underlying contracts and related approved funding by US governmental agencies for 2024. We evaluated the adequacy of the business combination disclosures to the requirements in IFRS 3.	Based on our procedures performed the valuation of the acquired PDRI intangibles is acceptable and the methodology used is in accordance with IFRS 3 Business Combinations. We agree that the disclosures in Note 30 of the consolidated financial statements provide the detail required by IFRS 3 and appropriately reflect the level of estimation.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Uncertain tax position for EU State Aid case (£63 million, 2022 £63 million) *Refer to the Audit Committee Report (page 106); Accounting policies (page 157); and Notes 7 and 34 of the Consolidated Financial Statements (pages 171 and 204).* Pearson has recorded a provision for the uncertain tax position related to the EU State Aid case. The provision was recorded as a tax expense in 2022 against a non-current receivable in respect of a payment on account made to the UK tax authority. Auditing the Group’s recorded £63 million provision at 31 December 2023 required significant auditor judgement in assessing management’s expectations of the outcome of matters as there is a significant range of possible outcomes between £nil and the maximum exposure of £105 million and therefore a risk of material misstatement.	Our audit of the uncertain tax position was performed by the Group audit team. We obtained an understanding and evaluated the design and tested the operating effectiveness of controls over the Group’s tax process over uncertain tax positions. We reviewed management’s analysis of developments, including recent decisions in other EU case law, which they prepared with support from third party advisors. We challenged whether an update to the provision was required by involving EY tax specialists to assess these developments and any potential impact on the amount recorded by the Group at 31 December 2023. We reviewed correspondence with management’s specialist, assessed their independence and expertise, and held a virtual meeting with them to discuss the scope of their work and their considerations on the matter. We tested management’s calculation of the provision as part of our prior year audit procedures and assessed the appropriateness of the methodology used against the requirements of IFRIC 23. We considered the appropriateness of the potential outcomes included in the calculation and the probabilities assigned to each outcome. We challenged the probabilities by seeking the input of an EY specialist in State Aid matters. We assessed the adequacy of the disclosures in notes 7 and 34 of the Annual Report.	Based on our procedures performed, the current status of proceedings and the opinion of the Group’s external legal counsel, we conclude that management’s provision is acceptable and the methodology used is in line with the requirements of IFRIC 23. We agree that disclosures set out in Notes 7 and 34 of the consolidated financial statements provides adequate explanation of the nature of the liability and the level of uncertainty in the amount provided.

In our prior year auditor’s report, the ‘Fraud risk in revenue recognition’ key audit matter also included a fraud risk in respect of manipulation of the rate of completion for contracts that span the year end. Based on the knowledge gained in our first year audit and the updated risk assessment as part of the 2023 audit, we no longer consider that this risk area of the audit constitutes a key audit matter.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be £24.6 million (2022: £20.9 million), which is 5% (2022: 5%) of adjusted Profit before tax. We believe that adjusted Profit before tax is the appropriate basis since it is earnings-based and excludes certain non-recurring items.

We determined materiality for the Parent Company to be £44 million (2022: £44 million), which is 1% (2022: 1%) of net assets.

Starting basis

- Profit before tax - £493 million

Adjustments

- Add: £11 million property charges and £16 million other net gains and losses
- Less: £28 million other net finance income

Materiality

- Adjusted profit before tax £492 million (materiality basis)
- Materiality of £24.6 million (5% of materiality basis)

During the course of our audit, we reassessed initial materiality and updated it for actual 2023 results, which resulted in a small increase to £24.6m.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 50% (2022: 50%) of our planning materiality, namely £12.3 million (2022: £10.5 million). We have set performance materiality at this percentage to reduce to an appropriately low level the probability that the aggregate of uncorrected and corrected misstatements exceeds materiality.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was £2.4 million to £6.3 million (2022: £1.8 million to £5.0 million).

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £1.2 million (2022: £1.05 million), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual report set out on pages 1 to 135, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

— the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

— the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

— adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or

— the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or

— certain disclosures of directors' remuneration specified by law are not made; or

— we have not received all the information and explanations we require for our audit

Corporate Governance Statement

We have reviewed the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the group and company's compliance with the provisions of the UK Corporate Governance Code specified for our review by the Listing Rules.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

— Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 160;

— Directors' explanation as to its assessment of the company's prospects, the period this assessment covers and why the period is appropriate set out on page 65;

— Director's statement on whether it has a reasonable expectation that the group will be able to continue in operation and meets its liabilities set out on page 65;

— Directors' statement on fair, balanced and understandable set out on page 134;

— Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 57;

— The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 102; and;

— The section describing the work of the audit committee set out on page 100.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 136, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and determined that the most significant frameworks which are directly relevant to specific assertions in the financial statements are those that relate to the reporting framework (UK-adopted International Accounting Standards, IFRS accounting standards as issued by the International Accounting Standards Board (IASB), the Companies Act 2006 and the UK Corporate Governance Code) and the relevant tax laws and regulations in the countries in which the Group operates.
- We understood how Pearson plc is complying with those frameworks by making enquiries of management, Internal Audit, those responsible for legal and compliance procedures and the Company Secretary. We corroborated our enquiries through reading of Board minutes and papers provided to the Audit Committee and observation in Audit Committee meetings, as well as consideration of the results of our audit procedures across the Group.
- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur and met with finance and operational management from various parts of the business to understand where they considered there was susceptibility to fraud. We also considered performance targets and their potential to influence management to manage earnings or influence the perception of analysts. We have determined that there is a fraud risk with aspects of revenue recognition. We considered the policies, processes and controls that the Group has established to address the risks identified, including the design of controls over each significant revenue stream. We also considered the controls that the Group has that otherwise prevent, deter and detect fraud, and how senior management monitors those controls.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations including providing specific instructions to full scope and specific scope component teams and where necessary, using our forensic and other relevant specialists. Our procedures included reading any correspondence with regulators, making enquiries of management's specialists, and journal entry testing, with a focus on manual journal entries, consolidation journals and journal entries indicating large or unusual transactions using data analytics. We based this testing on our understanding of the business, enquiries of management, including internal audit and other advisors, the company secretary and reading relevant reports. We performed specific searches derived from forensic investigations experience and leveraged our data analytics platform in performing our testing. We have also reviewed the whistleblowing reports issued during the year. We also used EY's Document Authenticity Tool to analyse certain electronic documents used as audit evidence to identify characteristics of documents that can be indicators of alteration or inauthenticity.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters we are required to address

- Following the recommendation from the Audit Committee, we were appointed by the company at its Annual General Meeting on 29 April 2022 to audit the financial statements for the year ending 31 December 2022 and subsequent financial periods.
- The period of total uninterrupted engagement including previous renewals and reappointments is two years, covering the years ended 31 December 2022 to 31 December 2023.
- The audit opinion is consistent with the additional report to the audit committee.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ben Marles (Senior statutory auditor)

for and on behalf of Ernst & Young LLP,
Statutory Auditor

London

13 March 2024

Consolidated income statement

Year ended 31 December 2023

All figures in £ millions	Notes	**2023**	2022	2021
Continuing operations				
Sales	2,3	**3,674**	3,841	3,428
Cost of goods sold	4	**(1,839)**	(2,046)	(1,747)
Gross profit		**1,835**	1,795	1,681
Operating expenses	4	**(1,322)**	(1,549)	(1,562)
Other net gains and losses	4	**(16)**	24	63
Share of results of joint ventures and associates	12	**1**	1	1
Operating profit	2	**498**	271	183
Finance costs	6	**(81)**	(71)	(68)
Finance income	6	**76**	123	62
Profit before tax		**493**	323	177
Income tax	7	**(113)**	(79)	1
Profit for the year		**380**	244	178
Attributable to:				
Equity holders of the company		**378**	242	177
Non-controlling interest		**2**	2	1
Earnings per share attributable to equity holders of the company during the year (expressed in pence per share)				
—basic	8	**53.1p**	32.8p	23.5p
—diluted	8	**52.7p**	32.6p	23.3p

Consolidated statement of comprehensive income

Year ended 31 December 2023

All figures in £ millions	Notes	**2023**	2022	2021
Profit for the year		**380**	244	178
Items that may be reclassified to the income statement				
Net exchange differences on translation of foreign operations		**(177)**	330	(6)
Currency translation adjustment disposed	31	**(122)**	(5)	4
Attributable tax	7	**–**	4	10
Items that are not reclassified to the income statement				
Fair value gains on other financial assets		**1**	18	4
Attributable tax	7	**–**	1	(1)
Remeasurement of retirement benefit obligations	25	**(85)**	54	149
Attributable tax	7	**20**	(12)	(61)
Other comprehensive (expense)/income for the year	29	**(363)**	390	99
Total comprehensive income for the year		**17**	634	277
Attributable to:				
Equity holders of the company		**16**	630	276
Non-controlling interest		**1**	4	1

Consolidated balance sheet

As at 31 December 2023

All figures in £ millions	Notes	2023	2022
Assets			
Non-current assets			
Property, plant and equipment	10	**217**	250
Investment property	10	**79**	60
Intangible assets	11	**3,091**	3,177
Investments in joint ventures and associates	12	**22**	25
Deferred income tax assets	13	**35**	57
Financial assets – derivative financial instruments	16	**32**	43
Retirement benefit assets	25	**499**	581
Other financial assets	15	**143**	133
Income tax assets	7	**41**	41
Trade and other receivables	22	**135**	139
		4,294	4,506
Current assets			
Intangible assets – product development	20	**947**	975
Inventories	21	**91**	105
Trade and other receivables	22	**1,050**	1,139
Financial assets – derivative financial instruments	16	**16**	16
Income tax assets		**15**	9
Cash and cash equivalents (excluding overdrafts)	17	**312**	558
		2,431	2,802
Assets classified as held for sale	32	**2**	16
Total assets		**6,727**	7,324
Liabilities			
Non-current liabilities			
Financial liabilities – borrowings	18	**(1,094)**	(1,144)
Financial liabilities – derivative financial instruments	16	**(38)**	(54)
Deferred income tax liabilities	13	**(46)**	(37)
Retirement benefit obligations	25	**(44)**	(61)
Provisions for other liabilities and charges	23	**(15)**	(14)
Other liabilities	24	**(98)**	(120)
		(1,335)	(1,430)

All figures in £ millions	Notes	2023	2022
Current liabilities			
Trade and other liabilities	24	**(1,275)**	(1,254)
Financial liabilities – borrowings	18	**(67)**	(86)
Financial liabilities – derivative financial instruments	16	**(5)**	(11)
Income tax liabilities	7	**(32)**	(43)
Provisions for other liabilities and charges	23	**(25)**	(85)
		(1,404)	(1,479)
Liabilities classified as held for sale	32	**–**	–
Total liabilities		**(2,739)**	(2,909)
Net assets		**3,988**	4,415
Equity			
Share capital	27	**174**	179
Share premium	27	**2,642**	2,633
Treasury shares	28	**(19)**	(15)
Capital redemption reserve		**33**	28
Fair value reserve		**(12)**	(13)
Translation reserve		**411**	709
Retained earnings		**745**	881
Total equity attributable to equity holders of the company		**3,974**	4,402
Non-controlling interest		**14**	13
Total equity		**3,988**	4,415

These financial statements have been approved for issue by the Board of Directors on 13 March 2024 and signed on its behalf by

Sally Johnson
Chief Financial Officer
Pearson plc
Registered number: 00053723

Consolidated statement of changes in equity

Year ended 31 December 2023

	Equity attributable to equity holders of the company									
All figures in £ millions	**Share capital**	**Share premium**	**Treasury shares**	**Capital redemption reserve**	**Fair value reserve**	**Translation reserve**	**Retained earnings**	**Total**	**Non-controlling interest**	**Total equity**
At 1 January 2023	179	2,633	(15)	28	(13)	709	881	4,402	13	4,415
Profit for the year	–	–	–	–	–	–	378	378	2	380
Other comprehensive income/(expense)	–	–	–	–	1	(298)	(65)	(362)	(1)	(363)
Total comprehensive income/(expense)	–	–	–	–	1	(298)	313	16	1	17
Equity-settled transactions	–	–	–	–	–	–	40	40	–	40
Taxation on equity-settled transactions	–	–	–	–	–	–	1	1	–	1
Issue of ordinary shares under share option schemes	–	9	–	–	–	–	–	9	–	9
Buyback of equity	(5)	–	–	5	–	–	(304)	(304)	–	(304)
Purchase of treasury shares	–	–	(35)	–	–	–	–	(35)	–	(35)
Release of treasury shares	–	–	31	–	–	–	(31)	–	–	–
Transfer of gain on disposal of FVOCI investment	–	–	–	–	–	–	–	–	–	–
Dividends	–	–	–	–	–	–	(155)	(155)	–	(155)
At 31 December 2023	174	2,642	(19)	33	(12)	411	745	3,974	14	3,988

	Equity attributable to equity holders of the company									
All figures in £ millions	Share capital	Share premium	Treasury shares	Capital redemption reserve	Fair value reserve	Translation reserve	Retained earnings	Total	Non-controlling interest	Total equity
At 1 January 2022	189	2,626	(12)	18	(4)	386	1,067	4,270	10	4,280
Profit for the year	–	–	–	–	–	–	242	242	2	244
Other comprehensive income/(expense)	–	–	–	–	18	323	47	388	2	390
Total comprehensive income/(expense)	–	–	–	–	18	323	289	630	4	634
Equity-settled transactions	–	–	–	–	–	–	38	38	–	38
Taxation on equity-settled transactions	–	–	–	–	–	–	3	3	–	3
Issue of ordinary shares under share option schemes	–	7	–	–	–	–	–	7	–	7
Buyback of equity	(10)	–	–	10	–	–	(353)	(353)	–	(353)
Purchase of treasury shares	–	–	(37)	–	–	–	–	(37)	–	(37)
Release of treasury shares	–	–	34	–	–	–	(34)	–	–	–
Transfer of gain on disposal of FVOCI investment	–	–	–	–	(27)	–	27	–	–	–
Dividends	–	–	–	–	–	–	(156)	(156)	(1)	(157)
At 31 December 2022	179	2,633	(15)	28	(13)	709	881	4,402	13	4,415

Consolidated statement of changes in equity *continued*

Year ended 31 December 2023

	Equity attributable to equity holders of the company									
All figures in £ millions	Share capital	Share premium	Treasury shares	Capital redemption reserve	Fair value reserve	Translation reserve	Retained earnings	Total	Non-controlling interest	Total equity
At 1 January 2021	188	2,620	(7)	18	(4)	388	922	4,125	9	4,134
Profit for the year	–	–	–	–	–	–	177	177	1	178
Other comprehensive income/(expense)	–	–	–	–	4	(2)	97	99	–	99
Total comprehensive income/(expense)	–	–	–	–	4	(2)	274	276	1	277
Equity-settled transactions	–	–	–	–	–	–	28	28	–	28
Issue of ordinary shares under share option schemes	1	6	(1)	–	–	–	–	6	–	6
Buyback of equity	–	–	–	–	–	–	–	–	–	–
Purchase of treasury shares	–	–	(16)	–	–	–	–	(16)	–	(16)
Release of treasury shares	–	–	12	–	–	–	(12)	–	–	–
Transfer of gain on disposal of FVOCI investment	–	–	–	–	(4)	–	4	–	–	–
Dividends	–	–	–	–	–	–	(149)	(149)	–	(149)
At 31 December 2021	189	2,626	(12)	18	(4)	386	1,067	4,270	10	4,280

Consolidated cash flow statement

Year ended 31 December 2023

All figures in £ millions	Notes	**2023**	2022	2021
Cash flows from operating activities				
Profit before tax		**493**	323	177
Net finance costs/(income)		**5**	(52)	6
Depreciation and impairment – PPE, investment property and assets held for sale		**90**	136	241
Amortisation and impairment – software		**123**	125	117
Amortisation and impairment – acquired intangible assets		**46**	54	50
Other net gains and losses		**13**	(24)	(63)
Product development capital expenditure		**(300)**	(357)	(287)
Amortisation and impairment – product development		**284**	303	279
Share-based payment costs		**40**	35	28
Change in inventories		**9**	(34)	22
Change in trade and other receivables		**(24)**	33	(71)
Change in trade and other liabilities		**(20)**	(84)	37
Change in provisions for other liabilities and charges		**(61)**	50	14
Other movements		**(16)**	19	20
Net cash generated from operations		**682**	527	570
Interest paid		**(60)**	(57)	(67)
Tax paid		**(97)**	(109)	(177)
Net cash generated from operating activities		**525**	361	326
Cash flows from investing activities				
Acquisition of subsidiaries, net of cash acquired	30	**(171)**	(228)	(55)
Acquisition of joint ventures and associates		**(5)**	(5)	(10)
Purchase of investments		**(8)**	(12)	(4)
Purchase of property, plant and equipment and investment property		**(30)**	(57)	(64)
Purchase of intangible assets		**(96)**	(90)	(112)
Disposal of subsidiaries, net of cash disposed	31	**(38)**	333	83
Proceeds from disposal of investments		**7**	17	48
Proceeds from disposal of property, plant and equipment		**5**	14	–
Lease receivables repaid including disposals		**15**	18	21
Interest received		**20**	22	13
Dividends from joint ventures and associates		**–**	1	–
Net cash (used in)/generated from investing activities		**(301)**	13	(80)

All figures in £ millions	Notes	**2023**	2022	2021
Cash flows from financing activities				
Proceeds from issue of ordinary shares	27	**9**	7	6
Buyback of equity	27	**(186)**	(353)	–
Purchase of treasury shares	28	**(35)**	(37)	(16)
Proceeds from borrowings		**285**	–	–
Repayment of borrowings		**(285)**	(171)	(167)
Repayment of lease liabilities		**(84)**	(93)	(88)
Dividends paid to company's shareholders	9	**(154)**	(156)	(149)
Dividends paid to non-controlling interest		**–**	(1)	–
Net cash used in financing activities		**(450)**	(804)	(414)
Effects of exchange rate changes on cash and cash equivalents		**(8)**	36	(8)
Net decrease in cash and cash equivalents		**(234)**	(394)	(176)
Cash and cash equivalents at beginning of year		**543**	937	1,113
Cash and cash equivalents at end of year	17	**309**	543	937

Notes to the consolidated financial statements

General information

Pearson plc ('the company'), its subsidiaries and associates (together 'the Group') are international businesses covering educational courseware, assessments and services.

The company is a public limited company incorporated in England and Wales and domiciled in the United Kingdom. The address of its registered office is 80 Strand, London WC2R 0RL.

The company has its primary listing on the London Stock Exchange and is also listed on the New York Stock Exchange.

These consolidated financial statements were approved for issue by the Board of Directors on 13 March 2024.

1a. Accounting policies

The material accounting policies applied in the preparation of these consolidated financial statements are set out below.

Basis of preparation

These consolidated financial statements have been prepared on the going concern basis (see note 1b) and in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006. On 31 December 2020, IFRS Accounting Standards as adopted by the European Union at that date was brought into UK law and became UK-adopted International Accounting Standards (IASs), with future changes being subject to endorsement by the UK Endorsement Board. The Group transitioned to UK-adopted IASs on 1 January 2021. This change constituted a change in accounting framework. However, there was no impact on recognition, measurement or disclosure as a result of the change in framework. The consolidated financial statements have also been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB).

These consolidated financial statements have been prepared under the historical cost convention as modified by the revaluation of financial assets and liabilities (including derivative financial instruments) at fair value.

These accounting policies have been consistently applied to all years presented, unless otherwise stated.

1. Interpretations and amendments to published standards effective 2023 – The Group adopted IFRS 17 'Insurance Contracts' for the first time in 2023, but it has not had a material impact on the consolidated financial statements. No other new standards were adopted in 2023.

A number of other new pronouncements are effective from 1 January 2023 but they do not have a material impact on the consolidated financial statements. Additional disclosure has been given where relevant.

2. Standards, interpretations and amendments to published standards that are not yet effective – The following new accounting standards and amendments to new accounting standards have been issued but are not yet effective and unless otherwise indicated, have been endorsed:

- Amendments to IAS 1 'Classification of liabilities as current or non-current';
- Amendments to IAS 1 'Non-current liabilities with covenants';
- Amendments to IFRS 16 'Lease liability in a sale and leaseback';
- Amendments to IAS 7 and IFRS 7 'Supplier finance arrangements'; and
- Amendments to IAS 21 'Lack of exchangeability' (not yet endorsed).

The Group is currently assessing the impact of the above changes, but they are not expected to have a material impact. The Group does not plan to early adopt any of the above new accounting standards or amendments. The Group has not adopted any other standard, amendment or interpretation that has been issued but is not yet effective.

3. Critical accounting assumptions and judgements – The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting assumptions and estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

All assumptions and estimates constitute management's best judgement at the date of the financial statements, however, in the future, actual experience may deviate from these estimates and assumptions.

The areas requiring a higher degree of judgement or complexity, or areas where assumptions and estimates have a significant risk of resulting in material adjustments to the carrying value of assets and liabilities within the consolidated financial statements are:

- Intangible assets: acquired intangible assets
- Taxation
- Employee benefits: pensions
- Property, plant and equipment: right-of-use assets
- Classification as discontinued operations

The key judgements and key areas of estimation are set out below, as well as in the relevant accounting policies and in the notes to the accounts where appropriate.

KJ Key judgements

- The application of tax legislation in relation to provisions for uncertain tax positions. See notes 7 and 34.
- The Group is eligible to receive the surplus associated with the UK Group Pension Plan in recognising a pension asset. See note 25.
- The results and cash flows of businesses disposed do not meet the criteria to be classified and presented as discontinued operations. See note 31.

KE Key areas of estimation

- The valuation of acquired intangible assets recognised on the acquisition of a business. The valuation is based on a number of assumptions, including estimations of future business performance. See notes 11 and 30.
- The level of provisions required in relation to uncertain tax positions is complex and each matter is separately assessed. The estimation of future settlement amounts is based on a number of factors including the status of the unresolved matter, clarity of legislation, range of possible outcomes and the statute of limitations. See notes 7 and 34.
- The determination of the pension cost and defined benefit obligation of the Group's defined benefit pension schemes depends on the selection of certain assumptions, which include the discount rate, inflation rate, salary growth and longevity. See note 25.
- The recoverability of right-of-use assets and in particular assumptions related to the ability to sublease vacant leased assets in the future. See note 10.

The Group has assessed the impact of the uncertainty presented by the volatile macro-economic and geo-political environment on the financial statements, specifically considering the impact on key judgements and significant estimates along with other areas of increased risk as follows:

- Financial instruments and hedge accounting; and
- Translation methodologies.

No material accounting impacts relating to the areas assessed above were recognised in the year. The Group will continue to monitor these areas of increased judgement, estimation and risk.

Consolidation

1. Business combinations – The acquisition method of accounting is used to account for business combinations.

The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interest issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred in the operating expenses line of the income statement. Identifiable assets acquired and identifiable liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The determination of fair values often requires significant judgements and the use of estimates, and, for material acquisitions, the fair value of the acquired intangible assets is determined by an independent valuer. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill (note 30).

See the 'Intangible assets' policy for the accounting policy on goodwill. If this is less than the fair value of the net assets of the subsidiary acquired, in the case of a bargain purchase, the difference is recognised directly in the income statement.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

IFRS 3 'Business Combinations' has not been applied retrospectively to business combinations before the date of transition to IFRS.

Management exercises judgement in determining the classification of its investments in its businesses, in line with the following:

2. Subsidiaries – Subsidiaries are entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

3. Transactions with non-controlling interests – Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions, that is, as transactions with the owners in their capacity as owners. Any surplus or deficit arising from disposals to a non-controlling interest is recorded in equity. For purchases from a non-controlling interest, the difference between consideration paid and the relevant share acquired of the carrying value of the subsidiary is recorded in equity.

1a. Accounting policies continued

Consolidation continued

4. Joint ventures and associates – Joint ventures are entities in which the Group holds an interest on a long-term basis and has rights to the net assets through contractually agreed sharing of control. Associates are entities over which the Group has significant influence but not the power to control the financial and operating policies, generally accompanying a shareholding of between 20% and 50% of the voting rights. Ownership percentage is likely to be the key indicator of investment classification; however, other factors, such as Board representation, may also affect the accounting classification. Judgement is required to assess all of the qualitative and quantitative factors which may indicate that the Group does, or does not, have significant influence over an investment. Investments in joint ventures and associates are accounted for by the equity method and are initially recognised at the fair value of consideration transferred.

The Group's share of its joint ventures' and associates' post-acquisition profits or losses is recognised in the income statement and its share of post-acquisition movements in reserves is recognised in reserves.

The Group's share of its joint ventures' and associates' results is recognised as a component of operating profit as these operations form part of the core business of the Group and are an integral part of existing wholly-owned businesses. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in a joint venture or associate equals or exceeds its interest in the joint venture or associate, the Group does not recognise further losses unless the Group has incurred obligations or made payments on behalf of the joint venture or associate.

Unrealised gains and losses on transactions between the Group and its joint ventures and associates are eliminated to the extent of the Group's interest in these entities.

5. Contribution of a subsidiary to an associate or joint venture – The gain or loss resulting from the contribution or sale of a subsidiary to an associate or a joint venture is recognised in full. Where such transactions do not involve cash consideration, significant judgements and estimates are used in determining the fair values of the consideration received.

Foreign currency translation

1. Functional and presentation currency – Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in sterling, which is the company's functional and presentation currency.

2. Transactions and balances – Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying net investment hedges.

3. Group companies – The results and financial position of all Group companies that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities are translated at the closing rate at the date of the balance sheet;
- Income and expenses are translated at average exchange rates; and
- All resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. The Group treats specific inter-company loan balances, which are not intended to be repaid in the foreseeable future, as part of its net investment. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

The principal overseas currency for the Group is the US dollar. The average rate for the year against sterling was $1.25 (2022: $1.24; 2021: $1.38) and the year-end rate was $1.27 (2022: $1.21; 2021: $1.35).

Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for intended use. Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost less their residual values over their estimated useful lives as follows:

Buildings (freehold):	20–50 years
Buildings (leasehold):	over the period of the lease
Plant and equipment:	3–10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

The carrying value of an asset is written down to its recoverable amount if the carrying value of the asset is greater than its estimated recoverable amount.

Investment property

Properties that are no longer occupied by the Group and which are held for operating lease rental are classified as investment property. Investment property assets are carried at cost less accumulated depreciation and any recognised impairment in value. The depreciation policies for investment property are consistent with those described for property, plant and equipment.

Intangible assets

1. Goodwill – For the acquisition of subsidiaries made on or after 1 January 2010, goodwill represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired. For the acquisition of subsidiaries made from the date of transition to IFRS to 31 December 2009, goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets acquired. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisition of associates and joint ventures represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets acquired.

Goodwill on acquisitions of associates and joint ventures is included in investments in associates and joint ventures.

Goodwill is tested at least annually for impairment and carried at cost less accumulated impairment losses. An impairment loss is recognised to the extent that the carrying value of goodwill exceeds the recoverable amount. The recoverable amount is the higher of fair value less costs of disposal and value in use. These calculations require the use of estimates in respect of forecast cash flows and discount rates and management judgement in respect of cash-generating unit (CGU) and cost allocation.

Goodwill is allocated to aggregated CGUs for the purpose of impairment testing. The allocation is made to those aggregated CGUs that are expected to benefit from the business combination in which the goodwill arose. Where there are changes to CGUs, goodwill is reallocated to the new CGUs and aggregation of CGUs using a relative value method.

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

2. Acquired software – Software separately acquired for internal use is capitalised at cost. Software acquired in material business combinations is capitalised at its fair value, with the valuation being determined with the support of a third-party specialist. The assets are assessed for impairment triggers on an annual basis or when triggering events occur. Acquired software is amortised on a straight-line basis over its estimated useful life of between three and eight years.

3. Internally developed software – Internal and external costs incurred during the preliminary stage of developing computer software for internal use are expensed as incurred. Internal and external costs incurred to develop computer software for internal use during the application development stage are capitalised if the Group expects economic benefits from the development. Capitalisation in the application development stage begins once the Group can reliably measure the expenditure attributable to the software development and has demonstrated its intention to complete and use the software. Internally developed software is amortised on a straight-line basis over its estimated useful life of between three and ten years. The assets are assessed for impairment triggers on an annual basis or when triggering events occur.

4. Acquired intangible assets – Acquired intangible assets include customer lists, contracts and relationships, trademarks and brands, publishing rights, content, technology and software rights. These assets are capitalised on acquisition at cost and included in intangible assets. Intangible assets acquired in material business combinations are capitalised at their fair value as determined with the support of a third-party specialist. The valuation of these assets are a key source of estimation uncertainty. Intangible assets are amortised over their estimated useful lives of between two and twenty years, using an amortisation method that reflects the pattern of their consumption. The assets are assessed for impairment triggers on an annual basis or when triggering events occur.

5. Product development assets – Product development assets represent direct costs incurred in the development of educational programmes and titles prior to their publication. These costs are recognised as current intangible assets where the title will generate probable future economic benefits and costs can be measured reliably.

Product development assets relating to content are amortised upon publication of the title over estimated economic lives of seven years or less, being an estimate of the expected operating lifecycle of the title, with a higher proportion of the amortisation taken in the earlier years. Product development assets relating to product platforms are amortised over ten years or less, being an estimate of the expected useful life.

The assessment of the useful economic life and the recoverability of product development assets involves judgement and is based on historical trends and management estimation of future potential sales.

Product development assets are assessed for impairment triggers on an annual basis or when triggering events occur. The carrying amount of product development assets is set out in note 20.

The investment in product development assets has been disclosed as part of net cash generated from operating activities in the cash flow statement.

Other financial assets

Other financial assets are non-derivative financial assets classified and measured at estimated fair value.

Marketable securities and cash deposits with maturities of greater than three months are classified and subsequently measured at fair value through profit and loss (FVTPL). They are remeasured at each balance sheet date by using market data and the use of established valuation techniques. Any movement in the fair value is immediately recognised in finance income or finance costs in the income statement.

1a. Accounting policies continued

Other financial assets continued

Investments in the equity instruments of other entities are classified and subsequently measured at fair value through other comprehensive income (FVOCI) where the investment meets the definition of equity from the perspective of the issuer. Changes in fair value are recorded in equity in the fair value reserve via other comprehensive income. On subsequent disposal of the asset, the net fair value gains or losses are reclassified from the fair value reserve to retained earnings. Any dividends received from equity investments classified as FVOCI are recognised in the income statement unless they represent a return of capital.

Investments in funds which have a limited life and those investment which do not meet the criteria to be classified as FVOCI are classified and subsequently measured at fair value through profit and loss (FVTPL). Changes in fair value are included within finance income or finance costs within the income statement.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method or an approximation thereof, such as the first in first out (FIFO) method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale. Provisions are made for slow-moving and obsolete stock.

Royalty advances

Advances of royalties to authors are included within trade and other receivables when the advance is paid less any provision required to adjust the advance to its net realisable value. The realisable value of royalty advances relies on a degree of management estimation in determining the profitability of individual author contracts. If the estimated realisable value of author contracts is overstated, this will have an adverse effect on operating profits as these excess amounts will be written off.

The recoverability of royalty advances is based upon an annual detailed management review of the age of the advance, the future sales projections for new authors and prior sales history of repeat authors.

The royalty advance is expensed at the contracted or effective royalty rate as the related revenues are earned. Royalty advances which will be consumed within one year are held in current assets. Royalty advances which will be consumed after one year are held in non-current assets.

Cash and cash equivalents

Cash and cash equivalents in the cash flow statement include cash in hand, deposits held on call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are included in borrowings in current liabilities in the balance sheet.

Short-term deposits and marketable securities with maturities of greater than three months do not qualify as cash and cash equivalents and are reported as financial assets. Movements on these financial assets are classified as cash flows from financing activities in the cash flow statement where these amounts are used to offset the borrowings of the Group or as cash flows from investing activities where these amounts are held to generate an investment return.

Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any Group company purchases the company’s equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs, net of income taxes, is deducted from equity attributable to the company’s equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable transaction costs and the related income tax effects, is included in equity attributable to the company’s equity holders.

Ordinary shares purchased under a buyback programme are cancelled and the nominal value of the shares is transferred to a capital redemption reserve.

Borrowings

Borrowings are recognised initially at fair value, which is proceeds received net of transaction costs incurred. Borrowings are subsequently stated at amortised cost with any difference between the proceeds (net of transaction costs) and the redemption value being recognised in the income statement over the period of the borrowings using the effective interest method. Accrued interest is included as part of borrowings.

Where a debt instrument is in a fair value hedging relationship, an adjustment is made to its carrying value in the income statement to reflect the hedged risk.

Where a debt instrument is in a net investment hedge relationship, gains and losses on the effective portion of the hedge are recognised in other comprehensive income.

Derivative financial instruments

Derivatives are recognised at fair value and remeasured at each balance sheet date. The fair value of derivatives is determined by using market data and the use of established estimation techniques such as discounted cash flow and option valuation models.

For derivatives in a hedge relationship, the currency basis spread is excluded from the designation as a hedging instrument.

Changes in the fair value of derivatives are recognised immediately in finance income or costs. However, derivatives relating to borrowings and certain foreign exchange contracts are designated as part of a hedging transaction.

The accounting treatment is summarised as follows:

Typical reason for designation	Reporting of gains and losses on effective portion of the hedge	Reporting of gains and losses on disposal
Net investment hedge		
The derivative creates a foreign currency liability which is used to hedge changes in the value of a subsidiary which transacts in that currency.	Recognised in other comprehensive income.	On the disposal of foreign operations or subsidiaries, the accumulated value of gains and losses reported in other comprehensive income is transferred to the income statement.
Fair value hedges		
The derivative transforms the interest profile on debt from fixed rate to floating rate. Changes in the value of the debt as a result of changes in interest rates and foreign exchange rates are offset by equal and opposite changes in the value of the derivative. When the Group's debt is swapped to floating rates, the contracts used are designated as fair value hedges.	Gains and losses on the derivative are reported in finance income or finance costs. However, an equal and opposite change is made to the carrying value of the debt (a 'fair value adjustment') with the benefit/cost reported in finance income or finance costs. The net result should be a zero charge on a perfectly effective hedge.	If the debt and derivative are disposed of, the value of the derivative and the debt (including the fair value adjustment) are reset to zero. Any resultant gain or loss is recognised in finance income or finance costs.
Non-hedge accounted contracts		
These are not designated as hedging instruments. Typically, these are short-term contracts to convert debt back to fixed rates or foreign exchange contracts where a natural offset exists.	Recognised in the income statement. No hedge accounting applies.	

Taxation

Current tax is recognised at the amounts expected to be paid or recovered under the tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

Deferred income tax is provided, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided in respect of the undistributed earnings of subsidiaries, associates and joint ventures other than where it is intended that those undistributed earnings will not be remitted in the foreseeable future.

Current and deferred tax are recognised in the income statement, except when the tax relates to items charged or credited directly to equity or other comprehensive income, in which case the tax is also recognised in equity or other comprehensive income. The Group has applied the exception under IAS 12 to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes.

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the estimates in relation to the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises tax provisions when it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are based on management's best judgement of the application of tax legislation and best estimates of future settlement amounts (see note 7). Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets and liabilities require management judgement and estimation in determining the amounts to be recognised. In particular, when assessing the extent to which deferred tax assets should be recognised, significant judgement is used when considering the timing of the recognition and estimation is used to determine the level of future taxable income together with any future tax planning strategies (see note 13).

1a. Accounting policies continued

Employee benefits

1. Pensions – The retirement benefit asset and obligation recognised in the balance sheet represent the net of the present value of the defined benefit obligation and the fair value of plan assets at the balance sheet date. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting estimated future cash flows using yields on high-quality corporate bonds which have terms to maturity approximating the terms of the related liability.

When the calculation results in a potential asset, the recognition of that asset is limited to the asset ceiling – that is the present value of any economic benefits available in the form of refunds from the plan or a reduction in future contributions. Management uses judgement to determine the level of refunds available from the plan in recognising an asset.

The determination of the pension cost and defined benefit obligation of the Group's defined benefit pension schemes depends on the selection of certain assumptions, which include the discount rate, inflation rate, salary growth and longevity (see note 25).

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. The service cost, representing benefits accruing over the year, is included in the income statement as an operating cost. Net interest is calculated by applying the discount rate to the net defined benefit obligation and is presented as finance costs or finance income.

Obligations for contributions to defined contribution pension plans are recognised as an operating expense in the income statement as incurred.

2. Other post-retirement obligations – The expected costs of post-retirement medical and life assurance benefits are accrued over the period of employment, using a similar accounting methodology as for defined benefit pension obligations. The liabilities and costs relating to significant other post-retirement obligations are assessed annually by independent qualified actuaries.

3. Share-based payments – The fair value of options or shares granted under the Group's share and option plans is recognised as an employee expense after taking into account the Group's best estimate of the number of awards expected to vest. Fair value is measured at the date of grant and is spread over the vesting period of the option or share. The fair value of the options granted is measured using an option model that is most appropriate to the award. The fair value of shares awarded is measured using the share price at the date of grant unless another method is more appropriate. Any proceeds received are credited to share capital and share premium when the options are exercised.

Provisions

Provisions are recognised if the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are discounted to present value where the effect is material.

Revenue recognition

The Group's revenue streams are courseware, assessments and services. Courseware includes curriculum materials provided in book form and/or via access to digital content. Assessments includes test development, processing and scoring services provided to governments, educational institutions, corporations and professional bodies. Services includes the operation of schools, colleges and universities, as well as the provision of online learning services in partnership with universities and other academic institutions.

Revenue is recognised in order to depict the transfer of control of promised goods and services to customers in an amount that reflects the consideration to which we expect to be entitled in exchange for those goods and services. This process begins with the identification of our contract with a customer, which is generally through a master services agreement, customer purchase order, or a combination thereof. Within each contract, judgement is applied to determine the extent to which activities within the contract represent distinct performance obligations to be delivered and the total amount of transaction price to which we expect to be entitled.

The transaction price determined is net of sales taxes, rebates and discounts, and after eliminating sales within the Group. Where a contract contains multiple performance obligations such as the provision of supplementary materials or online access with textbooks, revenue is allocated on the basis of relative standalone selling prices. Where a contract contains variable consideration, significant estimation is required to determine the amount to which the Group is expected to be entitled.

Revenue is recognised on contracts with customers when or as performance obligations are satisfied, which is the period or the point in time where control of goods or services transfers to the customer. Judgement is applied to determine first whether control passes over time and if not, then the point in time at which control passes. Where revenue is recognised over time, judgement is used to determine the method which best depicts the transfer of control. Where an input method is used, significant estimation is required to determine the progress towards delivering the performance obligation.

If a contract with a customer is modified (change of scope, price or both), management uses judgement to determine whether changes to existing rights and obligations should be accounted for as a separate contract or as an adjustment to the existing contracts. Adjustments to existing contracts are either accounted for prospectively or through a cumulative catch up adjustment.

Revenue from the sale of books is recognised net of a provision for anticipated returns. This provision is based primarily on historical return rates, customer buying patterns and retailer behaviours including stock levels. If these estimates do not reflect actual returns in future periods then revenue could be understated or overstated for a particular period. When the provision for returns is remeasured at each reporting date to reflect changes in estimates, a corresponding adjustment is also recorded to revenue.

The Group may enter into contracts with another party in addition to our customer. In making the determination as to whether revenue should be recognised on a gross or net basis, the contract with the customer is analysed to understand which party controls the relevant good or service prior to transferring to the customer. This judgement is informed by facts and circumstances of the contract in determining whether the Group has promised to provide the specified good or service or whether the Group is arranging for the transfer of the specified good or service, including which party is responsible for fulfilment, has discretion to set the price to the customer and is responsible for inventory risk. On certain contracts, where the Group acts as an agent, only commissions and fees receivable for services rendered are recognised as revenue. Any third-party costs incurred on behalf of the principal that are rechargeable under the contractual arrangement are not included in revenue.

Income from recharges of freight and other activities which are incidental to the normal revenue-generating activities is included in other income.

Additional details on the Group's revenue streams are also included in note 3.

Leases

1. The Group as a lessee – The Group assesses whether a contract is or contains a lease at the inception of the contract. A contract is, or contains, a lease, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group recognises a right-of-use asset and a lease liability at the lease commencement date with respect to all lease arrangements except for short-term leases (leases with a lease term of 12 months or less) and leases of low-value assets. For these leases, the lease payments are recognised as an operating expense on a straight-line basis over the term of the lease.

The right-of-use asset is initially measured at cost, comprising the initial amount of the lease liability plus any initial direct costs incurred and an estimate of costs to restore the underlying asset, less any lease incentives received. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the asset or the end of the lease term. The Group applies IAS 36 to determine whether a right-of-use asset is impaired. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the incremental borrowing rate. The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or a rate or a change in the Group's assessment of whether it will exercise an extension or termination option. When the lease liability is remeasured, a corresponding adjustment is made to the right-of-use asset.

Management uses judgement to determine the lease term where extension and termination options are available within the lease.

2. The Group as a lessor – When the Group is an intermediate lessor, the head lease and sublease are accounted for as two separate contracts. The head lease is accounted for as per the lessee policy above. The sublease is classified as a finance lease or operating lease by reference to the right-of-use asset arising from the head lease. Where the lease transfers substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease; all other leases are classified as operating leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Amounts due from lessees under finance subleases are recognised as receivables at the amount of the Group's net investment in the leases discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the discount rate used in the head lease.

Dividends

Final dividends are recorded in the Group's financial statements in the period in which they are approved by the company's shareholders. Interim dividends are recorded when paid.

Discontinued operations

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or meets the criteria to be classified as held for sale.

When applicable, discontinued operations are presented in the income statement as a separate line and are shown net of tax.

Assets and liabilities held for sale

Assets and liabilities are classified as held for sale and stated at the lower of carrying amount and fair value less costs to sell if it is highly probable that the carrying amount will be recovered principally through a sale transaction rather than through continuing use. No depreciation is charged in respect of non-current assets classified as held for sale. Amounts relating to non-current assets and liabilities held for sale are classified as discontinued operations in the income statement where appropriate.

Trade receivables

Trade receivables are stated at fair value after provision for bad and doubtful debts. Provisions for bad and doubtful debts are based on the expected credit loss model. The 'simplified approach' is used with the expected loss allowance measured at an amount equal to the lifetime expected credit losses. A provision for anticipated future sales returns is included within trade and other liabilities (also see Revenue recognition policy).

1b. Going concern

In assessing the Group's ability to continue as a going concern for the period to 30 June 2025, the Board reviewed management's five-year plan, which was used as the base case. The review included available liquidity throughout the period and headroom against the Group's two main covenants, which require net debt to EBITDA to be a maximum of four times and interest cover to be at least three times.

At 31 December 2023, the Group had available liquidity of c.£1bn, comprising central cash balances and its undrawn $1bn Revolving Credit Facility (RCF). The company's subsidiary Pearson Funding plc has a debt maturity of €300m due within the going concern assessment period and it is assumed that this is refinanced ahead of time with a £250m bond or bank facility. In both the base case and severe but plausible scenario, the business has sufficient liquidity to repay this amount and does not rely on this refinancing in order to remain a going concern. Significant liquidity and covenant headroom was observed throughout the assessment period in this base model.

A severe but plausible scenario was analysed, where the Group is impacted by all principal risks in both 2024 and 2025, adjusted for probability weighting as well as other significant risks. For this and other downside scenarios tested, the net impact of the risks modelled was to reduce adjusted operating profit by around 40% in each year. Even under a severe downside case, the company would maintain comfortable liquidity headroom and sufficient headroom against covenant requirements during the period under assessment. That is, even before modelling the mitigating effect of actions that management would take if these downside risks were to crystalise.

A reverse stress test was performed to identify the reduction in profit required to exhaust liquidity at 30 June 2025. The model showed that operating losses were required in both 2024 and 2025 to exhaust liquidity.

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 2025. The consolidated financial statements have therefore been prepared on a going concern basis.

1c. Climate change

The Group has assessed the impacts of climate change on the Group's financial statements, including our commitment to reducing our absolute scope 1, 2 and 3 carbon emissions by 50% by 2030, and the actions the Group intends to take to achieve those targets. The assessment did not identify any material impact on the Group's significant judgements or estimates at 31 December 2023, or the assessment of going concern for the period to June 2025 and the Group's viability over the next five years. Specifically, we have considered the following areas:

- The physical and transition risks associated with climate change; and
- The actions the Group is taking to meet its carbon reduction and net zero targets.

As a result, the Group has assessed the impacts of climate change on the financial statements, and in particular, on the following areas:

- The impact on the Group's future cash flows, and the resulting impact that such adjustments to our future cash flows would have on the outcome of the annual impairment testing of our goodwill balances (see note 11 for further details), the recognition of deferred tax assets and our assessment of going concern;
- The carrying value of the Group's assets, in particular the recoverable amounts of inventories, product development assets, intangible assets and property, plant and equipment; and
- Any changes to our estimates of the useful economic lives of product development assets, intangible assets and property, plant and equipment.

2. Segment information

There are five main global business divisions, which are each considered separate operating segments for management and reporting purposes, as these are reported separately to the Group's chief operating decision-maker, the Pearson Executive Management team. These five divisions are Assessment & Qualifications, Virtual Learning, English Language Learning, Higher Education and Workforce Skills. In addition, the International Courseware local publishing businesses, which were under strategic review, were being managed as a separate division, known as Strategic Review. In 2022, some of the businesses from the Strategic Review division were disposed of (see note 31).

The following describes the principal activities of the five main operating segments:

- Assessment & Qualifications – Pearson VUE, US School Assessment, Clinical Assessment, UK GCSE and A Levels and International academic qualifications and associated courseware including the English-speaking Canadian and Australian K-12 businesses, and PDRI;
- Virtual Learning – Virtual Schools and Online Program Management;
- English Language Learning – Pearson Test of English, Institutional Courseware and English Online Solutions;
- Workforce Skills – BTEC, GED, TalentLens, Faethm, Credly, Pearson College and Apprenticeships; and
- Higher Education – US, Canadian and International Higher Education Courseware businesses.

The Pearson Executive Management team evaluates and allocates resources to operating segments, and evaluates the performance of each of its operating segments on the basis of adjusted operating profit, which is considered to be the segment measure.

All figures in £ millions **Sales**	**2023**	2022	2021
Assessment & Qualifications	**1,559**	1,444	1,238
Virtual Learning	**616**	820	713
English Language Learning	**415**	321	238
Workforce Skills	**220**	204	172
Higher Education	**855**	898	849
Strategic Review	**9**	154	218
Total sales	**3,674**	3,841	3,428

All figures in £ millions **Adjusted operating profit**	**2023**	2022	2021
Assessment & Qualifications	**350**	258	219
Virtual Learning	**76**	70	32
English Language Learning	**47**	25	15
Workforce Skills	**(8)**	(3)	27
Higher Education	**110**	91	73
Strategic Review	**(2)**	15	19
Total adjusted operating profit	**573**	456	385

A reconciliation of the operating segments' measure of profit to profit for the year is provided below:

		2023	**2022**	**2021**
Adjusted operating profit		**573**	456	385
Cost of major restructuring		**–**	(150)	(214)
Property charges		**(11)**	–	–
Intangible charges		**(48)**	(56)	(51)
UK pension discretionary increases		**–**	(3)	–
Other net gains and losses		**(16)**	24	63
Operating profit		**498**	271	183
Finance costs	6	**(81)**	(71)	(68)
Finance income	6	**76**	123	62
Profit before tax		**493**	323	177
Income tax	7	**(113)**	(79)	1
Profit for the year		**380**	244	178

There were no material inter-segment sales in either 2023, 2022 or 2021.
Corporate costs are allocated to business segments on an appropriate basis depending on the nature of the cost and therefore the total segment result is equal to the Group operating profit.

2. Segment information continued

Adjusted operating profit is shown in the above tables as it is the key financial measure used by management to evaluate the performance of the Group. The measure also enables investors to more easily, and consistently, track the underlying operational performance of the Group and its business segments over time by separating out those items of income and expenditure relating to acquisition and disposal transactions, certain property charges, major restructuring programmes and certain other items that are also not representative of underlying performance, which are explained below and reconciled within this note.

Cost of major restructuring – In 2023, there are no costs of major restructuring. In 2022, the restructuring costs of £150m mainly related to staff redundancies and impairment of right of use property assets. The 2022 charge includes the impact of updated assumptions related to the recoverability of right-of-use assets made in 2021. In 2021, restructuring costs of £214m mainly related to the impairment of right-of-use property assets, the write-down of product development assets and staff redundancies. The costs of these restructuring programmes are significant enough to exclude from the adjusted operating profit measure so as to better highlight the underlying performance (see note 4).

Property charges – Charges of £11m relate to impairments of property assets arising from the impact of updates in 2023 to assumptions initially made during the 2022 and 2021 restructuring programmes.

Intangible charges – These represent charges relating to intangibles acquired through business combinations. These charges are excluded as they reflect past acquisition activity and do not necessarily reflect the current year performance of the Group. Intangible amortisation charges in 2023 were £48m compared to a charge of £56m in 2022. This is due to decreased amortisation from disposals partially offset by additional amortisation from recent acquisitions. In 2021, intangible charges were £51m. In all three years, there were no impairment charges.

Other net gains and losses – These represent profits and losses on the sale of subsidiaries, joint ventures, associates and other financial assets and are excluded from adjusted operating profit as they distort the performance of the Group as reported on a statutory basis. Other net gains and losses also includes costs related to business closures and acquisitions. Other net gains and losses in 2023 relate to the gain on the disposal of the POLS business and gains related to the release of accruals and a provision related to historical acquisitions, offset by losses on the disposal of Pearson College and costs related to current and prior year disposals and acquisitions. In 2022, they related to the gains on the disposal of our international courseware local publishing businesses in Europe, French-speaking Canada and Hong Kong and a gain arising on a decrease in the deferred consideration payable on prior year acquisitions, offset by a loss on disposal of our international courseware local publishing businesses in South Africa due to recycling of currency translation adjustments and costs related to disposals and acquisitions. Other net gains and losses in 2021 largely related to the disposal of PIHE and the disposal of the K12 Sistemas business in Brazil offset by costs related to the acquisition of Faethm and the wind down of certain strategic review businesses.

UK pension discretionary increases – Charges in 2022 relate to one-off pension increases awarded to certain cohorts of pensioners in response to the cost of living crisis.

Adjusted operating profit should not be regarded as a complete picture of the Group's financial performance. For example, adjusted operating profit includes the benefits of major restructuring programmes but excludes the significant associated costs, and adjusted operating profit excludes costs related to acquisitions, and the amortisation of intangibles acquired in business combinations, but does not exclude the associated revenue. The Group's definition of adjusted operating profit may not be comparable to other similarly titled measures reported by other companies.

The Group operates in the following main geographic areas:

	Sales			Non-current assets	
All figures in £ millions	**2023**	2022	2021	**2023**	2022
UK	**450**	424	355	**518**	527
Other European countries	**130**	192	249	**179**	192
US	**2,504**	2,668	2,182	**2,320**	2,333
Canada	**83**	110	111	**186**	243
Asia Pacific	**386**	290	359	**186**	200
Other countries	**121**	157	172	**20**	17
Total	**3,674**	3,841	3,428	**3,409**	3,512

Sales are allocated based on the country in which the customer is located. This does not differ materially from the location where the order is received. The geographical split of non-current assets is based on the subsidiary's country of domicile. This is not materially different to the location of the assets. Non-current assets comprise investment property, property, plant and equipment, intangible assets and investments in joint ventures and associates.

3. Revenue from contracts with customers

The following tables analyse the Group's revenue streams. Courseware includes curriculum materials provided in book form and/or via access to digital content. Assessments includes integrated test development, processing and scoring services provided to governments, educational institutions, corporations and professional bodies. Services includes the operation of schools, colleges and universities, as well as the provision of online learning services in partnership with universities and other academic institutions.

The Group derived revenue from the transfer of goods and services over time and at a point in time in the following major product lines:

							2023
All figures in £ millions	**Assessment & Qualifications**	**Virtual Learning**	**English Language Learning**	**Workforce Skills**	**Higher Education**	**Strategic Review**	**Total**
Courseware							
Products transferred at a point in time	**57**	**–**	**135**	**2**	**254**	**9**	**457**
Products and services transferred over time	**20**	**–**	**15**	**–**	**595**	**–**	**630**
	77	**–**	**150**	**2**	**849**	**9**	**1,087**
Assessments							
Products transferred at a point in time	**198**	**–**	**5**	**5**	**–**	**–**	**208**
Products and services transferred over time	**1,284**	**–**	**204**	**170**	**–**	**–**	**1,658**
	1,482	**–**	**209**	**175**	**–**	**–**	**1,866**
Services							
Products transferred at a point in time	**–**	**–**	**35**	**–**	**–**	**–**	**35**
Products and services transferred over time	**–**	**616**	**21**	**43**	**6**	**–**	**686**
	–	**616**	**56**	**43**	**6**	**–**	**721**
Total	**1,559**	**616**	**415**	**220**	**855**	**9**	**3,674**

							2022
All figures in £ millions	Assessment & Qualifications	Virtual Learning	English Language Learning	Workforce Skills	Higher Education	Strategic Review	Total
Courseware							
Products transferred at a point in time	64	–	110	2	302	148	626
Products and services transferred over time	21	–	25	–	588	6	640
	85	–	135	2	890	154	1,266
Assessments							
Products transferred at a point in time	169	–	5	14	–	–	188
Products and services transferred over time	1,190	–	138	142	–	–	1,470
	1,359	–	143	156	–	–	1,658
Services							
Products transferred at a point in time	–	–	29	–	–	–	29
Products and services transferred over time	–	820	14	46	8	–	888
	–	820	43	46	8	–	917
Total	1,444	820	321	204	898	154	3,841

3. Revenue from contracts with customers continued

All figures in £ millions	Assessment & Qualifications	Virtual Learning	English Language Learning	Workforce Skills	Higher Education	Strategic Review	2021 Total
Courseware							
Products transferred at a point in time	62	–	109	–	283	180	634
Products and services transferred over time	30	–	26	–	558	17	631
	92	–	135	–	841	197	1,265
Assessments							
Products transferred at a point in time	173	–	6	16	–	–	195
Products and services transferred over time	973	–	72	119	–	–	1,164
	1,146	–	78	135	–	–	1,359
Services							
Products transferred at a point in time	–	–	22	–	–	14	36
Products and services transferred over time	–	713	3	37	8	7	768
	–	713	25	37	8	21	804
Total	1,238	713	238	172	849	218	3,428

a. Nature of goods and services

The following is a description of the nature of the Group's performance obligations within contracts with customers broken down by revenue stream, along with significant judgements and estimates made within each of those revenue streams.

Courseware

Revenue is generated from customers through the sales of print and digital courseware materials to schools, bookstores and direct to individual learners. Goods and services may be sold separately or purchased together in bundled packages. The goods and services included in bundled arrangements are considered distinct performance obligations, except for where Pearson provides both a licence of intellectual property and an ongoing hosting service. As the licence of intellectual property is only available with the concurrent hosting service, the licence is not treated as a distinct performance obligation separate from the hosting service.

The transaction price is allocated between distinct performance obligations on the basis of their relative standalone selling prices.

In determining the transaction price, variable consideration exists in the form of discounts and anticipated returns. Discounts reduce the transaction price on a given transaction. A provision for anticipated returns is made based primarily on historical return rates, customer buying patterns and retailer behaviours including stock levels. If these estimates do not reflect actual returns in future periods then revenue could be understated or overstated for a particular period. Variable consideration as described above is determined using the expected value approach. The sales return liability at the end of 2023 was £31m (2022: £53m; 2021: £83m).

While payment for these goods and services generally occurs at the start of these arrangements, the length of time between payment and delivery of the performance obligations is generally short-term in nature or the reason for early payment relates to reasons other than financing, including customers securing a vendor in a longer-term arrangement or the transfer of goods or services is at the discretion of the customer. For these reasons and the use of the practical expedient on short-term financing, significant financing components are not recognised within Courseware transactions.

Revenue from the sale of physical books is recognised at a point in time when control passes. This is generally at the point of shipment when title passes to the customer, when the Group has a present right to payment and the significant risks and rewards of ownership have passed to the customer. Revenue from physical books sold through the direct print rental method is recognised over the rental period, as the customer is simultaneously receiving and consuming the benefits of this rental service through the passage of time.

Revenue from the sale of digital courseware products is recognised on a straight-line basis over the subscription period, unless hosted by a third party or representative of a downloadable product, in which case Pearson has no ongoing obligation and recognises revenue when control transfers as the customer is granted access to the digital product.

Revenue from the sale of 'off-the-shelf' software is recognised on delivery or on installation of the software where that is a condition of the contract. In certain circumstances, where installation is complex, revenue is recognised when the customer has completed their acceptance procedures.

Assessments

Revenue is primarily generated from multi-year contractual arrangements related to large-scale assessment delivery, such as contracts to process qualifying tests for individual professions and government departments, and is recognised as performance occurs. Under these arrangements, while the agreement spans multiple years, the contract duration has been determined to be each testing cycle based on contract structure, including clauses regarding termination.

While in some cases the customer may have the ability to terminate during the term for convenience, significant financial or qualitative barriers exist limiting the potential for such terminations in the middle of a testing cycle.

Within each testing cycle, a variety of service activities are performed such as test administration, delivery, scoring, reporting, item development, operational services and programme management. These services are not treated as distinct in the context of the customer contract as Pearson provides an integrated managed service offering and these activities are accounted for together as one comprehensive performance obligation.

Within each testing cycle, the transaction price may contain both fixed and variable amounts. Variable consideration within these transactions primarily relates to expected testing volumes to be delivered in the cycle. The assumptions, risks and uncertainties inherent to long-term contract accounting can affect the amounts and timing of revenue and related expenses reported. Variable consideration is measured using the expected value method, except where amounts are contingent upon a future event's occurrence, such as performance bonuses. Such event-driven contingency payments are measured using the most likely amount approach. In estimating and constraining variable consideration, historical experience, current trends and local market conditions are considered. To the extent that a higher degree of uncertainty exists regarding variable consideration, these amounts are excluded from the transaction price and recognised when the uncertainty is reasonably removed.

Customer payments are generally defined in the contract through a payment schedule, which may require customer acceptance for services rendered. Pearson has a history of providing satisfactory services which are accepted by the customer. While a delay between rendering of services and payment may exist, payment terms are within 12 months and the Group has elected to use the practical expedient available in IFRS 15 'Revenue from Contracts with Customers' and not identify a significant financing component on these transactions.

Revenue is recognised for Assessment contracts over time as the customer is benefiting as performance takes place through a continuous transfer of control to the customer. This continuous transfer of control to the customer is supported by clauses in the contracts which may allow the customer to terminate for convenience, compensate us for work performed to date, and take possession of work in process.

As control transfers over time, revenue is recognised based on the extent of progress towards completion of the performance obligation. The selection of the method to measure progress towards completion requires judgement and is based on the nature of the services provided. Revenue is recognised on a percentage of costs basis, calculated using the proportion of the total estimated costs incurred to date. The proportion of estimated costs incurred to date is primarily based on historical cost analysis for similar groups of contracts, with regular true-ups to contract costs throughout the contract period. Percentage of completion is used to recognise the transfer of control of services provided as these services are not provided evenly throughout the testing cycle and involve varying degrees of effort during the contract term.

Losses on contracts are recognised in the period in which the loss first becomes foreseeable. Contract losses are determined to be the amount by which estimated total costs of the contract exceed the estimated total revenue that will be generated.

In Assessments contracts driven primarily by transactions directly to end users, Pearson's main obligation to the customer involves test delivery and scoring. Test delivery and scoring are defined as a single performance obligation delivered over time whether the test is subsequently manually scored or digitally scored on the day of the assessment. Customers may also purchase print and digital supplemental materials. Print products in this revenue stream are recognised at a point in time when control passes to the customer upon shipment. Recognition of digital revenue will occur based on the extent of Pearson's ongoing hosting obligation.

3. Revenue from contracts with customers continued

Services

Revenue is primarily generated from multi-year contractual arrangements related to large-scale educational service delivery to academic institutions, such as schools and higher education universities. Under these arrangements, while an agreement may span multiple years, the contract duration has been determined to be each academic period based on the structure of contracts, including clauses regarding termination. While in some cases the customer may have the ability to terminate during the term for convenience, significant financial or qualitative barriers exist limiting the potential for such terminations in the middle of an academic period. The academic period for this customer base is normally an academic year for schools and a semester for higher education universities.

Within each academic period, a variety of services are provided such as programme development, student acquisition, education technology and student support services. These services are not distinct in the context of the customer contract as Pearson provides an integrated managed service offering and these activities are accounted for together as a comprehensive performance obligation.

Where Services are provided to university customers, volume and transaction price are fixed at the start of the semester. Where Services are provided to school customers, the transaction price may contain both fixed and variable amounts which require estimation during the academic period. Estimation is required where consideration is based upon average enrolments or other metrics which are not known at the start of the academic year. Variable consideration is measured using the expected value method. Historical experience, current trends, local circumstances and customer-specific funding formulas are considered in estimating and constraining variable consideration. To the extent that a higher degree of uncertainty exists regarding variable consideration, these amounts are excluded from the transaction price and recognised when the uncertainty is reasonably removed.

Customer payments are generally defined in the contract as occurring shortly after invoicing. Where there is a longer payment term offered to a customer through a payment schedule, payment terms are within 12 months and the Group has elected to use the practical expedient available in IFRS 15 and not identify a significant financing component on these transactions.

Revenue is recognised for Service contracts over time as the customer is benefiting as performance takes place through a continuous transfer of control to the customer. This continuous transfer of control to the customer is supported by clauses in the contracts which may allow the customer to terminate for convenience, compensate for work performed to date, and take possession of work in process.

As control transfers over time, revenue is recognised based on the extent of progress towards completion of the performance obligation. The selection of the method to measure progress towards completion requires judgement and is based on the nature of the products or services provided. Within the comprehensive service obligation, the timing of services occurs relatively evenly over each academic period and, as such, time elapsed is used to recognise the transfer of control to the customer on a straight-line basis.

Losses on contracts are recognised in the period in which the loss first becomes foreseeable. Contract losses are determined to be the amount by which estimated total costs of the contract exceed the estimated total revenue that will be generated.

In cases of optional or add-on purchases, institutions may purchase physical goods priced at their standalone value, which are accounted for separately and recognised at the point in time when control passes to the customer upon shipment.

b. Disaggregation of revenue

The tables in notes 2 and 3 show revenue from contracts with customers disaggregated by operating segment, geography and revenue stream. These disaggregation categories are appropriate as they represent the key groupings used in managing and evaluating underlying performance of each of the businesses. The categories also reflect groups of similar types of transactional characteristics, among similar customers, with similar accounting conclusions.

c. Contract balances

Transactions within the Courseware revenue stream generally entail customer billings at or near the contract's inception and accordingly Courseware deferred income balances are primarily related to subscription performance obligations to be delivered over time.

Transactions within the Assessments and Services revenue streams generally entail customer billings over time based on periodic intervals, progress towards milestones or enrolment census dates. As the performance obligations within these arrangements are delivered over time, the extent of accrued income or deferred income will ultimately depend upon the difference between revenue recognised and billings to date.

Refer to note 22 for opening and closing balances of accrued income. Refer to note 24 for opening and closing balances of deferred income. Revenue recognised during the period from changes in deferred income was driven primarily by the release of revenue over time from digital subscriptions.

d. Contract costs

The Group capitalises incremental costs to obtain contracts with customers where it is expected these costs will be recoverable. Incremental costs to obtain contracts with customers are considered those which would not have been incurred if the contract had not been obtained. For the Group, these costs relate primarily to sales commissions. The Group has elected to use the practical expedient as allowable by IFRS 15 whereby such costs will be expensed as incurred where the expected amortisation period is one year or less. Where the amortisation period is greater than one year, these costs are amortised over the contract term on a systematic basis consistent with the transfer of the underlying goods and services within the contract to which these costs relate, which will generally be on a rateable basis.

The Group does not recognise any material costs to fulfil contracts with customers as these types of activities are governed by other accounting standards.

e. Remaining transaction price

The below table depicts the remaining transaction price on unsatisfied or partially unsatisfied performance obligations from contracts with customers.

							2023
All figures in £ millions	**Sales**	**Deferred income**	**Committed sales**	**Total remaining transaction price**	**2024**	**2025**	**2026 and later**
Courseware							
Products transferred at a point in time	**457**	**–**	**–**	**–**	**–**	**–**	**–**
Products and services transferred over time	**630**	**78**	**–**	**78**	**38**	**15**	**25**
Assessments							
Products transferred at a point in time	**208**	**1**	**–**	**1**	**1**	**–**	**–**
Products and services transferred over time	**1,658**	**261**	**332**	**593**	**496**	**94**	**3**
Services							
Products transferred at a point in time	**35**	**–**	**–**	**–**	**–**	**–**	**–**
Products and services transferred over time – subscriptions	**660**	**12**	**–**	**12**	**11**	**1**	**–**
Products and services transferred over time – other	**26**	**16**	**234**	**250**	**250**	**–**	**–**
Total	**3,674**	**368**	**566**	**934**	**796**	**110**	**28**

							2022
All figures in £ millions	Sales	Deferred income	Committed sales	Total remaining transaction price	2023	2024	2025 and later
Courseware							
Products transferred at a point in time	626	1	–	1	1	–	–
Products and services transferred over time	640	95	–	95	56	14	25
Assessments							
Products transferred at a point in time	188	–	–	–	–	–	–
Products and services transferred over time	1,470	262	472	734	524	206	4
Services							
Products transferred at a point in time	29	–	–	–	–	–	–
Products and services transferred over time – subscriptions	351	20	7	27	27	–	–
Products and services transferred over time – other	537	22	225	247	247	–	–
Total	3,841	400	704	1,104	855	220	29

3. Revenue from contracts with customers continued

e. Remaining transaction price continued

							2021
All figures in £ millions	Sales	Deferred income	Committed sales	Total remaining transaction price	2022	2023	2024 and later
Courseware							
Products transferred at a point in time	634	1	–	1	1	–	–
Products and services transferred over time	631	93	–	93	60	11	22
Assessments							
Products transferred at a point in time	195	–	–	–	–	–	–
Products and services transferred over time	1,164	255	442	697	503	191	3
Services							
Products transferred at a point in time	36	–	–	–	–	–	–
Products and services transferred over time – subscriptions	290	13	10	23	23	–	–
Products and services transferred over time – other	478	24	220	244	244	–	–
Total	3,428	386	672	1,058	831	202	25

Committed sales amounts are equal to the transaction price from contracts with customers, excluding those amounts previously recognised as revenue and amounts currently recognised in deferred income. The total of committed sales and deferred income is equal to the remaining transaction price. Time bands stated above represent the expected timing of when the remaining transaction price will be recognised as revenue.

4. Operating expenses

All figures in £ millions	2023	2022	2021
By function:			
Cost of goods sold	**1,839**	2,046	1,747
Operating expenses			
Distribution costs	**47**	61	62
Selling, marketing and product development costs	**549**	564	521
Administrative and other expenses	**767**	823	802
Restructuring costs	**–**	150	214
Other income	**(41)**	(49)	(37)
Total net operating expenses	**1,322**	1,549	1,562
Other net gains and losses	**16**	(24)	(63)
Total	**3,177**	3,571	3,246

Other income includes freight income and sublet income. Included in administrative and other expenses are research and efficacy costs of £8m (2022: £10m; 2021: £12m). In 2023, other net gains and losses relate to the gain on the disposal of the POLS business and gains related to the release of accruals and a provision related to historical acquisitions, offset by losses on the disposal of Pearson College and costs related to current and prior year disposals and acquisitions. Other net gains in 2022, largely relate to the gain on the sales of certain businesses (see note 31) and a gain arising on a decrease in the deferred consideration payable on prior year acquisitions, offset by costs related to disposals and acquisitions. In 2021, other net gains and losses largely relate to the sale of interests in PIHE in South Africa and the school business in Brazil.

In 2023, there are no costs of major restructuring. In 2022, the restructuring costs of £150m mainly related to staff redundancies and impairment of right-of-use property assets. The 2022 charge includes the impact of updated assumptions related to the recoverability of right-of-use assets made in 2021. In 2023, charges of £11m relating to impairments of property assets arising from the impact of updates to assumptions made during the 2022 and 2021 restructuring programmes are included within administrative and other expenses.

All figures in £ millions	Notes	2023	2022	2021
By nature:				
Royalties expensed		**164**	194	185
Other product costs		**393**	412	353
Employee benefit expense	5	**1,467**	1,605	1,365
Contract labour		**70**	73	69
Employee-related expense		**60**	52	21
Promotional costs		**146**	268	239
Depreciation and impairment of property, plant and equipment and investment property and assets held for sale	10	**90**	136	241
Amortisation and impairment of intangible assets – product development	20	**284**	303	279
Amortisation and impairment of intangible assets – software	11	**123**	125	117
Amortisation and impairment of intangible assets – other	11	**46**	54	50
Property and facilities		**82**	102	124
Technology and communications		**215**	221	215
Professional and outsourced services		**443**	501	477
Other general and administrative costs		**43**	76	58
Costs capitalised		**(424)**	(478)	(447)
Other net gains and losses		**16**	(24)	(63)
Other income		**(41)**	(49)	(37)
Total		**3,177**	3,571	3,246

4. Operating expenses continued

During the year the Group obtained the following services from the Group's auditors, which changed to EY in 2022 and was PwC in 2021:

All figures in £ millions	2023	2022	2021
The audit of parent company and consolidated financial statements	8	6	5
The audit of the company's subsidiaries	2	1	2
Total audit fees*	10	7	7
Audit-related and other assurance services	–	–	–
Other non-audit services	–	–	–
Total other services	–	–	–
Total non-audit services	–	–	–
Total	10	7	7

Reconciliation between audit and non-audit service fees is shown below:

All figures in £ millions	2023	2022	2021
Group audit fees including fees for attestation under section 404 of the Sarbanes-Oxley Act	10	7	7
Non-audit fees	–	–	–
Total	10	7	7

* Includes fees in connection with the interim review, preliminary announcement and controls audit required under Section 404 of the Sarbanes Oxley Act. In total this amounted to £1m in each of the years presented.

5. Employee information

All figures in £ millions	Notes	2023	2022	2021
Employee benefit expense				
Wages and salaries (including termination costs)		1,252	1,382	1,180
Social security costs		107	113	95
Share-based payment costs	26	37	35	28
Retirement benefits – defined contribution plans	25	45	46	37
Retirement benefits – defined benefit plans	25	26	29	25
Total		1,467	1,605	1,365

An additional £3m of share-based payment costs (2022: £3m; 2021: £nil) in respect of remuneration for post-acquisition services for recent acquisitions is included in other net gains and losses in the income statement.

The details of the emoluments of the Directors of Pearson plc are shown in the report on Directors' remuneration.

Average number employed	2023	2022	2021
Employee numbers			
UK	3,045	3,244	3,395
Other European countries	633	809	878
US	10,125	11,357	11,757
Canada	398	522	593
Asia Pacific	3,257	3,369	2,738
Other countries	902	1,137	1,383
Total	18,360	20,438	20,744

6. Net finance costs

All figures in £ millions	Notes	2023	2022	2021
Interest payable on financial liabilities at amortised cost and associated derivatives		**(34)**	(32)	(30)
Interest on lease liabilities	35	**(23)**	(25)	(27)
Interest on deferred and contingent consideration		**(4)**	(5)	–
Interest on provisions for uncertain tax positions		**–**	(7)	(11)
Fair value movement on derivatives		**(20)**	(2)	–
Finance costs		**(81)**	(71)	(68)
Interest receivable on financial assets at amortised cost		**16**	18	5
Interest on lease receivables	35	**4**	5	6
Net finance income in respect of retirement benefits	25	**26**	9	4
Fair value remeasurement of disposal proceeds		**–**	–	6
Fair value movements on investments held at fair value	15	**13**	28	20
Net foreign exchange gains		**3**	1	1
Interest on provisions for uncertain tax positions		**4**	35	–
Fair value movement on derivatives		**10**	27	20
Finance income		**76**	123	62
Net finance (costs)/income		**(5)**	52	(6)

Net movement in the fair value of hedges is further explained in note 16. Derivatives not in a hedge relationship include fair value movements in the interest rate and cross-currency interest rate swaps.

7. Income tax

All figures in £ millions	Notes	2023	2022	2021
Current tax				
Charge in respect of current year		**(105)**	(127)	(103)
Adjustments in respect of prior years		**20**	18	(12)
Total current tax charge		**(85)**	(109)	(115)
Deferred tax				
In respect of temporary differences		**(11)**	29	103
Other adjustments in respect of prior years		**(17)**	1	13
Total deferred tax (charge)/credit	13	**(28)**	30	116
Total tax (charge)/credit		**(113)**	(79)	1

7. Income tax continued

The adjustments in respect of prior years in 2023 and 2021 primarily arise from revising the previous year's reported tax provision to reflect the tax returns subsequently filed, whilst in 2022, the difference is primarily due to movements in provisions for tax uncertainties. This results in a change between deferred and current tax as well as an absolute benefit to the total tax charge. The tax on the Group's profit before tax differs from the theoretical amount that would arise using the UK tax rate as follows:

All figures in £ millions	**2023**	2022	2021
Profit before tax	**493**	323	177
Tax calculated at UK rate (2023: 23.5%; 2022: 19%; 2021: 19%)	**(116)**	(62)	(34)
Effect of overseas tax rates	**(1)**	(12)	(24)
Effect of UK rate change	**(1)**	3	25
Intra-group financing benefit	**–**	–	7
Net expense not subject to tax	**(3)**	(9)	(9)
Gains and losses on sale of businesses not subject to tax	**5**	2	4
Unrecognised tax losses	**1**	3	9
Benefit from changes in local tax law	**–**	–	11
Benefit from US accounting method changes	**–**	–	11
Movement in provisions for tax uncertainties – current year	**(2)**	(23)	–
Adjustments in respect of prior years – movement in provisions for tax uncertainties	**1**	13	–
Adjustments in respect of prior years – other	**3**	6	1
Total tax (charge)/credit	**(113)**	(79)	1
UK	**(54)**	(41)	27
Overseas	**(59)**	(38)	(26)
Total tax (charge)/credit	**(113)**	(79)	1
Tax rate reflected in earnings	**23.0%**	24.5%	(0.6)%

KJ Key judgements

- The application of tax legislation in relation to provisions for uncertain tax positions.

KE Key areas of estimation

- The level of provisions required in relation to uncertain tax positions is complex and each matter is separately assessed. The estimation of future settlement amounts is based on a number of factors including the status of the unresolved matter, clarity of legislation, range of possible outcomes and the statute of limitations.

Included in net expense not subject to tax are foreign taxes not creditable, the tax impact of share-based payments and other expenses not deductible.

Factors which may affect future tax charges include changes in tax legislation, transfer pricing regulations, the level and mix of profitability in different countries, and settlements with tax authorities.

UK legislation in relation to Pillar Two was substantively enacted on 20 June 2023 and was effective from 1 January 2024. The Group is in scope of this legislation and has performed an assessment of the Group's potential exposure to Pillar Two income taxes. The assessment of the potential exposure to Pillar Two income taxes is based on the most recent financial information available for the constituent entities in the Group. Based on the assessment, the Pillar Two effective tax rates in most of the jurisdictions in which the Group operates are above 15%. However, there are a limited number of jurisdictions where the transitional safe harbour relief does not apply and the Pillar Two effective tax rate is close to 15%. The Group does not expect a material exposure to Pillar Two income taxes in those jurisdictions.

The movement in provisions for tax uncertainties primarily reflects releases due to the expiry of relevant statutes of limitation, settlement of certain audits and reassessment of existing exposures based on currently available information and tax authority correspondence. The current tax liability of £32m (2022: £43m; 2021: £125m) includes £27m (2022: £28m; 2021: £104m) of provisions for tax uncertainties principally in respect of several matters in the US and the UK.

The Group is currently under audit in several countries, and the timing of any resolution of these audits is uncertain. In most countries, tax years up to and including 2018 are now statute barred from examination by tax authorities, however, a balance of £1m relates to certain remaining open issues. Of the remaining £26m balance, £12m relates to 2019, £4m to 2020, £4m to 2021, £3m to 2022 and £3m to 2023. The tax authorities may take a different view from management and the final liability may be greater or lower than provided.

The matters provided for include a provision of £63m related to the potential EU State Aid exposure and the potential disallowance of intra-group charges. In relation to the potential EU State Aid exposure, a payment was made in 2022 in relation to the maximum potential exposure with the provision of £63m offset against this resulting in a £41m non-current tax debtor.

Refer to note 34 for details of other uncertain tax positions.

The tax benefit/(charge) recognised in other comprehensive income is as follows:

All figures in £ millions	**2023**	2022	2021
Net exchange differences on translation of foreign operations	**–**	4	10
Fair value gains on other financial assets	**–**	1	(1)
Remeasurement of retirement benefit obligations	**20**	(12)	(61)
	20	(7)	(52)

8. Earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to equity shareholders of the company (earnings) by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by the company and held as treasury shares.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares to take account of all dilutive potential ordinary shares and adjusting the profit attributable, if applicable, to account for any tax consequences that might arise from conversion of those shares.

Certain contingently issuable shares vested on 31 December 2023 and 31 December 2022 but have not yet been issued, these shares are considered dilutive but do not materially impact basic EPS.

All figures in £ millions	2023	2022	2021
Earnings for the year	380	244	178
Non-controlling interest	(2)	(2)	(1)
Earnings attributable to equity shareholders	378	242	177
Weighted average number of shares (millions)	711.5	738.1	754.1
Effect of dilutive share options (millions)	5.8	3.9	5.0
Weighted average number of shares (millions) for diluted earnings	717.3	742.0	759.1
Earnings per share (in pence per share)			
Basic	53.1p	32.8p	23.5p
Diluted	52.7p	32.6p	23.3p

9. Dividends

All figures in £ millions	2023	2022	2021
Final paid in respect of prior year 14.9p (2022: 14.2p; 2021: 13.5p)	106	107	102
Interim paid in respect of current year 7.0p (2022: 6.6p; 2021: 6.3p)	49	49	47
	155	156	149

The Directors are proposing a final dividend in respect of the financial year ended 31 December 2023 of 15.7p per equity share which will absorb an estimated £107m of shareholders' funds. It will be paid on 3 May 2024 to shareholders who are on the register of members on 22 March 2024. These financial statements do not reflect this dividend as a liability.

10. Property, plant and equipment and investment property

		Right-of-use assets		Owned assets			
All figures in £ millions	Investment property	Land and buildings	Plant and equipment	Land and buildings	Plant and equipment	Assets in the course of construction	Total
Cost							
At 1 January 2022	–	465	5	226	250	29	975
Exchange differences	–	30	–	18	23	–	71
Additions	22	33	1	4	8	33	101
Transfers to investment property	174	(141)	–	(32)	(1)	–	–
Disposals of businesses (see note 31)	–	(10)	–	(1)	(8)	–	(19)
Disposals and retirements	(6)	(23)	(1)	(5)	(39)	–	(74)
Reclassifications and transfers	–	–	–	13	27	(40)	–
Transfer to assets classified as held for sale	–	–	–	(45)	(3)	–	(48)
At 31 December 2022	**190**	**354**	**5**	**178**	**257**	**22**	**1,006**
Exchange differences	–	(14)	–	(9)	(11)	(1)	(35)
Additions	24	26	1	–	6	24	81
Transfers to investment property	–	–	–	–	–	–	–
Disposals of businesses (note 31)	–	–	–	(4)	(3)	(2)	(9)
Disposals and retirements	–	(29)	(1)	(10)	(36)	–	(76)
Reclassifications and transfers	–	–	–	10	24	(34)	–
Transfer to assets classified as held for sale	–	–	–	–	–	–	–
At 31 December 2023	**214**	**337**	**5**	**165**	**237**	**9**	**967**

10. Property, plant and equipment and investment property continued

All figures in £ millions	Investment property	Right-of-use assets		Owned assets			Total
		Land and buildings	Plant and equipment	Land and buildings	Plant and equipment	Assets in the course of construction	
Depreciation and impairment							
At 1 January 2022	–	(269)	(5)	(136)	(199)	–	(609)
Exchange differences	–	(17)	–	(14)	(18)	–	(49)
Transfers to investment property	(105)	101	–	3	1	–	–
Charge for the year	(6)	(44)	(1)	(13)	(26)	–	(90)
Disposals of businesses (note 31)	–	2	–	1	5	–	8
Disposals and retirements	–	13	1	5	39	–	58
Reclassifications and transfers	–	–	–	–	–	–	–
Impairment	(19)	(15)	–	(9)	(3)	–	(46)
Transfer to assets classified as held for sale	–	–	–	30	2	–	32
At 31 December 2022	(130)	(229)	(5)	(133)	(199)	–	(696)
Exchange differences	**–**	**12**	**–**	**6**	**10**	**–**	**28**
Charge for the year	**(5)**	**(38)**	**(1)**	**(10)**	**(25)**	**–**	**(79)**
Disposals of businesses (note 31)	**–**	**–**	**–**	**2**	**2**	**–**	**4**
Disposals and retirements	**–**	**28**	**1**	**10**	**35**	**–**	**74**
Reclassifications and transfers	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Impairment	**–**	**(2)**	**–**	**–**	**–**	**–**	**(2)**
Transfer to assets classified as held for sale	**–**	**–**	**–**	**–**	**–**	**–**	**–**
At 31 December 2023	**(135)**	**(229)**	**(5)**	**(125)**	**(177)**	**–**	**(671)**
Carrying amounts							
At 1 January 2022	–	196	–	90	51	29	366
At 31 December 2022	60	125	–	45	58	22	310
At 31 December 2023	**79**	**108**	–	**40**	**60**	**9**	**296**

KE Key areas of estimation

— The recoverability of right-of-use assets and in particular assumptions related to the ability to sublease vacant leased assets in the future.

Depreciation expense of £40m (2022: £45m; 2021: £40m) has been included in the income statement in cost of goods sold and £39m (2022: £45m; 2021: £55m) in operating expenses. The impairment charge of £2m (2022: £46m; 2021: £146m) has been included within operating expenses within the income statement.

Property, plant and equipment (including investment property) assets are assessed for impairment triggers annually or when triggering events occur. In 2022 and 2021, as part of a major restructuring programme, the Group continued to simplify its property portfolio, reducing the overall office space required. All property related assets were assessed for impairment as a result of this triggering event and impairment charges of £46m in 2022 and £141m in 2021 recognised within costs of major restructuring (see note 4 for details). In 2023, there were impairment charges of £11m in respect of property assets including £9m in relation to property assets which are classified as assets held for sale. The recoverability of certain of the Group's right-of-use assets is now based on the Group's ability to sublease vacant space. This involves the use of assumptions related to future subleases including the achievable rent, lease start dates, lease incentives such as rent free periods and the discount rate applied. Should the future sublease outcomes be more or less favourable than the assumptions used by management this could result in additional impairment charges or reversals of impairment charges.

In 2023, total additions to right-of-use-assets are £42m (2022: £49m) including £15m (2022: £15m) in respect of investment property.

Investment property

Buildings, or portions of buildings, that are no longer occupied by the Group and are held for operating lease rental are classified as investment property. Investment property includes both, right-of-use assets and owned assets. The Group recognised rental income of £6m (2022: £3m; 2021 £nil) in relation to properties classified as investment property. Investment property is measured using the cost model. As a result of recent impairments, the fair value of investment property is equal to the carrying value. The fair value of investment property has been determined using a discounted cash flow model. The valuation model is internally generated but uses inputs from external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The valuations require the application of judgement and involve the use of known inputs for existing contracted subleases as well as assumptions related to future potential subleases including the achievable rent, lease start dates, lease incentives such as rent free periods and the discount rate applied. The fair value measurement of investment properties has been classified as level 3 within the fair value hierarchy based on the inputs and valuation technique used. Should the future sublease outcomes be more or less favourable than the assumptions used by management this could result in additional impairment charges or reversals of impairment charges.

11. Intangible assets

All figures in £ millions	Goodwill	Software	Acquired customer lists, contracts and relationships	Acquired trademarks and brands	Acquired publishing rights	Other intangibles acquired	Total
Cost							
At 1 January 2022	2,145	1,087	741	168	97	321	4,559
Exchange differences	206	83	80	20	5	44	438
Additions – internal development	–	86	–	–	–	–	86
Additions – purchased	–	4	–	–	–	–	4
Disposals and retirements	–	(131)	–	–	–	–	(131)
Acquisition of subsidiary (note 30)	204	–	37	6	1	66	314
Disposal of businesses (note 31)	(75)	(9)	(20)	(8)	–	(1)	(113)
Transfers	–	(5)	–	–	–	–	(5)
At 31 December 2022	**2,480**	**1,115**	**838**	**186**	**103**	**430**	**5,152**
Exchange differences	**(107)**	**(40)**	**(42)**	**(5)**	**(3)**	**(12)**	**(209)**
Additions – internal development	**–**	**96**	**–**	**–**	**–**	**–**	**96**
Additions – purchased	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Disposals and retirements	**–**	**(18)**	**–**	**(1)**	**–**	**(3)**	**(22)**
Acquisition of subsidiary (note 30)	**61**	**–**	**82**	**6**	**–**	**29**	**178**
Disposal of businesses (note 31)	**–**	**(15)**	**(298)**	**(2)**	**–**	**–**	**(315)**
Transfers	**–**	**(1)**	**–**	**–**	**–**	**–**	**(1)**
At 31 December 2023	**2,434**	**1,137**	**580**	**184**	**100**	**444**	**4,879**
Amortisation and impairment							
At 1 January 2022	–	(657)	(620)	(138)	(96)	(279)	(1,790)
Exchange differences	–	(49)	(65)	(16)	(5)	(37)	(172)
Charge for the year	–	(125)	(33)	(8)	–	(13)	(179)
Disposals and retirements	–	130	–	–	–	–	130
Disposal of businesses (note 31)	–	8	20	7	–	1	36
Transfers	–	–	–	–	–	–	–
At 31 December 2022	**–**	**(693)**	**(698)**	**(155)**	**(101)**	**(328)**	**(1,975)**
Exchange differences	**–**	**24**	**31**	**4**	**3**	**9**	**71**
Charge for the year	**–**	**(123)**	**(19)**	**(7)**	**(1)**	**(19)**	**(169)**
Disposals and retirements	**–**	**18**	**–**	**1**	**–**	**3**	**22**
Disposal of businesses (note 31)	**–**	**8**	**252**	**2**	**–**	**–**	**262**
Transfers	**–**	**1**	**–**	**–**	**–**	**–**	**1**
At 31 December 2023	**–**	**(765)**	**(434)**	**(155)**	**(99)**	**(335)**	**(1,788)**
Carrying amounts							
At 1 January 2022	2,145	430	121	30	1	42	2,769
At 31 December 2022	2,480	422	140	31	2	102	3,177
At 31 December 2023	**2,434**	**372**	**146**	**29**	**1**	**109**	**3,091**

11. Intangible assets continued

Goodwill

The goodwill carrying value of £2,434m (2022: £2,480m) relates to acquisitions completed after 1 January 1998. Prior to 1 January 1998, all goodwill was written off to reserves on the date of acquisition. For acquisitions completed between 1 January 1998 and 31 December 2002, no value was ascribed to intangibles other than goodwill which was amortised over a period of up to 20 years. On adoption of IFRS on 1 January 2003, the Group chose not to restate the goodwill balance and at that date the balance was frozen (i.e. amortisation ceased). If goodwill had been restated, then a significant value would have been ascribed to other intangible assets, which would be subject to amortisation, and the carrying value of goodwill would be significantly lower. For acquisitions completed after 1 January 2003, value has been ascribed to other intangible assets which are amortised.

Software and acquired intangible assets

Acquired intangible assets are valued separately for each acquisition. For material business combinations, the valuation is determined with the support of a third-party specialist. The primary method of valuation used is the discounted cash flow method. Acquired intangibles are amortised either on a straight line basis or using an amortisation profile based on the projected cash flows underlying the acquisition date valuation of the intangible asset, which generally results in a larger proportion of amortisation being recognised in the early years of the asset's life, depending on the individual asset. The Group keeps the expected pattern of consumption under review. Other intangibles acquired includes technology.

Amortisation of £37m (2022: £32m; 2021: £25m) is included in the income statement in cost of goods sold and £132m (2022: £147m; 2021: £138m) in operating expenses. Impairment charges of £nil (2022: nil; 2021: £4m) are included in operating expenses within the income statement.

The range of useful economic lives for each major class of intangible asset (excluding goodwill and software) is shown below:

	At 31 December 2023
	Useful economic life
Class of intangible asset	
Acquired customer lists, contracts and relationships	3-20 years
Acquired trademarks and brands	2-20 years
Acquired publishing rights	5-20 years
Other intangibles acquired	2-20 years

The expected amortisation profile of acquired intangible assets is shown below:

	At 31 December 2023				
All figures in £ millions	One to five years	Six to ten years	Eleven to fifteen years	Sixteen to twenty years	Total
Class of intangible asset					
Acquired customer lists, contracts and relationships	71	41	28	6	146
Acquired trademarks and brands	22	7	–	–	29
Acquired publishing rights	1	–	–	–	1
Other intangibles acquired	84	17	8	–	109

Impairment tests for cash-generating units (CGUs) containing goodwill

Impairment tests have been carried out where appropriate as described below. Goodwill was allocated to CGUs, or an aggregation of CGUs, where goodwill could not be reasonably allocated to individual business units. Impairment reviews were conducted on these CGUs as summarised below:

All figures in £ millions	2023 Goodwill	2022 Goodwill
Assessment & Qualifications	1,355	1,361
Virtual Learning	419	443
English Language Learning	255	259
Workforce Skills	337	348
Higher Education	68	69
Total	2,434	2,480

Goodwill is tested at least annually for impairment. The recoverable amount of each aggregated CGU is based on the higher of value in use and fair value less costs of disposal. The impairment assessment is based on value in use. Other than goodwill there are no intangible assets with indefinite lives. No impairments of goodwill were recorded in 2023 or 2022.

KE Key areas of estimation

— The valuation of acquired intangible assets recognised on the acquisition of a business. The valuation is based on a number of assumptions, including estimations of future business performance. See note 30.

Determination of CGUs and reallocation of goodwill

Pearson identifies its CGUs based on its operating model and how data is collected and reviewed for management reporting and strategic planning purposes in accordance with IAS 36 'Impairment of Assets'. The CGUs and CGU aggregations reflect the level at which goodwill is monitored by management.

In 2022, the separate CGUs of China, South Africa and Canada were disposed. The goodwill related to the Strategic Review CGU was reallocated between businesses disposed and businesses retained. All of the goodwill related to businesses retained was transferred to the Assessment & Qualifications CGU aggregation.

In 2023, business disposals resulted in the disposal of £53m of intangible assets (see note 31 for further details). A relative value method was used to allocate goodwill to the disposed business in the Virtual Learning CGU aggregation. The result of this was that no goodwill was allocated to the disposed business.

Key assumptions

For the purpose of estimating the value in use of the CGUs, management has used an income approach based on present value techniques. The calculations for all CGUs use cash flow projections based on financial budgets approved by management covering a five-year period.

The key assumptions used by management in the value in use calculations were:

Discount rates – The discount rates are based on the Group's weighted average cost of capital, where the cost of equity is calculated based on the risk-free rate of government bonds, adjusted for a risk premium to reflect the increased risk in investing in equities. Where CGUs cover multiple territories, a blended risk-free rate is used. Base discount rates were assessed as reflecting underlying economic conditions, and so no further risk premiums were considered necessary. The average pre-tax discount rates range from 10.4% to 13.0% (2022: pre-tax 11.6% to 12.0%).

Perpetuity growth rates – The perpetuity growth rates are based on inflation trends. A perpetuity growth rate of 2% (2022: 2%) was used for cash flows subsequent to the approved budget period for CGUs operating primarily in mature markets. This perpetuity growth rate is a conservative rate and is considered to be lower than the long-term historical growth rates of the underlying territories in which the CGU operates and the long-term growth rate prospects of the sectors in which the CGU operates. A blended growth rate of 3.5% (2022: 3.5%) was used for cash flows subsequent to the approved budget period for English Language Learning which has a higher exposure to emerging markets with higher inflation. This geographically blended growth rate is generally in line with the long-term historical growth rates in those markets.

The key assumptions used by management in setting the financial budgets were as follows:

Forecast sales growth rates – Forecast sales growth rates are based on past experience adjusted for the strategic direction and near-term investment priorities within each CGU. Key assumptions include growth in English Language Learning and Workforce Skills – due to product-led share gains and contribution from new acquisitions, recovery in Higher Education, growth in Virtual Learning – albeit impacted by school churn in Virtual Schools in the short term, and steady growth in Assessments and Qualifications. The sales forecasts use average nominal growth rates of low-mid single digits for mature businesses in mature markets and double digit growth where there has been significant organic and/or inorganic investment.

Operating profits – Operating profits are forecast based on historical experience of operating margins, adjusted for the impact of changes to product costs, strategic developments and new business cases to the extent they have been formally approved prior to the balance sheet date. Management applies judgement in allocating corporate costs on a reasonable and consistent basis in order to determine operating profit at a CGU level.

Management have considered the impact of climate change risks (including physical and transition risks and the costs associated with achieving the Group's net zero commitment) and are satisfied that any related costs will not materially impact the Group's profit forecasts or impairment judgements at 31 December 2023.

11. Intangible assets continued

Key assumptions continued

The table below shows the key assumptions used by management in the value in use calculations.

	2023		2022	
	Discount rate	Perpetuity growth rate	Discount rate	Perpetuity growth rate
Assessment & Qualifications	**10.8%**	**2.0%**	12.0%	2.0%
Virtual Learning	**11.0%**	**2.0%**	11.9%	2.0%
English Language Learning	**13.0%**	**3.5%**	11.8%	3.5%
Workforce Skills	**10.4%**	**2.0%**	11.6%	2.0%
Higher Education	**10.7%**	**2.0%**	12.0%	2.0%

Sensitivities

Impairment testing for the year ended 31 December 2023 did not find any of the CGUs to be sensitive to reasonably possible changes in key assumptions.

12. Investments in joint ventures and associates

The amounts recognised in the balance sheet are as follows:

All figures in £ millions	2023	2022
Associates	**22**	25
Total	**22**	25

The amounts recognised in the income statement are as follows:

All figures in £ millions	2023	2022
Associates	**1**	1
Total	**1**	1

The Group has no material associates or joint ventures. The largest associate is a 49% interest in The Egyptian International Publishing Company-Longman, which had a carrying value of £13m as at 31 December 2023 (2022: £9m).

Other than the £5m payment in respect of Academy of Pop disclosed in note 36, there were no material transactions with associates or joint ventures during 2023 or 2022.

13. Deferred income tax

All figures in £ millions	2023	2022
Deferred income tax assets	**35**	57
Deferred income tax liabilities	**(46)**	(37)
Net deferred income tax (liability)/asset	**(11)**	20

Substantially all of the deferred income tax assets are expected to be recovered after more than one year. The net deferred income tax liability of £11m (2022: deferred tax asset of £20m; 2021: deferred tax asset of £17m) includes £23m (2022: £19m; 2021: £nil) of provisions for tax uncertainties principally in respect of several matters in the US and the UK.

Deferred income tax assets and liabilities shall be offset when there is a legally enforceable right to offset current income tax assets with current income tax liabilities and where the deferred income taxes relate to the same fiscal authority.

At 31 December 2023, the Group has gross tax losses for which no deferred tax asset is recognised of £1,029m (2022: £547m). The expiry date and key geographic split of these losses is set out in the following table.

Year ended 31 December 2023	**Gross**				**Tax effected**			
	UK	**US**	**Other**	**Total**	**UK**	**US**	**Other**	**Total**
Tax losses expiring:								
Within 10 years	–	437	34	**471**	–	91	9	**100**
Within 10-20 years	–	143	–	**143**	–	7	–	**7**
Available indefinitely	168	48	199	**415**	42	2	65	**109**
Total	168	628	233	**1,029**	42	100	74	**216**

Year ended 31 December 2022	**Gross**				**Tax effected**			
	UK	**US**	**Other**	**Total**	**UK**	**US**	**Other**	**Total**
Tax losses expiring:								
Within 10 years	–	3	30	**33**	–	–	10	**10**
Within 10-20 years	–	104	–	**104**	–	5	–	**5**
Available indefinitely	166	30	214	**410**	41	2	68	**111**
Total	166	137	244	**547**	41	7	78	**126**

The increase in unrecognised tax losses in the US is principally due to the crystallisation of a capital loss on disposal during the year which has not been recognised for tax purposes. Other unrecognised tax losses includes £155m gross (2022: £140m) and £53m tax effected (2022: £48m) relating to Brazil.

Other gross deductible temporary differences for which no deferred tax asset is recognised total £201m (2022: £218m). This includes £196m (2022: £193m) in respect of interest limitations. The amount of temporary differences associated with subsidiaries for which no deferred tax has been provided totals £268m (2022: £275m).

Deferred income tax assets of £18m (2022: £14m) have been recognised in countries that reported a tax loss in either the current or preceding year. This primarily arises in respect of tax losses in Brazil, India and Australia. It is considered more likely than not that there will be sufficient future taxable profits to realise these assets.

The recognition of the deferred income tax assets is supported by management's forecasts of the future profitability of the relevant countries. In some cases deferred income tax assets are forecast to be recovered through taxable profits over a period that exceeds five years. Management consider these forecasts are sufficiently reliable to support the recovery of the assets. Where there are insufficient forecasts of future profits, deferred income tax assets have not been recognised.

The movement in deferred income tax assets and liabilities during the year is as follows:

All figures in £ millions	Trading losses	Accruals and other provisions	Retirement benefit obligations	Deferred revenue	Goodwill and intangibles	Interest limitations	Other	Total
Deferred income tax assets/(liabilities)								
At 1 January 2022	82	64	(108)	52	(178)	55	50	17
Exchange differences	–	7	2	6	(21)	6	4	4
Acquisitions and disposals of subsidiaries	7	–	–	–	(21)	–	(12)	(26)
Income statement benefit/(charge)	37	(4)	(9)	5	14	(6)	(7)	30
Tax charge in OCI/ equity	4	–	(12)	–	–	–	3	(5)
At 31 December 2022	**130**	**67**	**(127)**	**63**	**(206)**	**55**	**38**	**20**
Exchange differences	**(1)**	**(3)**	**(1)**	**(3)**	**9**	**(2)**	**1**	**–**
Acquisitions and disposals of subsidiaries	**(3)**	**6**	**–**	**–**	**(26)**	**–**	**–**	**(23)**
Income statement benefit/(charge)	**(25)**	**(11)**	**(6)**	**(17)**	**71**	**(19)**	**(21)**	**(28)**
Tax charge in OCI/ equity	**–**	**–**	**20**	**–**	**–**	**–**	**–**	**20**
At 31 December 2023	**101**	**59**	**(114)**	**43**	**(152)**	**34**	**18**	**(11)**

Other deferred income tax items include temporary differences in respect of right-of-use assets (deferred tax asset of £54m, with an offsetting deferred tax liability of £42m), and accelerated capital allowances of £11m.

14. Classification of financial instruments

The accounting classification of each class of the Group's financial assets, and their carrying values, is as follows:

						2023					2022
				Fair value	Amortised cost				Fair value	Amortised cost	
All figures in £ millions	Notes	**Fair value through other comprehensive income**	**Fair value through profit and loss**	**Fair value – hedging instrument**	**Financial assets**	**Total carrying value**	Fair value through other comprehensive income	Fair value through profit and loss	Fair value – hedging instrument	Financial assets	Total carrying value
Investments in unlisted securities	15	**23**	**120**	**–**	**–**	**143**	24	109	–	–	133
Cash and cash equivalents	17	**–**	**31**	**–**	**281**	**312**	–	40	–	518	558
Derivative financial instruments	16	**–**	**1**	**47**	**–**	**48**	–	5	54	–	59
Trade receivables	22	**–**	**–**	**–**	**695**	**695**	–	–	–	825	825
Investment in finance lease receivable	22	**–**	**–**	**–**	**100**	**100**	–	–	–	121	121
Other receivable		**–**	**–**	**–**	**12**	**12**	–	–	–	3	3
Total financial assets		**23**	**152**	**47**	**1,088**	**1,310**	24	154	54	1,467	1,699

The carrying value of the Group's financial assets is equal to, or approximately equal to, the market value. The other receivable relates to the deferred consideration receivable on the disposal of POLS.

The accounting classification of each class of the Group's financial liabilities, together with their carrying values and market values, is as follows:

						2023					2022
			Fair value	**Amortised cost**				Fair value	Amortised cost		
All figures in £ millions	Notes	**Fair value through profit and loss**	**Fair value – hedging instrument**	**Other financial liabilities**	**Total carrying value**	**Total market value**	Fair value through profit and loss	Fair value – hedging instrument	Other financial liabilities	Total carrying value	Total market value
Derivative financial instruments	16	**(7)**	**(36)**	**–**	**(43)**	**(43)**	(2)	(63)	–	(65)	(65)
Trade payables	24	**–**	**–**	**(317)**	**(317)**	**(317)**	–	–	(348)	(348)	(348)
Deferred and contingent consideration	24	**(57)**	**–**	**–**	**(57)**	**(57)**	(79)	–	–	(79)	(79)
Borrowings due within one year	18	**–**	**–**	**(67)**	**(67)**	**(67)**	–	–	(86)	(86)	(86)
Borrowings due after more than one year	18	**–**	**–**	**(1,094)**	**(1,094)**	**(1,062)**	–	–	(1,144)	(1,144)	(1,096)
Total financial liabilities		**(64)**	**(36)**	**(1,478)**	**(1,578)**	**(1,546)**	(81)	(63)	(1,578)	(1,722)	(1,674)

The market value of leases approximates their book value.

Fair value measurement

As shown above, the Group's derivative assets and liabilities, unlisted securities, marketable securities and deferred and contingent consideration are held at fair value. Financial instruments that are measured subsequently to initial recognition at fair value are grouped into levels 1 to 3, based on the degree to which the fair value is observable, as follows:

Level 1 fair value measurements are those derived from unadjusted quoted prices in active markets for identical assets or liabilities. The Group's bonds valued at £611m (2022: £610m) and money market funds of £31m (2022: £40m) included within cash and cash equivalents are classified as level 1.

Level 2 fair value measurements are those derived from inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices). The Group's derivative assets valued at £48m (2022: £59m) and derivative liabilities valued at £43m (2022: £65m) are classified as level 2.

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs). The Group's investments in unlisted securities are valued at £143m (2022: £133m), deferred and contingent consideration of £57m (2022: £79m) and the other receivable of £12m (2022: £3m) are classified as level 3.

The movements in fair values of level 3 financial assets measured at fair value, are shown in the table below:

	2023			2022
All figures in £ millions	Other receivable	Investments in unlisted securities	Total	Total
At 1 January	**3**	**133**	**136**	200
Exchange differences	**–**	**(5)**	**(5)**	10
Acquisition of investments and other receivable	**12**	**8**	**20**	19
Repayments	**(3)**	**–**	**(3)**	(92)
Disposal of investments	**–**	**(7)**	**(7)**	(48)
Fair value movements – OCI	**–**	**1**	**1**	18
Fair value movements – income statement	**–**	**13**	**13**	29
At 31 December	**12**	**143**	**155**	136

The fair value of the investments in unlisted securities is determined by reference to the financial performance of the underlying asset, recent funding rounds and amounts realised on the sale of similar assets.

The other receivable relates to £12m (2022: £nil) in respect of the contingent consideration receivable for the sale of the POLS business, which comprises a 27.5% share of positive adjusted EBITDA in each calendar year for six years and 27.5% of the proceeds received by the purchaser in relation to any future monetisation event. The valuation of the deferred consideration has been determined on the basis of a discounted cash flow model, and valued by a third-party specialist.

The key inputs into the discounted cash flow model are the estimates of adjusted EBITDA for the next 6 years and the estimate of the valuation of the business thereafter. Reasonably possible changes in assumptions for the inputs into the model would not have a material impact on the carrying value of the contingent consideration, and therefore sensitivities have not been disclosed.

The deferred consideration payable in respect of prior year acquisitions is measured as the net present value of the expected cash flows. The movement in the fair value of the deferred consideration payable is shown in the table below:

All figures in £ millions	**2023**	2022
At 1 January	**(79)**	(44)
Exchange differences	**3**	(7)
Acquisitions	**–**	(42)
Fair value movements – income statement	**(4)**	4
Repayments	**23**	10
At 31 December	**(57)**	(79)

15. Other financial assets

All figures in £ millions	**2023**	2022
At 1 January	**133**	113
Exchange differences	**(5)**	9
Acquisition of investments	**8**	12
Disposal of investments	**(7)**	(48)
Fair value movements – OCI	**1**	18
Fair value movements – income statement	**13**	29
At 31 December	**143**	133

Other financial assets are unlisted securities of £143m (2022: £133m), of which £23m (2022: £24m) are classified at fair value through other comprehensive income (FVOCI), with the remaining £120m (2022: £109m) mainly relating to investments in funds, being required to be held at fair value through profit and loss (FVTPL). The assets, which are not held for trading, relate to the Group's interests in new and innovative educational ventures across the world. These are strategic investments and where permitted, the Group made the election to classify such investments as FVOCI on initial recognition of the assets. None of the investments are individually significant to the financial statements and therefore sensitivities have not been provided.

During the year, the Group disposed of investments that were classified as FVOCI for £3m (2022: £31m). In 2022, these disposals predominantly related to the Group's investment in Credly, where the Group acquired the remainder of the share capital and so the investment was treated as disposed as the company is now fully consolidated. The cumulative loss on disposal was £2m (2022: £23m gain).

16. Derivative financial instruments and hedge accounting

The Group's approach to the management of financial risks is set out in note 19. The Group's outstanding derivative financial instruments are as follows:

			2023			2022
All figures in £ millions	**Gross notional amounts**	**Assets**	**Liabilities**	Gross notional amounts	Assets	Liabilities
Interest rate derivatives – in a fair value hedge relationship	**174**	**–**	**(5)**	177	–	(11)
Interest rate derivatives – not in a hedge relationship	**356**	**14**	**(1)**	260	19	–
Cross-currency rate derivatives – in a hedge relationship	**352**	**26**	**(31)**	83	34	(43)
Cross-currency rate derivatives – not in a hedge relationship	**87**	**–**	**(1)**	–	–	–
FX derivatives – in a hedge relationship	**420**	**7**	**–**	355	1	(9)
FX derivatives – not in a hedge relationship	**526**	**1**	**(5)**	573	5	(2)
Total	**1,915**	**48**	**(43)**	1,448	59	(65)
Analysed as expiring:						
In less than one year	**1,047**	**16**	**(5)**	1,028	16	(11)
Later than one year and not later than five years	**868**	**32**	**(38)**	420	43	(54)
Total	**1,915**	**48**	**(43)**	1,448	59	(65)

The Group's treasury policies only allow derivatives to be traded where the objective is risk mitigation. These are then designated for hedge accounting using the following criteria:

- Where interest rate and cross-currency interest rate swaps are used to convert fixed rate debt to floating and we expect to receive inflows equal to the fixed rate debt interest, these are classified as fair value hedges;
- Where derivatives are used to create a future foreign currency exposure to provide protection against currency movements affecting the foreign currency movements of an overseas investment, these are designated as a net investment hedge;
- All other derivatives are not designated in a hedge relationship.

The Group's fixed rate GBP debt is held as fixed rate instruments at amortised cost.

The Group uses a combination of interest rate and cross-currency swaps to convert its €300m debt.

Receive Notional	Receive coupon	FX rate	Notional	Pay coupon
€100m	1.375%	GBPEUR: 1.1295	£87m	3.51%
€181m	1.375%	GBPUSD: 1.206	£157m	3.402%
€19m	1.375%	GBPUSD: 1.206	£16m	USD Libor +1.36%

To create the synthetic debt positions outlined above, the Group converts €100m to £87m at a rate of 3.51% this is not in a hedge relationship. The remaining €200m of its EUR fixed debt is swapped to EUR floating debt via interest rate swap contracts that are in a designated fair value hedge. The EUR floating debt is then converted to GBP floating debt via cross-currency swap contracts that are in a designated fair value hedge. The GBP floating debt is then converted to USD floating debt through cross-currency swap contracts that are in a designated net investment hedging relationship. £157m of the EUR debt is finally converted to USD fixed debt via interest rate swap contracts that are not in a hedge relationship.

Additionally, the Group uses FX derivatives including forwards, collars, cross-currency swaps and swaptions to create synthetic USD debt as a hedge of its USD assets and to achieve reasonable certainty of USD currency conversion rates, in line with the Group's FX hedging policy. As at 31 December 2023, the Group held FX outrights with a notional of $280m at an average rate of GBP:USD rate of 1.25.

The Group's portfolio of derivatives is diversified by maturity, counterparty and type. Natural offsets between transactions within the portfolio and the designation of certain derivatives as hedges significantly reduce the risk of income statement volatility. The sensitivity of the portfolio to changes in market rates is set out in note 19.

In 2021, the Group transitioned GBP exposures from GBP LIBOR to SONIA. In 2022, for USD exposures the Group transitioned its RCF from USD LIBOR to SOFR. The Group's risk management strategy has not changed as a result of IBOR Reform and it is considered to be immaterial to the financial statements.

Fair value hedges

The Group uses interest rate swaps and cross-currency swaps as fair value hedges of the Group's euro issued debt.

Interest rate exposure arises from movements in the fair value of the Group's euro debt attributable to movements in euro interest rates. The hedged risk is the change in the euro bonds fair value attributable to interest rate movements. The hedged items are the Group's euro bonds which are issued at a fixed rate. The hedging instruments are fixed to floating euro interest rate swaps where the Group receives fixed interest payments and pays three-month Euribor.

As the critical terms of the interest rate swaps match the bonds, there is an expectation that the value of the hedging instrument and the value of the hedged item will move equally in the opposite direction as a result of movements in the zero coupon Euribor curve. Potential sources of hedge ineffectiveness would be material changes in the credit risk of swap counterparties or a reduction or modification in the hedge item.

A foreign currency exposure arises from foreign exchange fluctuations on translation of the Group's euro debt into GBP. The hedged risk is the risk of changes in the GBP:EUR spot rate that will result in changes in the value of the euro debt when translated into GBP. The hedged items are a portion of the Group's euro bonds. The hedging instruments are floating to floating cross-currency swaps which mitigates an exposure to the effect of euro strengthening against GBP within the hedge item.

As the critical terms of the cross-currency swap match the bonds, there is an expectation that the value of the hedging instrument and the value of the hedged item move in the opposite direction as a result of movements in the EUR:GBP exchange rate. Potential sources of hedge ineffectiveness are a reduction or modification in the hedged item or a material change in the credit risk of swap counterparties.

The Group held the following instruments to hedge exposures to changes in interest rates and foreign currency risk associated with borrowings:

			2023
All figures in £ millions	Carrying amount of hedging instruments	Change in fair value of hedging instrument used to determine hedge ineffectiveness	Nominal amounts of hedging instruments
Derivative financial instruments for interest rate risk	**(6)**	**5**	**174**
Derivative financial instruments for currency risk	**26**	**(7)**	**174**

			2022
All figures in £ millions	Carrying amount of hedging instruments	Change in fair value of hedging instrument used to determine hedge ineffectiveness	Nominal amounts of hedging instruments
Derivative financial instruments for interest rate risk	(11)	(16)	177
Derivative financial instruments for currency risk	33	9	266

16. Derivative financial instruments and hedge accounting continued

The amounts at the reporting date relating to items designated as hedge items were as follows:

					2023
All figures in £ millions	Carrying amount of hedged items	Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount	Change in fair value of hedged item used to determine hedge ineffectiveness	Hedge ineffectiveness	Line item in profit or loss that includes hedge ineffectiveness
Interest rate risk					
Financial liabilities – borrowings	**(169)**	**6**	**5**	**1**	**Finance costs**
Currency risk					
Financial liabilities – borrowings	**(169)**	**n/a**	**5**	**–**	**n/a**

					2022
All figures in £ millions	Carrying amount of hedged items	Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount	Change in fair value of hedged item used to determine hedge ineffectiveness	Hedge ineffectiveness	Line item in profit or loss that includes hedge ineffectiveness
Interest rate risk					
Financial liabilities – borrowings	(167)	11	15	(1)	Finance costs
Currency risk					
Financial liabilities – borrowings	(167)	n/a	(14)	–	n/a

Hedge of net investment in a foreign operation

A foreign currency exposure arises from the translation of the Group’s net investments in its subsidiaries. The hedged risk is the risk of changes in the currency spot rate (eg GBP:USD) that will result in changes in the value of the Group's net investment in its overseas subsidiaries when translated into GBP. The hedged items are a portion of the Group's assets which are denominated in USD. The hedging instruments are debt and derivative financial instruments, including cross-currency swaps, FX forwards and FX collars, which mitigates an exposure to the effect of a weakening USD on the hedged item against GBP. It is expected that the change in value of each of these items will mirror each other as there is a clear and direct economic relationship between the hedging instrument and the hedged item in the hedge relationship.

Hedge ineffectiveness would arise if the value of the hedged items fell below the value of the hedging instruments; however, this is unlikely as the value of the Group’s assets denominated in USD is significantly greater than the proposed net investment programme.

The amounts related to items designated as hedging instruments were as follows:

					2023
All figures in £ millions	Carrying amount of hedging instruments	Change in value of hedging instrument used to determine hedge ineffectiveness	Nominal amounts of hedging instruments	Hedging gains/(losses) recognised in OCI	Hedge ineffectiveness recognised in profit or loss
Derivative financial instruments	**(24)**	**26**	**599**	**26**	**–**
Financial liabilities – borrowings	**–**	**–**	**–**	**–**	**–**

					2022
All figures in £ millions	Carrying amount of hedging instruments	Change in value of hedging instrument used to determine hedge ineffectiveness	Nominal amounts of hedging instruments	Hedging gains/(losses) recognised in OCI	Hedge ineffectiveness recognised in profit or loss
Derivative financial instruments	(50)	(31)	172	(31)	–
Financial liabilities – borrowings	(89)	(5)	(88)	(5)	–

Included in the translation reserve is a cost of hedging reserve relating to the time value of FX collars which is not separately disclosed due to materiality. The value of that reserve will decrease over the life of the hedge transaction. The balance as at 1 January and 31 December 2023 was £nil (2022: £1m). During the year £nil (2022: £2m) of hedging gains were recycled to the profit and loss.

Offsetting arrangements with derivative counterparties

All of the Group's derivative financial instruments are subject to enforceable netting arrangements with individual counterparties, allowing net settlement in the event of default of either party. Derivative financial assets and liabilities subject to offsetting arrangements are as follows:

All figures in £ millions	2023 Gross derivative assets	2023 Gross derivative liabilities	2023 Net derivative assets/ liabilities	2022 Gross derivative assets	2022 Gross derivative liabilities	2022 Net derivative assets/ liabilities
Counterparties in an asset position	**26**	**(14)**	**12**	30	(17)	13
Counterparties in a liability position	**22**	**(29)**	**(7)**	29	(48)	(19)
Total as presented in the balance sheet	**48**	**(43)**	**5**	59	(65)	(6)

Offset arrangements in respect of cash balances are described in note 17.

Counterparty exposure from all derivatives is managed, together with that from deposits and bank account balances, within credit limits that reflect published credit ratings and by reference to other market measures (e.g. market prices for credit default swaps) to ensure that there is no significant exposure to any one counterparty's credit risk.

The Group has no material embedded derivatives that are required to be separately accounted for in accordance with IFRS 9 'Financial Instruments'.

17. Cash and cash equivalents (excluding overdrafts)

All figures in £ millions	2023	2022
Cash at bank and in hand	**312**	269
Short-term bank deposits	**–**	289
Cash and cash equivalents	**312**	558

All figures in £ millions	2023	2022
Cash and cash equivalents	**312**	558
Bank overdrafts	**(3)**	(15)
Cash and cash equivalents in the cash flow statement	**309**	543

Short-term bank deposits are invested with banks and earn interest at the prevailing short-term deposit rates.

At the end of 2023, the currency split of cash and cash equivalents was US dollar 16% (2022: 31%), sterling 11% (2022: 6%), and other 73% (2022: 63%).

Cash and cash equivalents have fair values that approximate to their carrying value due to their short-term nature.

The Group has certain cash pooling arrangements in US dollars, sterling and Canadian dollars where both the company and the bank have a legal right of offset. The company presents these amounts net in the balance sheet where legal right of offset exists and the company has the intention to settle net if required. As at 31 December 2023, £23m (2022: £5m) of financial liabilities were presented net within financial assets.

18. Financial liabilities – borrowings

The Group's current and non-current borrowings are as follows:

All figures in £ millions	2023	2022
Non-current		
1.375% Euro notes 2025 (nominal amount €300m)	**257**	257
3.75% GBP notes 2030 (nominal amount £350m)	**354**	353
Lease liabilities (see note 35)	**483**	534
	1,094	1,144
Current (due within one year or on demand)		
Lease liabilities (see note 35)	**64**	71
Overdrafts	**3**	15
	67	86
Total borrowings	**1,161**	1,230

Included in the non-current borrowings above is £10m of accrued interest (2022: £10m). No accrued interest is included in the current borrowings above (2022: £nil). The maturities of the Group's non-current borrowings are as follows:

All figures in £ millions	2023	2022
Between one and two years	**70**	72
Between two and five years	**419**	442
Over five years	**605**	630
	1,094	1,144

18. Financial liabilities – borrowings continued

The carrying amounts and market values of borrowings are as follows:

All figures in £ millions	2023 Effective interest rate	2023 Carrying value	2023 Market value	2022 Effective interest rate	2022 Carrying value	2022 Market value
1.375% Euro notes 2025	**1.44%**	**257**	**252**	1.44%	257	252
3.75% GBP notes 2030	**3.93%**	**354**	**327**	3.93%	353	310
Overdrafts	**n/a**	**3**	**3**	n/a	15	15
		614	**582**		625	577

The market values stated above are based on clean market prices at the year end or, where these are not available, on the quoted market prices of comparable debt issued by other companies. The effective interest rates above relate to the underlying debt instruments.

The carrying amounts of the Group's borrowings before the effect of derivatives (see notes 16 and 19 for further information on the impact of derivatives) are denominated in the following currencies:

All figures in £ millions	2023	2022
US dollar	**217**	276
Sterling	**667**	672
Euro	**261**	262
Other	**16**	20
	1,161	1,230

The Group had $1bn (£0.8bn) of undrawn capacity on its committed borrowing facilities as at 31 December 2023 (2022: $1.19bn (£0.9bn) undrawn). In addition, there are a number of short-term facilities that are utilised in the normal course of business. All of the Group's borrowings are unsecured. In respect of lease obligations, the rights to the leased asset revert to the lessor in the event of default.

19. Financial risk management

The Group's approach to the management of financial risks together with sensitivity analyses of its financial instruments is set out below.

Treasury policy

Pearson's treasury policies set out the Group's principles for addressing key financial risks including capital risk, liquidity risk, foreign exchange risk and interest rate risk, and sets out measurable targets for each. The Audit Committee receives quarterly reports incorporating compliance with measurable targets and reviews and approves any changes to treasury policies annually.

The treasury function is permitted to use derivatives where their use reduces a risk or allows a transaction to be undertaken more cost effectively. Derivatives permitted include swaps, forwards and collars to manage foreign exchange and interest rate risk, with foreign exchange swap and forward contracts the most commonly executed. Speculative transactions are not permitted.

Capital risk

The Group's objectives when managing capital are:

- To maintain a strong balance sheet and a solid investment grade rating;
- To continue to invest in the business organically and through acquisitions; and
- To have a sustainable and progressive dividend policy.

At 31 December 2023 the Group and its bonds were rated BBB- (stable outlook) with Fitch Ratings Limited and Baa3 (stable outlook) with Moody's Investor Services.

Net debt

The Group's net debt position is set out below:

All figures in £ millions	2023	2022
Cash and cash equivalents	**312**	558
Overdrafts	**(3)**	(15)
Derivative financial instruments	**5**	(6)
Bonds	**(611)**	(610)
Investment in finance lease receivable	**100**	121
Lease liabilities	**(547)**	(605)
Net debt	**(744)**	(557)

Interest and foreign exchange rate management

The Group's principal currency exposure is to the US dollar which represents 68% of the Group's sales.

The Group's long-term debt is primarily held in US dollars to provide a natural hedge of this exposure, which is achieved through issued US dollar debt or converting euro debt to US dollars using cross-currency swaps, forwards and collars. As at 31 December 2023 and 2022, the Group's debt of £1,161m (2022: £1,230m) is all held at fixed rates.

See note 16 for details of the Group's hedging programme which addresses interest rate risk and foreign currency risk.

Overseas profits are converted to sterling to satisfy sterling cash outflows such as dividends at the prevailing spot rate at the time of the transaction. To the extent the Group has sufficient sterling, US dollars may be held as dollar cash to provide a natural offset to the Group's debt or to satisfy future US dollar cash outflows.

The Group does not have significant cross-border foreign exchange transactional exposures.

As at 31 December 2023, the sensitivity of the carrying value of the Group's financial instruments to fluctuations in interest rates and exchange rates is as follows:

					2023
All figures in £ millions	Carrying value	Impact of 1% increase in interest rates	Impact of 1% decrease in interest rates	Impact of 10% strengthening in sterling	Impact of 10% weakening in sterling
Investments in unlisted securities	143	–	–	(10)	12
Other receivable	12	–	–	(1)	1
Cash and cash equivalents	312	–	–	(24)	30
Derivative financial instruments	5	15	(15)	(5)	19
Bonds	(611)	2	(2)	24	(29)
Other borrowings	(550)	–	–	21	(26)
Investment in finance lease receivable	100	–	–	(9)	11
Deferred and contingent consideration	(57)	–	–	3	(4)
Other net financial assets	378	–	–	(31)	38
Total	(268)	17	(17)	(32)	52

					2022
All figures in £ millions	Carrying value	Impact of 1% increase in interest rates	Impact of 1% decrease in interest rates	Impact of 10% strengthening in sterling	Impact of 10% weakening in sterling
Investments in unlisted securities	133	–	–	(10)	12
Other receivable	3	–	–	–	–
Cash and cash equivalents	558	–	–	(25)	31
Derivative financial instruments	(6)	7	(6)	(10)	12
Bonds	(610)	4	(4)	24	(30)
Other borrowings	(620)	–	–	26	(32)
Investment in finance lease receivable	121	–	–	(11)	13
Deferred and contingent consideration	(79)	–	–	4	(5)
Other net financial assets	477	–	–	(38)	47
Total	(23)	11	(10)	(40)	48

The table above shows the sensitivities of the fair values of each class of financial instrument to an isolated change in either interest rates or foreign exchange rates. Other net financial assets comprise trade receivables less trade payables. A significant proportion of the movements shown above would impact equity rather than the income statement due to the location and functional currency of the entities in which they arise and the availability of net investment hedging.

Liquidity and refinancing risk management

The Group regularly reviews the level of cash and debt facilities required to fund its activities. This involves preparing a prudent cash flow forecast for the next three to five years, determining the level of debt facilities required to fund the business, planning for shareholder returns and repayments of maturing debt, and identifying an appropriate amount of headroom to provide a reserve against unexpected outflows.

At 31 December 2023, the Group had cash of £0.3bn (2022: £0.5bn) and no outstanding drawings (2022: £nil) on the US dollar denominated revolving credit facility due 2026 of $1bn (2022: $1.19bn).

The $1bn facility contains interest cover and leverage covenants which the Group has complied with for the year ended 31 December 2023. The maturity of the carrying values of the Group's borrowings and trade payables are set out in notes 18 and 24 respectively.

At the end of 2023, the currency split of the Group's trade payables was US dollar £228m (2022: £234m), sterling £64m (2022: £71m) and other currencies £25m (2022: £43m). Trade payables are all due within one year (2022: all due within one year).

19. Financial risk management continued

The table below analyses the Group's bonds and derivative assets and liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. Short dated derivative instruments have not been included in this table. The amounts disclosed in the table are the contractual undiscounted cash flows (including interest) and as such may differ from the amounts disclosed on the balance sheet.

Any cash flows based on a floating rate are calculated using interest rates as set at the date of the last rate reset. Where this is not possible, floating rates are based on interest rates prevailing at 31 December in the relevant year.

Financial counterparty and credit risk management

Financial counterparty and credit risk arises from cash and cash equivalents, favourable derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables. Counterparty credit limits, which take published credit rating and other factors into account, are set to cover the Group's total aggregate exposure to a single financial institution. The limits applicable to published credit rating bands are approved by the Chief Financial Officer within guidelines approved by the Board. Exposures and limits applicable to each financial institution are reviewed on a regular basis.

	Analysed by maturity				Analysed by currency			
All figures in £ millions	Greater than one month and less than one year	Later than one year but less than five years	Five years or more	Total	USD	GBP	Other	Total
At 31 December 2023								
Bonds	**–**	**257**	**354**	**611**	**–**	**354**	**257**	**611**
Rate derivatives – inflows	**(13)**	**(262)**	**–**	**(275)**	**(6)**	**(9)**	**(260)**	**(275)**
Rate derivatives – outflows	**5**	**268**	**–**	**273**	**178**	**89**	**6**	**273**
FX forwards – inflows	**(428)**	**–**	**–**	**(428)**	**–**	**(428)**	**–**	**(428)**
FX forwards – outflows	**421**	**–**	**–**	**421**	**421**	**–**	**–**	**421**
Total	**(15)**	**263**	**354**	**602**	**593**	**6**	**3**	**602**
At 31 December 2022								
Bonds	–	342	389	731	–	455	276	731
Rate derivatives – inflows	(11)	(471)	–	(482)	(24)	(170)	(288)	(482)
Rate derivatives – outflows	1	490	–	491	224	255	12	491
FX forwards – inflows	(304)	–	–	(304)	–	(304)	–	(304)
FX forwards – outflows	313	–	–	313	–	313	–	313
Total	(1)	361	389	749	200	549	–	749

Cash deposits and derivative transactions are made with approved counterparties up to pre-agreed limits. To manage counterparty risk associated with cash and cash equivalents, the Group uses a mixture of money market funds as well as bank deposits. As at 31 December 2023, 75% (2022: 77%) of cash and cash equivalents was held with investment grade bank counterparties, 10% (2022: 8%) with AAA money market funds and 15% (2022: 15%) with non-investment grade bank counterparties.

For trade receivables and contract assets, the Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, risk associated with the industry and country in which customers operate may also influence the credit risk. The credit quality of customers is assessed by taking into account financial position, past experience and other relevant factors. Individual credit limits are set for each customer based on internal ratings. The compliance with credit limits is regularly monitored by the Group. A default on a trade receivable is when the counterparty fails to make contractual payments within the stated payment terms. Trade receivables and contract assets are written off when there is no reasonable expectation of recovery.

The carrying amounts of financial assets, trade receivables and contract assets represent the maximum credit exposure.

Trade receivables and contract assets are subject to impairment using the expected credit loss model. The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected credit loss allowance for all trade receivables and contract assets. To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. See note 22 for further details about trade receivables and contract assets including movements in provisions for bad and doubtful debts.

20. Intangible assets – product development

All figures in £ millions	**2023**	2022
Cost		
At 1 January	**2,918**	2,698
Exchange differences	**(121)**	235
Additions	**300**	357
Disposals and retirements	**(550)**	(191)
Disposal of businesses (note 31)	**(29)**	(186)
Transfers	**(1)**	5
At 31 December	**2,517**	2,918
Amortisation		
At 1 January	**(1,943)**	(1,804)
Exchange differences	**92**	(174)
Charge for the year	**(280)**	(288)
Impairment	**(4)**	(15)
Disposals and retirements	**550**	191
Disposal of businesses (note 31)	**14**	147
Transfers	**1**	–
At 31 December	**(1,570)**	(1,943)
Carrying amounts at 31 December	**947**	975

Product development assets are amortised over their estimated useful economic lives. Product development assets relating to content are amortised over seven years or less, being an estimate of the expected operating lifecycle of the title, with a higher proportion of the amortisation taken in the earlier years. Product development assets relating to product platforms are amortised over ten years or less. Amortisation is included in the income statement in cost of goods sold.

Product development assets are assessed for impairment triggers on an annual basis or when triggering events occur. In 2023, of the £4m (2022: £15m) impairment charges, £nil (2022: £13m; 2021: £14m) have been recognised as a result of asset write-offs related to the major restructuring programme. The full annual impairment test showed that there is adequate headroom across all product development assets and accordingly no further impairment charges were recognised in 2023 (2022: £nil; 2021: £nil).

21. Inventories

All figures in £ millions	**2023**	2022
Raw materials	**4**	5
Work in progress	**1**	2
Finished goods	**81**	93
Returns asset	**5**	5
	91	105

The cost of inventories recognised as an expense and included in the income statement in cost of goods sold amounted to £155m (2022: £166m; 2021: £171m) including £19m (2022: £16m; 2021: £22m) of inventory provisions. None of the inventory is pledged as security. Included within the inventory balance is the estimation of the right to receive goods from contracts with customers via returns. The value of the returns asset is measured at the carrying amount of the assets at the time of sale aligned to the Group's normal inventory valuation methodology less any expected costs to recover the asset and any expected reduction in value. Impairment charges against the inventory returns asset are £nil in 2023 (2022: £nil; 2021: £nil). The returns asset all relates to finished goods. The obsolescence provision takes account of the Group's digital-first strategy and the increasing shift towards print on demand. The year-on-year reduction in inventories is due to increased provisions for obsolescence and a reduction in the production of inventory due to the Group's digital-first strategy and the increasing shift towards print on demand.

22. Trade and other receivables

All figures in £ millions	2023	2022
Current		
Trade receivables	**694**	824
Royalty advances	**1**	1
Prepayments	**233**	200
Investment in finance lease receivable	**18**	17
Accrued income	**13**	15
Other receivables	**91**	82
	1,050	1,139
Non-current		
Trade receivables	**1**	1
Royalty advances	**4**	5
Prepayments	**8**	12
Investment in finance lease receivable	**82**	104
Accrued income	**2**	2
Interest receivable	**3**	3
Other receivables	**35**	12
	135	139

Accrued income represents contract assets which are unbilled amounts generally resulting from assessments and services revenue streams where revenue to be recognised over time has been recognised in excess of customer billings to date. Impairment charges on accrued income assets are £nil (2022: £nil). The carrying value of the Group's trade and other receivables approximates its fair value. Trade receivables are stated net of provisions for bad and doubtful debts.

The movements in the provision for bad and doubtful debts are as follows:

All figures in £ millions	2023	2022
At 1 January	**(69)**	(63)
Exchange differences	**2**	(3)
Income statement movements	**3**	(18)
Utilised	**9**	12
Disposal of businesses	**4**	3
At 31 December	**(51)**	(69)

Concentrations of credit risk with respect to trade receivables are limited due to the Group's large number of customers, who are internationally dispersed.

The ageing of the Group's gross trade receivables is as follows:

All figures in £ millions	2023	2022
Within due date and one month past due date	**564**	663
One to three months past due date	**83**	118
Three to six months past due date	**25**	25
Six to nine months past due date	**12**	14
Nine to 12 months past due date	**8**	14
More than 12 months past due date	**54**	60
Gross trade receivables	**746**	894

The Group reviews its bad debt provision at least twice a year following a detailed review of receivable balances, historical payment profiles, and assessment of relevant forward-looking risk factors including macroeconomic trends. Management believes all the remaining receivable balances are fully recoverable.

The decrease in trade receivables held by the Group is driven by current year disposals.

23. Provisions for other liabilities and charges

All figures in £ millions	Property	Legal and other	Total
At 1 January 2023	22	77	99
Exchange differences	–	(4)	(4)
Provisions made during the year	6	12	18
Provisions reversed during the year	(4)	(9)	(13)
Provisions used during the year	–	(60)	(60)
At 31 December 2023	24	16	40

Analysis of provisions:

			2023
All figures in £ millions	Property	Legal and other	Total
Current	11	14	25
Non-current	13	2	15
	24	16	40
			2022
Current	9	76	85
Non-current	13	1	14
	22	77	99

Property provisions made in 2023 and 2022 relate to the simplification of the Group's property portfolio (see note 4) and dilapidations.

Legal and other includes legal claims, contract disputes and potential contract losses with the provisions utilised as the cases are settled. Also included in legal and other are other restructuring provisions that are generally utilised within one year.

The year on year decrease in provisions is mainly due to the utilisation of restructuring provisions in the year.

24. Trade and other liabilities

All figures in £ millions	2023	2022
Current		
Trade payables	317	348
Sales return liability	31	53
Deferred income	295	340
Interest payable	4	10
Accruals and other liabilities	628	503
	1,275	1,254
Non-current		
Deferred income	73	60
Accruals and other liabilities	25	60
	98	120

The carrying value of the Group's trade and other liabilities approximates its fair value. The deferred income balance comprises contract liabilities in respect of advance payments in assessment, testing and training businesses; subscription income in school and college businesses; and obligations to deliver digital content in future periods. The increase in trade and other liabilities held by the Group is driven by the liability recorded for the remainder of the Share buyback scheme offset against disposals, differences in deferred income due to timing, and utilisation of accruals from the 2022 restructuring programme.

25. Retirement benefit and other post-retirement obligations

Background

The Group operates a number of defined benefit and defined contribution retirement plans throughout the world.

The largest plan is the Pearson Pension Plan (UK Group plan) in the UK, which is sectionalised to provide both defined benefit and defined contribution pension benefits. The defined benefit section was largely closed to new members from 1 November 2006. The defined contribution section, opened in 2003, is open to new and existing employees. Finally, there is a separate section within the UK Group plan set up for auto-enrolment.

The defined benefit section of the UK Group plan is a final salary pension plan which provides benefits to members in the form of a guaranteed level of pension payable for life. The level of benefits depends on the length of service and final pensionable pay.

The defined contribution section of the UK Group plan operates a Reference Scheme Test (RST) pension underpin for its members. Where a member’s fund value is insufficient to purchase the RST pension upon retirement, the UK Group plan is liable for the shortfall to cover the member’s RST pension. In addition, in recent years, the scheme rules were amended to enable members who have sufficient funds to purchase an RST pension the ability to convert their fund value into a pension in the UK Group plan as an alternative to purchasing an annuity with an insurer. The Group recognises any assets and liabilities relating to these features of the defined contribution section as part of the overall UK Group plan obligation. The Group also recognises the assets and liabilities for all members of the defined contribution section of the UK Group plan, accounting for the whole defined contribution section as a defined benefit scheme under IAS 19 ‘Employee Benefits’ as there is a risk the underpin will require the Group to pay further contributions to the scheme.

The UK Group plan is funded with benefit payments from trustee-administered funds. The UK Group plan is administered in accordance with the Trust Deed and Rules in the interests of its beneficiaries by Pearson Pension Trustee Limited.

At 31 December 2023, the UK Group plan had approximately 26,300 members, analysed in the following table:

All figures in %	Active	Deferred	Pensioners	Total
Defined benefit	–	15	33	48
Defined contribution	10	42	–	52
Total	10	57	33	100

The other major defined benefit plans are based in the US. These are also final salary pension plans which provide benefits to members in the form of a guaranteed pension payable for life, with the level of benefits dependent on length of service and final pensionable pay. The majority of the US plans are fully funded.

The Group also has several post-retirement medical benefit plans (PRMBs), principally in the US. PRMBs are unfunded but are accounted for and valued similarly to defined benefit pension plans.

The defined benefit schemes expose the Group to actuarial risks, such as life expectancy, inflation risks and investment risk including asset volatility and changes in bond yields. The Group is not exposed to any unusual, entity-specific or plan-specific risks.

KJ Key judgements

— Whether the Group will be eligible to receive the surplus associated with the UK Group Pension Plan in recognising a pension asset.

KE Key areas of estimation

— The determination of the pension cost and defined benefit obligation of the Group’s defined benefit pension schemes depends on the selection of certain assumptions, which include the discount rate, inflation rate, salary growth and longevity.

Assumptions

The principal assumptions used for the UK Group plan and the US PRMB are shown below. Weighted average assumptions have been shown for the other plans, which primarily relate to US pension plans.

	2023			2022			2021		
All figures in %	**UK Group plan**	**Other plans**	**PRMB**	UK Group plan	Other plans	PRMB	UK Group plan	Other plans	PRMB
Inflation	**3.0**	**2.0**	**–**	3.4	2.0	–	3.3	1.4	–
Rate used to discount plan liabilities	**4.6**	**4.9**	**5.0**	4.9	5.3	5.3	1.9	2.8	2.6
Expected rate of increase in salaries	**3.5**	**2.5**	**–**	3.9	2.9	–	3.8	2.7	–
Expected rate of increase for pensions in payment and deferred pensions	**1.75 to 5.10**	**–**	**–**	1.95 to 5.20	–	–	2.35 to 5.10	–	–
Initial rate of increase in healthcare rate	**–**	**–**	**6.5**	–	–	6.5	–	–	6.3
Ultimate rate of increase in healthcare rate	**–**	**–**	**5.0**	–	–	5.0	–	–	5.0

The UK discount rate is based on corporate bond yields adjusted to reflect the duration of liabilities.

The inflation rate for the UK Group plan of 3.0% (2022: 3.4%) reflects the RPI rate. In line with changes to legislation in 2010, certain benefits have been calculated with reference to CPI as the inflationary measure and in these instances a rate of 2.3% (2022: 2.7%) has been used. The CPI rate is determined as a weighted average deduction from the RPI rate, and allows for the expected change to the formula for calculating RPI to be in line with CPIH from 2030 onwards.

For the UK Group plan, the mortality base table assumptions are derived from the SAPS S3 for males and females, adjusted to reflect the observed experience of the plan, with CMI model improvement factors. A 1.5% long-term rate improvement on the CMI 2022 model is applied for both males and females, with a weighting to 2022 mortality experience in the CMI model of 40% to reflect current trends in life expectancy. Life expectancy remains uncertain following the COVID-19 pandemic which had wide-ranging direct and indirect impacts.

For the US plans, a mortality table (Pri – 2012) and 2021 improvement scale (MP – 2021) with generational projection for male and female annuitants has been adopted.

Using the above tables, the remaining average life expectancy in years of a pensioner retiring at age 65 on the balance sheet date for the UK Group plan and US plans is as follows:

	UK			US		
All figures in years	**2023**	2022	2021	**2023**	2022	2021
Male	**21.8**	22.5	22.6	**20.7**	20.6	20.5
Female	**24.1**	24.7	24.8	**22.6**	22.6	22.5

The remaining average life expectancy in years of a pensioner retiring at age 65, 20 years after the balance sheet date, for the UK and US Group plans is as follows:

	UK			US		
All figures in years	**2023**	2022	2021	**2023**	2022	2021
Male	**23.4**	24.1	24.2	**22.2**	22.1	22.0
Female	**25.8**	26.4	26.5	**24.1**	24.0	23.9

Although the Group anticipates that plan surpluses will be utilised during the life of the plan to address member benefits, the Group recognises its pension surplus in full in respect of the UK Group plan on the basis that it is management's judgement that there are no substantive restrictions on the return of residual plan assets in the event of a winding up of the plan after all member obligations have been met.

25. Retirement benefit and other post-retirement obligations continued

Financial statement information

The amounts recognised in the income statement are as follows:

All figures in £ millions	UK Group plan	Defined benefit other	Sub-total	Defined contribution	PRMB	Total
						2023
Current service cost	**16**	**2**	**18**	**45**	**–**	**63**
Past service cost	**–**	**–**	**–**	**–**	**–**	**–**
Settlements	**–**	**–**	**–**	**–**	**–**	**–**
Administration expenses	**8**	**–**	**8**	**–**	**–**	**8**
Total operating expense	**24**	**2**	**26**	**45**	**–**	**71**
Interest on plan assets	**(148)**	**(5)**	**(153)**	**–**	**–**	**(153)**
Interest on plan liabilities	**121**	**6**	**127**	**–**	**–**	**127**
Net finance (income)/ expense	**(27)**	**1**	**(26)**	**–**	**–**	**(26)**
Net income statement charge	**(3)**	**3**	**–**	**45**	**–**	**45**

All figures in £ millions	UK Group plan	Defined benefit other	Sub-total	Defined contribution	PRMB	Total
						2022
Current service cost	17	2	19	46	–	65
Past service cost	3	–	3	–	–	3
Settlements	–	–	–	–	–	–
Administration expenses	7	–	7	–	–	7
Total operating expense	27	2	29	46	–	75
Interest on plan assets	(77)	(3)	(80)	–	–	(80)
Interest on plan liabilities	67	3	70	–	1	71
Net finance (income)/ expense	(10)	–	(10)	–	1	(9)
Net income statement charge	17	2	19	46	1	66

All figures in £ millions	UK Group plan	Defined benefit other	Sub-total	Defined contribution	PRMB	Total
						2021
Current service cost	17	2	19	37	–	56
Past service cost	–	–	–	–	–	–
Settlements	–	–	–	–	–	–
Administration expenses	6	–	6	–	–	6
Total operating expense	23	2	25	37	–	62
Interest on plan assets	(55)	(2)	(57)	–	–	(57)
Interest on plan liabilities	49	3	52	–	1	53
Net finance (income)/ expense	(6)	1	(5)	–	1	(4)
Net income statement charge	17	3	20	37	1	58

The amounts recognised in the balance sheet are as follows:

				2023				2022
All figures in £ millions	**UK Group plan**	**Other funded plans**	**Other unfunded plans**	**Total**	UK Group plan	Other funded plans	Other unfunded plans	Total
Fair value of plan assets	**3,060**	**107**	**–**	**3,167**	3,088	104	–	3,192
Present value of defined benefit obligation	**(2,569)**	**(99)**	**(15)**	**(2,683)**	(2,514)	(106)	(17)	(2,637)
Net pension asset/ (liability)	**491**	**8**	**(15)**	**484**	574	(2)	(17)	555
Other post-retirement medical benefit obligation				**(21)**				(25)
Other pension accruals				**(8)**				(10)
Net retirement benefit asset				**455**				520
Analysed as:								
Retirement benefit assets				**499**				581
Retirement benefit obligations				**(44)**				(61)

The following gains/(losses) have been recognised in other comprehensive income:

All figures in £ millions	2023	2022	2021
Amounts recognised for defined benefit plans	**(86)**	44	145
Amounts recognised for post-retirement medical benefit plans	**1**	10	4
Total recognised in year	**(85)**	54	149

The fair value of plan assets comprises the following:

	2023			2022		
All figures in %	UK Group plan	Other funded plans	Total	UK Group plan	Other funded plans	Total
Insurance	**33**	**–**	**33**	33	–	33
Equities	**15**	**1**	**16**	14	1	15
Fixed interest securities	**6**	**2**	**8**	5	2	7
Property	**5**	**–**	**5**	6	–	6
Pooled asset investment funds (including LDI)	**24**	**–**	**24**	23	–	23
Infrastructure	**11**	**–**	**11**	11	–	11
Cash and cash equivalents	**1**	**–**	**1**	3	–	3
Other	**2**	**–**	**2**	2	–	2

The plan assets do not include any of the Group's own financial instruments, or any property occupied by the Group. The table below further disaggregates the plan assets into those assets which have a quoted market price in an active market and those that do not:

	2023		2022	
All figures in %	Quoted market price	No quoted market price	Quoted market price	No quoted market price
Insurance	**–**	**33**	–	33
Equities	**16**	**–**	15	–
Fixed-interest securities	**8**	**–**	7	–
Property	**–**	**5**	–	6
Pooled asset investment funds (including LDI)	**24**	**–**	23	–
Infrastructure	**–**	**11**	–	11
Cash and cash equivalents	**–**	**1**	–	3
Other	**–**	**2**	–	2
Total	**48**	**52**	45	55

The liquidity profile of the UK Group plan assets is as follows:

All figures in %	2023	2022
Liquid – call <1 month	**48**	47
Less liquid – call 1–3 months	**2**	2
Illiquid – call >3 months	**50**	51

25. Retirement benefit and other post-retirement obligations continued

Changes in the values of plan assets and liabilities of the retirement benefit plans are as follows:

			2023			2022
All figures in £ millions	**UK Group plan**	**Other plans**	**Total**	UK Group plan	Other plans	Total
Fair value of plan assets						
Opening fair value of plan assets	**3,088**	**104**	**3,192**	4,125	120	4,245
Recognition of Money Purchase assets	**–**	**–**	**–**	–	–	–
Exchange differences	**–**	**(6)**	**(6)**	–	12	12
Interest on plan assets	**148**	**5**	**153**	77	3	80
Return on plan assets excluding interest	**(48)**	**5**	**(43)**	(1,000)	(18)	(1,018)
Contributions by employer	**–**	**15**	**15**	15	2	17
Contributions by employees	**7**	**–**	**7**	7	–	7
Benefits paid	**(135)**	**(14)**	**(149)**	(136)	(15)	(151)
Settlements	**–**	**(2)**	**(2)**	–	–	–
Closing fair value of plan assets	**3,060**	**107**	**3,167**	3,088	104	3,192
Present value of defined benefit obligation						
Opening defined benefit obligation	**(2,514)**	**(123)**	**(2,637)**	(3,588)	(143)	(3,731)
Recognition of Money Purchase liabilities	**–**	**–**	**–**	–	–	–
Exchange differences	**–**	**6**	**6**	–	(14)	(14)
Disposals	**–**	**–**	**–**	–	1	1
Current service cost	**(16)**	**(2)**	**(18)**	(17)	(2)	(19)
Past service cost	**–**	**–**	**–**	(3)	–	(3)
Administration expenses	**(8)**	**–**	**(8)**	(7)	–	(7)
Interest on plan liabilities	**(121)**	**(6)**	**(127)**	(67)	(3)	(70)
Actuarial losses – experience	**(61)**	**(2)**	**(63)**	(25)	(2)	(27)
Actuarial gains – demographic	**52**	**–**	**52**	14	–	14
Actuarial (losses)/gains – financial	**(29)**	**(3)**	**(32)**	1,050	25	1,075
Contributions by employees	**(7)**	**–**	**(7)**	(7)	–	(7)
Benefits paid	**135**	**14**	**149**	136	15	151
Settlements	**–**	**2**	**2**	–	–	–
Closing defined benefit obligation	**(2,569)**	**(114)**	**(2,683)**	(2,514)	(123)	(2,637)

The weighted average duration of the defined benefit obligation is 12 years for the UK and six years for the US.

Changes in the value of the US PRMB are as follows:

All figures in £ millions	**2023**	2022
Opening defined benefit obligation	**(25)**	(34)
Exchange differences	**1**	(3)
Interest on plan liabilities	**–**	(1)
Actuarial gains – experience	**2**	5
Actuarial (losses)/gains – financial	**(1)**	5
Benefits paid	**2**	3
Closing defined benefit obligation	**(21)**	(25)

Funding

The UK Group plan is self-administered with the plan's assets being held independently of the Group in trust. The trustee of the UK Group plan is required to act in the best interest of the plan's beneficiaries. The most recent triennial actuarial valuation for funding purposes was completed as at 1 January 2021 and this valuation revealed a technical provision funding surplus of £160m. The UK Group plan expects to be able to provide benefits (in accordance with the plan rules) with a very low level of reliance on future funding from the Group.

Assets of the final salary section of the UK Group plan are divided into two main elements: liability matching assets and return seeking assets. The UK Group plan's investment strategy for the final salary section allocates approximately 95% to matching assets and 5% to return-seeking assets.

Liability matching assets are assets that produce cash flows that can be expected to match the cash flows for a proportion of the membership, and include a liability-driven investment mandate (LDI) for which a Qualifying Investor Alternative Investment Fund (QIAIF) was established, managed by a subsidiary of Legal & General Investment Management. The QIAIF invests in UK bonds, interest rate/inflation swaps and other derivative instruments in order to reduce interest rate and inflation risks using accurate cash flow matching and risk control. Other liability matching assets include pensioner buy-in insurance policies, bonds and inflation-linked property and infrastructure.

Following the purchase of buy-in policies with Legal & General and Aviva in 2017 and 2019, 95% of the UK Group plan's pensioner liabilities were matched with buy-in policies. These transfer significant longevity risk to Aviva and Legal & General, reducing the pension risks being underwritten by the Group and providing additional security for members.

Return-seeking assets are assets invested with a longer-term horizon to generate the returns needed to provide the remaining expected cash flows for the beneficiaries, and include diversified growth funds, property and alternative asset classes.

Recent economic and geopolitical uncertainty has increased volatility in the valuation of certain assets, in particular the LDI and insurance contracts. However, these movements are offset by equivalent movements in the defined benefit obligation. The UK Group plan divides its assets between a number of investment managers and across different types of assets, as such there is no significant concentration of risk.

Regular employer contributions to the UK Group plan in respect of the defined benefit sections are estimated to be £nil for 2024.

Sensitivities

The effect of a one percentage point increase and decrease in the discount rate on the defined benefit obligation and the total pension expense is as follows:

	2023	
All figures in £ millions	1% increase	1% decrease
Effect:		
(Decrease)/increase in defined benefit obligation – UK Group plan	**(203)**	251
(Decrease)/increase in defined benefit obligation – US plan	**(5)**	5

The effect of members living one year more or one year less on the defined benefit obligation is as follows:

	2023	
All figures in £ millions	One year increase	One year decrease
Effect:		
Increase/(decrease) in defined benefit obligation – UK Group plan	**58**	(58)
Increase/(decrease) in defined benefit obligation – US plan	**2**	(2)

The effect of a half percentage point increase and decrease in the inflation rate is as follows:

	2023	
All figures in £ millions	0.5% increase	0.5% decrease
Effect:		
Increase/(decrease) in defined benefit obligation – UK Group plan	**61**	(58)
Increase/(decrease) in defined benefit obligation – US plan	**–**	–

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant, although in practice this is unlikely to occur and changes in some assumptions may be correlated. When calculating these sensitivities, the same method has been applied to calculate the defined benefit obligation as has been applied when calculating the liability recognised in the balance sheet. This methodology is the same as prior periods.

26. Share-based payments

The Group recognised the following charges in the income statement in respect of its equity-settled share-based payment plans:

All figures in £ millions	2023	2022	2021
Pearson plans	**40**	38	28

The Group operates the following equity-settled employee option and share plans:

Worldwide Save for Shares Plan – The Group has a Worldwide Save for Shares Plan. Under this plan, employees can save a portion of their monthly salary over a period of three years. At the end of this period, the employee has the option to purchase ordinary shares with the accumulated funds at a purchase price equal to 80% of the market price prevailing at the time of the commencement of the employee's participation in the plan. Options that are not exercised within six months of the end of the savings period lapse unconditionally.

Employee Stock Purchase Plan – In 2000, the Group established an Employee Stock Purchase Plan which allows all employees in the US to save a portion of their monthly salary over six-month periods. At the end of the period, the employee has the option to purchase American Depositary Receipts (ADRs) with their accumulated funds at a purchase price equal to 85% of the lower of the market prices prevailing at the beginning or end of the period.

Long-Term Incentive Plan – The plan was first introduced in 2001 and from time to time the plan rules are renewed. The plan consists of restricted shares. The vesting of restricted shares is normally dependent on continuing service over a three to five-year period, and in the case of Executive Directors and senior management upon the satisfaction of corporate performance targets over a three-year period. These targets may be based on market and/or non-market performance criteria. Restricted shares awarded to Executive Directors in May 2022 and May 2021 vest dependent on relative total shareholder return (FTSE 100), net return on invested capital and adjusted earnings per share, and the May 2023 awards vest based on relative total shareholder return (FTSE 100 and S&P 500, excluding certain sectors), return on capital, adjusted earnings per share and an ESG measure. These awards are in addition to the 2020 co-investment award for Andy Bird, vesting in three equal tranches based on market and non-market performance underpins. The applicable market condition for the vesting of the final tranche is on relative total shareholder return (FTSE 100). Other restricted shares awarded in 2023, 2022 and 2021 generally vest depending on continuing service over periods of up to five years. Included within the total share-based payments charge in 2023 was £3m (2022: £3m; 2021: £nil) in respect of remuneration for post-acquisition services for recent acquisitions, which was included within other net gains and losses in the income statement.

26. Share-based payments continued

Management Incentive Plan – The plan was introduced in 2017 combining the Group's Annual Incentive Plan and Long-Term Incentive Plan for senior management. The number of shares to be granted to participants is dependent on Group performance in the calendar year preceding the date of grant (on the same basis as the Annual Incentive Plan). Subsequently, the shares vest dependent on continuing service over a three-year period, and additionally, in the case of the Pearson Executive Management team, upon satisfaction of non-market based performance criteria as determined by the Remuneration Committee. In 2021 this scheme was replaced by the Long-Term Incentive Plan for senior management.

The following shares were granted under restricted share arrangements:

	2023		2022	
	Number of shares 000s	**Weighted average fair value £**	Number of shares 000s	Weighted average fair value £
Long-Term Incentive Plan	**5,572**	**6.99**	7,584	7.61

In 2023, £23m (2022: £26m) of shares vested across the Worldwide Save for Shares Plan, the Long-Term Incentive Plan and the Management Incentive Plan.

The fair value of shares granted under the Long-Term Incentive Plan and the Management Incentive Plan that vest unconditionally is determined using the share price at the date of grant. Participants under the plans are entitled to dividends during the vesting period and therefore the share price is not discounted.

Restricted shares with a market performance condition were valued by an independent actuary using a Monte Carlo model. Restricted shares with a non-market performance condition were fair valued based on the share price at the date of grant. Non-market performance conditions are taken into consideration by adjusting the number of shares expected to vest based on the most likely outcome of the relevant performance criteria.

27. Share capital and share premium

	Number of shares 000s	Share capital £m	Share premium £m
At 31 December 2021	756,802	189	2,626
Issue of ordinary shares – share option schemes	1,199	–	7
Buyback of equity	(42,268)	(10)	–
At 31 December 2022	715,733	179	2,633
Issue of ordinary shares – share option schemes	**1,809**	–	**9**
Buyback of equity	**(20,243)**	**(5)**	–
At 31 December 2023	**697,299**	**174**	**2,642**

The ordinary shares have a par value of 25p per share (2022: 25p per share). All issued shares are fully paid. All shareholders are entitled to receive dividends and vote at general meetings of the company. All shares have the same rights.

On 20 September 2023, the Board approved a £300m share buyback programme in order to return capital to shareholders. During the year, approximately 20m shares were bought back and cancelled at a cost of £186m. The nominal value of these shares, £5m, was transferred to the capital redemption reserve, and the remainder of the purchase price is recorded within retained earnings. At 31 December 2023, a liability of £118m remained for those shares contracted to be repurchased but where the repurchases were still outstanding and associated costs.

On 24 February 2022, the Board approved a £350m share buyback programme in order to return capital to shareholders. During 2022, approximately 42m shares were bought back and cancelled at a cost of £353m. The nominal value of these shares, £10m, was transferred to the capital redemption reserve, and the remainder of the purchase price was recorded within retained earnings.

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of debt (see note 18), cash and cash equivalents (see note 17) and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings.

The Group reviews its capital structure on a regular basis and will balance its overall capital structure through payments of dividends, new share issues as well as the issue of new debt or the redemption of existing debt in line with the financial risk policies outlined in note 19.

28. Treasury shares

	Number of shares 000s	£m
At 31 December 2021	1,571	12
Purchase of treasury shares	4,513	37
Release of treasury shares	(4,220)	(34)
At 31 December 2022	1,864	15
Purchase of treasury shares	**3,991**	**35**
Release of treasury shares	**(3,695)**	**(31)**
At 31 December 2023	**2,160**	**19**

The Group holds Pearson plc shares in trust to satisfy its obligations under its restricted share plans (see note 26). These shares, representing 0.3% (2022: 0.3%) of called-up share capital, are treated as treasury shares for accounting purposes and have a par value of 25p per share.

The nominal value of Pearson plc treasury shares amounts to £0.5m (2022: £0.5m). Dividends on treasury shares are waived.

At 31 December 2023, the market value of Pearson plc treasury shares was £21m (2022: £18m). The gross book value of the shares at 31 December 2023 amounts to £19m (2022: £15m).

29. Other comprehensive income

						2023
	Attributable to equity holders of the company					
All figures in £ millions	**Fair value reserve**	**Translation reserve**	**Retained earnings**	**Total**	**Non-controlling interest**	**Total**
Items that may be reclassified to the income statement						
Net exchange differences on translation of foreign operations	**–**	**(176)**	**–**	**(176)**	**(1)**	**(177)**
Currency translation adjustment disposed	**–**	**(122)**	**–**	**(122)**	**–**	**(122)**
Attributable tax	**–**	**–**	**–**	**–**	**–**	**–**
Items that are not reclassified to the income statement						
Fair value gain on other financial assets	**1**	**–**	**–**	**1**	**–**	**1**
Attributable tax	**–**	**–**	**–**	**–**	**–**	**–**
Remeasurement of retirement benefit obligations	**–**	**–**	**(85)**	**(85)**	**–**	**(85)**
Attributable tax	**–**	**–**	**20**	**20**	**–**	**20**
Other comprehensive income/(expense) for the year	**1**	**(298)**	**(65)**	**(362)**	**(1)**	**(363)**

29. Other comprehensive income continued

All figures in £ millions	Fair value reserve	Translation reserve	Retained earnings	Total	Non-controlling interest	Total
	2022					
	Attributable to equity holders of the company					
Items that may be reclassified to the income statement						
Net exchange differences on translation of foreign operations	–	328	–	328	2	330
Currency translation adjustment disposed	–	(5)	–	(5)	–	(5)
Attributable tax	–	–	4	4	–	4
Items that are not reclassified to the income statement						
Fair value gain on other financial assets	18	–	–	18	–	18
Attributable tax	–	–	1	1	–	1
Remeasurement of retirement benefit obligations	–	–	54	54	–	54
Attributable tax	–	–	(12)	(12)	–	(12)
Other comprehensive income/(expense) for the year	18	323	47	388	2	390

All figures in £ millions	Fair value reserve	Translation reserve	Retained earnings	Total	Non-controlling interest	Total
	2021					
	Attributable to equity holders of the company					
Items that may be reclassified to the income statement						
Net exchange differences on translation of foreign operations	–	(6)	–	(6)	–	(6)
Currency translation adjustment disposed	–	4	–	4	–	4
Attributable tax	–	–	10	10	–	10
Items that are not reclassified to the income statement						
Fair value gain/(loss) on other financial assets	4	–	–	4	–	4
Attributable tax	–	–	(1)	(1)	–	(1)
Remeasurement of retirement benefit obligations	–	–	149	149	–	149
Attributable tax	–	–	(61)	(61)	–	(61)
Other comprehensive income/(expense) for the year	4	(2)	97	99	–	99

The capital redemption reserve reflects the nominal value of shares cancelled in the Group’s share buyback programme. The fair value reserve arises on revaluation of other financial assets. The translation reserve includes exchange differences arising from the translation of the net investment in foreign operations and of borrowings and other currency instruments designated as hedges of such investments.

30. Business combinations

On 22 March 2023, the Group acquired 100% of the share capital of Personnel Decisions Research Institutes, LLC (PDRI) for cash consideration of £152m ($187m). PDRI is a provider of workforce assessment services and has significant expertise in providing recruitment assessment solutions to the US federal government. It forms part of the Assessment & Qualifications division. There is no contingent or deferred consideration. Net assets acquired of £91m were recognised on the Group's balance sheet including £117m of acquired intangible assets.

This transaction has resulted in the recognition of £61m of goodwill, which represents the expected growth of the business, the workforce and know-how acquired and the anticipated synergies, none of which can be recognised as separate intangible assets. The goodwill is not deductible for tax purposes.

Intangible assets of £117m have been recognised in respect of PDRI, the majority of which relates to SAAS customer contracts and technology, which will be amortised over periods of up to 15 years. The valuations of these assets were carried out with the support of a third-party specialist, and were based on discounted cash flow models. The key assumptions that feed into the valuations are the cash flow forecasts, revenue projections from existing customers, forecasted profit margins and discount rates.

On 28 January 2022, the Group acquired 100% of the share capital in Credly Inc (Credly), having previously held a 19.9% interest in the company. Credly is a digital credential service provider whose platform enables customers to design, create, issue and manage digital credentials. It forms part of the Workforce Skills division. Total consideration was £149m comprising upfront cash consideration of £107m, Pearson's existing interest valued at £31m and £11m of deferred consideration. The deferred consideration is payable two years from the acquisition date.

On 28 April 2022, the Group acquired 100% of the share capital of ATI STUDIOS A.P.P.S S.R.L (Mondly), a global online learning platform offering customers learning in English and 40 other languages via its app, website, virtual reality and augmented reality products. It forms part of the English Language Learning division. Total consideration was £135m comprising upfront cash consideration of £105m, and deferred consideration of £30m. The deferred consideration is payable over two years from the acquisition date, with no performance conditions attached. In addition, a further $29.6m (c.£24m) of cash and $10m (c.£8m) in shares will be paid over four years from the acquisition date, dependent on continuing employment, and therefore these additional amounts are being expensed over the period and are not treated as consideration.

In 2022, these transactions resulted in the recognition of £202m of goodwill, which represented the expected growth through new products and customers, the workforce and know-how acquired and the anticipated synergies, none of which can be recognised as separate intangible assets. The goodwill is not deductible for tax purposes.

Intangible assets of £99m were recognised in respect of Credly and Mondly. The valuations of these assets were carried out with the support of third-party specialists, and were based on discounted cash flow models. The key assumptions that feed into the valuations were the cash flow forecasts, revenue projections from existing customers, forecasted profit margins and discount rates.
For Credly, £49m of intangible assets were recognised, mainly relating to the existing customer relationships that are being amortised over 20 years, and technology which are being amortised over five years. For Mondly, £50m of intangible assets were recognised, the majority of which relates to acquired technology, and are being amortised over periods up to seven years.

In 2022, the Group also made three smaller acquisitions in the period for total consideration of £11m.

In September 2021, Pearson completed the acquisition of 100% of the share capital of Faethm Holdings Pty Limited (Faethm), having already held 9% of the share capital previously. Faethm uses artificial intelligence and analytics services to help governments, companies and workers understand the dynamic forces shaping the labour market. Faethm forms part of the Workforce Skills division. The total consideration for the transaction was £65m, which included £10m of contingent consideration, which has since been settled in 2022.

In addition, in 2021, the Group made two additional acquisitions of subsidiaries for total consideration of £11m. In both cases, the Group acquired 100% of the share capital of the respective entities. Opinion Interactive LLC (also known as Spotlight Education) was acquired in February 2021. MZ Development Inc. was acquired in July 2021. Both form part of the Assessment & Qualifications division.

The Group also made additional investments in associates, which are detailed in note 12, and are not included below.

Details of the fair values of the assets and liabilities recognised at the acquisition date and the related consideration is shown in the table below.

KE Key areas of estimation

The valuation of acquired intangible assets recognised on the acquisition of a business. The valuation is based on a number of assumptions, including estimations of future business performance.

30. Business combinations continued

All figures in £ millions	2023 Total	2022 Total	2021 Total
Intangible assets	**117**	110	27
Deferred tax asset	**–**	8	11
Trade and other receivables	**8**	8	2
Cash and cash equivalents	**4**	13	4
Trade and other liabilities	**(7)**	(26)	(5)
Deferred tax liabilities	**(31)**	(22)	(6)
Net assets acquired	**91**	91	33
Goodwill	**61**	204	43
Total	**152**	295	76
Satisfied by:			
Cash consideration	**152**	223	54
Contingent or deferred consideration	**–**	41	16
Fair value of existing investment	**–**	31	6
Total consideration	**152**	295	76

PDRI generated revenue of £24m and a profit after tax of £4m for the period from the acquisition date to 31 December 2023. If the acquisitions had occurred on 1 January 2023, the Group's revenue would have been £7m higher and the profit after tax would have been £1m higher.

Total acquisition related costs of £12m (2022: £20m) were recognised within other net gains and losses. There were also gains of £5m (2022: £8m) arising on decreases in the deferred consideration payable on prior year acquisitions.

The net cash outflows related to the acquisitions are set out in the table below. In addition to the current year acquisitions, the other net cash outflows on acquisition of subsidiaries relate to deferred payments for prior year acquisitions.

All figures in £ millions	2023 Total	2022 Total	2021 Total
Cash flow on acquisitions			
Cash – current year acquisitions	**(152)**	(223)	(54)
Cash and cash equivalents acquired	**4**	13	4
Deferred payments for prior year acquisitions and other items	**(23)**	(18)	(5)
Net cash outflow	**(171)**	(228)	(55)

31. Disposals and business closures

On 30 June 2023, the Group disposed of its interests in its POLS businesses in the US, UK, Australia and India. The businesses disposed excludes Pearson's contract with ASU. The consideration to be received is deferred and comprises a 27.5% share of positive adjusted EBITDA in each calendar year for six years and 27.5% of the proceeds received by the purchaser in relation to any future monetisation event. The consideration has been valued at £12m and a pre-tax gain on disposal of £13m has been recognised. In addition, a gain of £9m has been recognised which arises from the release of a provision related to a historical disposal, £19m of losses arose from the disposals of Pearson College and the international courseware local publishing business in India and £12m of costs related to previous disposals were recognised.

Whether the associated results and cash flows of the POLS businesses should be classified and presented as discontinued operations is a significant judgement. The Group's judgement is that the results and cash flows of the related businesses should not be classified and presented as discontinued operations on the basis that the businesses disposed do not constitute a separate major line of business or geographical area of operations, and the cash flows related to one of the large contracts within the business are being retained.

KJ Key judgements

— The results and cash flows of businesses disposed do not meet the criteria to be classified and presented as discontinued operations.

The POLS business is within the Virtual Learning segment and represents £93m of sales for the year ended 31 December 2023 out of the total sales in the Virtual Learning segment of £616m. If the Group had concluded that this business represented discontinued operations, its results and the related gain on disposal would not have been included within each of the continuing operations income statement lines. Profit for the period from continuing operations would have been £10m lower and this amount would have been separately presented as profit for the period.

In 2022, the Group disposed of its interests in the Canadian educational publisher (ERPI), Pearson Italia S.p.A, Stark Verlag GmbH, Austin Education (Hong Kong) Limited, Pearson South Africa (Pty) Ltd and various other South African companies. Total cash consideration received was £287m resulting in a pre-tax gain on disposal of £42m. All entities disposed of were previously in the Strategic Review segment. £5m of losses arose from other immaterial disposals and costs related to the wind-down of certain businesses.

In February 2021, the Group completed the sale of its interests in the Pearson Institute of Higher Education (PIHE) in South Africa resulting in a pre-tax loss of £5m. In October 2021, the sale of the Group's interests in K12 Sistemas in Brazil was also completed for consideration of £108m, resulting in a gain on sale of £84m. There were no other business disposals in 2021 and additional losses of £14m relate to other disposal costs including costs related to the wind-down of certain businesses under strategic review.

Deferred proceeds relating to the K12 sale were received in 2022 and 2021 (see note 14). None of the 2022 or 2021 disposals met the criteria to be considered a discontinued operation on the basis that they did not represent major lines of business or geographical areas of operations.

The table below shows a summary of the assets and liabilities disposed of:

All figures in £ millions	2023	2022	2021
Disposal of subsidiaries and associates			
Intangible assets, including goodwill	**(53)**	(77)	(3)
Property, plant and equipment	**(5)**	(11)	(48)
Intangible assets – product development	**(15)**	(39)	(6)
Inventories	**(1)**	(33)	(2)
Trade and other receivables	**(65)**	(106)	(6)
Deferred tax	**8**	(12)	–
Current tax (receivable)/payable	**(2)**	–	–
Cash and cash equivalents (excluding overdrafts)	**(12)**	(21)	(24)
Provisions for other liabilities and charges	**–**	1	3
Retirement benefit obligations	**–**	2	–
Trade and other liabilities	**31**	52	4
Financial liabilities – borrowings	**–**	8	67
Net assets disposed	**(114)**	(236)	(15)
Cumulative currency translation adjustment	**122**	5	(4)
Cash proceeds	**1**	291	108
Deferred proceeds	**12**	2	–
Costs of disposal	**(30)**	(25)	(24)
(Loss)/gain on disposal	**(9)**	37	65

All figures in £ millions	2023	2022	2021
Cash flow from disposals			
Proceeds – current year disposals	**1**	291	108
Proceeds – prior year disposals	**–**	86	16
Cash and cash equivalents disposed	**(12)**	(21)	(24)
Costs and other disposal liabilities paid	**(27)**	(23)	(17)
Net cash (outflow)/inflow	**(38)**	333	83

32. Held for sale

At 31 December 2023, the Group has classified two properties (2022: three), with a total carrying value of £2m (2022: £16m), as held for sale.

33. Additional cash flow information

In the cash flow statement, proceeds from sale of property, plant and equipment comprise:

All figures in £ millions	2023	2022
Net book amount	**6**	9
(Loss)/profit on sale of property, plant and equipment	**(1)**	5
Proceeds from sale of property, plant and equipment	**5**	14

The movements in the Group's current and non-current borrowings are as follows:

All figures in £ millions	2022	Fair value and other movements	Foreign exchange movements	Financing cash flows	Transfer from non-current to current	New leases/disposal of leases	2023
Financial liabilities							
Non-current borrowings	1,155	**(2)**	**(15)**	**–**	**(80)**	**42**	**1,100**
Current borrowings	66	**10**	**(18)**	**(84)**	**80**	**(1)**	**53**
Total	1,221	**8**	**(33)**	**(84)**	**–**	**41**	**1,153**

All figures in £ millions	2021	Fair value and other movements	Foreign exchange movements	Financing cash flows	Transfer from non-current to current	New leases/disposal of leases	2022
Financial liabilities							
Non-current borrowings	1,245	(14)	61	(76)	(92)	31	1,155
Current borrowings	157	(10)	16	(188)	92	(1)	66
Total	1,402	(24)	77	(264)	–	30	1,221

Non-current borrowings include bonds, derivative financial instruments and leases. Current borrowings include loans repayable within one year, derivative financial instruments and leases, but exclude overdrafts classified within cash and cash equivalents.

34. Contingencies, tax uncertainties and commitments

KJ Key judgements

— The application of tax legislation in relation to provisions for uncertain tax positions.

KE Key areas of estimation

— The level of provisions required in relation to uncertain tax positions is complex and each matter is separately assessed. The estimation of future settlement amounts is based on a number of factors including the status of the unresolved matter, clarity of legislation, range of possible outcomes and the statute of limitations.

There are contingent Group liabilities that arise in the normal course of business in respect of indemnities, warranties and guarantees in relation to former subsidiaries and in respect of guarantees in relation to subsidiaries, joint ventures and associates. In addition, there are contingent liabilities of the Group in respect of unsettled or disputed tax liabilities, legal claims, contract disputes, royalties, copyright fees, permissions and other rights. None of these claims is expected to result in a material gain or loss to the Group.

On 25 April 2019, the European Commission published the full decision that the United Kingdom controlled foreign company group financing partial exemption ('FCPE') partially constitutes State Aid. This decision was appealed by the UK Government and other parties. On 8 June 2022 the EU General Court dismissed the appeal, however, this decision was further appealed by the UK Government and other parties, with the subsequent hearing having taken place on 10 January 2024 (outcome pending). The total exposure is calculated to be £105m (excluding interest) with a provision of £63m held in relation to this issue. The remaining tax receivable is disclosed as a non-current asset on the balance sheet. The provision is calculated considering a range of possible outcomes and applying a probability to each, resulting in a weighted average outcome. The possible outcomes considered range from no liability through to the full exposure (£105m). This issue is specific to periods up to 2018 and is not a continuing exposure.

The Group is under assessment from the tax authorities in Brazil challenging the deduction for tax purposes of goodwill amortisation for the years 2012 to 2020. Similar assessments may be raised for other years. Potential total exposure (including possible interest and penalties) could be up to BRL 1,294m (£209m) up to 31 December 2023, with additional potential exposure of BRL 24m (£4m) in relation to deductions expected to be taken in future periods. Such assessments are common in Brazil. The Group believes that the likelihood that the tax authorities will ultimately prevail is low and that the Group's position is strong. At present, the Group believes no provision is required.

The Group is also under assessment from the UK tax authorities with the relevant years being 2019 to 2021. The maximum exposure is calculated to be £43m, with a provision of £21m currently held in relation to this assessment. The provision is calculated considering a range of possible outcomes and applying a probability to each, resulting in a weighted average outcome. The possible outcomes considered range from no liability through to the full exposure (£43m). The point being assessed is specific to 2019 to 2021 and is not a continuing exposure.

At the balance sheet date there were no commitments for capital expenditure contracted for but not yet incurred. Commitments in respect of leases are shown in note 35.

35. Leases

The Group's lease portfolio consists of approximately 710 property leases, mainly offices and test centres, together with a number of vehicle and equipment leases. The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

As a lessee:

The amounts recognised in the income statement are as follows:

All figures in £ millions	Note	**2023**	2022	2021
Interest on lease liabilities		**(23)**	(25)	(27)
Expenses relating to short-term leases		**–**	–	–
Depreciation of right-of-use assets	10	**(39)**	(45)	(49)
Impairment of right-of-use assets	10	**(2)**	(34)	(119)

Lease liabilities are included within financial liabilities – borrowings in the balance sheet, see note 18. The maturities of the Group's lease liabilities are as follows:

All figures in £ millions	**2023**	2022
Less than one year	**84**	94
One to five years	**286**	320
More than five years	**301**	332
Total undiscounted lease liabilities	**671**	746
Lease liabilities included in the balance sheet	**547**	605
Analysed as:		
Current	**64**	71
Non-current	**483**	534

The amounts recognised in the cash flow statement are as follows:

All figures in £ millions	2023	2022	2021
Total cash outflow for leases as a lessee	**107**	118	115

At the balance sheet date commitments for capital leases contracted for but not yet incurred were £8m (2022: £5m). Extension and termination options and variable lease payments are not significant within the lease portfolio. Short-term leases to which the Group is committed at the balance sheet date are similar to the portfolio of short-term leases to which the short-term lease expense is disclosed above.

As a lessor:

In the event that the Group has excess capacity in its leased offices and warehouses, the Group subleases some of its properties under operating and finance leases.

The amounts recognised in the income statement are as follows:

All figures in £ millions	2023	2022	2021
Interest on lease receivables	**4**	5	6
Income from subleasing right-of-use assets (within other income)	**6**	4	2

The amounts recognised in the cash flow statement are as follows:

All figures in £ millions	2023	2022	2021
Total cash inflow for leases as a lessor	**19**	23	27

The following table sets out the maturity analysis of lease payments receivable for subleases classified as operating leases, showing the undiscounted lease payments to be received after the reporting date, and subleases classified as finance leases showing the undiscounted lease payments to be received after the reporting date and the net investment in the finance lease receivable. During the year, the investment in finance lease receivable decreased by £21m (2022: increased £6m), primarily due to payments received.

All figures in £ millions	Operating leases	Finance leases	2023 Total	2022 Total	2021 Total
Less than one year	**10**	**21**	**31**	24	21
One to two years	**10**	**23**	**33**	28	18
Two to three years	**11**	**23**	**34**	28	20
Three to four years	**11**	**23**	**34**	28	21
Four to five years	**11**	**16**	**27**	29	20
More than five years	**48**	**6**	**54**	44	41
Total undiscounted lease payments receivable	**101**	**112**	**213**	181	141
Unearned finance income		**(12)**			
Net investment in finance lease receivable		**100**			

36. Related party transactions

Joint ventures and associates

At 31 December 2022, the Group had a current liability payable to Academy of Pop of £5m (2021: £7m), which related to the Group's initial capital contribution that had not yet been paid as at 31 December 2022. This balance was paid in early 2023.

Key management personnel

Key management personnel are deemed to be the members of the Pearson Executive Management team (see pages 72-73). It is this Committee which had responsibility for planning, directing and controlling the activities of the Group in 2023. Key management personnel compensation is disclosed below:

All figures in £ millions	**2023**	2022	2021
Short-term employee benefits	**9**	7	6
Retirement benefits	**1**	1	1
Share-based payment costs	**11**	9	8
Total	**21**	17	15

Short-term employee benefits and retirement benefits exclude Executive Directors which are shown on page 119 of the Directors Remuneration Report.

There were no other material related party transactions. No guarantees have been provided to related parties.

37. Events after the balance sheet date

On 29 February 2024, the Board approved an extension to the share buyback programme of £200m.

38. Accounts and audit exemptions

The Pearson plc subsidiary companies listed below are exempt from the requirements of the Companies Act 2006 relating to the audit of individual financial statements by virtue of section 479A.

	Company number
Aldwych Finance Limited	04720439
Education Development International plc	03914767
Faethm Limited	11842984
Longman Group (Overseas Holdings) Limited	00690236
Pearson Australia Finance Unlimited	05578463
Pearson Canada Finance Unlimited	05578491
Pearson Dollar Finance Limited	05111013
Pearson Dollar Finance Two Limited	06507766
Pearson Education Holdings Limited	00210859
Pearson Education Investments Limited	08444933
Pearson Education Limited	00872828
Pearson International Finance Limited	02496206
Pearson Loan Finance No. 3 Limited	05052661
Pearson Loan Finance No. 5 Limited	12017252
Pearson Loan Finance No. 6 Limited	12030662
Pearson Loan Finance Unlimited	05144467
Pearson Management Services Limited	00096263
Pearson Nominees Limited	00672908
Pearson Overseas Holdings Limited	00145205
Pearson Pension Nominees Limited	10809680
Pearson Pension Trustee Services Limited	10803853
Pearson Professional Assessments Limited	04904325
Pearson Strand Limited	08561316
Pearson Services Limited	01341060
Pearson Shared Services Limited	04623186
Pearson Strand Finance Limited	11091691
PVNT Limited	08038068
TQ Global Limited	07802458

Company balance sheet

As at 31 December 2023

All figures in £ millions	Notes	2023	2022
Assets			
Non-current assets			
Investments in subsidiaries	2	**6,702**	6,738
Amounts due from subsidiaries		**2,074**	1,667
Deferred income tax assets		**35**	44
Financial assets – derivative financial instruments	5	**32**	43
		8,843	8,492
Current assets			
Amounts due from subsidiaries		**277**	526
Current income tax assets		**22**	4
Cash and cash equivalents (excluding overdrafts)	4	**5**	240
Financial assets – derivative financial instruments	5	**15**	16
Other assets		**1**	1
		320	787
Total assets		**9,163**	9,279
Liabilities			
Non-current liabilities			
Amounts due to subsidiaries		**(3,287)**	(3,380)
Financial liabilities – derivative financial instruments	5	**(38)**	(54)
		(3,325)	(3,434)
Current liabilities			
Amounts due to subsidiaries		**(1,240)**	(1,383)
Other liabilities		**(121)**	(1)
Financial liabilities – derivative financial instruments	5	**(5)**	(11)
		(1,366)	(1,395)
Total liabilities		**(4,691)**	(4,829)
Net assets		**4,472**	4,450

All figures in £ millions	Notes	2023	2022
Equity			
Share capital	6	**174**	179
Share premium	6	**2,642**	2,633
Treasury shares	7	**(19)**	(15)
Capital redemption reserve		**33**	28
Special reserve		**447**	447
Retained earnings – including profit for the year of £467m (2022: £499m)		**1,195**	1,178
Total equity attributable to equity holders of the company		**4,472**	4,450

These financial statements have been approved for issue by the Board of Directors on 13 March 2024 and signed on its behalf by

Sally Johnson
Chief Financial Officer

Company statement of changes in equity

Year ended 31 December 2023

All figures in £ millions	Share capital	Share premium	Treasury shares	Capital redemption reserve	Special reserve	Retained earnings	Total
	Equity attributable to equity holders of the company						
At 1 January 2023	**179**	**2,633**	**(15)**	**28**	**447**	**1,178**	**4,450**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**467**	**467**
Equity-settled transactions[1]	**–**	**–**	**–**	**–**	**–**	**40**	**40**
Issue of ordinary shares under share option schemes[1]	**–**	**9**	**–**	**–**	**–**	**–**	**9**
Purchase of treasury shares	**–**	**–**	**(35)**	**–**	**–**	**–**	**(35)**
Release of treasury shares	**–**	**–**	**31**	**–**	**–**	**(31)**	**–**
Buyback of equity	**(5)**	**–**	**–**	**5**	**–**	**(304)**	**(304)**
Dividends	**–**	**–**	**–**	**–**	**–**	**(155)**	**(155)**
At 31 December 2023	**174**	**2,642**	**(19)**	**33**	**447**	**1,195**	**4,472**

All figures in £ millions	Share capital	Share premium	Treasury shares	Capital redemption reserve	Special reserve	Retained earnings	Total
	Equity attributable to equity holders of the company						
At 1 January 2022	189	2,626	(12)	18	447	1,184	4,452
Profit for the year	–	–	–	–	–	499	499
Equity-settled transactions[1]	–	–	–	–	–	38	38
Issue of ordinary shares under share option schemes[1]	–	7	–	–	–	–	7
Purchase of treasury shares	–	–	(37)	–	–	–	(37)
Release of treasury shares	–	–	34	–	–	(34)	–
Buyback of equity	(10)	–	–	10	–	(353)	(353)
Dividends	–	–	–	–	–	(156)	(156)
At 31 December 2022	179	2,633	(15)	28	447	1,178	4,450

The capital redemption reserve reflects the nominal value of shares cancelled in the Group's share buyback programme. The special reserve represents the cumulative effect of cancellation of the company's share premium account.

[1] Full details of the share-based payment plans are disclosed in note 26 to the consolidated financial statements.

Company cash flow statement

Year ended 31 December 2023

All figures in £ millions	Notes	2023	2022
Cash flows from operating activities			
Net profit		**467**	499
Adjustments for:			
Income tax		**6**	(15)
Net finance costs		**(10)**	48
Share-based payment costs		**40**	38
Impairment (reversals)/charges		**(40)**	5
Amounts due to subsidiaries		**(301)**	(97)
Net cash generated from operations		**162**	478
Interest paid		**(14)**	(44)
Tax (paid)/received		**(15)**	4
Net cash generated from operating activities		**133**	438
Cash flows from financing activities			
Proceeds from issue of ordinary shares	6	**9**	7
Buyback of equity		**(186)**	(353)
Purchase of treasury shares		**(35)**	(37)
Proceeds from borrowings		**285**	–
Repayment of borrowings		**(285)**	–
Dividends paid to company's shareholders		**(154)**	(156)
Net cash used in financing activities		**(366)**	(539)
Effects of exchange rate changes on cash and cash equivalents		**(2)**	31
Net decrease in cash and cash equivalents		**(235)**	(70)
Cash and cash equivalents at beginning of year		**240**	310
Cash and cash equivalents at end of year	4	**5**	240

Notes to the company financial statements

1. Accounting policies

The financial statements on pages 208-218 comprise the separate financial statements of Pearson plc.

These company financial statements have been prepared on the going concern basis and in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006. The company financial statements have also been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB).

The company financial statements have been prepared under the historical cost convention as modified by the revaluation of financial assets and liabilities (including derivative financial instruments) at fair value.

As permitted by section 408 of the Companies Act 2006, the company income statement and statement of comprehensive income have not been presented.

The company has no employees (2022: nil).

The basis of preparation and accounting policies applied in the preparation of these company financial statements are the same as those set out in note 1a to the consolidated financial statements with the addition of the following:

Investments

Investments in subsidiaries are stated at cost less provision for impairment, with the exception of certain hedged investments that are held in a foreign currency and revalued at each balance sheet date.

Lending to/from subsidiaries is considered to be an operating activity and any movements are classified as cash flows from operating activities in the cash flow statement.

Amounts owed by subsidiaries

Amounts owed by subsidiaries generally mature within five years, but can be called upon on short notice, or are repayable on demand. Amounts owed by subsidiaries are classified as current if they mature within one year of the balance sheet date or if the company intends to call the loan within one year of the balance sheet date. All other amounts are classified as non-current. The company has assessed and concluded that these loans will be fully recovered. Therefore credit losses are considered to be immaterial.

Parent company guarantees

The Company has guaranteed the repayment of bonds and certain other liabilities due by subsidiary undertakings primarily to third parties. Such guarantees are accounted for by the Company under IFRS 9. They are initially measured at fair value. Subsequently, they are measured at the higher of (i) the amount initially recognised less the cumulative amount of revenue recognised in accordance with IFRS 15, and (ii) the expected credit losses under IFRS 9. The Company has also entered into performance guarantees whereby in respect of contracts entered into by subsidiary undertakings, the Company will settle any claims for non-performance under the contract in the event that the subsidiary does not perform its responsibilities under the contract, and it does not pay out any amounts due to the third party in the event of non-performance. Such performance guarantees are accounted for as loan commitments under IFRS 9.

New accounting standards

The Group adopted IFRS 17 'Insurance Contracts' for the first time in 2023. No other new standards were adopted in 2023. A number of other new pronouncements are effective from 1 January 2023 but they do not have a material impact on the company financial statements.

Going concern

In assessing the Company's ability to continue as a going concern for the period to 30 June 2025, the Board reviewed management's five-year plan, which was used as the base case.

The review included available liquidity throughout the period and headroom against the Group's two main covenants, which require net debt to EBITDA to be a maximum of four times and interest cover to be at least three times.

At 31 December 2023, the Group had available liquidity of c.£1bn, comprising central cash balances and its undrawn $1bn Revolving Credit Facility (RCF). The company's subsidiary Pearson Funding plc has a debt maturity of €300m due within the going concern assessment period and it is assumed that this is refinanced ahead of time with a £250m bond or bank facility. In both the base case and severe but plausible scenario, the business has sufficient liquidity to repay this amount and does not rely on this refinancing in order to remain a going concern. Significant liquidity and covenant headroom was observed throughout the assessment period in this base model.

A severe but plausible scenario was analysed, where the Group is impacted by all principal risks in both 2024 and 2025, adjusted for probability weighting as well as other significant risks. For this and other downside scenarios tested, the net impact of the risks modelled was to reduce adjusted operating profit by around 40% in each year. Even under a severe downside case, the company would maintain comfortable liquidity headroom and sufficient headroom against covenant requirements during the period under assessment. That is, even before modelling the mitigating effect of actions that management would take if these downside risks were to crystalise.

A reverse stress test was performed to identify the reduction in profit required to cease to be a going concern at or before 30 June 2025. The model showed that operating losses were required in both 2024 and 2025 to breach covenants and in turn to exhaust liquidity. This significantly exceeded the severe but plausible downside scenario. The Directors consider this reverse stress test scenario to be remote.

The Directors have confirmed that there are no material uncertainties that cast doubt on the Company's going concern status and that they have a reasonable expectation that the Company has adequate resources to continue in operational existence beyond 30 June 2025. The Company financial statements have therefore been prepared on a going concern basis.

2. Investments in subsidiaries

All figures in £ millions	**2023**	2022
At beginning of year	**6,738**	6,632
Distributions	**–**	(49)
Impairment reversal	**40**	–
Currency revaluations	**(76)**	155
At end of year	**6,702**	6,738

2. Investments in subsidiaries continued

There were no impairments in 2023 or 2022. The recoverability of investments is tested annually for impairment in accordance with IAS 36 'Impairment of Assets'. The carrying value is compared to the asset's recoverable amount which is generally assessed on a value in use basis. Significant estimation is required to determine the recoverable amount. The value in use of the assets is calculated using a discounted cash flow methodology using financial information related to the subsidiaries including cash flow projections in conjunction with the goodwill impairment analysis performed by the Group. The key assumptions used in the cash flow projections are discount rates, perpetuity growth rates, forecast sales growth rates and forecast operating profits. See note 11 of the consolidated financial statements for further details.

3. Financial risk management

The company's financial instruments comprise amounts due to/from subsidiary undertakings, cash and cash equivalents, derivative financial instruments and current borrowings. Derivative financial instruments are held at fair value, with all other financial instruments held at amortised cost, which approximates fair value. The company's approach to the management of financial risks is consistent with the Group's treasury policy, as discussed in note 19 to the consolidated financial statements. The company believes the value of its financial assets to be fully recoverable.

The carrying value of the company's financial instruments is exposed to movements in interest rates and foreign currency exchange rates (primarily US dollars). The company estimates that a 1% increase in interest rates would result in a £11m increase (2022: £7m increase) in the carrying value of its financial instruments, with a 1% decrease in interest rates resulting in a £10m decrease (2022: £6m decrease) in their carrying value. The company also estimates that a 10% strengthening in sterling would decrease the carrying value of its financial instruments by £40m (2022: £136m), while a 10% weakening in the value of sterling would increase the carrying value by £48m (2022: £153m). These increases and decreases in carrying value would be recorded through the income statement. Sensitivities are calculated using estimation techniques such as discounted cash flow and option valuation models. Where modelling an interest rate decrease of 1% led to negative interest rates, these points on the yield curve were adjusted to 0%.

The following table analyses the company's derivative assets and liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows (including interest) and as such may differ from the amounts disclosed on the balance sheet.

	Analysed by maturity				Analysed by currency			
All figures in £ millions	Greater than one month and less than one year	Later than one year but less than five years	Five years or more	Total	USD	GBP	Other	Total
At 31 December 2023								
Rate derivatives – inflows	**(13)**	**(262)**	**–**	**(275)**	**(6)**	**(9)**	**(260)**	**(275)**
Rate derivatives – outflows	**5**	**268**	**–**	**273**	**178**	**89**	**6**	**273**
FX forwards – inflows	**(428)**	**–**	**–**	**(428)**	–	**(428)**	–	**(428)**
FX forwards – outflows	**421**	**–**	**–**	**421**	**421**	–	–	**421**
Total	**(15)**	**6**	**–**	**(9)**	**593**	**(348)**	**(254)**	**(9)**
At 31 December 2022								
Rate derivatives – inflows	(11)	(471)	–	(482)	(24)	(170)	(288)	(482)
Rate derivatives – outflows	1	490	–	491	224	255	12	491
FX forwards – inflows	(304)	–	–	(304)	–	(304)	–	(304)
FX forwards – outflows	313	–	–	313	–	313	–	313
Total	(1)	19	–	18	200	94	(276)	18

All cash flow projections shown above are on an undiscounted basis. Any cash flows based on a floating rate are calculated using interest rates as set at the date of the last rate reset. Where this is not possible, floating rates are based on interest rates prevailing at 31 December in the relevant year. All derivative amounts are shown gross, although the company net settles these amounts wherever possible.

Fair value hedge accounting

A foreign currency exposure arises from foreign exchange fluctuations on translation of the company's investments in subsidiaries denominated in USD into GBP. The hedged risk is the risk of changes in the GBP:USD spot rate that will result in changes in the value of the USD investments when translated into GBP. The hedged items are a portion of the company's equity investment in subsidiaries denominated in USD. The hedging instruments are a portion of the company's intercompany loans due from subsidiaries which are denominated in USD.

It is expected that the change in value of each of these items will offset each other as there is a clear and direct economic relationship between the hedge and the hedged item in the hedge relationship. Hedge ineffectiveness would arise if the value of the hedged items fell below the value of the hedging instruments; however, this is unlikely as the value of the company's investments denominated in USD is significantly greater than the proposed fair value hedge programme.

The value of the hedged items and the hedging instruments is £1.4bn (2022: £1.4bn) and the change in value during the year which was used to assess hedge ineffectiveness was £77m (2022: £155m). There was no hedge ineffectiveness.

Cash flows from the €300m EUR 2025 bond are received by the company from its subsidiary creating a foreign currency exposure upon the translation from EUR to GBP. Changes in the GBP:EUR spot rate will result in changes to the value of amounts due from subsidiaries when translated into GBP. The hedged item is €100m of this amount due from subsidiaries denominated in EUR. The hedging instrument is a €100m 2025 cross-currency swap. It is expected that the change in value of these items will move in the opposite directions as a result of movements in the EUR:GBP exchange rate.

Credit risk management

The company's main exposure to credit risk relates to lending to subsidiaries. Amounts due from subsidiaries are stated net of provisions for bad and doubtful debts. The credit risk of each subsidiary is influenced by the industry and country in which they operate; however, the company considers the credit risk of subsidiaries to be low as it has visibility of, and the ability to influence, their cash flows.

4. Cash and cash equivalents (excluding overdrafts)

All figures in £ millions	**2023**	2022
Cash at bank and in hand	**5**	240
	5	240

At the end of 2023, the currency split of cash and cash equivalents was US dollar 0% (2022: 79%), sterling 44% (2022: 18%) and other 56% (2022: 3%). Cash and cash equivalents have fair values that approximate their carrying amounts due to their short-term nature.

5. Derivative financial instruments

The company's outstanding derivative financial instruments are as follows:

	2023			2022		
All figures in £ millions	**Gross notional amounts**	**Assets**	**Liabilities**	Gross notional amounts	Assets	Liabilities
Interest rate derivatives	**430**	**14**	**(6)**	437	19	(11)
Cross-currency rate derivatives	**439**	**26**	**(32)**	83	34	(43)
FX derivatives	**894**	**7**	**(5)**	916	6	(11)
Total	**1,763**	**47**	**(43)**	1,436	59	(65)
Analysed as expiring:						
In less than one year	**995**	**15**	**(5)**	1,016	16	(11)
Later than one year and not later than five years	**768**	**32**	**(38)**	420	43	(54)
Total	**1,763**	**47**	**(43)**	1,436	59	(65)

The carrying value of the above derivative financial instruments equals their fair value. Derivatives are categorised as level 2 on the fair value hierarchy. Fair values are determined by using market data and the use of established estimation techniques such as discounted cash flow and option valuation models.

6. Share capital and share premium

	Number of shares 000s	Share capital £m	Share premium £m
At 31 December 2021	756,802	189	2,626
Issue of ordinary shares – share option schemes	1,199	–	7
Buyback of equity	(42,268)	(10)	–
At 31 December 2022	715,733	179	2,633
Issue of ordinary shares – share option schemes	**1,809**	**–**	**9**
Buyback of equity	**(20,243)**	**(5)**	**–**
At 31 December 2023	**697,299**	**174**	**2,642**

The ordinary shares have a par value of 25p per share (2022: 25p per share). All issued shares are fully paid. All shareholders are entitled to receive dividends and vote at general meetings of the company. All shares have the same rights.

6. Share capital and share premium continued

On 20 September 2023, the Board approved a £300m share buyback programme in order to return capital to shareholders. During the year, approximately 20m shares were bought back and cancelled at a cost of £186m. The nominal value of these shares, £5m, was transferred to the capital redemption reserve, and the remainder of the purchase price is recorded within retained earnings. At 31 December 2023, a liability of £118m remained for those shares contracted to be repurchased but where the repurchases were still outstanding and associated costs.

On 24 February 2022, the Board approved a £350m share buyback programme in order to return capital to shareholders. During 2022, approximately 42m shares were bought back and cancelled at a cost of £353m. The nominal value of these shares, £10m, was transferred to the capital redemption reserve, and the remainder of the purchase price was recorded within retained earnings.

7. Treasury shares

	Number of shares 000s	£m
At 31 December 2021	1,571	12
Purchase of treasury shares	4,513	37
Release of treasury shares	(4,220)	(34)
At 31 December 2022	1,864	15
Purchase of treasury shares	**3,991**	**35**
Release of treasury shares	**(3,695)**	**(31)**
At 31 December 2023	**2,160**	**19**

The company holds its own shares in trust to satisfy its obligations under its restricted share plans. These shares are treated as treasury shares for accounting purposes and have a par value of 25p per share.

The nominal value of the company's treasury shares amounts to £0.5m (2022: £0.5m). Dividends on treasury shares are waived.

At 31 December 2023, the market value of the company's treasury shares was £21m (2022: £18m). The gross book value of the shares at 31 December 2023 amounts to £19m (2022: £15m).

8. Contingencies

There are contingent liabilities that arise in the normal course of business in respect of indemnities, warranties and guarantees in relation to former subsidiaries and in respect of guarantees in relation to subsidiaries. The total value of guarantees made by the company in relation to its subsidiaries is £912m (2022: £889m). In addition, there are contingent liabilities in respect of legal claims. None of these claims is expected to result in a material gain or loss to the company.

9. Audit fees

Statutory audit fees relating to the company were £40,700 (2022: £38,037).

10. Related party transactions

Subsidiaries

The company transacts and has outstanding balances with its subsidiaries. Amounts due from subsidiaries and amounts due to subsidiaries are disclosed on the face of the company balance sheet.

These loans are generally unsecured and interest is calculated based on market rates. The company has interest payable to subsidiaries for the year of £188m (2022: £137m) and interest and guarantee fees receivable from subsidiaries for the year of £189m (2022: £105m). Management fees payable to subsidiaries in respect of centrally provided services amounted to £17m (2022: £16m). Management fees receivable from subsidiaries in respect of centrally provided services amounted to £31m (2022: £34m). Dividends received from subsidiaries were £448m (2022: £605m), which includes £nil (2022: £49m) of returns of capital distributed by subsidiaries.

Associates

There were no related party transactions with associates in 2023 or 2022.

Key management personnel

Key management personnel are deemed to be the members of the Pearson Executive Management team.

It is this Committee which had responsibility for planning, directing and controlling the activities of the company in 2023. Key management personnel compensation is disclosed in note 36 to the consolidated financial statements.

11. Group companies

In accordance with section 409 of the Companies Act 2006, a full list of subsidiaries, partnerships, associates, joint ventures and joint arrangements, the country of incorporation, the registered address and the effective percentage of equity owned, as at 31 December 2023, is disclosed below. Unless otherwise stated, the shares are all indirectly held by Pearson plc. Unless otherwise stated, all wholly-owned and partly-owned subsidiaries are included in the consolidation and all associated undertakings are included in the Group's financial statements using the equity method of accounting. Principal Group companies are identified in bold.

Wholly-owned subsidiaries

Registered company name	Country of Incorp.	Reg office
Addison Wesley Longman, Inc.	US	3
Addison-Wesley Educational Publishers Inc.	US	4
AEL (S) PTE Limited	SG	73
Aldwych Finance Limited	UK	1
ATI Professional Development LLC	US	4
ATI Studios A.P.P.S. SRL	RO	78
Atkey Finance Limited*	IE	7
Camsaw, Inc.	US	4
CAMSAWUSA, Inc.	US	11
Centro Cultural Americano Franquias e Comércio Ltda.	BR	15
Century Consultants Ltd.	US	13
Certiport China Holding, LLC	US	4
Certiport, Inc.	US	4
Clutch Learning, Inc.	US	4
Cogmed Systems AB	SE	14
Connections Academy of Florida, LLC	US	20
Connections Academy of Iowa, LLC	US	24
Connections Academy of Maine, LLC	US	28
Connections Academy of Maryland, LLC	US	29
Connections Academy of Nevada, LLC	US	31
Connections Academy of New Mexico, LLC	US	32
Connections Academy of Oregon, LLC	US	37
Connections Academy of Pennsylvania LLC	US	38
Connections Academy of Tennessee, LLC	US	40
Connections Academy of Texas LLC	US	41
Connections Education LLC	US	4
Connections Education of Florida, LLC	US	20
Connections Education, Inc.	US	4
Credly, Inc.	US	4
Dominie Press, Inc.	US	17
Dorian Finance Limited	IE	7
eCollege.com	US	4
Edexcel Limited†*	UK	50
Education Development International Plc†	UK	1
Education Resources (Cyprus) Limited	CY	51
Educational Management Group, Inc.	US	52
English Language Learning and Instruction System, Inc.	US	54
Faethm Holdings Pty. Limited	AU	48
Faethm IP Pty. Limited	AU	48
Faethm Ltd	UK	1
Faethm Pty. Limited	AU	48
Faethm USA LLC	US	6
Falstaff Holdco Inc.	US	4
Falstaff Inc.	US	55
FBH, Inc.	US	4
George (Shanghai) Commercial Information Consulting Co., Ltd	CN	21
Globe Fearon Inc.	US	17
Heinemann Educational Botswana (Publishers) Proprietary Limited	BW	8
IndiaCan Education Private Limited	IN	2
Integral 7, Inc.	US	4
INTELLIPRO, INC.	US	13
Knowledge Analysis Technologies, LLC	US	18
LCCIEB Training Consultancy., Ltd	CN	64
LessonLab, Inc.	US	17
Lignum Oil Company	US	4
LION SG PTE. LTD.*	SG	23
Longman (Malawi) Limited	MW	65
Longman Group(Overseas Holdings) Limited	UK	1
Longman Indochina Acquisition, L.L.C.	US	4
Longman Tanzania Limited*	TZ	68
Longman Zambia Educational Publishers Pty Ltd	ZM	69
Longman Zimbabwe (Private) Ltd	ZW	47
Longmaned Ecuador S.A.	EC	71
Lumerit Education, LLC	US	41
Major123 Limited*	UK	50
MeasureUp of Delaware, LLC	US	4
Modern Curriculum Inc.	US	17
Multi Treinamento e Editora Ltda	BR	60
MZ Development Inc.	US	4
National Computer Systems Japan Co. Ltd	JP	74
Navvy Education, LLC	US	22
NCS Information Technology Services (Beijing) Co Ltd	CN	75
NCS Pearson Pty Ltd	AU	48
NCS Pearson Puerto Rico, Inc.	PR	76
NCS Pearson, Inc.	US	30
Opinion Interactive LLC	US	16
Ordinate Corporation	US	17
Pearson (Beijing) Management Consulting Co., Ltd.	CN	77
Pearson America LLC	US	4
Pearson Amsterdam B.V.	NL	79
Pearson Australia Finance Unlimited	UK	1
Pearson Australia Group Pty Ltd	AU	48
Pearson Australia Holdings Pty Ltd	AU	48
Pearson Benelux B.V.	NL	79
Pearson Books Limited†*	UK	50
Pearson Brazil Finance Limited*	UK	50
Pearson Business Services Inc.	US	4
Pearson Canada Assessment Inc.	CA	80
Pearson Canada Finance Unlimited	UK	1
Pearson Canada Holdings Inc.	CA	80
Pearson Canada Inc.	CA	80
Pearson Central Europe Spółka z ograniczoną odpowiedzialnością	PL	39
Pearson DBC Holdings Inc.	US	4
Pearson Desarrollo y Capacitación Profesional Chile Limitada	CL	81
Pearson Deutschland GmbH	DE	82

11. Group companies continued

Registered company name	Country of Incorp.	Reg office
Pearson Digital Learning Puerto Rico, Inc.	PR	76
Pearson Dollar Finance Limited[†]	UK	1
Pearson Dollar Finance Two Limited	UK	1
Pearson Educacion de Chile Limitada	CL	81
Pearson Educacion de Colombia S.A.S.	CO	84
Pearson Educacion de Mexico, S.A. de C.V.	MX	85
Pearson Educacion de Panama SA	PA	86
Pearson Educacion de Peru S.A.	PE	87
Pearson Educacion SA	ES	88
Pearson Education Africa (Pty) Ltd	ZA	47
Pearson Education Asia Limited	HK	53
Pearson Education Botswana (Proprietary) Limited	BW	8
Pearson Education do Brasil Ltda	BR	60
Pearson Education Hellas SA	GR	26
Pearson Education Holdings Limited[†]	UK	1
Pearson Education Indochina Limited	TH	89
Pearson Education Investments Limited	UK	1
Pearson Education Korea Limited	KR	90
Pearson Education Limited	UK	1
Pearson Education Namibia (Pty) Limited	NA	58
Pearson Education Publishing Limited	NG	44
Pearson Education S.A.	UY	5
Pearson Education SA	AR	67
Pearson Education South Africa (Pty) Ltd	ZA	47
Pearson Education South Asia Pte. Ltd.	SG	73
Pearson Education Taiwan Ltd	TW	9
Pearson Education, Inc.	US	4
Pearson Educational Measurement Canada, Inc.	CA	36
Pearson Educational Publishers, LLC	US	4
Pearson Egitim Cozumleri Tikaret Limited Sirketi	TR	61
Pearson Falstaff (Holdings) Inc.	US	4
Pearson Falstaff Holdco LLC	US	4
Pearson Federal Holding Company, LLC	US	4
Pearson France	FR	70
Pearson Funding Four Limited[†][*]	UK	50
Pearson Funding plc[†]	UK	1
Pearson Holdings Inc.	US	4
Pearson Holdings Southern Africa (Pty) Limited	ZA	47
Pearson Hungary LLC[*]	HU	25
Pearson India Education Services Private Limited	IN	2
Pearson International Finance Limited[†]	UK	1
Pearson Investment Holdings, Inc.	US	4
Pearson Israel (P.I.) Ltd	IL	66
Pearson Japan KK	JP	49
Pearson Lanka (Private) Limited	LK	63
Pearson Lanka Support Services (Private) Limited	LK	12
Pearson Lesotho (Pty) Ltd	LS	62
Pearson Loan Finance No. 3 Limited	UK	1
Pearson Loan Finance No. 4 Limited[*]	UK	50
Pearson Loan Finance No. 5 Limited	UK	1
Pearson Loan Finance No. 6 Limited	UK	1
Pearson Loan Finance Unlimited	UK	1
Pearson Longman Uganda Limited	UG	43
Pearson Malaysia Sdn. Bhd.	MY	59
Pearson Management Services Limited[†]	UK	1
Pearson Management Services Philippines Inc.	PH	33
Pearson Maryland, Inc.	US	11
Pearson Moçambique, Limitada	MZ	42
Pearson Netherlands B.V.	NL	79
Pearson Netherlands Holdings B.V.	NL	79
Pearson Nominees Limited[†]	UK	1
Pearson Online Tutoring LLC	US	4
Pearson Overseas Holdings Limited[†]	UK	1
Pearson PEM P.R., Inc.	PR	19
Pearson Phoenix Pty Ltd	AU	48
Pearson Professional Assessments Limited	UK	1
Pearson Real Estate Holdings Inc.	US	4
Pearson Real Estate Holdings Limited[†][*]	UK	50
Pearson Regional Headquarters Arabia	SA	57
Pearson Schweiz AG	CH	34
Pearson Services Limited[†]	UK	1
Pearson Shared Services Limited[†]	UK	1
Pearson Strand Finance Limited[†]	UK	1
Pearson Strand Limited	UK	1
Pearson Sweden AB	SE	14
Pearson VUE Europe B.V.	NL	79
Pearson VUE Philippines, Inc.	PH	27
Penguin Capital, LLC	US	4
Personnel Decisions Research Institutes, LLC	US	30
PN Holdings Inc.	US	4
ProctorCam, Inc.	US	4
PT Efficient English Services	ID	83
PVNT Limited	UK	1
Reading Property Holdings LLC	US	3
Rebus Planning Associates, Inc.	US	10
Reston Publishing Company, Inc.	US	4
Rycade Capital Corporation	US	4
Shanghai AWL Education Software Ltd[*]	CN	72
Silver Burdett Ginn Inc.	US	4
Skylight Training and Publishing Inc.	US	52
Smarthinking, Inc.	US	4
Sound Holdings Inc.	US	4
Sparrow Phoenix Pty Ltd	AU	48
Spear Insurance Company Limited[†]	BM	45
The Waite Group, Inc.	US	17
TQ Catalis Limited[*]	UK	50
TQ Clapham Limited[*]	UK	50
TQ Education and Training Limited	UK	1
TQ Education and Training Limited	SA	56
TQ Global Limited	UK	1
TQ Group Limited	UK	1
TQ Holdings Limited	UK	1
VUE Testing Services Israel Ltd	IL	46
VUE Testing Services Korea Limited	KR	35
Williams Education GmbH	DE	82

[*] In liquidation.

[†] Directly owned by Pearson plc.

Subsidiary addresses

The following list includes all Pearson registered offices worldwide.

Registered office address

1 80 Strand, London, WC2R 0RL, England
2 Featherlite, 'The Address', 5th Floor, Survey No 203/10B, 200 Ft MMRD Road, Zamin, Pallavaram, Chennai, TN 600044, India
3 C T Corporation System, 155 Federal St., Suite 700, Boston, MA, 02110, United States
4 The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington, New Castle, DE, 19801, United States
5 Juan Benito Blanco 780 – Plaza Business Center, Montevideo, Uruguay
6 340 Halsa Dr, Chattahoochee Hills, GA, GA 30268, United States
7 1st Floor The Liffey Trust Centre, 117-126 Sheriff Street Upper, Dublin 1, Ireland
8 Dps Consulting Services Proprietary Limited, Plot 54513, Unit 6a, Courtyard, Village, Gaborone, Botswana
9 10F, No 209, Sec. 1, Civic Blvd., Datong District, Taipei City, 10351, Taiwan (Province of China)
10 The Corporation Company, 40600 Ann Arbor Rd, E Suite 201, Plymouth, MI, 48170, United States
11 The Corporation Trust Incorporated, Suite 201, 2405 York Road, Lutherville Timonium, MD, 21093, United States
12 #1, 3, 5th Floor, East Tower, World Trade Centre, Echelon Square, Colombo, O1, Sri Lanka
13 820, Bear Tavern Road, West Trenton, Mercer, NJ, 08628, United States
14 Gustavslundsvägen 137, 167 51 Bromma, Stockholm, Sweden
15 Avenida Francisco Matarazzo nº 1400 Edifício Milano – 7º andar, Conjunto 72 – Sala 25 de Março – Agua Branca, São Paulo, 05001 903, Brazil
16 105 E Street #2A, Davis, CA, CA 95616, United States
17 C T Corporation System, 330 N Brand Blvd., Glendale, CA, 91203-2336
18 The Corporation Company, 7700 E Arapahoe Rd, Suite 220, Centennial, CO, 80112-1268, United States
19 500, 401, Calle de la Tanca Edificio Ochoa, San Juan, 00901-1969, Puerto Rico
20 C T Corporation System, 1200, South Pine Island Road, Plantation, FL, 33324, United States
21 Suite A7b, 3/F, No. 586 Longchang Road, Yangpu District, Shanghai, China
22 CT Corportion System, 289 S Culver St, Lawrenceville, GA, 30046-4805, United States
23 Kroll Pte. Limited, One Raffles Place, Tower 2, #10-62, Singapore, 048616, Singapore
24 C T Corporation System, 400 E Court Ave, Des Moines, IA, 50309, United States
25 22 B, 13 em, Népfürdő utca, Budapest, 1138, Hungary
26 4 Zalogou Str., 15343 Agia Paraskevi, Athens, Greece
27 27/F Trident Tower, 312 Sen. Gil Puyat Avenue, Makati City, Metro Manila, Philippines
28 C T Corporation System, 100 Second Avenue, Augusta, ME, 04330, United States
29 CSC - Lawyers Incorporating Service Company, 7 St. Paul Street, Suite 820, Baltimore, MD, 21202, United States
30 C T Corporation System Inc., 1010 Dale Street North, St Paul, MN, 55117-5603, United States
31 The Corporation Trust Company of Nevada, 701 S Carson St, Suite 200, Carson City, NV, 89701, United States

Registered office address

32 C T Corporation System, 206 S Coronado Ave, Espanola, NM, 87532-2792, United States
33 7/F North Tower, Rockwell Business Center COR. Sheridan & United Street, Brgy. Highway Hills, Mandaluyong, Philippines
34 10 Gewerbestrasse, Cham, 6330, Switzerland
35 21, Mugyo-ro Jung-gu, Seoul, Republic of Korea
36 199 Bay Street, Commerce Court West, Suite 2800, Toronto, ON, M5L1A9, Canada
37 C T Corporation System, 780 Commercial Street SE, STE 100, Salem, OR, OR 97301, United States
38 C T Corporation System, 600 N. 2nd Street, Suite 401, Harrisburg, PA, 17101-1071, United States
39 Ulica Szamocka 8 01-748, Warszawa, Poland
40 C T Corporation System, 300 Montvue Rd, Knoxville, TN, 37919-5546, United States
41 CT Corporation System, 1999 Bryan Street, Suite 900, Dallas, TX, 75201, United States
42 Numero 776, Avenida 24 de Julho, Maputo, Mozambique
43 Plot 8, Berkley Road, Old Kampala, Uganda
44 8, Secretariat Road, Obafemi Awolowo Way, Alausa, Ikeja, Lagos State, Nigeria
45 Power House, 7 Par-la-ville Road, PO Box 1826, Hamilton, HM 11, Bermuda
46 Derech Ben Gurion 2, BSR Building 9th Floor, Ramat Gan, 52573, Israel
47 Auto Atlantic, 4th Floor, Corner Hertzog Boulevard and Heerengracht, Cape Town, 8001, South Africa
48 459-471 Church Street, Richmond, Melbourne, VIC, 3121, Australia
49 11F Kanda Square, 2-2-1 Kanda-Nishikicho, Chiyoda-ku, Tokyo, 101-0054, Japan
50 Kroll Advisory Ltd., The Shard, 32 London Bridge Street, London, SE1 9SG, England
51 195, Archbishop Makarios III Avenue, Neocleous House, Limassol, 3030, Cyprus
52 Illinois Corporation Service Company, 700 S 2nd Street, Springfield, IL, 62703, United States
53 18/F, 1063 King's Road, Quarry Bay, Hong Kong
54 251, Little Falls Drive, Corporation Service Company, Wilmington, DE, 19808, United States
55 C T Corporation System, 28 Liberty Street, New York, NY, 10005, United States
56 King Fayad Road, Olaya, Riyadh, 58774, 11515, Saudi Arabia
57 Al Tawuniyya Towers, King Fahd Road, North Block, 2nd floor, Riyadh, Saudi Arabia
58 Unit 7 Kingland Park, 98 Nickel Street, Prosperita, Windhoek, Namibia
59 Unit 30-01, Level 30, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia
60 Avenida José Luiz Mazzali, nº 450, Sala H, Setor Módulo 03B, GLP Louveira I, Santo Antônio, Louveira, SP, CEP 13.290-000, Brazil
61 Nida Kule Kozyatagi, Kozyatagi Mahallesi, Degirmen Sokak No:18 Kat:6 D:15, Kadikoy, Istanbul, 34742, Turkey
62 1st Floor Christie House, Orpen Road, Maseru, Lesotho

Registered office address

63 MAGA ONE-Level 22, No. 200, Nawala Road, Narahenpita, Colombo 05, 11222, Sri Lanka
64 Room 305, Building 2, 6555 Shangchuan Road, Pudong District, Shanghai, China
65 AMG Global, Global House, Kristwick, Masauko Chipembere Highway, Blantyre, Malawi
66 Meitar Law Offices, 16 Abba Hillel Rd., Ramat Gan, 5250608, Israel
67 498, Libertador Ave, City of Buenos Aires, 3rd floor, Buenos Aires, Argentina
68 P O Box 45, IPS Building, Maktaba Street, Dar es Salaam, Tanzania
69 Plot 1281, Lungwebungu Road, Rhodes Park, Lusaka, Zambia
70 8 Rue des Pirogues de Bercy, 75012 Paris, France
71 Andalucía y cordero E12-35. Edificio CYEDE piso 1, Oficina 11, Sector "La Floresta", Quito, Pichincha, Ecuador
72 Suite 302-9,Block 3, No. 333 Weining Road, Changning District, Shanghai, China
73 3 Temasek Avenue, #21-23 Centennial Tower, 039190, Singapore
74 Shiodome City Center 18F, 1-5-2, Higashi Shimbashi, Minato-Ku, Tokyo, 105-7118, Japan
75 Suite 1201, Tower 2, No. 36 North Third Ring East Road, Dongcheng District, Beijing, China
76 268 Munoz Rivera Avenue, Suite 1400, San Juan, 00918, Puerto Rico
77 Room 902, Tower W2, Oriental Plaza, No. 1 East Chang'an Street, Dongcheng District, Beijing, 11, 100738, China
78 Str. Politehnicii 3, Braşov, 500019, Romania
79 Kabelweg 37, Amsterdam, 1014 BA, Netherlands
80 357 Bay Street, 3rd Floor, Toronto, ON, M5H 4A6, Canada
81 Oficina N°117, edificio Casa Colorada, calle Merced N°838-A Santiago Centro, Santiago, Chile
82 c/o Pearson Deutschland GmbH, St.-Martin-Str. 82, Munich, 81541, Germany
83 30th Floor, Ratu Plaza Office Tower, Jl. Jend. Sudirman Kav 9, Jakarta, 10270, Indonesia
84 Carrera 7 Nro 156 – 68, Piso 26, Bogota, Colombia
85 Calle Antonio Dovali jaime #70, Torre B, Piso 6, Col. Zedec ed Plaza Santa Fe, del. Álvaro Obregon, Ciudad de Mexico, CP 01210, Mexico
86 Punta Pacifica, Torres de las Americas, Torre A Piso 15 Ofic. 1517, Panama, 0832-0588, Panama
87 Cal. Los Halcones, no. 275, Urb. Limatombo, Lima, Perú
88 85, Paseo de la Castellana, Planta 8, Madrid, 28046, Spain
89 87/1 Capital Tower Building, All Seasons Place unit 1604 – 6 16th floor, Wireless Road, Lumpini, Pathumwan, Bangkok, Thailand
90 #512, 5th Floor, 12, Mapo-daero 10-gil, Mapo-gu, Seoul, Republic of Korea

11. Group companies continued

Partly-owned subsidiaries

Registered company Name	Country of Incorp.	% Owned	Reg office
Certiport China Co Ltd	CN	50.69	1
Educational Publishers LLP	UK	85	2
GED Domains LLC	US	70	3
GED Testing Service LLC	US	70	4
Pearson Education Achievement Solutions (RF) (Pty) Limited	ZA	97.3	5
Pearson Pension Nominees Limited	UK	50	2
Pearson Pension Property Fund Limited	UK	50	2
Pearson Pension Trustee Limited	UK	50	2
Pearson Pension Trustee Services Limited	UK	50	2

Associated undertakings

Registered company Name	Country of Incorp.	% Owned	Reg office
Academy of Pop LLC	US	40	6
Learn Capital Special Opportunities Fund I, L.P.‡	US	99.59	8
Learn Capital Venture Partners II, L.P.‡	US	72.93	8
Learn Capital Venture Partners IIIA, L.P.‡	KY	99	9
Learn Capital Venture Partners, L.P.‡	US	99.15	8
Peking University Pearson (Beijing) Cultural Development Co., Ltd	CN	45	10
Prepona Sistemas de Testagem e Avaliação S.A.	BR	22.2	7
Pui Man Publishing Limited	CN	49	11
Smashcut, Inc.	US	25.93	12
The Egyptian International Publishing Company-Longman	EG	49	13

* In liquidation.

‡ Accounted for as an 'Other financial asset' within non-current assets.

Partly-owned subsidiaries and associated undertakings company addresses

Registered office address

1 Suite 1804, No.99 Huichuan Road, Changning District, Shanghai City, China
2 80 Strand, London, WC2R 0RL, England
3 C T Corporation System, 4701 Cox Road, Suite 285, Glen Allen, Henrico, VA, 23060-0000, United States
4 The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington, New Castle, DE, 19801, United States
5 Auto Atlantic, 4th Floor, Corner Hertzog Boulevard and Heerengracht, Cape Town, 8001, South Africa
6 251, Little Falls Drive, Corporation Service Company, Wilmington, DE, 19808, United States
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Five-year summary

All figures in £ millions	2023	2022	2021	2020	2019
Sales: By operating segment					
Assessment & Qualifications	**1,559**	1,444	1,238	1,118	
Virtual Learning	**616**	820	713	692	
English Language Learning	**415**	321	238	218	
Workforce Skills	**220**	204	172	163	
Higher Education	**855**	898	849	956	
Strategic review	**9**	154	218	250	
Total sales	**3,674**	3,841	3,428	3,397	3,869
Adjusted operating profit: By operating segment					
Assessment & Qualifications	**350**	258	219	147	
Virtual Learning	**76**	70	32	29	
English Language Learning	**47**	25	15	1	
Workforce Skills	**(8)**	(3)	27	26	
Higher Education	**110**	91	73	93	
Strategic review	**(2)**	15	19	16	
Penguin Random House	**–**	–	–	1	
Total adjusted operating profit	**573**	456	385	313	581
Operating margin – continuing	**15.6%**	11.9%	11.2%	9.2%	15.0%
Adjusted earnings					
Total adjusted operating profit	**573**	456	385	313	581
Net finance costs	**(33)**	(1)	(57)	(61)	(41)
Income tax	**(124)**	(71)	(64)	(35)	(89)
Non-controlling interest	**(2)**	(2)	(1)	–	(2)
Adjusted earnings	**414**	382	263	217	449
Weighted average number of shares (millions)	**711.5**	738.1	754.1	755.4	777.0
Adjusted earnings per share	**58.2p**	51.8p	34.9p	28.7p	57.8p

Sales and adjusted operating profit for periods prior to 2020 have not been restated to reflect the new organisational structure including the transfer of retained English-speaking Canadian and Australian K12 Courseware businesses from Strategic review to the Assessment & Qualifications division.

Five-year summary *continued*

All figures in £ millions	2023	2022	2021	2020	2019
Cash flow					
Operating cash flow	**587**	401	388	315	418
Operating cash conversion	**102%**	88%	101%	101%	72%
Free cash flow	**387**	222	133	229	213
Free cash flow per share	**54.4p**	30.0p	17.6p	30.3p	27.4p
Net assets	**3,988**	4,415	4,280	4,134	4,323
Net debt	**744**	557	350	463	1,016
Return on invested capital					
Total adjusted operating profit	**573**	456	385	313	581
Operating tax paid	**(96)**	(95)	(60)	(10)	(9)
Return	**477**	361	325	303	572
Gross basis:					
Average invested capital	**10,546**	10,896	9,857	10,625	11,096
Return on invested capital	**4.5%**	3.3%	3.3%	2.9%	5.2%
Net basis:					
Average invested capital	**7,711**	7,896	7,161	7,708	8,097
Return on invested capital	**6.2%**	4.6%	4.5%	3.9%	7.1%
Return on capital*					
Total adjusted operating profit	**573**	456	385	313	
Adjusted income tax charge	**(124)**	(71)	(64)	(35)	
Return	**449**	385	321	278	
Capital	**4,380**	4,439	4,086	4,196	
Return on capital	**10.3%**	8.7%	7.9%	6.6%	
Dividend per share	**22.7p**	21.5p	20.5p	19.5p	19.5p

* Return on capital was not a metric in 2019 and therefore has not been presented.

Financial key performance indicators

The following tables and narrative provide further analysis of the financial key performance indicators which are described in the financial review of the annual report on pages 26-33, shown within the key performance indicators on page 25 of the annual report and shown in note 2 of the notes to the consolidated financial statements.

Adjusted performance measures

The annual report and accounts reports results and performance on a headline basis which compares the reported results both on a statutory and on a non-GAAP (non-statutory) basis. The Group's adjusted performance measures are non-GAAP (non-statutory) financial measures and are also included in the annual report as they are key financial measures used by management to evaluate performance. The measures also enable investors to more easily, and consistently, track the underlying operational performance of the Group and its business segments by separating out those items of income and expenditure relating to acquisition and disposal transactions, major restructuring programmes and certain other items that are also not representative of underlying performance.

The Group's definition of adjusted performance measures may not be comparable to other similarly titled measures reported by other companies. A reconciliation of the adjusted measures to their corresponding statutory measures is shown within this section.

Sales

Underlying sales movements exclude the effect of exchange, the impact of portfolio changes arising from acquisitions and disposals and the impact of adopting new accounting standards that are not retrospectively applied. Portfolio changes are calculated by taking account of the additional sales (at constant exchange rates) from acquisitions made in both the current year and the prior year. For acquisitions made in the prior year, the additional sales excluded is calculated as the sales made in the period of the current year that corresponds to the pre-acquisition period in the prior year. Sales made by businesses disposed in either the current year or the prior year are also excluded. Constant exchange rates are calculated by assuming the average exchange rates in the prior year prevailed throughout the current year. These non-GAAP measures enable management and investors to track more easily, and consistently, the underlying sales performance of the Group.

All figures in £ millions	Assessment & Qualifications	Virtual Learning	English Language Learning	Workforce Skills	Higher Education	Strategic Review	Total
Statutory sales 2023	1,559	616	415	220	855	9	**3,674**
Statutory sales 2022	1,444	820	321	204	898	154	**3,841**
Statutory sales increase/(decrease)	115	(204)	94	16	(43)	(145)	**(167)**
Comprising:							
Exchange differences	(11)	(4)	(10)	(1)	(7)	–	**(33)**
Portfolio changes	24	(65)	7	(5)	(5)	(131)	**(175)**
Underlying increase/(decrease)	**102**	**(135)**	**97**	**22**	**(31)**	**(14)**	**41**
Remove OPM and Strategic Review from underlying	–	124	–	–	–	14	**138**
Underlying increase/(decrease) excluding OPM and Strategic Review	**102**	**(11)**	**97**	**22**	**(31)**	**–**	179
Statutory sales increase/(decrease)	8%	(25)%	29%	8%	(5)%	(94)%	**(4)%**
Constant exchange rate increase/(decrease)	9%	(24)%	32%	8%	(4)%	(94)%	**(3)%**
Underlying increase/(decrease)	**7%**	**(20)%**	**30%**	**11%**	**(3)%**	**(74)%**	1%
Underlying increase/(decrease) excluding OPM and Strategic Review	**7%**	**(2)%**	**30%**	**11%**	**(3)%**	–	**5%**

Adjusted operating profit

Adjusted operating profit excludes the cost of major restructuring, certain property charges, other net gains and losses on the sale or closure of subsidiaries, joint ventures, associates and other financial assets, and intangible charges, including impairment, relating only to goodwill and intangible assets acquired through business combinations or relating to associates. Other net gains and losses also includes costs related to business closures and acquisitions. Further details are given below under 'Adjusted earnings per share'. Underlying adjusted operating profit movements exclude the effect of exchange, the impact of portfolio changes arising from acquisitions and disposals and the impact of adopting new accounting standards that are not retrospectively applied. Portfolio changes are calculated by taking account of the additional contribution (at constant exchange rates) from acquisitions made in both the current year and the prior year.

Financial key performance indicators *continued*

Adjusted operating profit continued

For acquisitions made in the prior year the additional contribution excluded is calculated as the operating profit made in the period of the current year that corresponds to the pre-acquisition period in the prior year. Operating profit made by businesses disposed in either the current year or the prior year is also excluded. Constant exchange rates are calculated by assuming the average exchange rates in the prior year prevailed throughout the current year. This non-GAAP measure enables management and investors to track more easily, and consistently, the underlying operating profit performance of the Group.

All figures in £ millions	**2023**	2022	2021
Operating profit	**498**	271	183
Cost of major restructuring	**–**	150	214
Property charges	**11**	–	–
Other net gains and losses	**16**	(24)	(63)
Intangible charges	**48**	56	51
UK pension discretionary increase	**–**	3	–
Adjusted operating profit	**573**	456	385

All figures in £ millions	Assessment & Qualifications	Virtual Learning	English Language Learning	Workforce Skills	Higher Education	Strategic Review	Total
Adjusted operating profit increase/(decrease)	92	6	22	(5)	19	(17)	**117**
Comprising:							
Exchange differences	(1)	–	(7)	–	(1)	(1)	**(10)**
Portfolio changes	8	22	1	3	3	(45)	**(8)**
Underlying increase/(decrease)	**85**	**(16)**	**28**	**(8)**	**17**	**29**	**135**
Constant exchange rate increase/(decrease)	36%	9%	116%	(167)%	22%	(107)%	**28%**
Underlying increase/(decrease)	**33%**	**(17)%**	**112%**	**(400)%**	**20%**	**94%**	**31%**

Adjusted operating profit translated at year-end closing rates would be £10m lower (2022: £9m higher) than the reported figure of £573m (2022: £456m) at £563m (2022: £465m).

Adjusted earnings

Adjusted earnings includes adjusted operating profit and adjusted finance and tax charges. Adjusted earnings is included as a non-GAAP measure as it is used by management to evaluate performance and by investors to more easily, and consistently, track the underlying operational performance of the Group over time.

All figures in £ millions	**2023**	2022	2021
Profit for the year	**380**	244	178
Non-controlling interest	**(2)**	(2)	(1)
Cost of major restructuring	**–**	150	214
Property charges	**11**	–	–
Other net gains and losses	**16**	(24)	(63)
Intangible charges	**48**	56	51
UK pension discretionary increase	**–**	3	–
Other net finance income	**(28)**	(53)	(51)
Income tax	**(11)**	8	(65)
Adjusted earnings	**414**	382	263

The following items are excluded from adjusted earnings:

Cost of major restructuring – In 2023, there are no costs of major restructuring. In 2022, the restructuring costs of £150m mainly related to staff redundancies and impairment of right of use property assets. The 2022 charge includes the impact of updated assumptions related to the recoverability of right-of-use assets made in 2021. In 2021, restructuring costs of £214m mainly related to the impairment of right-of-use property assets, the write-down of product development assets and staff redundancies. The costs of these restructuring programmes are significant enough to exclude from the adjusted operating profit measure so as to better highlight the underlying performance (see note 4).

Property charges – Charges of £11m relate to impairments of property assets arising from the impact of updates in 2023 to assumptions initially made during the 2022 and 2021 restructuring programmes.

Other net gains and losses – These represent profits and losses on the sale of subsidiaries, joint ventures, associates and other financial assets and are excluded from adjusted operating profit as they distort the performance of the Group as reported on a statutory basis. Other net gains and losses also includes costs related to business closures and acquisitions. Other net gains and losses in 2023 relate largely to the gain on disposal of the POLS business and gains relating to the releases of accruals and a provision related to previous acquisitions and disposals, partially offset by losses on the disposal of Pearson College and costs related to current and prior year disposals and acquisitions.

In 2022, they related to the gains on the disposal of our international courseware local publishing businesses in Europe, French-speaking Canada and Hong Kong and a gain arising on a decrease in the deferred consideration payable on prior year acquisitions, offset by a loss on disposal of our international courseware local publishing businesses in South Africa due to recycling of currency translation adjustments and costs related to disposals and acquisitions. Other net gains and losses in 2021 largely related to the disposal of PIHE and the disposal of the K12 Sistemas business in Brazil offset by costs related to the acquisition of Faethm and the wind down of certain strategic review businesses.

Intangible charges – These represent charges in respect of intangible assets acquired through business combinations or relating to associates. These charges are excluded as they reflect past acquisition activity and do not necessarily reflect the current year performance of the Group. Intangible amortisation charges in 2023 were £48m compared to a charge of £56m in 2022. This is due to decreased amortisation from recent disposals partially offset by additional amortisation from recent acquisitions. In 2021, intangible charges were £51m. In all three years, there were no impairment charges.

UK pension discretionary increases – Charges in 2022 relate to one-off pension increases awarded to certain cohorts of pensioners in response to the cost of living crisis.

Other net finance income/costs – These include finance costs in respect of retirement benefits, finance costs of deferred consideration, fair value movements in relation to financial assets held at fair value through profit and loss and foreign exchange and other gains and losses. Finance income relating to retirement benefits is excluded as management does not believe that the consolidated income statement presentation under IAS 19 reflects the economic substance of the underlying assets and liabilities. Finance costs relating to acquisition transactions are excluded as these relate to future earn-outs or acquisition expenses and are not part of the underlying financing. Foreign exchange and other gains and losses are excluded as they represent short-term fluctuations in market value and are subject to significant volatility. Other gains and losses may not be realised in due course as it is normally the intention to hold the related instruments to maturity.

All figures in £ millions	**2023**	2022	2021
Net finance (costs)/income	**(5)**	52	(6)
Net finance income in respect of retirement benefits	**(26)**	(9)	(4)
Fair value remeasurement of disposal proceeds	**–**	–	(6)
Interest on deferred and contingent consideration	**4**	5	–
Fair value movements on investments	**(13)**	(28)	(20)
Net foreign exchange gains	**(3)**	(1)	(1)
Fair value movement on derivatives	**10**	(25)	(20)
Interest on provisions for uncertain tax positions	**–**	5	–
Net interest payable in adjusted earnings	**(33)**	(1)	(57)

Tax – Tax on the above items is excluded from adjusted earnings. Where relevant the Group also excludes the benefit from recognising previously unrecognised pre-acquisition and capital losses. The tax benefit from tax deductible goodwill and intangibles is added to the adjusted income tax charge as this benefit more accurately aligns the adjusted tax charge with the expected rate of cash tax payments.

The tax rate reflected in adjusted earnings is calculated as follows:

All figures in £ millions	**2023**	2022	2021
Profit before tax	**493**	323	177
Adjustments:			
Cost of major restructuring	**–**	150	214
Property charges	**11**	–	–
Other net gains and losses	**16**	(24)	(63)
Intangible charges	**48**	56	51
UK Pension discretionary increases	**–**	3	–
Other net finance income	**(28)**	(53)	(51)
Adjusted profit before tax	**540**	455	328
Total tax (charge)/credit	**(113)**	(79)	1
Adjustments:			
Tax on cost of major restructuring	**–**	(37)	(47)
Tax on property charges	**(3)**	–	–
Tax on other net gains and losses	**(10)**	10	14
Tax on intangible charges	**(11)**	(11)	(12)
Tax on UK pensions discretionary increases	**–**	(1)	–
Tax on other net finance costs	**7**	13	8
Tax on goodwill and intangibles	**4**	16	8
Benefit from changes in local tax law	**–**	–	(11)
Tax benefit on UK tax rate change	**1**	(1)	(25)
Other tax items	**1**	19	–
Adjusted tax charge	**(124)**	(71)	(64)
Tax rate reflected in adjusted earnings	**23.0%**	15.6%	19.5%

Financial key performance indicators *continued*

Adjusted earnings per share

Adjusted earnings per share is calculated as adjusted earnings divided by the weighted average number of shares in issue on an undiluted basis.

all figures in £ millions	**2023**	2022	2021
Adjusted operating profit	**573**	456	385
Adjusted net finance costs	**(33)**	(1)	(57)
Adjusted profit before tax	**540**	**455**	**328**
Adjusted income tax	**(124)**	(71)	(64)
Adjusted profit for the year	**416**	**384**	**264**
Non-controlling interest	**(2)**	(2)	(1)
Adjusted earnings	**414**	**382**	**263**
Weighted average number of shares (millions)	**711.5**	738.1	754.1
Weighted average number of shares (millions) for diluted earnings	**717.3**	742.0	759.1
Adjusted earnings per share (basic)	**58.2p**	**51.8p**	**34.9p**
Adjusted earnings per share (diluted)	**57.7p**	**51.5p**	**34.6p**

Return on invested capital

Return on invested capital (ROIC) is included as a non-GAAP measure as it is used by management to help inform capital allocation decisions within the business. ROIC is calculated as adjusted operating profit less operating cash tax paid expressed as a percentage of average invested capital. Invested capital includes the original unamortised goodwill and intangibles. Average values for total invested capital are calculated as the average monthly balance for the year. ROIC is also presented on a net basis after removing impaired goodwill from the invested capital balance. The net approach assumes that goodwill which has been impaired is treated consistently to goodwill disposed as it is no longer being used to generate returns.

All figures in £ millions	**2023 Gross**	2022 Gross	**2023 Net**	2022 Net
Adjusted operating profit	**573**	456	**573**	456
Operating tax paid	**(96)**	(95)	**(96)**	(95)
Return	**477**	361	**477**	361
Average goodwill	**6,365**	6,490	**3,530**	3,490
Average other non-current intangibles	**1,826**	2,012	**1,826**	2,012
Average intangible assets – product development	**967**	948	**967**	948
Average tangible fixed assets and working capital	**1,388**	1,446	**1,388**	1,446
Average invested capital	**10,546**	10,896	**7,711**	7,896
Return on invested capital	**4.5%**	3.3%	**6.2%**	4.6%

Return on capital

Return on capital (ROC) is included as a non-GAAP measure of how efficiently we are generating returns from our asset base. ROC is calculated as adjusted operating profit less adjusted income tax as a proportion of capital, where capital adjusts net statutory assets for net debt, retirement benefit assets, other post-retirement medical obligations and other non-operating items. The other non-operating items in 2023 include the liability recorded for the remainder of the share buyback scheme. These adjustments to net statutory assets have been made to better reflect the asset base that generates returns.

All figures in £ millions	**2023**	2022
Adjusted operating profit	**573**	456
Adjusted income tax charge	**(124)**	(71)
Return	**449**	385
Net statutory assets	**3,988**	4,415
Adjustments for:		
Net debt	**744**	557
Retirement benefit assets	**(499)**	(581)
Other post-retirement medical benefit obligation	**21**	25
Other non-operating assets	**126**	23
Capital	**4,380**	4,439
Return on capital	**10.3%**	8.7%

Operating cash flow

Operating cash flow is calculated as net cash generated from operations before the impact of items excluded from the adjusted income statement plus dividends from joint ventures and associates (less the re-capitalisation dividends from Penguin Random House); less capital expenditure on property, plant and equipment (including additions to right-of-use assets) and intangible software assets; plus proceeds from the sale of property, plant and equipment (including the impacts of transfers to/from investment in finance lease receivable) and intangible software assets; plus special pension contributions paid; and plus costs of major restructuring paid. Operating cash flow is included as a non-GAAP measure in order to align the cash flows with the corresponding adjusted operating profit measures.

All figures in £ millions	**2023**	2022
Net cash generated from operations	**682**	527
Dividends from joint ventures and associates	**–**	1
Purchase/disposal of PPE and software	**(121)**	(133)
Net addition of right-of-use assets	**(41)**	(29)
Net costs paid for major restructuring	**63**	35
Other net gains and losses	**4**	–
Operating cash flow	**587**	401

Financial key performance indicators *continued*

Operating cash flow continued

Cash conversion, calculated as operating cash flow as a percentage of adjusted operating profit, is also shown as a non-GAAP measure as this is used by management and investors to measure cash generation by the Group.

All figures in £ millions	2023	2022
Adjusted operating profit	**573**	456
Operating cash flow	**587**	401
Cash conversion	**102%**	88%

Operating cash flow, operating free cash flow and total free cash flow, which are non-GAAP measures, are commonly used by investors to measure the cash performance of the Group.

The table below reconciles operating cash flow to net debt:

All figures in £ millions	2023	2022	2021
Operating cash flow	587	401	388
Tax paid	**(97)**	(109)	(177)
Net finance costs paid	**(40)**	(35)	(54)
Net costs paid for major restructuring	**(63)**	(35)	(24)
Free cash flow	387	222	133
Dividends paid (including to non-controlling interests)	**(154)**	(157)	(149)
Net movement of funds from operations	233	65	(16)
Acquisitions and disposals	**(219)**	105	62
Disposal of lease liabilities	**–**	8	67
Net equity transactions	**(212)**	(383)	(10)
Other movements on financial instruments	**11**	(2)	10
Movement in net debt	(187)	(207)	113
Opening net debt	**(557)**	(350)	(463)
Closing net debt	(744)	(557)	(350)

Net cash generated from operations is translated at an exchange rate approximating the rate at the date of cash flow. The difference between this rate and the average rate used to translate profit gives rise to a currency adjustment in the reconciliation between net profit and net cash generated from operations. This adjustment reflects the timing difference between recognition of profit and the related cash receipts or payments.

Net debt and adjusted earnings before interest, tax, depreciation and amortisation (EBITDA)

For information, the net debt/adjusted EBITDA ratio is shown as a non-GAAP measure as it is commonly used by investors to measure balance sheet strength. Adjusted EBITDA is calculated as adjusted operating profit less depreciation on property, plant and equipment, and amortisation on intangible software assets.

All figures in £ millions	2023	2022
Adjusted operating profit	**573**	456
Depreciation (excluding items included in ‘cost of major restructuring’ and ‘property charges’)	**79**	88
Amortisation on intangible software assets (excluding items included in ‘cost of major restructuring’)	**123**	123
Adjusted EBITDA	**775**	667
Cash and cash equivalents	**312**	558
Overdrafts	**(3)**	(15)
Investment in finance lease receivable	**100**	121
Derivative financial instruments	**5**	(6)
Bonds	**(611)**	(610)
Lease liabilities	**(547)**	(605)
Net debt	**(744)**	(557)
Net debt/adjusted EBITDA ratio	**1.0x**	0.8x

Adjusted EBITDA translated at year-end closing rates would be £13m lower (2022: £12m higher) than the reported figure of £775m (2022: £667m) at £762m (2022: £679m).

Additional information for US listing purposes

Cross Reference Table:

Item	Form 20-F Caption	Location in this Document	Page Reference
Item 1	**Identity of Directors, Senior Management and Advisers**	Not applicable	n/a
Item 2	**Offer Statistics and Expected Timetable**	Not applicable	n/a
Item 3	**Key Information**		
	B. Capitalisation and indebtedness	Not applicable	n/a
	C. Reasons for the offer and use of proceeds	Not applicable	n/a
	D. Risk factors	Additional Information: Risk factors Strategic Report: Risk management	229-235 56-65
Item 4	**Information on the Company**		
	A. History and development of the Company	Strategic Report: At a Glance History of the Company Shareholder Information Strategic Review: Financial Review Note 18: Borrowings Note 19: Financial Risk Management Note 30: Business Combinations Note 31: Disposals and Business Closures Note 35: Leases	2 235 247-248 26-33 185-186 186-189 201-202 202-203 204-205
	B. Business overview	Strategic Report Note 2: Segmental Information Additional Information: Certain additional information on the Company	2-65 160-162 235-237
	C. Organisational structure	Parent Company Note 11	215-218
	D. Property, plant and equipment	Note 10: Property, plant and Equipment and Investment Property Additional Information: Property, plant and equipment Strategic Report: Sustainability Additional Information: Risk Factors	173-174 236-237 34-48 229-235
Item 4A	**Unresolved staff comments**	None	n/a
Item 5	**Operating and Financial Review and Prospects**		
	A. Operating results	Additional Information: Operating and Financial Review Strategic Report: Key performance indicators Strategic Report: Financial review Strategic Report: Risk (including Viability Statement) Financial Statements	237 24-25 26-33 56-65 146-218
	B. Liquidity and capital resources	Strategic Report: Financial review Note 16: Derivatives and Hedge Accounting Note 18: Borrowings Note 19: Financial Risk Management Note 35: Leases	26-33 182-185 185-186 186-189 204-205
	C. Research and development, patents and licenses etc	Not applicable	n/a
	D. Trend information	Strategic Report: Key performance indicators Strategic Report: Financial review	24-25 26-33
	E. Critical Accounting Estimates	Note 1: Accounting Policies	152-160
Item 6	**Directors, Senior Management and Employees**		
	A. Directors and senior management	Corporate Governance: Board of Directors Corporate Governance: Pearson Executive Management	68-71 72-73
	B. Compensation	Directors' Remuneration Report	107-130
	C. Board practices	Corporate Governance: Board of Directors Directors' Remuneration Report Corporate Governance: Audit Committee report	68-71 107-130 97-106
	D. Employees	Note 5: Employee Information	170
	E. Share ownership	Directors' Remuneration Report Note 26: Share Based Payments	107-130 197-198
	F. Disclosure of a registrant's action to search erroneously awarded compensation	None	n/a
Item 7	**Major Shareholders and Related Party Transactions**		

Additional information for US listing purposes *continued*

Item	Form 20-F Caption	Location in this Document	Page Reference
	A. Major shareholders	Additional Disclosures	131
	B. Related party transactions	Note 12: Investments in Joint Ventures and Associates Note 36: Related Party Transactions	178 206
	C. Interests of experts and counsel	Not applicable	n/a
Item 8	**Financial Information**		
	A. Consolidated statements and other financial information	Financial Statements	146-218
	B. Significant changes	None	n/a
	C. Interests of experts and counsel	Not applicable	n/a
Item 9	**The Offer and Listing**		
	A. Offer and listing details	Additional Information: The Offer and Listing	237
	B. Plan of distribution	Not applicable	n/a
	C. Markets	Additional Information: The Offer and Listing	237
	D. Selling shareholders	Not applicable	n/a
	E. Dilution	Not applicable	n/a
	F. Expenses of the issue	Not applicable	n/a
Item 10	**Additional Information**		
	A. Share capital	Not applicable	n/a
	B. Articles of association	Additional Information: Articles of Association	237-243
	C. Material contracts	Additional Information: Material Contracts	241
	D. Exchange controls	Additional Information: Exchange Controls	241
	E. Taxation	Additional Information: Tax Considerations	241-243
	F. Dividends and paying agents	Not applicable	n/a
	G. Statement by experts	Not applicable	n/a
	H. Documents on display	Additional Information: Documents on Display	243
	I. Subsidiary information	Parent company Note 11: Group Companies	215-218
	J. Annual report to Security Holders	Not applicable	n/a

Item	Form 20-F Caption	Location in this Document	Page Reference
Item 11	**Quantitative and Qualitative Disclosures about Market Risk**	Note 19: Financial Risk Management Note 14: Classification of Financial Instruments Note 16: Derivative Financial Instruments and Hedge Accounting	186-189 180-181 182-185
Item 12	**Description of Securities other than Equity Securities**		
	A. Description of debt securities	Not applicable	n/a
	B. Description of warrants and rights	Not applicable	n/a
	C. Description of other securities	Not applicable	n/a
	D. American Depository Shares	Additional Information: Description of Securities Other than Equity Securities	243-244
	D.1 Name of depositary and address of principal executive office	Not applicable	n/a
	D.2 Title of ADRs and brief description of provisions	Not applicable	n/a
	D. 3 Depositary fees and charges	Additional Information: Description of Securities Other than Equity Securities	243-244
	D. 4 Depositary payments	Additional Information: Description of Securities Other than Equity Securities	243-244
Item 13	**Defaults, Dividend Arrearages and Delinquencies**	Not applicable	n/a
Item 14	**Material Modifications to the Rights of Security Holders and Use of Proceeds**	Not applicable	n/a
Item 15	**Controls and Procedures**	Additional Information: Controls and Procedures	244-245
Item 16	**Reserved**		
	A. Audit Committee Financial Expert	Additional Information: Audit Committee Financial Expert	244
	B. Code of Ethics	Additional Information: Code of Ethics	244
	C. Principal Accountant Fees and Services	Additional Information: Principal Accountant Fees and Services Note 4: Operating Expenses	169-170
	D. Exemptions from The Listing Standards for Audit Committees	Not applicable	n/a

Item	Form 20-F Caption	Location in this Document	Page Reference
	E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers	Additional Information: Purchases of Equity Securities by the Issuer and Affiliated Purchases	245
	F. Change in Registrants Certifying Accountant	Not applicable	n/a
	G. Corporate Governance	Additional Information: Corporate Governance	66-135
	H. Mine Safety Disclosures	Not applicable	n/a
	I. Disclosure regarding foreign jurisdiction that prevent inspections	Not applicable	n/a
	J. Insider Trading Policies	Not applicable	n/a
	K. Cybersecurity	Additional Information: Cybersecurity; Strategic Report: Data privacy and cyber security	245-246 38, 50
Item 17	**Financial Statements**	Not applicable	n/a
Item 18	**Financial Statements**	Financial Statements	146-218
Item 19	**Exhibits**	Refer to Exhibits list immediately following the signature page for this document as filed with the SEC	n/a

Risk Factors

You should carefully consider the risk factors described below, as well as the other information included in the rest of this document. The Group's business, financial condition or results from operations could be materially adversely affected by any or all of these risks, or by other risks that it presently cannot identify. Any forward-looking statements are made subject to the Forward-Looking Statement section located on page 249.

Risks relating to accreditation

Changes in government policy and/or regulations have the potential to affect the Group's business model and/or decisions across all markets.

The Group's educational services and assessment businesses may be adversely affected by changes in government funding resulting from trends that are beyond the Group's direct control, such as general economic conditions, changes in government educational funding, programs, policy decisions, legislation and/or changes in the procurement process, or the Group's failure to successfully deliver previous contracts. These may also include decisions to suspend, require amendments to or permanently cancel high stakes testing impacting our assessments or Pearson Test of English businesses.

During 2023, Pearson Test of English won recognition for Canadian Student Direct Stream and economic migration visa applications and acquired PDRI which provides recruitment assessment for Federal employees.

During 2024, the Group faces an above average value of contracts due for renewal, which the Group's financial plan assumes will be successful. These are particularly concentrated in US School Assessments, with any loss reducing the value of sales and profits.

The results and potential growth of the Group's US educational services and assessment businesses are dependent on the level of federal and state educational funding, which in turn is dependent on the robustness of state finances and the level of funding allocated to educational programmes. State, local and municipal education funding pressures remain, competition from low price and disruptive new business models continues and open source is promoted to keep costs down for customers. The current challenging environment could impact the Group's ability to collect customer-related debt. State and local government leadership changes and resultant shifts in education policy can also affect the funding available for educational expenditure, which include the impact of educational reform. Similarly, changes in the government procurement process for textbooks, learning material and student tests, and vocational training programmes can also affect the Group's markets. Political pressure on testing, changes in curricula, delays in the timing of the adoptions and changes in the student testing process can all affect these programmes and therefore the size of the market in any given year. Any of the foregoing could adversely impact the results and potential growth of the Group's US educational services and assessment businesses.

Additional information for US listing purposes *continued*

The Group has businesses in a variety of geographies globally and faces uncertain international environments and regulatory changes.

The Group faces risks of government limiting the ability of non-local companies to compete and/or limiting repatriation of profits. Operating in a variety of geographies also exposes the Group to tariffs or other regulatory restrictions. Political, regulatory, economic, currency, reputational, corporate governance and compliance risks (including fraud, sanctions, bribery and corruption) as well as unmanaged expansion are all factors which could limit returns on investments made in these markets and limit the ability to reinvest funds or distribute them to shareholders.

Sanctions against certain economies, entities and/or individuals may be levied which could result in the Group needing to withdraw from a market. Any regulatory inquiry or investigations in relation to sanctions could be costly, require a significant amount of management's time and attention, adversely impact the Group's reputation, or lead to litigation and financial impacts.

Risks relating to Artificial Intelligence, Content & Channel

The Group could face additional cost and diversion of personnel (i) to meet any new regulation or law applicable to its use of Artificial Intelligence (AI) in its products and services and/or (ii) to protect any of its intellectual property developed using AI.

The Group has a history of utilising AI in its products and services and incorporation will only increase as AI technologies (including, generative AI) continue to develop. For example, 2023 saw the successful beta launch of AI study tools in Higher Education and use of large language models in English Language Learning. Our ability to do this successfully depends in part on the public willingness to use AI in the learning sector. If the content that AI applications assist us in producing are or are perceived or alleged to be deficient or inaccurate, our reputation may be adversely affected, and/or the effectiveness of the Group's products may be undermined.

2023 also saw the deployment of new curriculum materials in Virtual Schools and launch of Connections Academy Career Pathways programme. In Pearson VUE new offerings were launched to aid test preparation and in Higher Education, a trial of Channels video content as a separate product began. Each of these have shown promising signs in testing and so have anticipated revenue but failure to maintain the positive momentum would result in lower revenue and profit.

In addition, if our competitors incorporate AI into their products more quickly or more successfully than us, our ability to compete effectively could be impaired.

This increasing interest in AI globally by governments and regulators brings a level of regulatory uncertainty which may increase costs and liabilities in a manner that is beyond the Group's control and could result in conflicting legal requirements, potentially further increasing costs and/or adversely impacting the Group's ability to operate.

In addition, the Group faces uncertainty with regard to protection under law or regulation afforded to its intellectual property developed (in whole or in part) with the use of AI (or software including any AI).

If the Group fails to successfully invest in and deliver the right products and services and to respond to government concerns and/or competitive threats, its sales and profits could be adversely impacted.

A common trend facing all the Group's businesses is the digitisation of content and proliferation of distribution channels, either over the internet, or via other electronic means, replacing traditional print formats. The digital migration has led to changes in consumers' perception of value and the publisher's position between consumers, retailers and authors, and has required the Group to make changes in product and content distribution.

A proliferation of available supply routes for content in addition to buying or subscribing to Pearson content, means that the Group is not guaranteed to be rewarded for its investment in developing and distributing this content. Alternatives such as second hand and rental copies, open educational resources, online discounters, file sharing and use of pirated copies all offer either lower or no financial returns to the Group.

Where the purchaser is a school or institution, they will typically use educational funding to purchase our materials or assessments. However, there are multiple competing demands for educational funds and there is no guarantee that new courseware or testing or training programs will be funded, or that the Group will win or retain this business.

If the Group does not adapt rapidly to these changes, it may lose business to 'faster' and more 'agile' competitors, who increasingly are non-traditional competitors, making their identification all the more difficult. The Group may be required to invest significant resources to further adapt to the changing competitive environment, which requires continued development of both content and the method of delivery to be able to provide differentiated products and services, and can result in competitive disadvantage and missed opportunity for revenue and growth.

An example of this is where the Group's products and services may potentially face competition from those developed by non-traditional competitors using advanced Generative AI tools. Generative AI in particular offers new ways of creating content which could disrupt the sectors in which the Group focuses and failure to adapt could in future lead to adverse impact for its businesses.

Failure to use the Group's data effectively to enhance the quality and scope of current products and services in order to improve learning outcomes could adversely affect the Group's business.

The Group seeks to maximise data to enhance the quality and scope of current products and services to improve learning outcomes while managing associated risks. The Group's ability to continue to do so may be subject to factors beyond the Group's control. In addition, the lack of availability of timely, complete and accurate data limits informed decision-making and increases the risk of non-compliance with legal, regulatory and reporting requirements. Business change and transformation success is dependent on migration of a significant number of datasets and our inability to effectively accomplish this could adversely affect the Group's results.

If the Group does not adequately protect its intellectual property and proprietary rights, its competitive position and results may be adversely affected and its ability to grow restricted.

Some of the Group's products and services comprise intellectual property delivered through a variety of print and digital media, online software applications and platforms. The Group relies on trademark, patent, copyright and other intellectual property laws to establish and protect its proprietary rights in these products and services. Reference is made to the section above regarding the risk of the evolving AI regulatory framework globally and the applicability and interpretation of the existing legal protection of intellectual property. The Group also faces uncertainty on its ability to adequately protect its content from its unauthorised use in training Large Language Models.

Failure, or an inability, to adequately manage, procure, register or protect intellectual property rights (including trademarks, patents, trade secrets and copyright) in the Group's brands, content and technology, may (1) prevent the Group from enforcing its rights, and (2) increase the risk that bad actors will infringe the Group's content rights (print and digital counterfeit, digital piracy), which may reduce sales and/or erode sales.

The Group's intellectual property rights (IPR) in brands and content — historically its core assets — are generally well established in key markets. As technology and digital delivery of content have become an increasingly critical component of the Group's business strategy, the Group has grown its patent portfolio to expand its protection of high value technology in the US and key international markets.

Online copying and security circumvention have become increasingly sophisticated and resistant to available countermeasures. Advancements in technology, including advancements in generative AI technology, have made unauthorised copying and wide dissemination of unlicensed content more accessible. At the same time, detection of unauthorised use of our intellectual property and enforcement of our intellectual property rights has become more challenging, in part due to the increasing volume and sophistication of attempts at unauthorised use of our intellectual property through the use of generative AI. Notably, in recent years 'digital counterfeit' websites have offered or attempted to offer unprotected PDF files of many of Pearson's titles, at scale, using modern and sophisticated ecommerce methods, with a professional or legitimate appearance. From an IPR perspective, increasing the Group's digital business continues to expose it to evolving trademark, copyright and patent infringement risks.

The Group's forward-looking IPR strategy includes efforts to maintain a broad footprint of intellectual property rights in key markets outside the US. However, the Group also conducts business in other countries where its intellectual property protection efforts have been limited or where legal protection for intellectual property may be uncertain and these limitations could affect future growth.

Where the Group has registered or otherwise established its IPR, it cannot guarantee that such rights will provide competitive advantages due to: the challenges and costs of monitoring and enforcement in jurisdictions where competition may be intense; the limited and/or ineffective IPR protection and enforcement mechanisms available to it in many countries; the potential that its IPR may lapse, be invalidated, circumvented, challenged, or abandoned, or that it may otherwise lose the ability to assert its intellectual property rights against others. The loss or diminution in value of these proprietary rights or the Group's intellectual property could have a material adverse effect on the Group's business and financial performance.

Risks relating to Capability

The Group's strategy involves significant change, including moving into new markets. This increases the risk of failure to realise anticipated benefits or of costs being higher than anticipated, or that the Group's business as usual activities are adversely impacted.

The Group's strategy aims, among other things, to achieve significant growth in markets in which Pearson has less experience, including enterprise sales of content, direct-to-consumer language learning and increasing direct-to-consumer sales. During the year, the Group has successfully executed its cost efficiency programme resulting in a lower cost base, albeit ongoing maintenance of cost levels needs constant and rigorous monitoring and control. The Group's financial plan assumes that costs will be successfully managed in all divisions, despite the lower cost base but should this not be possible, the Group is likely to report lower than anticipated profits.

Challenges were also experienced in the Workforce division in successful delivery of products and sales capability on time during the year and similar challenges in the future would result in lower than anticipated sales and profits.

If the Group fails to attract, retain and develop appropriately skilled employees, it may limit its ability to achieve its strategic and operational goals and its business may be harmed.

The Group's success depends on the skill, experience and engagement of its employees. Their expertise has allowed the Group to demonstrate agility, notably in how the Group has been able to develop and deploy beta tests of products using large language models (including, in the areas of AI and machine learning). Training and development of staff is a focus area for managers throughout the organisation, but there is no guarantee that workers will continue to have the required skills prospectively.

The Group has a key dependency on the Chief Executive and certain other key employees. If it is unable to attract, retain and develop sufficiently experienced and capable staff, especially in technology, product development, sales and leadership, its business and financial results may suffer. When talented employees leave, the Group may have difficulty replacing those skills, and its business may suffer. There can be no assurance that the Group will be able to successfully attract and retain the skills that it needs.

All the Group's businesses depend on Information Technology (IT) systems and technological change. Failure to maintain and support customer facing services, systems, and platforms, including addressing quality issues and execution on time of new products and enhancements, could negatively impact the Group's sales and reputation.

All the Group's businesses, to a greater or lesser extent, are dependent on IT. It either provides software and/or internet services to its customers or uses complex IT systems and products to support its business activities, including customer-facing systems, back-office processing and infrastructure. The Group migrated several key data centres to the cloud during the year, increasing resilience. Nevertheless, the Group faces several technological risks associated with software product development (including risks associated with the use of AI in the Group's products and services) and service delivery, information technology security (including viruses and cyber-attacks), e-commerce, enterprise resource planning system implementation and upgrades. Although plans and procedures are in place to reduce such risks, and further progress was made during 2023 in this area, from time to time the Group has experienced verifiable attacks on its systems by unauthorised parties. To date, such attacks have not resulted in any material damage, but the Group's businesses could be adversely affected if its systems and infrastructure experience a significant failure or interruption.

Operational disruption to its business, including that caused by third-party providers, a major disaster and/or external threats, could restrict the Group's ability to supply products and services to its customers.

Across all its businesses, the Group manages complex operational and logistical arrangements including distribution centres, data centres, and educational and office facilities, as well as relationships with third-party print sites. It has also outsourced some support functions, including elements of information technology, warehousing and logistics to third-party providers. The failure of third parties to whom it has outsourced business functions could adversely affect its reputation or financial condition. Failure to recover from a major disaster, (e.g., fire, flood, etc.) at a key facility and/or a major failure of a key facility, such as a data centre outage or the disruption of supply from a key third-party vendor or partner (e.g. due to bankruptcy) could restrict the Group's ability to service its customers and meet the terms of its contractual relationships with both government agencies and commercial customers. Penalty clauses and/or the failure to retain these contracts at the end of the contract term could adversely impact future revenues and/or operations.

Risks Related to the Competitive Marketplace

Global economy and cyclical market factors may adversely impact the Group's financial performance.

With continued pressure and uncertainty in worldwide economies, particularly in Pearson's major markets in the US and UK, there is a risk of a weakening in trading conditions, which could adversely impact the Group's future financial performance. The effect of continued deterioration or lack of recovery in the global economy will vary across different businesses and will depend on the depth, length and severity of any economic downturn. The education market can be affected by cyclical factors which, although they can have a positive impact for some of the Group's businesses, could for others lead to a reduction in demand for the Group's products and services.

Increased competitive pressure or reduced demand due to changing consumer learning preferences may adversely impact the Group's financial performance and reduce the expected return on investment.

The Group faces a number of large value contract renewals, each representing up to 5% of Group revenue, during 2024 and the long-range plan assumes that these are successfully retained. The loss of any of these contracts would lead to lower sales and profits in the future unless replaced by other contract wins.

The Group competes in a highly competitive market that is subject to rapid change in some areas. The Group faces competitive threats both from large media players and from smaller businesses, online and mobile portals and operators in the digital arena that provide alternative sources of content. Alternative distribution channels, such as digital format, the internet, online retailers and growing delivery platforms, pose both threats and opportunities to traditional publishing business models, potentially impacting both sales volumes and pricing. In addition, new competitive entrants, increased price competition or shifts in learners away from educational institutions (as seen previously in reduced Higher Education enrolments) may lead to lower profitability and cash flow performance. The level of competition is placing financial strain on some of Higher Education's channel partners and the failure of one of these companies would risk the loss of any outstanding debtor balances.

Enhanced product offerings and improvements in sales capability have led to a stabilisation of market share in the Higher Education market, but there is no guarantee that these measures will be sufficient in the future to prevent loss of revenue and profit.

Pearson Virtual School faces revenue headwinds following the termination of one of its major customers and with another due to terminate in the fall of 2024. Both have decided to operate services in-house. Consequently, there are risks to achieving the profit plan and further contract losses would increase this risk.

The Group's investment in new markets may deliver returns that are lower than anticipated.

The Group has invested in and has plans to continue to invest in new markets such as workforce and direct-to-consumer learning experiences of which the Group has less experience and faces a variety of competition to be successful. Failure to achieve our planned outcomes may lead to lower than expected sales and profitability.

A significant deterioration in the Group's profitability and/or cash flows caused by prolonged economic instability or recession could reduce its liquidity and/or impair its financial ratios and trigger a need to raise additional funds from the capital markets and/or renegotiate its banking covenants.

To the extent that worldwide economic conditions materially deteriorate, the Group's sales, profitability and cash flows could be significantly reduced as customers could be unable to purchase products and services in the expected quantities and/or pay for them within normal agreed terms.

Disruption in capital markets or potential concerns about the Group's credit rating, for instance manifested in downgrades or negative outlooks by the credit rating agencies, may mean that this capital may not be available on favourable terms or may not be available at all.

Risks Related to Customer Expectations

Failure to meet our customers' rapidly changing expectations in our products and services and not being able to anticipate new customer demands could result in reduced market share, profitability and brand erosion.

We continue to adjust our business model to keep a pace with the increasing end user demands. The Group may not be able to adapt, change and succeed in a rapidly changing and uncertain environment resulting in competitive disadvantage, higher cost and brand erosion. This could result from failing to identify changes in learner preferences or in failing to create products and services which meet these revised expectations.

With the direct-to-consumer strategic focus and the launch of new products we risk that the customer experience expectations are not met with regard to how the products and services are delivered e.g. quality and timeliness, impacting the customer's brand loyalty and propensity to purchase; resulting in customer complaints, less favourable social media sentiment, bad reviews, low recommendations, and/or customer attrition.

Evidence of higher customer expectations has been observed in the direct to consumer market, particularly for Mondly, where the cost of acquiring and retaining new learners is high, leading to some re-balancing towards offering language tuition for enterprises. In Workforce, feedback from customers led to a re-focus on modular solutions rather than a fully integrated platform as previously envisaged. Should customer acquisition or the cost of acquiring and retaining customers continue to be elevated, this could lead to lower profitability than anticipated if it is not possible to mitigate.

There is also the risk that our technology and data dependent products and services do not meet accessibility requirements in respect of customers' and prospective customers' ability to access the products and services, and this could result in increased costs, restrictions and/or fines.

Risks Related to the Group's Portfolio of Businesses

The Group's failure to generate anticipated sales growth, synergies and/or cost savings from acquisitions, mergers and other business combinations, could lead to goodwill and intangible asset impairments.

The Group periodically acquires and disposes of businesses to achieve its strategic objectives and will continue to consider both as means to pursue its strategic priorities. During the year, the Group completed the disposal of Pearson Online Services and acquired PDRI, which expanded the Group's services to the US federal government.

Acquisitions may involve significant risks and uncertainties, including difficulties in integrating acquired businesses to realise anticipated sales growth, synergies and/or cost savings; diversion of management attention from other business concerns or resources; and diversion of resources that are needed in other parts of our business. If these risks are not managed, acquisitions could result in goodwill and intangible asset impairments.

Divestitures also involve risks and uncertainties that could adversely affect our business, results of operations and financial condition including, among others, the inability to find potential buyers on favourable terms, disruption to our business and/or diversion of management attention from other business concerns, loss of key employees and possible retention of certain liabilities related to the divested business.

Risks Related to the Group's Responsibility & Reputation

The Group's business depends on a strong brand, and any failure to maintain, protect and enhance its brand would hurt its ability to retain or expand its business.

Protecting the Pearson brand is critical to maintaining and expanding the Group's business and will depend largely on its ability to maintain its customers' trust in its solutions and in the quality and integrity of its products and services, including how it protects the data and privacy of customers and users. If the Group does not successfully maintain a strong brand, its business could be harmed. Beyond protection, strengthening the Pearson brand will enable the Group to more effectively engage with governments, administrators, teachers, learners and influencers.

Security breaches involving our information technology systems could harm our ability to run our business and expose us to potential liability and loss of revenue.

Failure to prevent or detect a malicious attack on the Group's systems has in the past and could in future result in loss of system availability, breach of confidentiality, integrity and/or availability of sensitive information. Such incidents have in the past resulted, and could in future result, in damage to the customer experience and the Group's reputation and in financial loss. In particular, the Group has experienced, and may continue to experience in the future, an unauthorised disclosure of personal information despite best efforts to prevent it. This has also occurred and may again in the future as a result of a failure of IT controls to protect such data, principally due to software malfunctions.

Information security and cyber risk are continually evolving and comprise many complex external drivers: increasing customer demand to demonstrate a strong security posture, external compliance requirements, ongoing digital revolution, increasing use of the cloud, greater volumes of data and increasingly sophisticated attack strategies. Across its businesses, the Group holds large volumes of personal data including that of employees, customers, students and citizens, and other highly sensitive business critical data such as financial data, internal sensitive information, and intellectual property. Despite its implementation of security measures, threat actors of all types, including individuals, criminal organisations and state sponsored operatives, have from time to time gained access, and may in the future gain access to the Group's data through unauthorised means in order to misappropriate such information for fraudulent or other purposes.

Any perceived or actual unauthorised disclosure of personal data or confidential information, whether through a breach of the Group's network or a third-party partner with whom we share data or access to our network by an unauthorised party, employee theft, misuse or error or otherwise, could harm the Group's reputation, impair its ability to attract and retain its customers, impair business and operations, or subject the Group to regulatory investigations and/or to claims or litigation arising from damages suffered by individuals and customers, and thereby harm its business and operational results. Failure to adequately protect personal data and confidential information has in the past led, or could potentially lead to, respectively, regulatory penalties, litigation costs and damages, significant remediation costs, reputational damage, cancellation of some existing contracts and/or difficulty in competing for future business, among other things. In addition, the Group could incur significant costs in complying with the relevant laws and regulations regarding the protection of personal data and confidential information against unauthorised disclosure, payments due to cyber extortion or to responding to regulatory investigations into such matters.

Additional information for US listing purposes *continued*

Changes to data privacy legislation must also be monitored and acted upon to ensure the Group remains in compliance across different markets.

Data protection legislation continues to be adopted by countries in which the Group has a presence and/or customers and enforcement is focusing upon transparency and customer choice in addition to data breaches, which reflects the increased sophistication of customers on data protection matters.

Failure to provide the appropriate level of transparency and control in the Group's products could increase the regulatory, commercial and/or reputational risks that the Group faces with any or all of its various stakeholders.

A control breakdown or service failure in the Group's testing businesses could result in financial loss and reputational damage.

The Group's testing businesses, including those in Assessment & Qualifications, Workforce and English Language Learning involve complex contractual relationships with both government agencies and commercial customers for the provision of various testing services. The Group's financial results, growth prospects and/or reputation may be adversely affected if these contracts and relationships are poorly managed or face increased competitive pressures.

There are inherent risks associated with the Group's testing businesses, both in the US and the UK. A service failure caused by a breakdown in testing and assessment processes could lead to a mis-grading of student tests and/or late delivery of test results to students and their schools. During 2022, the Group suffered negative publicity because of failures to deliver certain BTEC qualification results in a timely manner. Performance was improved in 2023, but failures to meet expected service standards have in the past and/or could in future leave the Group subject to regulatory sanctions (including fines), legal claims, penalty charges under contracts, non-renewal of contracts and/or the suspension or withdrawal of its accreditation to conduct tests. A late delivery of qualification results could result in a potentially significant regulatory fine in addition to the contractual penalties. It is also possible that any such events described above would result in adverse publicity, which may affect the Group's ability to retain existing contracts and/or obtain new customers.

Risks associated with identity verification could lead to financial losses.

The Group is required to take measures to validate the identity of learners, especially those completing assessments. In certain jurisdictions, companies have faced legal claims for the collection of or use of information obtained, particularly in relation to biometric information. The Group takes reasonable steps to protect learners and obey legal requirements but there is no guarantee that these will be sufficient to protect the Group from any and all potential issues, which could result in potential fines and penalties for the Group, especially if not covered by the Group's insurance cover.

Failure to adequately protect learners could result in significant harm to one or more learners.

Incidents have occurred and may in future occur where learners may not have been, or may not be, adequately protected. For example, where the Group has direct learner contact via online learning, or in its test centres. While the Group has made further progress during the year, the range and frequency of threats remains high. These incidents can cause harm to learners, which is something the Group takes extremely seriously, and could also have a negative financial, legal and reputational impact to the business.

Failure to effectively manage risks associated with compliance with global and local anti-bribery and corruption (ABC) legislation could result in costly legal investigations and/or adversely impact the Group's reputation.

The Group is committed to an effective compliance programme in keeping with changing regulatory expectations, and it is also committed to conducting business in a legal and ethical manner in compliance with local and international statutory requirements and standards applicable to its business. Despite those commitments, there is a risk that the Group's management, employees or representatives may take actions that violate applicable laws and regulations including regarding accurate keeping of books and records or prohibiting the making of improper payments for the purposes of obtaining or keeping business, including laws such as the US Foreign Corrupt Practices Act or the UK Bribery Act. Any regulatory inquiry or investigations could be costly, require a significant amount of management's time and attention, adversely impact the Group's reputation, or lead to litigation and financial impacts.

Failure to comply with antitrust and competition legislation and/or legal or regulatory proceedings could result in substantial financial cost and/or adversely impact the Group's reputation.

The Group is subject to global and local antitrust and competition law and although it is committed to conducting business in compliance with local and international laws, there is a risk that management, employees or representatives may act in a way that violates applicable antitrust or competition laws. Further, the Group and its subsidiaries are and may be in the future subject to legal and regulatory proceedings in the countries in which the Group operates. These proceedings could result in greater scrutiny of the Group's operations in other countries for anti-competitive behaviour and, in the worst case, incur a substantial financial cost. This would also have an adverse impact on the Group's reputation.

Failure to adequately protect the health, safety and well-being of the Group's employees, learners and other stakeholders could adversely impact the Group's reputation, profitability and future growth.

Although the Group has invested in global health and safety procedures and controls to safeguard the health, safety and wellbeing of its employees and other stakeholders, accidents or incidents could still occur due to unforeseen risks, causing injury or harm to individuals and impacting the Group's business operations. This has the potential to lead to criminal and civil litigation, business disruption leading to operational loss, reduction in profitability and impact on the Group's reputation.

Failure to ensure security for the Group's staff, learners, assets and reputation, due to increasing numbers of and variety of local and global threats.

Pearson is a global business with locations in diverse, sometimes high-risk, locations worldwide. Although it has protective measures in place to secure its staff, learners and assets, the Group could still be impacted by external threats, such as localised incidents, terrorist attacks, strikes or extreme weather. Future occurrences could cause harm to individuals and/or disrupt business operations. These have the potential to lead to operational loss, a reduction in profitability and impact on the Group's global reputation.

Other Significant Near-term and Emerging Risks

Environmental, social and governance risks including Climate Transition may adversely impact the Group's business.

The Group considers environmental, social and governance (ESG) risks no differently to the way it manages any other business risk. Expectations around climate commitments and measurements change on a regular basis. A failure to comply with relevant standards, or other ESG-related laws or regulations, whether in the UK or elsewhere, could adversely affect the Group's reputation and have a negative impact on its relations with employees, customers and/or business partners. Costs associated with climate-transition which cannot be fully managed by decarbonisation activities may lead to decreased margins. However, the Group has assessed the impact of climate change on the Group's financial statements, including our long-term net zero commitment, and the actions the Group intends to take to achieve those targets. The assessment did not identify any material impact on the Group's significant judgments or estimates at 31 December 2023, or the assessment of going concern for the period to June 2025 and the Group's viability over the next five years.

Financial markets disruption – A lack of sufficient capital resources could adversely impact the Group's ability to operate.

Financial crises impact financial markets periodically, which could result in bank failures and loss of capital for the Group, or an inability to access debt capital markets as planned. The Group has a €300m bond maturity in 2025 and if it were unable to raise finance to replace it, it may be required to delay investment, negatively impacting the Group's growth prospects.

Inflation – High levels of global inflation could increase costs and adversely impact the Group's profits and financial performance.

High ongoing global inflation factors have increased and could further increase the cost of production for Pearson, particularly through wage inflation. There is no guarantee that we can increase prices or reduce cost for products and services that can mitigate the effects of inflation, which could lead to reduced earnings and ability to invest in future growth.

Geopolitical conflict – Conflict could affect Pearson's operations.

Pearson has staff and offices globally, which could be impacted by conflict or blockades as a result of geopolitical issues. Notably, Pearson has offices in Israel which support Pearson's digital products, which if affected by conflict could negatively impact the pace of innovation or the quality of Pearson's products.

Certain additional information on the Company

Information on the Company

Pearson was incorporated and registered in 1897 under the laws of England and Wales as a limited company and re-registered under the UK Companies Act as a public limited company in 1981. The Group conducts its operations primarily through its subsidiaries and other affiliates. Its principal executive offices are located at 80 Strand, London WC2R 0RL, United Kingdom (telephone: +44 20 7010 2000) and its website address is https://plc.pearson.com/. The Company is registered in England and Wales under the company number 00053723. The SEC maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. The address of that site is http://www.sec.gov.

Operating cycles

The Group determines a normal operating cycle separately for each entity/cash generating unit with distinct economic characteristics. The 'normal operating cycle' for each of the Group's businesses is primarily based on the expected period over which content or services will generate cash flows. The Higher Education courseware market is primarily driven by an adoption cycle, with colleges and professors typically refreshing their courses and selecting revised programs on a regular basis, often in line with the release of new content or new technology offerings. The Company renews its product development assets to reflect new content and capabilities which enhance the attractiveness of its offering to both educators and learners.

Analysis of historical data shows that the typical life cycle of Higher Education content is up to five years but varies by product. In addition to content, the Group also develops technology platforms for products and the life cycle for these platforms can be in excess of the five years cycle for content. Again, the operating cycle for content and platforms mirrors the market cycle.

Historically for a major content refresh a development phase of typically 12 to 18 months for Higher Education precedes the period during which the Company receives and delivers against orders for the products it has developed for the programme.

The operating cycles in respect of the Group's professional and clinical content are more specialised in nature as they relate to educational or heavy reference products released into smaller markets (e.g. the financial training and IT sectors). Nevertheless, in these markets, there is still a regular cycle of product renewal, in line with demand which management monitor. Typically, the life cycle is five years for Professional content and seven years for Clinical content. Elsewhere in the Group, operating cycles are typically less than one year.

Competition

The Group's businesses operate in highly competitive markets. The Group faces competitive threats both from large media players and from smaller businesses, online and mobile portals and operators in the digital arena that provide alternative sources of content. Alternative distribution channels, e.g. digital format, the internet, online retailers, growing delivery platforms (e.g. e-readers or tablets), pose both threats and opportunities to traditional publishing business models, potentially impacting both sales volumes and pricing.

In Assessment & Qualifications, the Group competes with other companies offering test development and administration including Cambium, Data Recognition Corp (DRC), Educational Testing Service (ETS), and NWEA, and others. The Professional Certification business competes with Prometric globally and a number of other smaller players in local markets. The Clinical Assessment business competes with MHS and WPS. The UK and International qualifications business competes with AQA, Cambridge Assessment and OCR in general qualifications, as well as a number of smaller players.

In Virtual Learning, the Group competes with companies such as Stride in virtual schools and 2U Inc. in Online Program Management until the point of disposal, alongside smaller niche players that specialise in a particular academic discipline or focus on a learning technology.

Additional information for US listing purposes *continued*

In Institutional English Language Learning, the Group competes with Oxford University Press, Macmillan and other publishers. In High Stakes Assessments, Pearson Test of English Academic competes with alternative tests including iELTS and TOEFL. In the online language learning market, the Group competes with Duolingo, Babbel and Busuu, as well as a number of smaller players.

In Workforce Skills, the vocational qualifications business competes with City and Guilds globally alongside smaller niche and local market providers, our assessments businesses compete with HiSET in high school equivalency and SHL in skills and ability testing, and our enterprise data, technology and learning businesses compete with Learning platforms such as Guild, credential platforms such as Accredible, talent management platforms such as Eightfold.ai, and data services such as Emsi.

In Higher Education, the Group competes with other publishers and creators of educational materials and services. These companies include publishers such as Cengage Learning and McGraw-Hill Education, as well as non-mainstream publishers.

Competition is based on the ability to deliver quality products and services that address the specified curriculum needs and appeal to the student, organisations, school boards, educators, employers and government officials making purchasing decisions.

Intellectual property

The Group's principal intellectual property assets consist of its:

- trademarks and other rights via its brands (including corporate and business unit brands and imprints, as well as product and service brands);
- copyrights for its textbook and related educational content and software code; and
- patents and trade secrets related to the innovative methods deployed in its key technologies.

The Group believes it has taken reasonable legal steps to protect its key brands in its major markets and copyright in its content and has taken appropriate steps to develop a comprehensive patent programme to ensure appropriate protection of emerging inventions that are critical to its new business strategies.

Licenses, patents and contracts

The Group is not dependent upon any particular licenses, patents or new manufacturing processes that are material to its business or profitability. Notwithstanding the foregoing, the Group's education business is dependent upon licensed rights since most textbooks and digital learning tools include content and/or software that is licensed to it by third parties (or assigned subject to royalty arrangements). In addition, some software products in various business lines rely upon patents licensed from third parties.

The Group is not materially dependent upon any particular contracts with suppliers or customers, including contracts of an industrial, commercial or financial nature. The Group's revenue is diversified, no individual customer comprised more than 5% of revenue in 2023.

Raw materials

Paper remains the principal raw material used by the Group although its use is declining given the shift to digital products. The Group purchases most of its paper through its global outsourcing partner LSC Communications located in the United States. The Group has not experienced and does not anticipate difficulty in obtaining adequate supplies of paper for its operations, with sourcing available from numerous suppliers. While local prices fluctuate depending upon local market conditions, the Group has not experienced extensive volatility in fulfilling paper requirements. In the event of a sharp increase in paper prices, the Group has a number of alternatives to minimise the impact on its operating margins, including modifying the grades of paper used in production and price adjustments.

Government regulation

The manufacture of certain products in various markets is subject to governmental regulation relating to the discharge of materials into the environment. Operations are also subject to the risks and uncertainties attendant to doing business in numerous countries. Some of the countries in which the Group conducts these operations maintain controls on the repatriation of earnings and capital and restrict the means available for hedging potential currency fluctuation risks.

The operations that are affected by these controls, however, are not material. Accordingly, these controls have not significantly affected the Group's international operations. Regulatory authorities may have enforcement powers that could have an impact. The Group believes, however, that in light of the nature of its business the risk of these sanctions does not represent a material threat.

Legal proceedings

The Group and its subsidiaries are from time to time the subject of legal proceedings incidental to the nature of its and their operations. These may include private litigation or arbitrations, governmental proceedings and investigations by regulatory bodies.

Property, plant and equipment

The Group's headquarters are located at leasehold premises in London, England. As at 31 December 2023, it owned or leased approximately 700 properties, including approximately 527 testing/teaching centres in over 57 countries worldwide, the majority of which are located in the United Kingdom and the United States. The other properties owned and leased by the Group consist mainly of offices and distribution centres. In some cases properties leased by the Group are then sublet to third parties.

The vast majority of printing is carried out by third-party suppliers. The Group operates a small digital print operation as part of its Pearson Assessment & Testing businesses which provides short-run and print-on-demand products, typically custom client applications.

The Group owns the following principal properties at 31 December 2023:

General use of property	Location	Area in square feet
Office	Iowa City, Iowa, USA*	312,760
Warehouse/office	Cedar Rapids, Iowa, USA	205,000
Testing	Owatonna, Minnesota, USA	128,000
Warehouse/office	Hadley, Massachusetts, USA*	85,570

* Properties are recorded as held for sale at 31 December 2023.

The Group leased the following principal properties at 31 December 2023:

General use of property	Location	Area in square feet
Office	Hudson, New York, USA*	313,285
Office	Westminster, London, UK*	289,355
Office	Hoboken, New Jersey, USA*	216,273
Office	Bloomington, Minnesota, USA*	147,159
Warehouse/office	Cedar Rapids, Iowa, USA*	119,682

* Properties have either been fully or partially sublet or are being marketed for sublet.

Off-balance sheet arrangements

The Group does not have any off-balance sheet arrangements, as defined by the SEC for the purposes of the Form 20-F, that have or are reasonably likely to have a material current or future effect on the Group's financial position or results of operations.

Operating and financial review

The financial review for the year ended 31 December 2023 compared to the year ended 31 December 2022 can be found on pages 26-33 of the Strategic Report. The financial review for the year ended 31 December 2022 compared to the year ended 31 December 2021 can be found on pages 20-25 of our 2022 Annual Report and Accounts on Form 20-F filed with the United States Securities and Exchange Commission on 31 March 2023.

Directors, senior management and employees

Board Practices

As at 28 February 2024, the Group's Board comprises the Chair, two Executive Directors and eight Non-Executive Directors. The Articles of Association (as defined below) provide that all the Directors at the date of the notice convening the Annual General Meeting ('AGM') shall retire from office at the meeting. A retiring Director shall, if willing to act, be eligible for re-appointment. If they are not re-appointed, they shall 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. The Articles of Association also provide that every Director appointed by the Board be subject to re-appointment by shareholders at the next AGM following their appointment.

Tim Score will be retiring from the Board upon the conclusion of the Company's AGM on 26 April 2024. Upon Tim Score's retirement, Graeme Pitkethly will be appointed as Deputy Chair and Senior Independent Director. All of the Directors, save Tim Score, will offer themselves for re-election at the forthcoming AGM on 26 April 2024.

Pearson is listed on the New York Stock Exchange ('NYSE'). As a listed non-US issuer, the Group is not required to comply with some of the NYSE's corporate governance rules, but must disclose on its website any significant ways in which its corporate governance practices differ from those followed by US companies under the NYSE listing standards. At this time, the Group believes that it is in compliance in all material respects with all the NYSE rules except that the Nomination & Governance Committee is not composed entirely of independent Directors as the Chair, who is not considered independent under NYSE rules, is a member of this Committee in addition to independent Directors.

Employees

Through its subsidiaries, the Group has entered into collective bargaining agreements with employees in various locations. The Group's management has no reason to believe that it would not be able to renegotiate any such agreements on satisfactory terms. The Group encourages employees to contribute actively to the business in the context of their particular job roles and believes that the relations with its employees are generally good.

Significant changes

Other than those events described in note 37 in the consolidated financial statements, and seasonal fluctuations in borrowings, there has been no significant change to the Group's financial condition or results of operations since 31 December 2023. The Group's borrowings fluctuate by season due to the effect of the school year on working capital requirements. Assuming no acquisitions or disposals, the maximum level of net debt normally occurs in the third quarter, and the minimum level of net debt normally occurs in December.

The offer and listing

The principal trading market for the Group's ordinary shares is the London Stock Exchange which trade under the symbol 'PSON'. Its ordinary shares also trade in the United States in the form of ADSs evidenced by ADRs under a sponsored ADR facility with The Bank of New York Mellon, as depositary. The Group established this facility in March 1995 and most recently amended it in August 2014 in connection with its New York Stock Exchange listing. Each ADS represents one ordinary share.

The ADSs trade on the New York Stock Exchange under the symbol 'PSO'.

Articles of association

The Group summarises below the material provisions of its articles of association, as amended (the 'Articles of Association'), which have been filed as an exhibit to its annual report on Form 20-F for the year ended 31 December 2023. The summary below is qualified entirely by reference to the Articles of Association. In conformity with the UK Companies Act 2006 (the Act), the Group has multiple business objectives and purposes and is authorised to do such things as the Board may consider fit to further its interests or incidental or conducive to the attainment of its objectives and purposes.

Directors' powers

The Group's business shall be managed by the Board of Directors and the Board may exercise all such of its powers as are not required by law or by the Articles of Association or by any directions given by the Company by special resolution, to be exercised in a general meeting.

Interested Directors

For the purposes of section 175 of the Act, the Board may authorise any matter proposed to it which would, if not so authorised, involve a breach of duty by a Director under that section, including, without limitation, any matter which relates to a situation in which a Director has, or can have, an interest which conflicts, or possibly may conflict, with the interests of the Company. Any such authorisation will be effective only if:

a. any requirement as to quorum at the meeting at which the matter is considered is met without counting the Director in question or any other interested Director; and
b. the matter was agreed to without their voting or would have been agreed to if their votes had not been counted.

The Board may (whether at the time of the giving of the authorisation or subsequently) make any such authorisation subject to any limits or conditions it expressly imposes but such authorisation is otherwise given to the fullest extent permitted. The Board may vary or terminate any such authorisation at any time.

Provided that he or she has disclosed to the Board the nature and extent of his or her interest (or else that the Director is not aware of the interest or not aware of the transaction or arrangement in question, or else that the interest cannot be reasonably regarded to give rise to a conflict of interest), a Director notwithstanding his or her office:

a. may be a party to, or otherwise interested in, any transaction or arrangement with the Company or in which the Company is otherwise (directly or indirectly) interested;
b. (may act by himself or herself or his or her firm in a professional capacity for the Company (otherwise than as auditor) and he or she or his or her firm shall be entitled to remuneration for professional services as if he or she were not a Director;
c. may be a Director or other officer of, or employed by, or a party to a transaction or arrangement with, or otherwise interested in, any body corporate in which the Company is otherwise (directly or indirectly) interested.

A Director shall not, by reason of his or her office, be accountable to the Company for any remuneration or other benefit which he or she derives from any office or employment or from any transaction or arrangement or from any interest in any body corporate:

a. the acceptance, entry into or existence of which has been approved by the Board (subject, in any such case, to any limits or conditions to which such approval was subject); or
b. which he or she is permitted to hold or enter into by virtue of paragraph (a), (b) or (c) above;

nor shall the receipt of any such remuneration or other benefit constitute a breach of his or her duty under section 176 of the Act.

A Director shall be under no duty to the Company with respect to any information which he or she obtains or has obtained otherwise than as a Director of the Company and in respect of which he or she owes a duty of confidentiality to another person. However, to the extent that his or her relationship with that other person gives rise to a conflict of interest or possible conflict of interest, the preceding sentence only applies if the existence of such relationship has been approved by the Board. In such circumstances, the Director shall not be in breach of the general duties he or she owes to the Company by virtue of sections 171 to 177 of the Act because he or she fails:

a. to disclose any such information to the Board or to any Director or other officer or employee of the Company; and/or
b. to use or apply any such information in performing his or her duties as a Director of the Company.

Where the existence of a Director's relationship with another person has been approved by the Board and his or her relationship with that person gives rise to a conflict of interest or possible conflict of interest, the Director shall not be in breach of the general duties he or she owes to the Company by virtue of sections 171 to 177 of the Act because he or she:

a. absents himself or herself from meetings of the Board at which any matter relating to the conflict of interest or possible conflict of interest will or may be discussed or from the discussion of any such matter at a meeting or otherwise; and/or
b. makes arrangements not to receive documents and information relating to any matter which gives rise to the conflict of interest or possible conflict of interest sent or supplied by the Company and/or for such documents and information to be received and read by a professional adviser, for so long as he or she reasonably believes such conflict of interest or possible conflict of interest subsists.

Except as stated below, a Director shall not vote in respect of any contract or arrangement or any other proposal whatsoever in which he or she has an interest which is, to his or her knowledge, a material interest, otherwise than by virtue of his or her interests in shares or debentures or other securities of or otherwise in or through the Company. A Director shall not be counted in the quorum at a meeting of the Board in relation to any resolution on which he or she is debarred from voting.

Notwithstanding the foregoing, a Director will be entitled to vote, and be counted in the quorum, on any resolution concerning any of the following matters:

- the giving of any guarantee, security or indemnity in respect of money lent or obligations incurred by him or her or by any other person at the request of or for the benefit of the Company or any of its subsidiaries;
- the giving of any guarantee, security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which he himself or she herself has assumed responsibility in whole or in part and whether alone or jointly with others under a guarantee or indemnity or by the giving of security;
- any proposal relating to the Company or any of its subsidiary undertakings where it is offering securities in which offer a Director is or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which a Director is to participate;
- any proposal relating to another Company in which he or she and any persons connected with him or her do not to his or her knowledge hold an interest in shares (as that term is used in sections 820 to 825 of the Act) representing one percent or more of either any class of the equity share capital, or the voting rights, in such Company;
- any proposal relating to an arrangement for the benefit of the employees of the Company or any of its subsidiary undertakings which does not award him or her any privilege or benefit not generally awarded to the employees to whom such arrangement relates; and
- any proposal concerning insurance that the Company proposes to maintain or purchase for the benefit of Directors or for the benefit of persons, including Directors.

Where proposals are under consideration concerning the appointment of two or more Directors to offices or employment with us or any Company in which the Group is interested, these proposals may be divided and considered separately and each of these Directors, if not prohibited from voting under the provisions of the eighth paragraph before this one, will be entitled to vote and be counted in the quorum with respect to each resolution except that concerning his or her own appointment.

Retirement and re-appointment of Directors

At every AGM, all the Directors at the date of the notice convening the AGM shall retire from office. A retiring Director shall, if willing to act, be eligible for re-appointment. If he or she is not re-appointed, he or she shall retain office until the meeting appoints someone in his or her place, or if it does not do so, until of the end of the meeting, or until the end of the adjourned meeting if the meeting is adjourned.

Where a Director has been reappointed after notice of the AGM has been given, that Director shall retire at the next AGM of which notice is first given after his or her appointment as Director.

If there is an insufficient number of appointed or re-appointed Directors at any of the Company's AGM 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.

Borrowing powers

The Board of Directors may exercise all powers to borrow money and to mortgage or charge the Group's undertaking, property and uncalled capital and to issue debentures and other securities, whether outright or as collateral security for any of its or any third party's debts, liabilities or obligations. The Board of Directors must restrict the borrowings in order to secure that the aggregate amount of undischarged monies borrowed by the Group (and any of its subsidiaries), but excluding any intra-group debts, shall not at any time (without the previous sanction of the Company in the form of an ordinary resolution) exceed a sum equal to twice the aggregate of the adjusted capital and reserves.

Other provisions relating to Directors

Under the Articles of Association, Directors are paid out of the Group's funds for their services as it may from time to time determine by ordinary resolution and, in the case of Non-Executive Directors, up to an aggregate of £1,000,000 per year or such other amounts as resolved by the shareholders at a general meeting. Any Director who is not an Executive Director and who performs special services which in the opinion of the Board are outside the scope of the ordinary duties of a Director, may be paid such extra remuneration by way of additional fee, salary, commission or otherwise as the Board may determine in accordance with the Group's remuneration policy. Under the Articles of Association, Directors currently are not required to hold any share qualification. However, the remuneration policy mandates a shareholding guideline for Executive Directors which they are expected to build towards over a specified period.

General meetings

Pursuant to the Act, the Company must hold an AGM (within six months beginning with the day following its accounting reference date) at a place and time determined by the Board. The following matters are usually considered at an AGM:

- approval of final dividend;
- consideration of the Company's annual accounts together with associated reports of the Board of Directors and auditors;
- appointment or re-appointment of Directors;
- appointment or re-appointment of the auditors, and authorisation for the Audit Committee to determine and fix the remuneration of the auditors; and
- renewal, limitation, extension, variation or grant of any authority to the Board in relation to the allotment and repurchase of securities.

The Board may call a general meeting whenever it thinks fit. If at any time there are not within the United Kingdom sufficient Directors capable of acting to form a quorum, any Director or any two members may convene a general meeting in the same manner as nearly as possible as that in which meetings may be convened by the Board.

No business shall be dealt with at any general meeting unless a quorum is present when the meeting proceeds to business. Three members present in person or by proxy and entitled to vote shall be a quorum for all purposes. A corporation being a member shall be deemed to be personally present if represented by its duly authorised representative.

If a quorum for a meeting convened at the request of shareholders is not present within 15 minutes of the appointed time (or if during a meeting such a quorum ceases to be present), the meeting will be dissolved. In any other case, the general meeting will be adjourned to such time and with such means of attendance and participation as the Chair of the meeting may determine. If at that rescheduled meeting a quorum is not present within fifteen minutes from the time appointed for holding the meeting, the shareholders present in person or by proxy will be a quorum. The Chair or, in his or her absence, the Deputy Chair or any other Director nominated by the Board, will preside as Chair at every general meeting. If no Director is present at the general meeting or no Director consents to act as Chair, the shareholders present shall elect one of their number to be Chair of the meeting.

The Board may resolve to enable persons entitled to attend and participate in a general meeting to do so by simultaneous attendance and participation by means of electronic facility or facilities and determine the means, or all different means, of attendance and participation used in relation to a general meeting. The members present in person or by proxy by means of electronic facility or facilities shall be counted in the quorum for, and entitled to participate in the general meeting in question. That meeting shall be duly constituted and its proceedings valid if the Chair of the meeting is satisfied that adequate facilities are available throughout the meeting to ensure that members attending the meeting by all means (including by means of electronic facility or facilities) are able to:

a. participate in the business for which the meeting has been convened;
b. hear all persons who speak at the meeting; and
c. be heard by all persons present at the meeting.

Additional information for US listing purposes *continued*

A member seeking to be present in person or by proxy at a general meeting by means of electronic facility or facilities is responsible for ensuring they have access to and can use the facility or facilities. The meeting shall be duly constituted and its proceedings valid notwithstanding the inability of the member to gain access to use the facility or facilities, or the loss of access to or use of the facility or facilities during the meeting.

Share certificates

Every person whose name is entered as a member in the Company's Register of Members shall be entitled to one certificate in respect of each class of shares held (the law regarding this does not apply to stock exchange nominees). Subject to the terms of issue of the shares, certificates are issued following allotment or receipt of the relevant transfer by the Group's registrar, Equiniti, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA, United Kingdom.

Share capital

Any share may be issued with such preferred, deferred or other special rights or other restrictions as may be determined by way of a shareholders' vote in a general meeting. Subject to the Act, any shares may be issued which are to be redeemed or are liable to be redeemed at the option of the Company or the shareholders.

There are no provisions in the Articles of Association which discriminate against any existing or prospective shareholder as a result of such shareholder owning a substantial number of shares.

Subject to the terms of the shares which have been issued, the Directors may from time to time make calls upon the shareholders in respect of any moneys unpaid on their shares, provided that (subject to the terms of the shares so issued) no call on any share shall be payable at less than 14 clear days from the last call. The Directors may, if they see fit, receive from any shareholder willing to advance the same, all and any part of the moneys uncalled and unpaid upon any shares held by him or her.

Changes in capital

The Group may, from time to time by ordinary resolution subject to the Act:

- consolidate and divide all or any of its share capital into shares of a larger nominal amount than its existing shares; or
- sub-divide all of or any of its existing shares into shares of smaller nominal amounts.

The Group may, from time to time, increase its share capital by allotting new shares in accordance with the prescribed threshold authorised by shareholders at the last AGM and subject to the consents and procedures required by the Act. The Group may also, by special resolution, reduce its share capital.

Voting rights

Every holder of ordinary shares present in person or by proxy at a meeting of shareholders has one vote on a vote taken by a show of hands. On a poll, every holder of ordinary shares who is present in person or by proxy has one vote for every 25 pence of nominal share capital (being one ordinary share) of which he or she is the holder. Voting at any meeting of shareholders is usually on a poll rather than by show of hands. Voting on a poll is more transparent and equitable because it includes the votes of all shareholders, including those cast by proxies, rather than just the votes of those shareholders who attend the meeting. A poll may be also demanded by:

- the Chair of the meeting;
- at least three shareholders present in person or by proxy and entitled to vote;
- any shareholder or shareholders present in person or by proxy representing not less than one-tenth of the total voting rights of all shareholders having the right to vote at the meeting; or
- any shareholder or shareholders present in person or by proxy holding shares conferring a right to vote at the meeting being shares on which the aggregate sum paid up is equal to not less than one-tenth of the total sum paid up on all shares conferring that right.

Dividends

Holders of ordinary shares are entitled to receive dividends out of Group profits that are available by law for distribution, as the Group may declare by ordinary resolution, subject to the terms of issue thereof.

However, no dividends may be declared in excess of an amount recommended by the Board of Directors. The Board may pay interim dividends on the shares of any class as it deems fit. It may invest or otherwise use all dividends left unclaimed for six months after having been declared for its benefit, until claimed. All dividends unclaimed for a period of eight years after having been declared will be forfeited and revert to the Group.

The Directors may, with the sanction of an ordinary resolution of the shareholders, offer any holders of ordinary shares the right to elect to receive ordinary shares credited as fully paid, in whole or in part, instead of cash in respect of such dividend.

The Directors may deduct from any dividend payable to any shareholder all sums of money (if any) presently payable by that shareholder to the Group on account of calls or otherwise in relation to its shares.

Dividends may be paid by such method or combination of methods as the Board, in its absolute discretion, may decide. Different methods of payment may apply to different holders or groups of holders.

Liquidation rights

In the event of the Group's liquidation, after payment of all liabilities, its remaining assets would be used to repay the holders of ordinary shares the amount they paid for their ordinary shares. Any balance would be divided among the holders of ordinary shares in proportion to the nominal amount of the ordinary shares held by them.

Other provisions of the Articles of Association

Whenever the Group's capital is divided into different classes of shares, the special rights attached to any class may, unless otherwise provided by the terms of the issue of the shares of that class, be varied or abrogated, either with the written consent of the holders of 75% of the issued shares of the class (excluding any issued as treasury shares) or with the sanction of a special resolution passed at a separate meeting of these holders. Conditions set out in the Articles of Association with respect to the variation of rights are subject to the provisions of the Act. In the event that a shareholder or other person appearing to the Board of Directors to be interested in ordinary shares fails to comply with a notice requiring him or her to provide information with respect to their interest in voting shares pursuant to section 793 of the Act, the Board may serve that shareholder with a notice of default. After service of a default notice, that shareholder shall not be entitled to attend or vote at any general meeting or at a separate meeting of holders of a class of shares or on a poll until he or she has complied in full with the Group's information request.

If the shares described in the default notice represent at least 25% of 1% in nominal value of the issued ordinary shares, then the default notice may additionally direct that in respect of those shares:

- the Group will not pay dividends (or issue shares in lieu of dividends); and
- the Group will not register transfers of shares unless (i) 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; (ii) the transfer is an approved transfer, as defined in the Articles of Association; or (iii) the registration of the transfer is required by the Uncertificated Securities Regulations 2001.

No provision of the Articles of Association expressly governs the ordinary share ownership threshold above which shareholder ownership must be disclosed. Under the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority, any person who acquires, either alone or, in specified circumstances, with others an interest in the Company's voting share capital equal to or in excess of 3% comes under an obligation to disclose prescribed particulars to the Company in respect of those ordinary shares. A disclosure obligation also arises where a person's notifiable interests fall below 3%, or where, at or above 3%, the percentage of the Company's voting share capital in which a person has a notifiable interest reaches, exceeds or falls below 3%, 4%, 5%, 6%, 7%, 8%, 9%, 10%, and each 1% threshold thereafter up to 100%.

Limitations affecting holders of ordinary shares or ADSs

Under English law and Articles of Association, persons who are neither UK residents nor UK nationals may freely hold, vote and transfer ordinary shares in the same manner as UK residents or nationals.

With respect to the items discussed above, applicable UK law is not materially different from applicable US law.

Material contracts

The Group is not currently party to any contracts outside the ordinary course of business, other than the Trust Deed entered into in 2020 with respect to £350.0 million aggregate principal amount of 3.750% guaranteed notes due 2030, in each case, issued by a subsidiary and guaranteed by Pearson, which is filed as Exhibit 2.2 of this report.

Executive employment contracts

The Group has entered into agreements with each of its Executive Directors pursuant to which such Executive Director is employed by the Group. These agreements describe the duties of such Executive Director and the compensation to be paid by us.

It is the Group's policy that it may terminate the Executive Directors' service agreements by giving no more than 12 months' notice. As an alternative, the Group may at its discretion pay in lieu of that notice. Payment-in-lieu of notice may be made in equal monthly installments from the date of termination to the end of any unexpired notice period. In the case of Executive Directors, payment-in-lieu of notice in installments may also be subject to mitigation and reduced taking into account earnings from alternative employment. For Executive Directors, pay in lieu of notice comprises 100% of the annual salary at the date of termination and the annual cost to the Company of providing pension and all other benefits. The Group may, depending on the circumstances of the termination, determine that it will not pay the Director in lieu of notice and may instead terminate a Director's contract in breach and make a damages payment, taking into account as appropriate the Director's ability to mitigate their loss.

Exchange controls

There are no UK Government laws, decrees, regulations or other legislation which restrict or which may affect the import or export of capital, including the availability of cash and cash equivalents for use by us or the remittance of dividends, interest or other payments to non-resident holders of the Group's securities, except as otherwise described under 'Tax Considerations' below.

Tax considerations

The following is a discussion of the material US federal income tax considerations and UK tax considerations arising from the acquisition, ownership and disposition of ordinary shares and ADSs by a US holder. A US holder is:

- an individual citizen or resident of the US, or
- a corporation created or organised in or under the laws of the US or any of its political subdivisions, or
- an estate or trust the income of which is subject to US federal income taxation regardless of its source.

This discussion deals only with ordinary shares and ADSs that are held as capital assets by a US holder, and does not address tax considerations applicable to US holders that may be subject to special tax rules, such as:

- dealers or traders in securities or currencies,
- financial institutions or other US holders that treat income in respect of the ordinary shares or ADSs as financial services income,
- insurance companies,
- tax-exempt entities,
- persons acquiring shares or ADSs in connection with employment,
- US holders that hold the ordinary shares or ADSs as a part of a straddle or conversion transaction or other arrangement involving more than one position,

- US holders that own, or are deemed for US tax purposes to own, 10% or more of the total combined voting power of all classes of the Group's voting stock,
- US holders that have a principal place of business or 'tax home' outside the United States, or
- US holders whose 'functional currency' is not the US dollar.

For US federal income tax purposes, holders of ADSs will be treated as the owners of the ordinary shares represented by those ADSs. In practice, HM Revenue & Customs (HMRC) will also regard holders of ADSs as the beneficial owners of the ordinary shares represented by those ADSs, although case law has cast some doubt on this. The discussion below assumes that HMRC's position is followed.

In addition, the following discussion assumes that The Bank of New York Mellon will perform its obligations as depositary in accordance with the terms of the depositary agreement and any related agreements.

Because US and UK tax consequences may differ from one holder to the next, the discussion set out below does not purport to describe all of the tax considerations that may be relevant to you and your particular situation. Accordingly, you are advised to consult your own tax advisor as to the US federal, state and local, UK and other, including foreign, tax consequences of investing in the ordinary shares or ADSs. Except where otherwise indicated, the statements of US and UK tax law set out below are based on the laws, interpretations and tax authority practice in force or applicable as of 28 February 2024 and are subject to any changes occurring after that date, possibly with retroactive effect.

UK income taxation of distributions

The UK does not impose dividend withholding tax on dividends paid by the Company.

A US holder that is not resident in the UK for UK tax purposes and does not carry on a trade, profession or vocation in the UK through a branch or agency (or in the case of a company a permanent establishment) to which the ordinary shares or ADSs are attributable will not generally be liable to pay UK tax on dividends paid by the Company.

US income taxation of distributions

Distributions that the Group makes with respect to the ordinary shares or ADSs, other than distributions in liquidation and distributions in redemption of stock that are treated as exchanges, will be taxed to US holders as ordinary dividend income to the extent that the distributions do not exceed the Group's current and accumulated earnings and profits. The amount of any distribution will equal the amount of the cash distribution. Distributions, if any, in excess of the Group's current and accumulated earnings and profits will constitute a non-taxable return of capital to a US holder and will be applied against and reduce the US holder's tax basis in its ordinary shares or ADSs. To the extent that these distributions exceed the tax basis of the US holder in its ordinary shares or ADSs, the excess generally will be treated as capital gain.

Dividends that the Group pays will not be eligible for the dividends received deduction generally allowed to US corporations under Section 243 of the Code.

In the case of distributions in pounds sterling, the amount of the distributions generally will equal the US dollar value of the pounds sterling distributed, determined by reference to the spot currency exchange rate on the date of receipt of the distribution by the US holder in the case of shares or by The Bank of New York Mellon in the case of ADSs, regardless of whether the US holder reports income on a cash basis or an accrual basis. The US holder will realise separate foreign currency gain or loss only to the extent that this gain or loss arises on the actual disposition of pounds sterling received. For US holders claiming tax credits on a cash basis, taxes withheld from the distribution are translated into US dollars at the spot rate on the date of the distribution; for US holders claiming tax credits on an accrual basis, taxes withheld from the distribution are translated into US dollars at the average rate for the taxable year.

A distribution by the Company to non-corporate shareholders will be taxed as net capital gain at a maximum rate of 20%, provided certain holding periods are met, to the extent such distribution is treated as a dividend under US federal income tax principles. In addition, a 3.8% Medicare tax will generally be imposed on the net investment income, which generally would include distributions treated as dividends under US federal income tax principles, of non-corporate taxpayers whose adjusted gross income exceeds a threshold amount.

UK taxation of capital gains

A US holder that is not resident in the UK for UK tax purposes and does not carry on a trade, profession or vocation in the UK through a branch or agency (or in the case of a company a permanent establishment) to which the ordinary shares or ADSs are attributable will not generally be liable for UK taxation on capital gains or eligible for relief for allowable losses, realised on the sale or other disposal of the ordinary shares or ADSs.

A US holder who is an individual who has been resident for tax purposes in the UK but who ceases to be so resident or becomes regarded as resident outside the UK for the purposes of any double tax treaty ('Treaty Non-resident') and continues to not be resident in the UK, or continues to be Treaty Non-resident, for a period of five years or less and who disposes of his ordinary shares or ADSs during that period may also be liable on his return to the UK to UK tax on capital gains, subject to any available exemption or relief, even though he or she is not resident in the UK, or is Treaty Non-resident, at the time of the disposal.

US income taxation of capital gains

Upon a sale or exchange of ordinary shares or ADSs to a person other than Pearson, a US holder will recognise gain or loss in an amount equal to the difference between the amount realised on the sale or exchange and the US holder's adjusted tax basis in the ordinary shares or ADSs. Any gain or loss recognised will be capital gain or loss and will be long-term capital gain or loss if the US holder has held the ordinary shares or ADSs for more than one year. Long-term capital gain of a non-corporate US holder is generally taxed at a maximum rate of 20%. In addition, a 3.8% Medicare tax will generally be imposed on the net investment income, which generally would include capital gains, of non-corporate taxpayers whose adjusted gross income exceeds a threshold amount.

Gain or loss realised by a US holder on the sale or exchange of ordinary shares or ADSs generally will be treated as US-source gain or loss for US foreign tax credit purposes.

Estate and gift tax

The current Estate and Gift Tax Convention (referred to in this paragraph as the 'Convention'), between the US and the UK generally relieves from UK inheritance tax (the equivalent of US estate and gift tax) the transfer of ordinary shares or of ADSs where the transferor is domiciled in the US for the purposes of the Convention. This relief will not apply if the ordinary shares or ADSs are part of the business property of an individual's permanent establishment in the UK or pertain to the fixed base in the UK of a person providing independent personal services. If no relief is given under the Convention, inheritance tax may be charged on death and also on the amount by which the value of an individual's estate is reduced as a result of any transfer made by way of gift or other gratuitous or undervalue transfer, in general within seven years of death, and in certain other circumstances. In the unusual case where ordinary shares or ADSs are subject to both UK inheritance tax and US estate or gift tax, the Convention generally provides for tax paid in the UK to be credited against tax payable in the US or for tax paid in the US to be credited against tax payable in the UK based on priority rules set forth in the Convention.

Stamp duty

No stamp duty or stamp duty reserve tax (SDRT) will generally be payable in the UK on the purchase or transfer of an ADS, provided that the ADS, and any separate instrument or written agreement of transfer, remain at all times outside the UK and that the instrument or written agreement of transfer is not executed in the UK. Subject to the following paragraph, UK legislation does however provide for SDRT or (in the case of transfers) stamp duty to be chargeable at the rate of 1.5% of the amount or value of the consideration or, in some circumstances, the value of the ordinary shares (rounded up to the next multiple of £5 in the case of stamp duty), where ordinary shares are issued or transferred to a person whose business is or includes issuing depositary receipts, or to a nominee or agent for such a person, or issued or transferred to a person whose business is or includes the provision of clearance services or to a nominee or agent for such a person.

Following certain EU litigation, HM Revenue & Customs (HMRC) accepted that it would no longer seek to apply the 1.5% SDRT charge when new shares are issued to a clearance service or depositary receipt system (or transferred into a clearance service or depositary receipt system, where such transfer is integral to the raising of capital by the company concerned) on the basis that the charge was not compatible with EU law. Following the UK's departure from the EU, such pre-existing EU law rights, recognised in litigation, were preserved as a domestic law matter following the end of the implementation period on 31 December 2020 pursuant to provisions of the UK European Union (Withdrawal) Act 2018. In addition, however, on 29 June 2023 the Retained EU Law (Revocation and Reform) Act was enacted which had the effect that such pre-existing EU law rights, recognised in litigation, would by default (that is, absent the exercise of a regulation-making power to restate or reproduce such rights in domestic law) cease to be recognised after 31 December 2023. The Finance Act 2024, which received Royal Assent on 22 February 2024, makes provision to ensure it continues to be the case, notwithstanding the effect of the Retained EU Law (Revocation and Reform) Act 2023, that stamp duty or SDRT of 1.5% is not payable in relation to (i) issues of shares into depositary receipt systems and clearance services and (ii) transfers of shares into a depositary receipt system or clearance service, where such transfer is integral to the raising of new capital by the company concerned.

The Finance Act 2024 also includes an additional exemption for 'qualifying listing arrangements' where shares are transferred (without a change in beneficial ownership) in connection with the listing of such shares on a 'recognised stock exchange'. Specific professional advice should be sought before paying the 1.5% SDRT or stamp duty charge in any circumstances.

A transfer for value of the underlying ordinary shares will generally be subject to either stamp duty or SDRT, normally at the rate of 0.5% of the amount or value of the consideration (rounded up to the next multiple of £5 in the case of stamp duty). A transfer of ordinary shares from a nominee to its beneficial owner, including the transfer of underlying ordinary shares from the Depositary to an ADS holder, under which no beneficial interest passes will not be subject to stamp duty or SDRT.

Close company status

The Group believes that the close company provisions of the UK Corporation Tax Act 2010 do not apply to it.

Documents on display

Copies of the Group's Memorandum and Articles of Association are filed as exhibits to its Annual Report on Form 20-F for the year ended 31 December 2023. We also file reports and other information with the SEC. These materials, including this Annual Report and the accompanying exhibits are available on the Investors page of the Company's website (pearsonplc.com). In addition, shareholders may request a copy of certain documents referred to in this Annual Report by writing to us at the following address: Pearson plc, c/o the Company Secretary, 80 Strand, London WC2R 0RL.

Description of Securities Other than Equity Securities

American Depository Shares

The Group's ordinary shares trade in the form of ADSs evidenced by ADRs under a sponsored ADR facility with The Bank of New York Mellon, as depositary. Each ADS represents one ordinary share.

The principal executive office of The Bank of New York Mellon is located at 240 Greenwich Street, New York, NY 10286.

Fees paid by ADR holders

The depositary collects its fees for delivery and surrender of ADSs directly from investors depositing shares or surrendering ADSs for the purpose of withdrawal, or from intermediaries acting for them. The depositary collects fees for making distributions to investors by deducting those fees from the amounts distributed or by selling a portion of distributable property to pay the fees. The depositary may collect its annual fee for depositary services by deductions from cash distributions or by directly billing investors or by charging the book-entry system accounts of participants acting for them. The depositary may generally refuse to provide fee-attracting services until its fees for those services are paid.

Additional information for US listing purposes *continued*

The following table summarises various fees currently charged by The Bank of New York Mellon:

Person depositing or withdrawing shares must pay to the depositary:	For:
$5.00 (or less) per 100 ADSs (or portion of 100 ADSs)	— Issuance of ADSs, including issuances resulting from a distribution of shares or rights or other property — Cancelation of ADSs for the purpose of withdrawal, including if the deposit agreement terminates
$.05 (or less) per ADS	— Any cash distribution to ADS registered holders
A fee equivalent to the fee that would be payable if securities distributed had been shares and the shares had been deposited for issuance of ADSs	— Distribution of securities by the depositary to ADS registered holders of deposited securities
$.05 (or less) per ADS per calendar year	— Depositary services
Registration of transfer fees	— Transfer and registration of shares on the share register to or from the name of the depositary or its agent when shares are deposited or withdrawn
Expenses of the depositary	— Cable, telex and facsimile transmissions (when expressly provided in the deposit agreement) — Converting foreign currency to US dollars
Taxes and other governmental charges the depositary or the custodian have to pay on any ADS or share underlying an ADS, for example, stock transfer taxes, stamp duty or withholding taxes	— As necessary
Any charges incurred by the depositary or its agents for servicing the deposited securities	— As necessary

Fees incurred in past annual period and fees to be paid in the future

The Depositary reimburses the Company for certain expenses it incurs in relation to the ADS programme. The Depositary also pays the standard out-of-pocket maintenance costs for the registered ADSs, which consist of the expenses for the mailing and printing of proxy materials, distributing dividend checks, electronic filing of US federal tax information, mailing required tax forms, stationery, postage, facsimile and telephone calls. It also reimburses the Company for certain investor relationship programs or special investor relations promotional activities. There are limits on the amount of expenses for which the Depositary will reimburse the Company, but the amount of reimbursement is not necessarily tied to the amount of fees the Depositary collects from investors. The Company received $50,000 as reimbursement from the Depositary for 2023.

Controls and Procedures

Disclosure controls and procedures

An evaluation of the effectiveness of the Group's disclosure controls and procedures as of 31 December 2023 was carried out by management, under the supervision and with the participation of the Chief Executive Officer and Chief Financial Officer. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures (as defined in Rules 13a- 15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) were effective as at 31 December 2023 at a reasonable assurance level. A controls system, no matter how well designed and operated, cannot provide absolute assurance to achieve its objectives.

Management's annual report on internal control over financial reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. Internal control over financial reporting is a process designed by, or under the supervision of, the Chief Executive Officer and Chief Financial Officer, or persons performing similar functions, and effected by the Company's board of directors, management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Management has assessed the effectiveness of internal control over financial reporting as of 31 December 2023 based on the framework in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission ('COSO'). Based on this evaluation, management has concluded that the Company's internal control over financial reporting was effective as of 31 December 2023 based on criteria in Internal Control — Integrated Framework (2013) issued by the COSO.

Ernst & Young LLP, an independent registered public accounting firm, has audited the effectiveness of the Company's internal control over financial reporting as of 31 December 2023, as stated in their report.

Change in internal control over financial reporting

During the period covered by this Annual Report on Form 20-F, there have been no significant changes in our internal control over financial reporting during the year ended 31 December 2023 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Audit Committee financial expert

The members of the Board of Directors of Pearson plc have determined that Graeme Pitkethly is an Audit Committee financial expert within the meaning of the applicable rules and regulations of the SEC.

Code of Ethics

Pearson has adopted a code of ethics (the Pearson code of conduct) which applies to all employees including the Chief Executive Officer and Chief Financial Officer and other senior financial management. This code of ethics is available on the Group's website (www.pearson.com/corporate/code-of-conduct.html). The information on this website is not incorporated by reference into this report.

Principal accountant fees and services

In line with best practice, the Group's relationship with Ernst & Young LLP (EY) is governed by its external auditor policy, which is reviewed and approved annually by the Audit Committee. The policy establishes procedures to ensure the auditors' independence is not compromised as well as defining those non-audit services that EY may or may not provide to Pearson. These allowable services are in accordance with relevant UK and US legislation.

The Audit Committee approves all audit and non-audit services provided by EY, unless clearly trivial. Where appropriate, services will be tendered prior to awarding this work to the auditor.

No fees were incurred in relation to taxation, including tax compliance, tax advice and tax planning.

Purchases of equity securities by the issuer and affiliated purchases

Period	Total number of shares purchased	Average price paid per share	Total number of units purchased as part of publicly announced plans or programs	Approximate maximum value of shares that may yet be purchased under the plans or programs
1 April 2022 – 30 April 2022	11,176,349	£ 7.77	9,885,524	£ 275m
1 May 2022 – 31 May 2022	4,518,993	£ 7.55	4,518,993	£ 241m
1 June 2022 – 30 June 2022	7,203,444	£ 7.52	5,363,132	£ 201m
1 July 2022 – 31 July 2022	2,897,074	£ 7.57	2,897,074	£ 179m
1 August 2022 – 31 August 2022	2,567,366	£ 8.75	2,567,366	£ 156m
1 September 2022 – 30 September 2022	5,496,817	£ 8.91	5,496,817	£ 107m
1 October 2022 – 31 October 2022	6,315,733	£ 9.03	6,315,733	£ 50m
1 November 2022 – 30 November 2022	3,017,726	£ 9.72	3,017,726	£ 21m
1 December 2022 – 31 December 2022	3,587,362	£ 9.46	2,205,695	n/a
1 March 2023 – 31 March 2023	1,757,098	£8.54	–	£301m
1 May 2023 – 31 May 2023	1,191,462	£8.39	–	£301m
1 September 2023 – 30 September 2023	2,459,066	£8.69	2,459,066	£280m
1 October 2023 – 31 October 2023	11,239,824	£9.03	11,239,824	£178m
1 November 2023 – 30 November 2023	3,108,579	£9.48	3,108,579	£149m
1 December 2023 – 31 December 2023	4,479,186	£9.44	3,436,047	£117m

On 20 September 2023, the Board approved a £300m share buyback programme in order to return capital to shareholders. During the year, approximately 20m shares were bought back and cancelled at a cost of £185m. The nominal value of these shares, £5m, was transferred to the capital redemption reserve, and the remainder of the purchase price is recorded within retained earnings. A further £117m was accrued for those amounts committed but not yet repurchased.

On 24 February 2022, the Board approved a £350m share buyback programme in order to return capital to shareholders. During the year, all of the shares were bought back and cancelled at a cost of £353m. The nominal value of these shares, £10m, was transferred to the capital redemption reserve, and the remainder of the cost is recorded within retained earnings. In 2021, no shares were bought back.

All purchases were made in open-market transactions in London in accordance with applicable law. Pearson did not structure such purchases to fall within the safe harbor provisions of the U.S. SEC's Rule 10b-18.

Change in registrants certifying accountant

Not applicable.

Cybersecurity

We believe cybersecurity is of critical importance to our success. We are susceptible to a number of significant, persistent and evolving cybersecurity threats, including those common to most industries as well as those we face as a worldwide learning company with principal operations in the education, assessment and certifications markets. The Group holds large volumes of personal data on individuals worldwide, including that of employees, customers, students, teachers and learners in the workforce, as well as other highly sensitive business critical data such as financial data, internal sensitive information, and intellectual property. Despite our implementation of security measures, threat actors of all types, including individuals, criminal organisations and state sponsored operatives, have from time to time gained access, and may in the future gain access to the Group's data through unauthorised means in order to misappropriate such information for fraudulent or other purposes. Failure to prevent or detect a malicious attack on the Group's systems has in the past and could in future result in loss of system availability, breach of confidentiality, integrity and/or availability of sensitive information, and damage to the customer experience and the Group's reputation and financial loss. Accordingly, we continuously evaluate the impact of cybersecurity threats, and are committed to the highest standards of data management and these will naturally evolve with our business as we continue our digital transformation.

Additional information for US listing purposes *continued*

Pearson's Executive team has overall responsibility for data privacy and security. Our reporting and risk management structure feeds upwards from individual businesses to Board level. Under the oversight of our Board of Directors, and the Audit Committee, our management has established comprehensive processes for identifying, assessing and managing material risks from cybersecurity threats, and these processes are integrated into our overall enterprise risk management programme. We have established lines of accountability and reporting procedures designed to enable senior management executives and divisional privacy owners to have greater visibility over managing data privacy and security risks. Our approach is proactive and adaptive, featuring regular security assessments, third-party audits and continuous improvement of our cybersecurity infrastructure. We also provide all colleagues with training on our updated and strengthened data privacy and cyber security principles and processes. We work to align our practices with industry best practices and regulatory standards. Our processes include detailed response procedures to be followed in the event of a cybersecurity incident, which outline steps to be followed from detection to assessment and escalation to notification and recovery, including internal notifications to management, the Audit Committee and the Board, as appropriate.

The Audit Committee of our Board is primarily responsible for oversight of risks, including those from cybersecurity threats, and is currently chaired by a Director with functional expertise in cybersecurity matters. Members of management, including our Chief Information Officer provide the Executive Team and the Trust & Safety committees that have been established with updates on cybersecurity risk matters on a quarterly basis and more frequently if circumstances dictate. In these updates, members of the committees are apprised of cybersecurity incidents that are deemed to have had a moderate or higher impact even if immaterial to us. In addition, the committees review and actively discusses with management and among themselves the risks related to cybersecurity and critical systems in order to provide input on the appropriate level of risk for our Company and reviews management's strategies for adequately mitigating and managing the identified risks. The Audit Committee and management regularly update our full Board with respect to cybersecurity matters.

Our Chief Information Officer is primarily responsible for managing material risks from cybersecurity threats, and is supported by a dedicated team of internal cybersecurity specialists. Our current Chief Information Officer has been in that position for eight years and has extensive information technology experience from that role and past work experience, and many of our internal team hold cybersecurity certifications such as Certified Information Systems Security Professional or Certified Information Security Manager. We also engage specialised cybersecurity consultants and leverage third-party expertise to bolster our cybersecurity defences.

In addition, our third-party vendors and service providers play a role in our cybersecurity. These third parties are integral to our operations but pose cybersecurity challenges due to their access to our data and our reliance for various aspects of our operations, including our supply chain. We have developed a third-party vendor risk management programme to assess and manage the risks associated with third-party partnerships, particularly in data security and cybersecurity. We conduct due diligence before onboarding new vendors and maintain ongoing evaluations to ensure compliance with our security standards.

As of the date of this report, no cybersecurity incidents have had, either individually or in the aggregate, a material adverse effect on our business, financial condition or results of operations. Notwithstanding the extensive approach we take to cybersecurity, we may not be successful in preventing or mitigating a cybersecurity incident that could have a material adverse effect on us. While we maintain cyber risk insurance, the costs relating to certain kinds of security incidents could be substantial, and our insurance may not be sufficient to cover all losses related to any future incidents involving our data or systems.

See 'Risk Factors' on pages 229-235 for a discussion of cybersecurity risks that may materially impact us.

Shareholder Information

Shareholder information

Pearson ordinary shares are listed on the London Stock Exchange and on the New York Stock Exchange in the form of American Depositary Receipts.

Corporate website

The investors' section of our corporate website www.pearsonplc.com/investors provides a wealth of information for shareholders. It is also possible to sign up to receive email alerts for reports and press releases relating to Pearson at www.pearsonplc.com.

Shareholder information online

Shareholder information can be found on our website at www.pearsonplc.com/investors.

Our registrar, Equiniti, also provides a range of shareholder information online. You can check your holding and find practical help on transferring shares or updating your details at www.shareview.co.uk. For more information, please contact our registrar, Equiniti, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA. Telephone 0371 384 2043* or, for those shareholders with hearing difficulties, text phone number 0371 384 2255*.

Information about the Pearson share price

The company's share price can be found on our website at www.pearsonplc.com/investors/performance/share-price-dividend. It also appears in the financial columns of the national press.

2023 dividends

	Payment Date	Amount per share
Interim	18 September 2023	7.0 pence
Final[1]	3 May 2024	15.7 pence

1. Subject to approval by shareholders at the 2024 Annual General Meeting.

2024 financial calendar	
Ex-dividend date	21 March 2024
Record date	22 March 2024
Last date for dividend reinvestment election	12 April 2024
Annual General Meeting	26 April 2024
Payment date for dividend and share purchase date for dividend reinvestment	3 May 2024

Payment of dividends to mandated accounts

Should you elect to have your dividends paid through BACS, this can be done directly into a bank or building society account, with the dividend confirmation voucher sent to the shareholder's registered address. Equiniti can be contacted for information on 0371 384 2043*.

Dividend reinvestment plan (DRIP)

The DRIP gives shareholders the right to buy the company's shares on the London stock market with their cash dividend. For further information, please contact Equiniti on 0371 384 2268*.

Individual Savings Accounts (ISAs)

Equiniti offers a Flexible Stocks and Shares ISA. For more information, please visit www.eqi.co.uk or call customer services on 0345 070 0720*.

Share dealing facilities

Equiniti offers telephone and internet services for dealing in Pearson shares. For further information, please contact their telephone dealing helpline on 0345 603 7037* or, for online dealing, log on to www.shareview.co.uk/dealing. You will need your shareholder reference number as shown on your share certificate.

A postal dealing service is also available through Equiniti. Please telephone 0371 384 2248* for details or log on to www.shareview.co.uk to download a form.

ShareGift

Shareholders with small holdings of shares, whose value makes them uneconomic to sell, may wish to donate them to ShareGift, the share donation charity (registered charity number 1052686).

Further information about ShareGift and the charities it has supported may be obtained from their website, www.ShareGift.org, or by contacting them at ShareGift, PO Box 72253, London, SW1P 9LQ.

American Depositary Receipts (ADRs)

Pearson's ADRs are listed on the New York Stock Exchange and traded under the symbol PSO. Each ADR represents one ordinary share. For enquiries regarding registered ADR holder accounts and dividends, please contact BNY Mellon Shareowner Services, PO Box 43006, Providence, RI 02940-3078, telephone 1 (866) 259 2289 (toll free within the US) or 001 201 680 6825 (outside the US). Alternatively, you may email shrrelations@cpushareownerservices.com.

Voting rights for registered ADR holders can be exercised through Bank of New York Mellon, and for beneficial ADR holders (and/or nominee accounts) through your US brokerage institution. Pearson will file with the Securities and Exchange Commission a Form 20-F.

*Lines open 8.30 am to 5.30 pm Monday to Friday (excluding UK public holidays).

Shareholder Information *continued*

Share register fraud: protecting your investment

Pearson does not contact its shareholders directly to provide recommendations or investment advice and neither does it appoint third parties to do so. As required by law, our shareholder register is available for public inspection, but we cannot control the use of information obtained by persons inspecting the register. Please treat any approaches purporting to originate from Pearson with caution.

For more information, please log on to our website at www.pearsonplc.com/en-GB/investors/shareholders/shares-shareholding

Tips on protecting your shares

- Keep any documentation that contains your shareholder reference number in a safe place and shred any unwanted documentation
- Inform our registrar, Equiniti, promptly when you change address
- Be aware of dividend payment dates and contact the registrar if you do not receive your dividend cheque or, better still, make arrangements to have the dividend paid directly into your bank account
- Consider holding your shares electronically in a CREST account via a nominee.

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Consultancy and design by Black Sun Global.
www.blacksun-global.com

Reliance on this document

The intention of this document is to provide information to shareholders and is not designed to be relied upon by any other party or for any other purpose.

Forward-looking statements

This document includes forward-looking statements concerning Pearson's financial condition, business and operations and its strategy, plans and objectives. Readers are cautioned not to place undue reliance on such forward-looking statements. In some cases, you can identify forward-looking statements by terms such as "may", "will", "should", "expect", "intend", "plan", "anticipate", "believe", "estimate", "predict", "potential", "continue" or the negative of these terms or other comparable terminology.

By their nature, forward-looking statements involve known and unknown risks and uncertainties and other factors that may cause Pearson or its industry's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by the forward-looking statements. This is because they relate to events and depend on circumstances that may occur in the future. They are based on numerous expectations, assumptions and beliefs regarding Pearson's present and future business strategies and the environment in which it will operate in the future. Pearson believes that the expectations reflected in the forward-looking statements are reasonable, although it cannot guarantee future results, levels of activity, performance or achievements.

There are various factors which could cause Pearson's actual financial condition, results and development to differ materially from the plans, goals, objectives and expectations expressed or implied by these forward-looking statements, many of which are outside Pearson's control. These include international, national and local conditions, as well as the impact of competition. Such risks and other risks and uncertainties are detailed from time to time in Pearson's publicly-filed documents and, in particular, the risk factors set out in this document, which you are advised to read.

Any forward-looking statements speak only as of the date they are made and, except as required by law, Pearson gives no undertaking to update any forward-looking statements in this document whether as a result of new information, future developments, changes in its expectations or otherwise.

Finally, as an example, all statements that express forecasts, expectations and projections, including trends in results of operations, margins, growth rates, overall market trends, the impact of interest or exchange rates, the availability of financing, anticipated cost savings and synergies and the execution of Pearson's strategy, are forward-looking statements. The forward-looking statements, specifically the margin target, financial expectations, 2024 outlook and 2025 ambition information, included on page 27 of this document have been prepared by, and is the responsibility of, Pearson's management. Ernst & Young LLP has not audited, reviewed, examined, compiled nor applied agreed-upon procedures with respect to these forward-looking statements and, accordingly, Ernst & Young LLP does not express an opinion or any other form of assurance with respect thereto.

Pearson

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Pearson plc

Registered number 53723 (England)

The Board has not yet filed IRS Form 990 as the organization was only recently legally incorporated. However, since the organization is a nonprofit entity, the board anticipates future filings.

APPENDIX C

9-12 Core Content Electives

Grades 9-12 Course Descriptions

English 9 A & B

In this course, the student will examine a variety of literary genres, writing forms, and elements of discourse through the study, practice, and application of skills, strategies, and higher-order thinking. Instruction focuses on classic and contemporary literature and compelling informational and explanatory texts, with an examination of language and style elements. In addition, the student will gain the tools needed to become a proficient communicator through hands-on exploration of the writing process, culminating in the development of narrative and explanatory essays and the development of an argumentative essay, a book review, and a research paper/presentation in B semester, and through the acquisition of speaking and listening skills required for thoughtful and respectful discussion. Additional instruction in revising and editing ensures the development of spelling, usage, mechanics, and grammar.

Instruction in English 9 is delivered through three learning approaches: narrative, or comprehensive instruction focused on a particular grade-level learning goal; peer model videos, in which a fellow student demonstrates the instruction, and 21st century, in which the student gains proficiency in the skills, knowledge, and expertise they must grasp to succeed in future education, in work, and in life. Throughout the course, engaging and thought-provoking activities allow the student to master a variety of related disciplines vital to their overall development as a reader, writer, and communicator.

Honors English 9 A & B

In this course, the student will examine a variety of literary genres, writing forms, and elements of discourse through the study, practice, and application of skills, strategies, and higher-order thinking. The Honors course provides a more rigorous approach to instruction, as the student is encouraged to analyze, synthesize, and evaluate both texts and ideas, make connections, and take an active role in expanding their depth of knowledge. Instruction focuses on classic and contemporary literature and compelling informational and explanatory texts, with an exploration of language and style elements. In addition, the student will gain the tools needed to become a proficient communicator through hands-on exploration of the writing process, culminating in the development of narrative and explanatory essays and the development of an argumentative essay, a book review, and a research paper/presentation in B semester, and through the acquisition of speaking and listening skills required for thoughtful and respectful discussion. Additional instruction in revising and editing ensures the development of spelling, usage, mechanics, and grammar.

Instruction in English 9 is delivered through three learning approaches: narrative, or comprehensive instruction focused on a particular grade-level learning goal; peer model, in which a fellow student demonstrates the instruction through videos; and 21st century, in which the student gains proficiency in the skills, knowledge, and expertise they must grasp to succeed in future education, in work, and in life. Throughout the course, engaging and thought-provoking activities allow the student to master a variety of related disciplines vital to their overall development as a reader, writer, and communicator.

English 10 A & B

In this course, the student will examine a variety of literary genres, writing forms, and elements of discourse through the study, practice, and application of skills, strategies, and higher-order thinking. Instruction focuses on a thorough understanding of classic and contemporary literature and compelling informational and explanatory texts, with an exploration of language and style elements. In addition, the student will gain the tools needed to become a proficient communicator through hands-on exploration of the writing process, culminating in the development of narrative and explanatory essays and the development of an argumentative essay, a book review, and a research paper/presentation in B semester, as well as through the acquisition of speaking and listening skills required for thoughtful and respectful discussion. Additional instruction in revising and editing ensures the development of spelling, usage, mechanics, and grammar.

Instruction in English 10 is delivered through three learning approaches: narrative, or comprehensive instruction focused on a particular grade-level learning goal; peer model, in which a fellow student demonstrates the instruction through videos; and 21st century, in which the student gains proficiency in the skills, knowledge, and expertise they must grasp to succeed in future education, in work, and in life. Throughout the course, engaging and thought-provoking activities allow the student to master a variety of related disciplines vital to their overall development as a reader, writer, and communicator.

Honors English 10 A & B

In this course, the student will examine a variety of literary genres, writing forms, and elements of discourse through the study, practice, and application of skills, strategies, and higher-order thinking. The Honors course provides a more rigorous approach to instruction, as the student is encouraged to analyze, synthesize, and evaluate both texts and ideas, make connections, and take an active role in expanding their depth of knowledge. Instruction focuses on classic and contemporary literature and compelling informational and explanatory texts, with an exploration of language and style elements. In addition, the student will gain the tools needed to become a proficient communicator through hands-on exploration of the writing process, culminating in the development of narrative and explanatory essays and the development of an argumentative essay, a book review, and a research paper/presentation in B semester, and through the acquisition of speaking and listening skills required for thoughtful and respectful discussion. Additional instruction in revising and editing ensures the development of spelling, usage, mechanics, and grammar.

Instruction in English 10 is delivered through three learning approaches: narrative, or comprehensive instruction focused on a particular grade-level learning goal; peer model, in which a fellow student demonstrates the instruction through videos; and 21st century, in which the student gains proficiency in the skills, knowledge, and expertise they must grasp to succeed in future education, in work, and in life. Throughout the course, engaging and thought-provoking activities allow the student to master a variety of related disciplines vital to their overall development as a reader, writer, and communicator.

English 11 A & B

In this course, the student will examine a variety of different literary genres, writing forms, and elements of discourse through the study, practice, and application of skills, strategies, and higher order thinking. Instruction focuses on a thorough understanding of classic and contemporary literature, poetry and drama, and compelling informational and explanatory text as well as an exploration of language and style elements. The student is also encouraged to become a proficient communicator through a hands-on exploration of the writing process, culminating in the development of narrative and explanatory essays in A semester and the development of an argumentative essay, a book review, and a research paper/presentation in B semester, as well as through the acquisition of speaking and listening skills required for thoughtful and respectful discussion. Additional instruction in revising and editing ensures the student attends to spelling, usage, mechanics, and grammar.

Instruction in grade 11 English language arts is delivered through three unique modes: Narrative, or comprehensive instruction focused on a particular grade-level learning goal; Peer Model, in which a fellow student demonstrates the instruction through a video clip, and 21st Century, in which the student gains proficiency in the skills, knowledge, and expertise they must grasp to succeed in college, in work, and in life. Throughout the course, engaging and thought-provoking activities allow the student to master a variety of related disciplines vital to their overall development as a reader, writer, and communicator.

Honors English 11 A & B

In this course, the student will examine a variety of different literary genres, writing forms, and elements of discourse through the study, practice, and application of skills, strategies, and higher order thinking. Instruction focuses on a thorough understanding of classic and contemporary literature, poetry and drama, and compelling informational and explanatory text as well as an exploration of language and style elements. The student is also encouraged to become a proficient communicator through a hands-on exploration of the writing process, culminating in the development of narrative and explanatory essays in A semester and the development of an argumentative essay, a book review, and a research paper/presentation in B semester, as well as through the acquisition of speaking and listening skills required for thoughtful and respectful discussion. Additional instruction in revising and editing ensures the student attends to spelling, usage, mechanics, and grammar.

Instruction in grade 11 English language arts is delivered through three unique modes: Narrative, or comprehensive instruction focused on a particular grade-level learning goal; Peer Model, in which a fellow student demonstrates the instruction through a video clip, and 21st Century, in which the student gains proficiency in the skills, knowledge, and expertise they must grasp to succeed in college, in work, and in life. Throughout the course, engaging and thought-provoking activities allow the student to master a variety of related disciplines vital to their overall development as a reader, writer, and communicator.

English 12 A & B

In this course, the student will examine a variety of different literary genres, writing forms, and elements of discourse through the study, practice, and application of skills, strategies, and higher order thinking. Instruction focuses on a thorough understanding of classic and contemporary literature, poetry and drama, and compelling informational and explanatory text as well as an exploration of language and style elements. The student is also encouraged to become a proficient communicator through a hands-on exploration of the writing process, culminating in the development of narrative and explanatory essays in A semester and the development of an argumentative essay, a book review, and a research paper/presentation in B semester, as well as through the acquisition of speaking and listening skills required for thoughtful and respectful discussion. Additional instruction in revising and editing ensures the student attends to spelling, usage, mechanics, and grammar.

Instruction in English 12 is delivered through three learning approaches: narrative, or comprehensive instruction focused on a particular grade-level learning goal; peer model videos, in which a fellow student demonstrates the instruction, and 21st century, in which the student gains proficiency in the skills, knowledge, and expertise they must grasp to succeed in future education, in work, and in life. Throughout the course, engaging and thought-provoking activities allow the student to master a variety of related disciplines vital to their overall development as a reader, writer, and communicator.

Honors English 12 A & B

In this course, the student will examine a variety of different literary genres, writing forms, and elements of discourse through the study, practice, and application of skills, strategies, and higher order thinking. Instruction focuses on a thorough understanding of classic and contemporary literature, poetry and drama, and compelling informational and explanatory text as well as an exploration of language and style elements. The student is also encouraged to become a proficient communicator through a hands-on exploration of the writing process, culminating in the development of narrative and explanatory essays in A semester and the development of an argumentative essay, a book review, and a research paper/presentation in B semester, as well as through the acquisition of speaking and listening skills required for thoughtful and respectful discussion. Additional instruction in revising and editing ensures the student attends to spelling, usage, mechanics, and grammar.

Instruction in English 12 is delivered through three learning approaches: narrative, or comprehensive instruction focused on a particular grade-level learning goal; peer model videos, in which a fellow student demonstrates the instruction, and 21st century, in which the student gains proficiency in the skills, knowledge, and expertise they must grasp to succeed in future education, in work, and in life. Throughout the course, engaging and thought-provoking activities allow the student to master a variety of related disciplines vital to their overall development as a reader, writer, and communicator.

World History A & B

In this course, the student will learn, practice, and apply the fundamental skills and strategies that will help them grow into critical explorers of historical context. The course focuses on several overarching themes, including human-environment interaction, development and interactions of societies, conflict, and the expansion of belief systems and ideas that would transform societies. Each unit's theme is reflected in a unit-level essential question. Essential questions throughout the instruction reinforce the unit level essential question and connect to the specific learning goals of the lesson. World History instruction is presented in close alignment with state and national standards. Daily instruction supports student learning of core historical content as well as critical thinking and literacy skills. Instruction is presented in two modes: Peer Model, in which students view a video of a peer learning how to use and apply the target skill or concept, and 21st Century, in which the student gains proficiency in the skills, knowledge, and expertise needed to succeed in work and life. Text assets are used frequently throughout the course to provide the student with experience in reading and interpreting primary and secondary source documents. Excerpts may include scholarly papers as well as magazine and newspaper articles. Students put an inquiry-based approach into practice by working directly with these assets through the lens of unit and lesson themes as well as specific learning goals. Check-In and Practice activities allow students to confirm understanding, resolve misconceptions, and apply their learning to new situations. Together the course elements ensure the student grows as a critical thinker and interpreter of the multiple stories of history, and masters the skills to succeed in work and life.

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essential question and connect to the specific learning goals of the lesson. World History instruction is presented in close alignment with state and national standards. Daily instruction supports student learning of core historical content as well as critical thinking and literacy skills. Instruction is presented in two modes: Peer Model, in which students view a video of a peer learning how to use and apply the target skill or concept, and 21st Century, in which the student gains proficiency in the skills, knowledge, and expertise needed to succeed in work and life. Text assets are used frequently throughout the course to provide the student with experience in reading and interpreting primary and secondary source documents. Excerpts may include scholarly papers as well as magazine and newspaper articles. Students put an inquiry-based approach into practice by working directly with these assets through the lens of unit and lesson themes as well as specific learning goals. Check-In and Practice activities allow students to confirm understanding, resolve misconceptions, and apply their learning to new situations. Together the course elements ensure the student grows as a critical thinker and interpreter of the multiple stories of history, and masters the skills to succeed in work and life.

Honors World History A & B

In this course, the student will learn, practice, and apply the fundamental skills and strategies that will help them grow into critical explorers of historical context. The course focuses on several overarching themes, including human-environment interaction, development and interactions of societies, conflict, the expansion of belief systems, and ideas that would transform societies. Each unit's theme is reflected in a unit-level essential question. These include questions such as "Why do we study the past?" "How has religion transformed societies?" and "How are cultural achievements defined?" Essential questions throughout the instruction reinforce the unit level essential question and connect to the specific learning goals of the lesson. World History instruction is presented in close alignment with state and national standards. Daily instruction supports student learning of core historical content as well as critical thinking and literacy skills. Instruction is presented in two modes: Peer Model, in which the student views a video of a peer learning how to use and apply the target skill or concept, and 21st Century, in which the student gains proficiency in the skills, knowledge, and expertise needed to succeed in work and life. Text assets are used frequently throughout the course to provide the student with experience in reading and interpreting primary and secondary source documents. Excerpts may include scholarly papers as well as magazine and newspaper articles. The student puts an inquiry-based approach into practice by working directly with these assets through the lens of unit and lesson themes as well as specific learning goals. Check-In and Practice activities allow the student to confirm understanding, resolve misconceptions, and apply their learning to new situations. Together the course elements ensure the student grows as a critical thinker and interpreter of the multiple stories of history, and masters the skills to succeed in work and life.

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United States History A & B

This course examines social, economic, historical, and political change in the United States and the Americas. Through activities, discussions, charts, timelines, primary sources, and maps, students will explore key events, patterns, and figures that shaped American history and culture. The course will also investigate the changing relationship of the United States to the rest of the world. In-depth study of the cause and effect of important events will help students better understand the historical context of key developments. Students will receive instruction in analyzing essential historical documents through portfolio items and lesson activities. Readings and activities will assist students in comparing time periods and in developing historical reasoning and critical thinking skills. Through this course, students will gain a broader understanding of the relevance of American history to their lives as well as develop a better understanding of the impact of key events on American culture and society.

Honors United States History A & B

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American Government A & B

In this course, the student will learn, practice, and apply the fundamental skills and strategies that will help them grow into critical explorers of civics and American government. The course focuses on a variety of topic areas, including the Constitution, political precedence and philosophy, the formation of the republic, the structure and function of government, foundational economic thought, civil rights and civil liberties, and civics and political participation. American Government instruction closely aligns with national and state standards. Daily instruction supports student learning of core government and civics content, as well as critical thinking and literacy skills. Instruction is presented in two modes: Peer Model, in which the student views a video of a peer learning how to use and apply the target skill or concept; and 21st Century Skills, in which the student gains proficiency in the skills, knowledge, and expertise needed to succeed in life and work. Text assets and visual media are used frequently throughout the course to allow the student to gain experience in reading and interpreting data from a variety of sources. The student puts an inquiry-based approach into practice by working directly with these assets through the lens of unit and lesson themes as well as specific learning goals.

Check-In and Practice activities allow the student to confirm understanding, resolve misconceptions, and apply their learning to new situations. Together the course elements ensure the student gains an awareness of the structure and function of American government, grows as a critical thinker and eventual participant in the political process, and masters the skills to succeed in life and work.

Honors American Government A & B

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Biology A & B

Biology A is designed to give the student a strong basis for understanding the world. The course consists of a varied curriculum that provides the student the opportunity to explore, compare, research, reflect, and make real-world connections. The curriculum, which meets Next Generation Science Standards (NGSS), engages students in problem-solving and scientific investigation and provides opportunities for both hands-on exploration and virtual simulation.

During this course, the student will study the science of life. The student will explore the idea that living things are extremely diverse in form, yet are unified by certain core characteristics that they all share. In learning about these core characteristics, the student will be able to critically evaluate data and information related to biological problems, connect many ideas to the student's own life, and see the world in a new way.

Biology B is designed to give the student a strong basis for understanding the world. The course consists of a varied curriculum that provides the student the opportunity to explore, compare, research, reflect, and make real-world connections. The curriculum, which meets Next Generation Science Standards (NGSS), engages students in problem-solving and scientific investigation and provides opportunities for both hands-on exploration and virtual simulation.

During this course, the student will study the science of life. The student will explore the idea that living things are extremely diverse in form, yet are unified by certain core characteristics that they all share. In learning about these core characteristics, the student will be able to critically evaluate data and information related to biological problems, connect many ideas to the student's own life, and see the world in a new way.

Honors Biology A & B

Honors Biology A is designed to give the student a strong basis for understanding the world. The course consists of a varied curriculum that provides the student the opportunity to explore, compare, research, reflect, and make real-world connections. The curriculum, which meets Next Generation Science Standards (NGSS), engages students in problem-solving and scientific investigation and provides opportunities for both hands-on exploration and virtual simulation.

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Honors Biology B is designed to give the student a strong basis for understanding the world. The course consists of a varied curriculum that provides the student the opportunity to explore, compare, research, reflect, and make real-world connections. The curriculum, which meets Next Generation Science Standards (NGSS), engages students in problem-solving and scientific investigation and provides opportunities for both hands-on exploration and virtual simulation.

During this course, the student will study the science of life. The student will explore the idea that living things are extremely diverse in form, yet are unified by certain core characteristics that they all share. In learning about these core characteristics, the student will be able to critically evaluate data and information related to biological problems, connect many ideas to the student's own life, and see the world in a new way. Throughout the course, the student will engage in activities to encourage critical thinking, including using multiple examples to generate broader generalizations, exploring an increased complexity of conceptual relationships, and studying content appropriate for college preparation studies.

Chemistry A & B

In this first of two courses that comprise Chemistry, the student will explore the fundamental concepts of chemistry, while engaging in hands-on and virtual lab experiments, and interdisciplinary problem-solving activities.

The student will build on prior knowledge to learn how to model the structure of an atom, analyze the periodic table of elements, identify simple chemical reactions and investigate particulate electrical forces. The course provides many opportunities for the student to apply these concepts to real-world situations.

In this second of two courses that comprise Chemistry, the student will explore the fundamental concepts of chemistry, while engaging in hands-on and virtual lab experiments, and interdisciplinary problem-solving activities.

The student will build on prior knowledge to learn about how energy is transformed in chemical reactions, construct explanations of how energy and matter are related, apply the conversation of mass to calculate and compare quantities of substances in reactions, and develop models of nuclear processes.

Honors Chemistry A & B

In this first of two courses that comprise Honors Chemistry, the student will explore the fundamental concepts of chemistry, while engaging in hands-on and virtual lab experiments, and interdisciplinary problem-solving activities.

The student will build on prior knowledge to learn how to model the structure of an atom, analyze the periodic table of elements, identify simple chemical reactions and investigate particulate electrical forces. The course provides many opportunities for the student to apply these concepts to real-world situations.

In this second of two courses that comprise Honors Chemistry, the student will explore the fundamental concepts of chemistry, while engaging in hands-on and virtual lab experiments, and interdisciplinary problem-solving activities.

The student will build on prior knowledge to learn about how energy is transformed in chemical reactions, construct explanations of how energy and matter are related, apply the conversation of mass to calculate and compare quantities of substances in reactions, and develop models of nuclear processes.

Earth Science A & B

Earth Science A is designed to give the student a strong basis for understanding the world. The course consists of a varied curriculum that provides the student the opportunity to explore, compare, research, reflect, and make real-world connections. The curriculum, which meets Next Generation Science Standards (NGSS), engages students in problem solving and scientific investigation, and provides opportunities for both hands-on exploration and virtual simulation.

During this course, the student will learn about natural resources and explore issues surrounding human management of resources. Topics of study include water resources, energy resources, and rock, mineral, and land resources. The student will investigate the impact of resource consumption on humans and the environment. The student will also explore Earth's processes of rock and mineral formation and plate tectonics.

Earth Science B is designed to give the student a strong basis for understanding the world. The course consists of a varied curriculum that provides the student the opportunity to explore, compare, research, reflect, and make real-world connections. The curriculum, which meets Next Generation Science Standards (NGSS), engages students in problem solving and scientific investigation, and provides opportunities for both hands-on exploration and virtual simulation.

During this course, the student will learn about space sciences, including topics like the sun and stars, orbital motion, galaxies, and the universe. The student will also explore Earth's processes involving the atmosphere, hydrosphere, and geosphere. Topics of study include meteorology and geologic history.

Honors Earth Science A & B

Honors Earth Science A is designed to give the student a strong basis for understanding the world. This course is also designed to prepare the student to confidently enter and complete college-level Earth Science courses. The course consists of a varied curriculum that provides the student the opportunity to explore, compare, research, reflect, and make real-world connections. The curriculum, which meets Next Generation Science Standards (NGSS), engages students in problem solving and scientific investigation, discussion, and provides opportunities for both hands-on exploration and virtual simulation.

During this course, the student will learn about space sciences, including topics like the sun and stars, orbital motion, galaxies, and the universe. The student will also explore Earth's processes of rock and mineral formation, plate tectonics, and weathering and erosion.

In the honors-level course, the student will have opportunities to delve further into some topics and engage with enhanced assessments.

Honors Earth Science B is designed to give the student a strong basis for understanding the world. This course is also designed to prepare the student to confidently enter and complete college-level Earth Science courses. The course consists of a varied curriculum that provides the student the opportunity to explore, compare, research, reflect, and make real-world connections. The curriculum, which meets Next Generation Science Standards (NGSS), engages students in problem solving and scientific investigation, discussion, and provides opportunities for both hands-on exploration and virtual simulation.

During this course, the student will explore Earth's processes involving the atmosphere, hydrosphere, and geosphere, as well as studying natural resources. Topics of study include water resources; energy resources; rock, mineral, and land resources; meteorology; and geologic history.

In the honors-level course, the student will have opportunities to delve further into some topics and engage with enhanced assessments.

Physical Science A & B

This is the first of two courses that comprise Physical Science. Throughout the semester, the student will be introduced to a variety of basic concepts in the field of chemistry. The student will also be introduced to the forces and motion, including topics of Newton’s laws and the conservation of momentum.

This course consists of varied curriculum that provides the student the opportunity to use a scientific approach to problem-solving and making real-world connections. The student will investigate how matter is classified, explore the structure of an atom, identify groups within the periodic table, compare and contrast chemical reactions, study the properties of acids and bases and identify how to apply forces and motion to objects.

This is the second of two courses that comprise Physical Science. Throughout the semester, the student will study a variety of essential physics concepts including energy of motion, energy and forces, thermal energy, non-contact forces, waves, and electromagnetic radiation. This course includes a variety of instructional strategies and provides the student the opportunity to use a scientific approach to problem-solving and making real-world connections. Physical Science B includes hands-on explorations and virtual simulations to enhance the student's comprehension of key concepts.

Honors Physical Science A & B

This is the first of two courses that comprise Honors Physical Science. Throughout the semester, the student will be introduced to a variety of basic concepts in the field of chemistry. The student will also be introduced to the forces and motion, including topics of Newton’s laws and the conservation of momentum.

This course consists of varied curriculum that provides the student the opportunity to use a scientific approach to problem-solving and making real-world connections. The student will investigate how matter is classified, explore the structure of an atom, identify groups within the periodic table, compare and contrast chemical reactions, study the properties of acids and bases and identify how to apply forces and motion to objects.

This is the second of two courses that comprise Honors Physical Science. Throughout the semester, the student will study a variety of essential physics concepts including energy of motion, energy and forces, thermal energy, non-contact forces, waves, and electromagnetic radiation. This course includes a variety of instructional strategies and provides the student the opportunity to use a scientific approach to problem-solving and making real-world connections. Honors Physical Science B includes hands-on explorations and virtual simulations to enhance the student's comprehension of key concepts.

Algebra 1 A & B

In this course, students will learn, practice, and apply skills and strategies that will help them grow into strong mathematical thinkers. The course presents math as a complete subject to be studied, not merely sets of rules and formulas to be followed. Arriving at solutions is important, as are precision and vocabulary, but instruction does not center on procedural math only. Instead, instruction encourages depth of understanding, connections within and outside courses, flexibility of approaches, and usage of various tools. Daily instruction supports student learning of core algebraic concepts and development of procedural fluency regarding rational and irrational numbers; structures of expressions; 1-variable equations and inequalities; quadratic equations; 2-variable equations and inequalities; functions and their graphs; and linear and exponential sequences. Each instructional learning object is aligned to and framed by one of eight Standards for Mathematical Practice. Students are encouraged to use visual representations of their thinking to bridge their understanding between the concrete and abstract, allowing patterns and geometric principles to come to life. In peer model videos throughout the course, the learner's peers demonstrate apply targeted mathematical skills, often using real-world examples. Instruction in 21st century skills further illustrates connections between mathematical concepts and real-world situations to support students'; development of the abilities, knowledge, and expertise they need to thrive in today's world. Mathematical discussion prompts encourage students to revise misconceptions, uncover nuances in application, make connections to prior knowledge, identify patterns, and engage with vocabulary. Students are encouraged to share their thinking, justify their own solutions, read critically, and constructively critique the reasoning of others. The course is designed to support a growth mindset regarding math and encourages students to engage in productive struggle; instructional materials implicitly and explicitly remind students that mistakes are opportunities for learning and acquiring new skills. Together the course elements ensure the student grows as a mathematical thinker and develops the tools necessary for success at work and in life.

In this course, students will learn, practice, and apply skills and strategies that will help them grow into strong mathematical thinkers. The course presents math as a complete subject to be studied, not merely sets of rules and formulas to be followed. Arriving at solutions is important, as are precision and vocabulary, but instruction does not center on procedural math only. Instead, instruction encourages depth of understanding,

connections within and outside courses, flexibility of approaches, and usage of various tools. Daily instruction supports student learning of core algebraic concepts and development of procedural fluency regarding function analysis, transformations of functions, solving problems with functions, univariate data sets, bivariate data sets, and modeling with algebra. Each instructional learning object is aligned to and framed by one of eight Standards for Mathematical Practice. Students are encouraged to use visual representations of their thinking to bridge their understanding between the concrete and abstract, allowing patterns and geometric principles to come to life. In peer model videos throughout the course, the learner's peers demonstrate apply targeted mathematical skills, often using real-world examples. Instruction in 21st century skills further illustrates connections between mathematical concepts and real-world situations to support students' development of the abilities, knowledge, and expertise they need to thrive in today's world. Mathematical discussion prompts encourage students to revise misconceptions, uncover nuances in application, make connections to prior knowledge, identify patterns, and engage with vocabulary. Students are encouraged to share their thinking, justify their own solutions, read critically, and constructively critique the reasoning of others. The course is designed to support a growth mindset regarding math and encourages students to engage in productive struggle; instructional materials implicitly and explicitly remind students that mistakes are opportunities for learning and acquiring new skills. Together the course elements ensure the student grows as a mathematical thinker and develops the tools necessary for success at work and in life.

Honors Algebra 1 A & B

In this course, students will learn, practice, and apply skills and strategies that will help them grow into strong mathematical thinkers. The course presents math as a complete subject to be studied, not merely sets of rules and formulas to be followed. Arriving at solutions is important, as are precision and vocabulary, but instruction does not center on procedural math only. Instead, instruction encourages depth of understanding, connections within and outside courses, flexibility of approaches, and usage of various tools. Daily instruction supports student learning of core algebraic concepts and development of procedural fluency regarding rational and irrational numbers; structures of expressions; 1-variable equations and inequalities; quadratic equations; 2-variable equations and inequalities; functions and their graphs; and linear and exponential sequences. Each instructional learning object is aligned to and framed by one of eight Standards for Mathematical Practice. Students are encouraged to use visual representations of their thinking to bridge their understanding between the concrete and abstract, allowing patterns and geometric principles to come to life. In peer model videos throughout the course, the learner's peers demonstrate apply targeted mathematical skills, often using real-world examples. Instruction in 21st century skills further illustrates connections between mathematical concepts and real-world situations to support students' development of the abilities, knowledge, and expertise they need to thrive in today's world. Mathematical discussion prompts encourage students to revise misconceptions, uncover nuances in application, make connections to prior knowledge, identify patterns, and engage with vocabulary. Students are encouraged to share their thinking, justify their own solutions, read critically, and constructively critique the reasoning of others. The course is designed to support a growth mindset regarding math and encourages students to engage in productive struggle; instructional materials implicitly and explicitly remind students that mistakes are opportunities for learning and acquiring new skills. Together the course elements ensure the student grows as a mathematical thinker and develops the tools necessary for success at work and in life.

In this course, students will learn, practice, and apply skills and strategies that will help them grow into strong mathematical thinkers. The course presents math as a complete subject to be studied, not merely sets of rules and formulas to be followed. Arriving at solutions is important, as are precision and vocabulary, but instruction does not center on procedural math only. Instead, instruction encourages depth of understanding, connections within and outside courses, flexibility of approaches, and usage of various tools. Daily instruction supports student learning of core algebraic concepts and development of procedural fluency regarding function analysis, transformations of functions, solving problems with functions, univariate data sets, bivariate data sets, and modeling with algebra. Each instructional learning object is aligned to and framed by one of eight Standards for Mathematical Practice. Students are encouraged to use visual representations of their thinking to bridge their understanding between the concrete and abstract, allowing patterns and geometric principles to come to life. In peer model videos throughout the course, the learner's peers demonstrate apply targeted mathematical skills, often using real-world examples. Instruction in 21st century skills further illustrates connections between mathematical concepts and real-world situations to support students' development of the abilities, knowledge, and expertise they need to thrive in today's world. Mathematical discussion prompts encourage students to revise misconceptions, uncover nuances in application, make connections to prior knowledge, identify patterns, and engage with vocabulary. Students are encouraged to share their thinking, justify their own solutions, read critically, and constructively critique the reasoning of others. The course is designed to support a growth mindset regarding math and encourages students to engage in productive struggle; instructional materials implicitly and explicitly remind students that mistakes are opportunities for learning and acquiring new skills. Together the course elements ensure the student grows as a mathematical thinker and develops the tools necessary for success at work and in life.

Geometry A & B

In this course, students will learn, practice, and apply skills and strategies that will help them grow into strong mathematical thinkers. The course presents math as a complete subject to be studied, not merely sets of rules and formulas to be followed. Arriving at solutions is important, as are precision and vocabulary, but instruction does not center on procedural math only. Instead, instruction encourages depth of understanding, connections within and outside courses, flexibility of approaches, and usage of various tools. Daily instruction supports student learning of core geometry concepts and development of procedural fluency, beginning with geometry basics: points, lines, and planes; segments, angles, parallel lines, and perpendicular lines; and sides of triangles. The course continues with coverage of constructing regular shapes; transformations; triangle congruence; formal proofs; coordinate geometry; and similarity. Each instructional learning object is aligned to and framed by one of eight Standards for Mathematical Practice. Students are encouraged to use visual representations of their thinking to bridge their understanding between the concrete and abstract, allowing patterns and geometric principles to come to life. In peer model videos throughout the course, the learner's peers demonstrate apply targeted mathematical skills, often using real-world examples. Instruction in 21st century skills further illustrates connections between mathematical concepts and real-world situations to support students' development of the abilities, knowledge, and expertise they need to thrive in today's world. Mathematical discussion prompts encourage students to revise misconceptions, uncover nuances in application, make connections to prior knowledge, identify patterns, and engage with vocabulary. Students are encouraged to share their thinking, justify their own solutions, read critically, and constructively critique the reasoning of others. The course is designed to support a growth mindset regarding math and encourages students to engage in productive struggle; instructional materials implicitly and explicitly remind students that mistakes are opportunities for learning and acquiring new skills. Together the course elements ensure the student grows as a mathematical thinker and develops the tools necessary for success at work and in life.

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procedural math only. Instead, instruction encourages depth of understanding, connections within and outside courses, flexibility of approaches, and usage of various tools. Daily instruction supports student learning of core geometry concepts and development of procedural fluency regarding trigonometry, constructing ramps, inverse trigonometry, circles, constructing tangent lines, 2D and 3D shapes, modeling with geometry, and probability. Each instructional learning object is aligned to and framed by one of eight Standards for Mathematical Practice. Students are encouraged to use visual representations of their thinking to bridge their understanding between the concrete and abstract, allowing patterns and geometric principles to come to life. In peer model videos throughout the course, the learner's peers demonstrate apply targeted mathematical skills, often using real-world examples. Instruction in 21st century skills further illustrates connections between mathematical concepts and real-world situations to support students' development of the abilities, knowledge, and expertise they need to thrive in today's world. Mathematical discussion prompts encourage students to revise misconceptions, uncover nuances in application, make connections to prior knowledge, identify patterns, and engage with vocabulary. Students are encouraged to share their thinking, justify their own solutions, read critically, and constructively critique the reasoning of others. The course is designed to support a growth mindset regarding math and encourages students to engage in productive struggle; instructional materials implicitly and explicitly remind students that mistakes are opportunities for learning and acquiring new skills. Together the course elements ensure the student grows as a mathematical thinker and develops the tools necessary for success at work and in life.

Honors Geometry A & B

In this course, students will learn, practice, and apply skills and strategies that will help them grow into strong mathematical thinkers. The course presents math as a complete subject to be studied, not merely sets of rules and formulas to be followed. Arriving at solutions is important, as are precision and vocabulary, but instruction does not center on procedural math only. Instead, instruction encourages depth of understanding, connections within and outside courses, flexibility of approaches, and usage of various tools. Daily instruction supports student learning of core geometry concepts and development of procedural fluency, beginning with geometry basics: points, lines, and planes; segments, angles, parallel lines, and perpendicular lines; and sides of triangles. The course continues with coverage of constructing regular shapes; transformations; triangle congruence; formal proofs; coordinate geometry; and similarity. Each instructional learning object is aligned to and framed by one of eight Standards for Mathematical Practice. Students are encouraged to use visual representations of their thinking to bridge their understanding between the concrete and abstract, allowing patterns and geometric principles to come to life. In peer model videos throughout the course, the learner's peers demonstrate apply targeted mathematical skills, often using real-world examples. Instruction in 21st century skills further illustrates connections between mathematical concepts and real-world situations to support students' development of the abilities, knowledge, and expertise they need to thrive in today's world. Mathematical discussion prompts encourage students to revise misconceptions, uncover nuances in application, make connections to prior knowledge, identify patterns, and engage with vocabulary. Students are encouraged to share their thinking, justify their own solutions, read critically, and constructively critique the reasoning of others. The course is designed to support a growth mindset regarding math and encourages students to engage in productive struggle; instructional materials implicitly and explicitly remind students that mistakes are opportunities for learning and acquiring new skills. Together the course elements ensure the student grows as a mathematical thinker and develops the tools necessary for success at work and in life.

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Algebra 2 A & B

In this course, students will learn, practice, and apply skills and strategies that will help them grow into strong mathematical thinkers. The course presents math as a complete subject to be studied, not merely sets of rules and formulas to be followed. Arriving at solutions is important, as are precision and vocabulary, but instruction does not center on procedural math only. Instead, instruction encourages depth of understanding, connections within and outside courses, flexibility of approaches, and usage of various tools. Daily instruction supports student learning of core algebraic concepts and development of procedural fluency regarding polynomials; polynomial functions and graphs; rational expressions and equations; complex numbers; trigonometry; periodic functions; and exponents and radicals. Each instructional learning object is aligned to and framed by one of eight Standards for Mathematical Practice. Students are encouraged to use visual representations of their thinking to bridge their understanding between the concrete and abstract, allowing patterns and geometric principles to come to life. In peer model videos throughout the course, the learner's peers demonstrate apply targeted mathematical skills, often using real-world examples. Instruction in 21st century skills further illustrates connections between mathematical concepts and real-world situations to support students' development of the abilities, knowledge, and expertise they need to thrive in today's world. Mathematical discussion prompts encourage students to revise misconceptions, uncover nuances in application, make connections to prior knowledge, identify patterns, and engage with vocabulary. Students are encouraged to share their thinking, justify their own solutions, read critically, and constructively critique the reasoning of others. The course is designed to support a growth mindset regarding math and encourages students to engage in productive struggle; instructional materials implicitly and explicitly remind students that mistakes are opportunities for learning and acquiring new skills. Together the course elements ensure the student grows as a mathematical thinker and develops the tools necessary for success at work and in life.

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procedural math only. Instead, instruction encourages depth of understanding, connections within and outside courses, flexibility of approaches, and usage of various tools. Daily instruction supports student learning of core algebraic concepts and development of procedural fluency regarding logarithms; exponential and logarithmic functions; finite geometric series; storytelling with functions; modeling data distributions; statistical studies and randomization; conclusions from sample data; and conclusions from experimental data. Each instructional learning object is aligned to and framed by one of eight Standards for Mathematical Practice. Students are encouraged to use visual representations of their thinking to bridge their understanding between the concrete and abstract, allowing patterns and geometric principles to come to life. In peer model videos throughout the course, the learner's peers demonstrate apply targeted mathematical skills, often using real-world examples. Instruction in 21st century skills further illustrates connections between mathematical concepts and real-world situations to support students' development of the abilities, knowledge, and expertise they need to thrive in today's world. Mathematical discussion prompts encourage students to revise misconceptions, uncover nuances in application, make connections to prior knowledge, identify patterns, and engage with vocabulary. Students are encouraged to share their thinking, justify their own solutions, read critically, and constructively critique the reasoning of others. The course is designed to support a growth mindset regarding math and encourages students to engage in productive struggle; instructional materials implicitly and explicitly remind students that mistakes are opportunities for learning and acquiring new skills. Together the course elements ensure the student grows as a mathematical thinker and develops the tools necessary for success at work and in life.

Honors Algebra 2 A & B

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Art History A & B

Welcome to the first semester of Art History! In this course, the student will take up the question “What is art?” as he explores the artistic endeavors of early civilizations. Early in the course, the student will explore some of the basic elements and principles of art and its role in human history and the development of culture. He will also think about the ways that a work of art interacts with human sensory perception to produce a particular effect, as well as various other factors that affect the interpretation of a work of art. Once the student has obtained a basic foundation in art theory, he will begin to examine the history of art from its earliest manifestations in prehistoric times up through the ancient Egyptian civilization.

Welcome to the second semester of Art History! In this course, the student will build upon his basic foundation in art theory to examine the history of art. He will trace the history of art from ancient Greece to the Roman Empire. Along the way, the student will encounter art forms such as pottery, architecture, and sculpture. By the end of the course, the student will not only have acquired a knowledge of ancient art history, the student will also have a better understanding of art as both a reflection and engine of history.

Living Music I

Designed for students in grades 9–12, this course teaches fundamental musicianship skills from a Western-Classical approach, while aligning to National Core Arts Standards. The course challenges the student to improve listening, notation, analysis, performance, and improvisation skills. With audio, visual, and interactive technologies, the course provides a unique and advanced learning experience for the student.

Living Music II

Designed for students in grades 9–12, this course enhances the student’s fundamental musicianship skills from a Western-Classical approach, while aligning to National Core Arts Standards. The student will review and deepen skills and concepts of rhythm and notation learned and practiced in Living Music I. Through the use of virtual tools and analysis of classic repertoire, the student will work to improve listening, notation, analysis, performance, and composition skills. With audio, visual, and interactive technologies, the course provides a unique and advanced learning experience for the student. Living Music I is a prerequisite for this course.

Personal Fitness

In this course, the student will study physical fitness and a variety of health-related topics. The student will gain an understanding of the proper ways to exercise and diet, and will learn how to assess her or his own fitness level. The student will learn what fitness can do and how to attain the highest possible fitness level.

Physical Education

In this course, the student will use previously acquired skills in a wide range of elective activities. The course places priority on self-motivated physical activities that the student can participate in now and later in life, and incorporates skill competencies, written assignments, and class evaluations into some of the units. The student will be expected to show proficiency in the activities that are important for his personal development at the appropriate age. The student's physical fitness level will be assessed and recorded. As an online learner, the student will utilize relevant Web sites and streaming videos provided in the lessons.

High School Computer Science A & B

Have you ever wondered how computers work? Have you wanted to know how programs are developed or even to create one yourself? In this course, you will begin by looking at the primary responsibilities of hardware and software and how they interact. You will also learn the basics of operating systems and how to implement optimization, abstraction, and algorithms in programming. Using the programming language Python, you will learn how to create a program using primitives, objects, control structures, and data structures. You will learn and apply troubleshooting, debugging, and using appropriate documentation. You will also use data collection and visualization tools to help interpret and understand the underlying data. This course will prepare you for further study in Computer Science.

Have you ever wondered if computers can exchange information with other computers? Have you wanted to know how cybersecurity works? In this course, you will begin by looking at how computer networks function and what basic topologies are. In this course, you will also learn the basics of cybersecurity, including common threats, risks, solutions, and protection schemes. You will look at the impacts computing innovations have had on multiple aspects of society. You will learn about and apply common collaboration and communication tools to plan and complete projects. And, you will look at the current state and future of computer innovations, including its intersection with the law, artificial intelligence (AI), machine learning, and other future careers. This course will prepare you for further study in Computer Science.

Spanish I A & B

Students cover basic vocabulary, grammar, spelling, and punctuation to build a solid foundation for further study. Assignments include engaging in simple conversation, writing paragraphs, and listening to Spanish dialogue. Students also study the history and culture of Spanish-speaking peoples.

Spanish II A & B

As they engage in more advanced conversations, write paragraphs and stories, and translate to and from Spanish, students improve their vocabulary and grammar. Intense listening comprehension exercises aid in understanding more complex thoughts and subjects.

Spanish III A & B

Spanish III A is a continuation of the first two years of Spanish instruction. The student will continue to sharpen his listening, speaking, reading, and writing skills through a variety of activities. This course is organized into five topics: feelings, transportation, work, countries, and the future. The student will learn to express himself using an ever-increasing vocabulary, present-tense verbs, past-tense verbs, articles, and adjectives. Elements of the Spanish-speaking world and culture appear throughout the course, including people, geographical locations, and histories.

Spanish III B is a continuation of the first two and a half years of Spanish instruction. The student will continue to sharpen his listening, speaking, reading, and writing skills through a variety of activities. Throughout the five topics covered in this course, the student will learn to express himself using an ever-increasing vocabulary, present-tense verbs, past-tense verbs, future-tense verbs, conditional-tense verbs, articles, and adjectives.

Grammar is introduced and practiced in innovative and interesting ways with a variety of learning styles in mind. Elements of the Spanish-speaking world and culture appear throughout the course, including people, geographical locations, and histories.

Spanish IV A & B

Spanish IV A continues to build on the skills the student has mastered in his previous Spanish courses. The student will continue to sharpen his listening, speaking, reading, and writing skills through a variety of activities. Throughout the five topics covered in this course, the student will learn to express himself using an ever-increasing vocabulary, present-tense verbs, past-tense verbs, articles, and adjectives. Grammar is introduced and practiced in innovative and interesting ways with a variety of learning styles in mind. Elements of the Spanish-speaking world and culture appear throughout the course, including people, geographical locations, and histories. It is recommended to use Mozilla® Firefox® or Internet Explorer® when viewing this course.

Spanish IV B is a continuation of the first three and a half years of Spanish instruction. The student will continue to sharpen his listening, speaking, reading, and writing skills through a variety of activities. Throughout the five topics covered in this course, the student will learn to express himself using an ever-increasing vocabulary, present-tense verbs, past-tense verbs, future-tense verbs, conditional-tense verbs, the subjunctive, the present perfect tense, the past perfect tense, articles, and adjectives. Grammar is introduced and practiced in innovative and interesting ways with a variety of learning styles in mind. Elements of the Spanish-speaking world and culture appear throughout the course, including people, geographical locations, and histories.

French I A & B

The goal of this course is to give the student basic listening, speaking, reading, and writing skills through interesting and engaging activities. This course is organized into five topics including greetings, calendar, weather, time, and colors. The student will learn to talk about himself and other people, describe his surroundings, and use numbers for dates and times. The student will be introduced to regular verbs in the present tense and will practice simple grammatical structures in innovative and interesting ways with a variety of learning styles in mind. Culture is presented throughout the course to help the student understand the context of the language and the perspectives of the French-speaking world.

The goal of this course is to continue to give the student basic listening, speaking, reading, and writing skills through a variety of activities. Throughout the course, the student will learn to talk about himself and other people, describe his surroundings, and use numbers for dates and times. The student will be introduced to irregular verbs in the present tense and will practice simple grammatical structures in innovative and interesting ways with a variety of learning styles in mind. In this course, the student will also begin to learn some complex grammar. Culture is presented throughout the course to help the student understand the context of the language and the perspectives of the French-speaking world.

French II A & B

This course builds on the skills the student learned in French I. In this course, the student will be introduced to a variety of areas of language learning. The student will learn listening, speaking, reading, and writing skills through a variety of activities. This course is organized into five topics: daily routine, animals, hobbies, the body, and descriptions. Throughout this course, the student will learn to express himself using an ever increasing vocabulary, present-tense verbs, articles, and adjectives. Grammar is introduced and practiced in innovative and interesting ways with a variety of learning styles in mind. Elements of the French-speaking world and culture appear throughout the course, including people, geographical locations, and histories.

This course is a continuation of French II A. The student will continue to be introduced to a variety of areas of language learning. In this course, the student will learn listening, speaking, reading, and writing skills through a variety of activities. This course is organized into five topics: house, shopping, entertainment, spare time, and travel. In this course, the student will learn to express himself using an ever increasing vocabulary, present-tense verbs, articles, and adjectives. Grammar is introduced and practiced in innovative and interesting ways with a variety of learning styles in mind. Elements of the French-speaking world and culture appear throughout the course, including people, geographical locations, and histories.

French III A & B

French III A is a continuation of the first two years of French instruction. The student will continue to improve his listening, speaking, reading, and writing skills through a variety of activities. The course is organized into five topics: feelings, transportation, work, countries, and the future. Throughout this course, the student will build on his previous French knowledge. The student will learn additional vocabulary, verb tenses, and grammatical structures that are appropriate to his level. Grammar is introduced and practiced in innovative and interesting ways with a variety of learning styles in mind. Exposure to the culture of France and other French-speaking countries can be found throughout the course in order to help the student understand French, which is a dynamic language that is used by millions of people throughout the world.

French III B is a continuation of the first two and a half years of French instruction. The student will continue to sharpen his listening, speaking, reading, and writing skills through a variety of activities. This course is organized into five topics: health, home, measurement, professions, and my history. The student will learn to express himself using an ever-increasing vocabulary, verbs in various tenses, articles, and adjectives. The student will review all verb tenses, including present tense, past tense, future tense, conditional tense, the passive voice, imperative verbs, and more. The student will learn to use two-object pronouns and review grammar from previous French instruction. Grammar is introduced and practiced in innovative and interesting ways with a variety of learning styles in mind. Elements of the French-speaking world and culture appear throughout the course, including people, geographical locations, and histories. The student will also learn about the various countries where French is spoken.

French IV A & B

French IV A continues to build on the skills the student has mastered in his previous French courses. The student will continue to sharpen his listening, speaking, reading, and writing skills through a variety of activities. Throughout the five topics in the course, the student will learn to express himself using an ever-increasing vocabulary, present-tense verbs, past-tense verbs, future-tense verbs, conditional-tense verbs, subjunctive mood, articles, and adjectives. Grammar is introduced and practiced in innovative and interesting ways with a variety of learning styles in mind. The course is rich in authentic reading material and native-speaker recordings and presentations to enrich culture, grammar, and vocabulary presentations. Elements of the French-speaking world and culture appear throughout the course, including people, geographical locations, and histories.

This course is a continuation of the first three and a half years of French instruction. The student will continue to sharpen his listening, speaking, reading, and writing skills through a variety of activities. Throughout the five topics in this course, the student will learn to express himself using an ever-increasing vocabulary, present-tense verbs, past-tense verbs, future-tense verbs, conditional-tense verbs, subjunctive mood, articles, and adjectives. Grammar is introduced and practiced in innovative and interesting ways with a variety of learning styles in mind. The course is rich in authentic reading material and native-speaker recordings and presentations to enrich culture, grammar, and vocabulary presentations. Elements of the French-speaking world and culture appear throughout the course, including people, geographical locations, and histories.

German I A & B

This is a beginning level course that will introduce the student to a variety of areas of language learning. In this course, the student will learn listening, speaking, reading, and writing skills through a variety of activities. Throughout the five units, or themes, of material (greetings, the date, weather, time, and colors), the student will learn to express himself using an ever-increasing vocabulary, present-tense verbs, articles, and adjectives. Grammar is introduced and practiced in innovative and interesting ways with a variety of learning styles in mind. Culture is presented throughout the course to help the learner focus on the German-speaking world, people, geographical locations, and histories.

German I B is the second semester of a beginning level course that will introduce the student to a variety of areas of language learning. In this course, the student will learn listening, speaking, reading, and writing skills through a variety of activities. Throughout the five units, or themes, of material (city, family, food, leisure time, and school and chores), the student will learn to express himself using an ever-increasing vocabulary, present-tense verbs, articles, and adjectives. Grammar is introduced and practiced in innovative and interesting ways with a variety of learning styles in mind. Culture is presented throughout the course to help the learner focus on the German-speaking world, people, geographical locations, and histories.

German II A & B

German II A is an intermediate level course that will introduce the student to a variety of areas of language learning. In this course, the student will continue to learn listening, speaking, reading, and writing skills through a variety of activities. Throughout the five units, or themes, of material (daily routine, animals, pastimes, the body, and descriptions), the student will learn to express himself using an ever-increasing vocabulary, past-tense verbs, demonstrative articles, and adjectives. Grammar is introduced and practiced in innovative and interesting ways with a variety of learning styles in mind. Culture is presented throughout the course to help the learner focus on the German-speaking world, people, geographical locations, and histories.

This course is a continuation of German II A. In this course, the student will continue to learn listening, speaking, reading, and writing skills through a variety of activities.

Throughout the five units, or themes, of material (house, shopping, leisure, travel destinations, and flying), the student will learn to express himself using an ever-increasing vocabulary, past-tense verbs, dative expressions, and adjectives. Grammar is introduced and practiced in innovative and interesting ways with a variety of learning styles in mind. Culture is presented throughout the course to help the learner focus on the German-speaking world, people, geographical locations, and histories.

German III A & B

German III A is a continuation of the first two years of German instruction. In this course, the student will continue to learn and practice successful communication through speaking, writing, reading, and listening. Throughout the five units, or themes, of material (Die GefÜhle, Der Verkehr, Bei der Arbeit, Land und Leute, and Die Zukunft), the student will learn to express himself using an ever-increasing vocabulary, present-tense verbs, articles, and adjectives. Grammar is introduced and practiced in innovative and interesting ways with a variety of learning styles in mind. Culture is presented throughout the course to help the learner focus on the German-speaking world, people, geographical locations, and histories.

This course is a continuation of German III A. In this course, the student will continue to learn and practice successful communication through speaking, writing, reading, and listening. This course presents material according to a specific theme, and the student will learn to express himself through a variety of activities using his ever-increasing vocabulary and grammar knowledge. Culture is presented throughout the course to help the learner focus on the German-speaking world, people, geographical locations, and histories.

Sign Language I A & B

In this course, the student will be introduced to the fundamental concepts of American Sign Language. The student will explore vocabulary, grammar, and conversational skills using basic signing and fingerspelling techniques, and will begin to learn about Deaf culture and the Deaf community. A webcam and recording device are required for this course.

This course follows Sign Language I A. The goal of Sign Language I B is for the student to become a confident signer by mastering American Sign Language grammar and building vocabulary. Lessons incorporate the various important components of signs including handshape, position, movement, palm orientation, and non-manual markers. The student’s vocabulary is strengthened by studying special categories such as lexicalized signs, classifiers, and topic-related signs. The student will learn to translate from Standard English into American Sign Language gloss. A webcam and recording device are required for this course.

Sign Language II A & B

In this course, the student will continue his study of American Sign Language. The student will expand his ASL vocabulary, grammar, and conversational skills. In addition, the student will complete activities and exercises that help him understand the culture of deaf and hard-of-hearing community. A webcam and recording device are required for this course.

In this course, the student will extend the study of American Sign Language at the intermediate level. The student will expand his ASL vocabulary, grammar, and conversational skills, and advance his signing and fingerspelling strategies. The student will continue to analyze elements of Deaf culture and issues surrounding the Deaf community, focusing on careers and continuing education options that utilize American Sign Language. A webcam and recording device are required for this course.

Japanese I A & B

Japanese I A is a beginning-level course that will introduce the student to a variety of areas of the Japanese language. In this course, the student will learn listening, speaking, reading, and writing skills through a variety of activities. This course is organized into five topics: greetings, the date, time, colors, and places. The student will learn to express himself using an ever-increasing vocabulary, present-form verbs, particles, and adjectives. Grammar is introduced and practiced in innovative and interesting ways with a variety of learning styles in mind. The student will also learn about the Japanese people, their culture, society, and history.

Japanese I B is a beginning-level course that will introduce the student to a variety of areas of the Japanese language. In this course, the student will learn listening, speaking, reading, and writing skills through a variety of activities. This course is organized into five topics: family, weather, food, pastimes, and school. The student will learn to express himself using an ever-increasing vocabulary, present-form verbs, particles, and adjectives. Grammar is introduced and practiced in innovative and interesting ways with a variety of learning styles in mind. The student will also learn about the Japanese people, their culture, society, and history.

Japanese II A & B

This course builds on the skills the student learned in Japanese I. In this course, the student will learn listening, speaking, reading, and writing skills through a variety of activities. This course is organized into five topics: daily life, animals, activities, the body, and descriptions. The student will learn to express himself using an ever-increasing vocabulary, present-tense verbs, and adjectives. Grammar is introduced and practiced in innovative and interesting ways with a variety of learning styles in mind. Throughout the course, the student will explore the Japanese people, their culture, lifestyle, geographical locations, and histories.

This course is a continuation of Japanese II A. In this course, the student will learn listening, speaking, reading, and writing skills through a variety of activities. This course is organized into five topics: house, shopping, entertainment, spare time, and travel. The student will learn to express himself using an ever-increasing vocabulary, present-tense verbs, and adjectives. Grammar is introduced and practiced in innovative and interesting ways with a variety of learning styles in mind. Throughout the course, the student will explore Japanese culture, people, lifestyle, geographical locations, and histories.

AP English Language & Composition A & B

In AP English Language and Composition, students investigate rhetoric and its impact on culture through analysis of notable fiction and nonfiction texts, from pamphlets to speeches to personal essays. The equivalent of an introductory college-level survey class, this course prepares students for the AP exam and for further study in communications, creative writing, journalism, literature, and composition.

Students explore a variety of textual forms, styles, and genres. By examining all texts through a rhetorical lens, students become skilled readers and analytical thinkers. Focusing specifically on language, purpose, and audience gives them a broad view of the effect of text and its cultural role. Students write expository and narrative texts to hone the effectiveness of their own use of language, and they develop varied, informed arguments through research. Throughout the course, students are evaluated with assessments specifically designed to prepare them for the content, form, and depth of the AP Exam.

AP English Literature & Composition A & B

The AP® English Literature and Composition course provides high school students with college-level instruction in reading, interpreting, and analyzing a range of imaginative texts.

The student will become a skilled reader of literature written in various periods, disciplines, and styles. The student will learn about elements of poetry and the novel such as language, style, and tone, as well as become immersed in a study of drama involving William Shakespeare's King Lear. In addition, the student will deepen understanding of language, structure, and style by composing a variety of written texts—both formal and informal—that use literary tools and structures to analyze, argue, and inform. This course effectively prepares the student for the AP English Literature and Composition exam by enabling reading, writing, and comprehension of complex texts, while developing further communication skills on a college level.

The AP® English Literature and Composition course provides high school students with college-level instruction in reading, interpreting, and analyzing a range of imaginative texts. The student will become a skilled reader of literature written in various periods, disciplines, and styles. The student will explore the fundamentals of fiction and engage in a study of the contemporary novel, along with elements of poetry such as sound, structure, and syntax. The student will deepen understanding of language, structure, and style by composing a variety of written texts—both formal and informal—that use literary tools and structures to analyze, argue, and inform. This course effectively prepares the student for the AP English Literature and Composition exam by enabling reading, writing, and comprehension of complex texts, while developing further communication skills on a college level.

AP Calculus AB A & B

In this course, the student will complete the first semester of coursework similar to a first-year college-level calculus course. This course covers the framework, mathematical practices, and learning objectives for an AP® Calculus AB course as recommended by the College Board. This course provides experience with the methods and applications of calculus and effectively prepares the student to take the AP Calculus AB exam in the spring. The overarching topics in this course are limits, continuity, derivatives, methods of finding derivatives, and applications of derivatives. The student will interact with lesson content, multimedia presentations, an online textbook, and a graphing utility to meet learning goals throughout the course. Featured learning strategies in this course include direct instruction, regular checks and practices, discussions, portfolios, and a practice assessment for the AP Calculus AB exam.

In this course, students will complete the second semester of coursework similar to a first-year college-level calculus course. This course covers the framework, mathematical practices, and learning objectives for an AP® Calculus AB course as recommended by the

College Board. This course provides experience with the methods and applications of calculus and effectively prepares the student to take the AP Calculus AB exam in the spring. The overarching topics in this course are integrals, methods of finding integrals, applications of integrals, differential equations, and mathematical modeling. The student will interact with lesson content, multimedia presentations, an online textbook, and a graphing utility to meet learning goals throughout the course. Featured learning strategies in this course include direct instruction, regular checks and practices, discussions, portfolios, a project that applies concepts from across the course, and a practice assessment for the AP Calculus AB exam.

AP Statistics A & B

AP Statistics gives students hands-on experience collecting, analyzing, graphing, and interpreting real-world data. They will learn to effectively design and analyze research studies by reviewing and evaluating real research examples taken from daily life. The next time they hear the results of a poll or study, they will know whether the results are valid. As the art of drawing conclusions from imperfect data and the science of real-world uncertainties, statistics plays an important role in many fields. The equivalent of an introductory college-level course, AP Statistics prepares students for the AP exam and for further study in science, sociology, medicine, engineering, political science, geography, and business.

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AP Biology A & B

In this course, the student will gain a foundation in the Life Sciences by focusing on four major themes: 1) how evolution drives the diversity and unity of life; 2) how life uses free energy to maintain homeostasis; 3) how living systems store, retrieve, transmit, and respond to information; and 4) how biological systems interact with each other. These themes are supported by a broad range of biological subdisciplines including biochemistry, molecular biology, cell biology, genetics, physiology, and ecology. The student will use practical experimentation to develop inquiry and reasoning skills to explore these themes throughout the course. This course effectively prepares the student for success on the AP® Biology exam by promoting the deductive reasoning and experimental interpretation skills emphasized in the AP curriculum.

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AP United States Government and Politics

The AP® United States Government and Politics course provides high school students with college-level instruction in using disciplinary practices to examine key ideas, institutions, and behaviors in American government. The student will look critically at the fundamental beliefs and philosophies that shaped American government and how those ideas have been interpreted and applied throughout history. The student will develop a deep understanding of the U.S. Constitution and the American political system—both its formal and informal processes and procedures. In addition, the student will examine specific governmental institutions, policies, interactions, and behaviors within the political system. Through study of each of these areas, the student will hone reasoning skills by developing evidence-based arguments, interpreting various types of data, and analyzing key documents, including foundational documents and Supreme Court decisions. This course effectively prepares the student for the AP United States Government and Politics exam by providing practice in the skills necessary to draw reasoned conclusions in both multiple-choice and constructed-response formats.

AP United States History A & B

The AP® United States History course provides high school students with college-level instruction in using disciplinary practices and historical reasoning to examine the history of the United States from approximately 1491 to the present. The student will look critically at how the American identity has developed over the course of American history and how it has been informed by the changing nature of American culture and societal structures and norms. Students will recognize and interpret patterns of migration and settlement—both to and within the United States—and how those patterns impacted and were impacted by aspects of regional geography and environment. The student will also consider political and economic patterns and relationships in American history, both within the nation and with the global community at large. Through their study of each of these areas, the student will hone reasoning skills to contextualize patterns and events, identify causation and continuity, and analyze change over time. The course is presented both chronologically with content divided into nine time periods, as well as thematically to reinforce that key themes form connections between different regions and time periods in American history. This course effectively prepares students for the AP United States History exam by providing practice in the skills necessary to analyze primary and secondary sources, construct evidence-based arguments, and draw reasoned conclusions in both multiple-choice and constructed-response formats.

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construct evidence-based arguments, and draw reasoned conclusions in both multiple-choice and constructed-response formats.

AP Computer Science A & B

This course is fully aligned to the College Board AP CS A course standards. Learn the basics of object-oriented programming with a focus on problem solving and algorithm development. Take this course and prepare to ace the AP Java test.

AP Computer Science Principles A & B

This course introduces students to the foundational concepts of computer science and explores the impact computing and technology have on our society.

With a unique focus on creative problem solving and real-world applications, the AP Computer Science Principles course gives students the opportunity to explore several important topics of computing using their own ideas and creativity, use the power of computing to create artifacts of personal value, and develop an interest in computer science that will foster further endeavors in the field.

AP Human Geography A & B

The AP® Human Geography course provides high school students with college-level instruction in using a spatial perspective to study how humans understand and use Earth's surface. The student will become skilled in interpreting maps and geospatial data in order to draw conclusions about what is revealed and hidden. The student will hone analysis skills by learning to recognize, interpret, and assess patterns related to population, migration, folk and popular culture, language and religion, and politics. This course effectively prepares the student for the AP Human Geography exam by providing practice in the skills necessary to apply geographic concepts, interpret data, and synthesize information in both multiple-choice and constructed-response formats.

The AP® Human Geography course provides high school students with college-level instruction in using a spatial perspective to study how humans understand and use Earth's surface. The student will become skilled in interpreting maps and geospatial data in order to draw conclusions about what is revealed and hidden. The student will consider how regions develop, including agriculture versus urban land use issues, industry and energy, services and settlements, and urban patterns. This course effectively prepares the student for the AP Human Geography exam by providing practice in the skills necessary to apply geographic concepts, interpret data, and synthesize information in both multiple-choice and constructed-response formats.

AP Psychology

AP Psychology provides an overview of current psychological research methods and theories. Students will explore thetherapies used by professional counselors and clinical psychologists and examine the reasons for normal human reactions:how people learn and think, the process of human development and human aggression, altruism, intimacy, and self reflection. They will study core psychological concepts, such as the brain and sense functions, and learn to gauge human reactions, gather information, and form meaningful syntheses. Along the way, students will also investigate relevant concepts like study skills and information retention. The equivalent of an introductory college-level survey course, AP Psychology prepares students for the AP exam and for further studies in psychology or life sciences.

AP Spanish Language and Culture A & B

AP Spanish Language and Culture students practice perfecting their Spanish speaking, listening, reading, and writing skills. They study vocabulary, grammar, and cultural aspects of the language, and then apply what they learn in extensive written and spoken exercises. The course addresses the broad themes of Global Challenges, Science and Technology, Contemporary Life, Personal and Public Identities, Families and Communities, and Beauty and Aesthetics. By the end of the course, students will have an expansive vocabulary, a solid, working knowledge of all verb forms and tenses, strong command of other language structures, and an ability to use language in many different contexts and for varied purposes. The equivalent of a college-level language course, AP Spanish Language prepares students for the AP exam and for further study of Spanish language, culture, or literature.

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purposes. The equivalent of a college-level language course, AP Spanish Language prepares students for the AP exam and for further study of Spanish language, culture, or literature.

Career Pathway Course Descriptions

Course Name	Description
CRP: Anatomy and Physiology 1a: Introduction	Whether you plan on pursuing a career in health sciences or simply looking to gain an understanding of how the human body works, you'll first need to understand the relationship between anatomy and physiology. Learn how to read your body's story through understanding cell structure and their processes, and discover the functions and purposes of the skeletal, muscular, nervous, and cardiovascular systems, as well as diseases that affect those systems.
CRP: Anatomy and Physiology 1b: Discovering Form and Function	Examine the form and function of even more body systems. Learn about the structure, function, and interrelation between the lymphatic, immune, respiratory, digestive, urinary, and endocrine systems. The reproductive system is also discussed along with hereditary traits and genetics. And discover the importance of accurate patient documentation as well as the technology used in the industry.
CRP: Business Ownership 1a: Introduction	Do you dream of a future where you can have creative freedom, working in an industry you love, where you can get up every morning excited about the day will bring? In this course, you'll learn the skills you'll need in order to take your dream and transform it into a successful business. You'll explore foundations like generating ideas to qualifying opportunities, analyzing the market, and identifying skills for successful deployment. You'll learn to keep your business rolling and growing through effective workplace leadership and training while incorporating technological innovations to keep your business competitive. Are you ready to turn your dreams into reality? Let's get goaling!
CRP: Business Ownership 1b: Reach for the Stars	You've defined your business and made a plan to launch your vision, and now, it's time to turn that business into a well-oiled machine! In this course, you'll familiarize yourself with tried-and-true strategies for success! You'll distinguish market segments, develop the appropriate market mix, brand your business, create a top-notch customer service environment, and calculate financial factors for the crucial first year- and every year after! Owning a booming business doesn't happen by accident. Let's learn what it takes and execute on the essentials to turn your business vision into a reputable reality!
CRP: Digital Design 1a: Introduction	Are you an artistic person drawn to the idea of creating graphic elements? Then a career in digital design may be for you! In this course, you will learn the basic principles of design, the tools needed to succeed in the industry and how to design objects for specific purposes and audiences. You'll also learn how to market yourself and open your own design business all while building a portfolio. Let's align your skills and dreams today for a career in digital design!

CRP: Digital Design 1b: Express Your Ideas Visually	Are you ready to dig deeper and discover more about the world of digital design? In this course, you will continue building the foundational skills necessary to become a successful graphic designer. You will learn and apply effective communication and people skills, explore and implement the design process, create images, properly use equipment, and evaluate and market your own designs. By the end of the course, you’ll better be able to decide if a career in digital design is for you… and if the answer is yes, you’ll be well on your way to designing a bright future!
CRP: Digital Media Fundamentals 1a: Introduction	Discover your talent for building digital media applications using text, graphics, animations, sounds, videos, and more! Learn about the elements that make impressive media, such as typography, color theory, design, and manipulation. Explore careers to apply your digital media skills and find your place in this fast-paced and exciting field!
CRP: Digital Media Fundamentals 1b: Producing for the Web	Let’s polish your digital media skills and help you learn all about web design. Incorporate your creative ideas into websites and discover the basics of marketing to understand how your work can be used effectively. You’ll also explore the world of podcasts and audio editing to construct a solid foundation from which you can pursue a career in this exciting field.
CRP: Entrepreneurship 1a: Introduction	Starting a business is more than just having a good idea. Successful entrepreneurs know how to use and apply fundamental business concepts to turn their ideas into thriving businesses. Explore topics such as identifying the best business structure, business functions and operations, finance, business laws, regulations, and more! If you have ever dreamed of making a business idea a reality, take the time to establish a solid foundation of business skills to make your business dreams come true!
CRP: Entrepreneurship 1b: Make Your Idea a Reality	You have the business idea; now it’s time to go from dream to reality. Throughout this course, you’ll explore different topics representing the major parts of a business plan, such as risk, hiring, pricing, marketing, and more. By completing activities, you’ll create a viable document you can use to help you start your business by the end of the course. Let’s bring your dream to life!
CRP: Health Science Foundations 1a: Introduction	Health science careers are not only in high demand, but they offer a diverse range of careers for all types of people interested in helping others. Acquire foundational knowledge required to pursue a career in the healthcare industry, and the education, training, and credentials needed to attain them. Learn basic medical terminology, principles of anatomy and physiology, and legal and ethical responsibilities. Explore communication, teamwork, and leadership techniques – providing a solid basis for those wanting to advance through the health sciences.
CRP: Health Science Foundations 1b: Professional Responsibilities	Making sure that you, your patients, and your colleagues stay safe, you’ll begin analyzing your responsibilities for ensuring patient and personal safety with special attention paid to emergency procedures. Examine infection control, first-aid, CPR, and measuring a patient’s vitals. Learn about numerical data, such as systems of measurement, medical math, and reading and interpreting charts. And examine effective teamwork and leadership characteristics while building your employment skills.

CRP: Introduction to Networking 1a	What would happen if we didn’t have the internet? The internet is one example of a network, so you can only imagine why networking careers are essential. Start exploring the fundamentals of networking, learning about the different parts of a computer and hardware, network operating systems, and understanding how common network devices can be connected. You’ll get hands-on to explore different types of cables used to create networks – and even make cables in Wired Networking activities. Get started with your introduction to networking!
CRP: Introduction to Networking 1b	Network administrators are responsible for the oversight of an organization’s computer network. This includes installing hardware and software but also relies on considerable technical skills to resolve network issues. Discover how to set up a network, troubleshoot problems, monitor network security, infrastructure, performance, and contribute to creating policies and procedures. As a network admin, you’ll help keep businesses safe and running correctly.
CRP: Management 1b: Insight & Oversight	Every business and company needs management of some type. But what skills must you master in order to become an effective professional? Explore the ins and outs of this career, the responsibilities businesses have towards customers, and hiring the right employees. Gain an understanding of human resources (HR) to ensure job satisfaction and take action to ensure that all rules and laws are being followed. Learn how to become an effective manager in any field.
CRP: Marketing Foundations 1a: Introduction	Explore the fast-paced and exciting world of marketing! Learn about the role of marketing in business in addition to the basics of business management, customer service, and economics. Examine how to identify target markets, perform market research, and develop successful marketing strategies. Discover the legal and ethical considerations of business and marketing, along with the impact of government on business.
CRP: Principles of Business, Marketing, and Finance 1a: Introduction	Discover the fundamental knowledge that will help you pursue a career in business, as well as always generating interest and buzz around the products and services offered. Explore different types of businesses and ownership forms, the impact of governments on business, and the marketing of goods and services. Learn about globalization, free trade, and various economic systems, as well as the impact of technology on business, business ethics, and social responsibility.
CRP: Principles of Business, Marketing, and Finance 1b: Targeting Your Business Insight	Take your knowledge of business basics, finance, and marketing to the next level. Learn how to create a marketing strategy that promotes and attracts customers in order to sell a product or service. Explore important basics of business finance, including accounting, budgeting, and investing. And learn what careers are available in business and the important employability skills you’ll need to ace the interview and land the job!

CRP: Principles of Information Technology 1a: Introduction	Are you ready to develop your understanding of computers from the inside out? In this course, you will discover hardware and software options for a computer, how computers work together to create networks, and how the internet works. You will explore the major types of software categories you will need to know in most professional spaces including word processing, spreadsheets, and database information. You will also develop skills like programming and app building before putting everything together in a final project where you'll build an e-book. Let's get started!
CRP: Principles of Information Technology 1b: Working with Computers	Now that you know the basic workings of a computer, it's time to put the computer to work! In this course, you will explore some of the basics of graphic design, web development languages, and coding. You will also learn about team building, communication and presentation software, and becoming a digital citizen, giving perspective on how to collaborate with others as you transition from school to the workplace. Lastly, you will uncover potential cyber threats and how to protect your own devices through features and behavior change before putting everything together in a culminating project: designing a website in Weebly. Let's get to work!
CRP: Word: Office Fundamentals Series	Learn to effectively and efficiently use one of the most common tools of business, school, and personal correspondence! Discover how to format and style documents using fonts, colors and editing tools, create tables, use bullets and numbering, and insert images. Skills you learn in this course can be applied immediately and prepares you to take the MOS Word certification exam, and content is applicable to the Microsoft Office Suite certification exam.
CRP: Microsoft PowerPoint: Office Fundamentals Series	Learn to create clean and professional presentations while also building your skills as a speaker, leader, and marketer! Create and format presentations while inserting multimedia, images, transitions, and animations to make a dynamic final product! Content of this course will also be applicable to the Microsoft Office Suite certification exam.
CRP: Allied Health Assistant 1a: Introduction	Are you passionate about helping people and making a difference in their lives? If you're planning on going into the healthcare field, then this course is for you! Explore your options by learning how to properly care for your patients and provide for the administrative needs of healthcare. Learn to prepare exam rooms, schedule, bill, and document all while solidifying your professional skills in communication, privacy, safety, and ethics.
CRP: Allied Health Assistant 1b: Skills and Specialities	Allied health encompasses a broad range of different health care professionals who provide a range of skills in the fields of dentistry, pharmaceutical, medicine, nursing, nutrition, rehabilitation, and more. This course is the second course of the Allied Health concentrator sequence and gives you the needed skills to pursue any of these careers in allied health.

CRP: Advanced Networking 1a: Introduction	The world has never been more connected than it is today and through advancing network technologies, tomorrow will be even more tightly united. In this course, you will learn about a variety of different networks, their layers, and the different needs they address. You'll uncover best practices for setting up secure remote access connections, techniques to troubleshoot and think strategically, and correct documentation. Lastly, you'll learn tips to successfully communicate in the workplace. Get ready to support tomorrow's connectedness today!
CRP: Advanced Networking 1b: Protecting Your Network	You've learned the basics of networks, and now it's time to dig deeper into the intricacies and inner workings of these channels. In this course, you'll learn the methods used to manage traffic, transmissions, and users based on organizational needs and the important decisions that go into building an optimal network. You'll explore types of malicious attacks and the role that risk management plays in the strategic planning to prepare for, monitor, and efficiently remediate damage. Lastly, you'll investigate processes that can be used to prevent, monitor, and notify of these events to employ action plans quickly. Get ready to advance your networking prowess! Let's get started!
CRP: Computer Maintenance 1a: Introduction	Computers are soldered into all aspects of our daily life, and when they stop working, it can seem like our network has collapsed. If you are fascinated by the inner workings of computers and how to keep them running, then a career in computer maintenance may be for you! In this course, you'll learn how computers are set up starting with the software and operating systems and what to do when hardware and software issues are encountered. You'll learn different types of data communication, various power supply units, essential components like motherboards and memory and much more! Grab your personal expansion card, and let's hardwire some new knowledge about computer maintenance.
CRP: Computer Maintenance 1b: Network Needs	Almost anywhere we go today, from malls to coffee shops, and even our homes is an intertwined web of wired, wireless, and cloud-based networks that access our personal data. In this course, you'll dig into computer networks and their extensive capabilities. You'll explore data exposure and how to mitigate threats, discuss the fundamentals of network design and layout, learn how cloud-based services store data, discover the differences between wired and wireless networks, and dream of possibilities as you explore fun network options like smart home systems. Let's continue navigating the complex world of computer maintenance.

Area of Proposed Coverage
Comprehensive General Liability
Officers and Directors/Errors and Omissions
Property Insurance
Automobile Liability
Crime Coverage - Minimum/Maximum Amount
Worker's Compensation
Other Coverage
Total Cost

Complete the table, indicating the amount of each type o

Proposed Amount of Coverage
$1,000,000.00/occurrence
$1,000,000.00/occurrence

$1,000,000.00/occurrence
$250,000.00 | $250,000.00
$500,000.00

f coverage as outlined in a quote obtained from an insurance provider.

Cost (Quote)

North Carolina Connections Academy will be added as an additional insured under the existing comprehensive Pearson insurance program in order to take advantage of cost savings due to competitive national package pricing. Please see the attached insurance certificate, which shows coverage amounts.

APPENDIX H

for

Ward Ulmer

1. **Board Member Information Form**
2. **One-Page Resume**

Office of
CHARTER SCHOOLS
NC Department of Public Instruction

Charter School Board Member Information Form

Note: *To be completed individually by each proposed founding charter school board member. Please include a **one-page** resume with this form and sign by hand.*

Serving on a public charter school board is a position of public trust and as a board member of a North Carolina public charter school; you are responsible for ensuring the quality of the school's entire program, competent stewardship of public funds, and the school's fulfillment of its public obligations and all terms of its charter.

As part of the application for a new charter school, the State Board of Education requests that each prospective board member respond individually to this questionnaire. Where narrative responses are required, brief responses are sufficient.

The purpose of this questionnaire is twofold: 1) to give application reviewers a clearer introduction to the applicant team behind each school proposal in advance of the applicant interview, in order to be better prepared for the interview; and 2) to encourage board members to reflect individually as well as collectively on their common mission, purposes, and obligations at the earliest stage of school development.

School Information

Name of charter school	North Carolina Connections Academy

Board Member's Information

Board Members	Full name: Ward Ulmer, PhD
	Home Address: 4910 Little Oak Drive, Greensboro, NC 27410
	Business Name & Address: N/A
	Telephone No.: 336-541-5860
	E-mail address: wardulmer@gmail.com

Board Member Application

Have you previously served on a board of a school district, another charter school, a non-public school, or any non-profit corporation?	No: ☐ Yes: ☐ I've served on the Guilford Technical Community College Advisory Board for several years.
Educational History	Ph.D. Leadership: Clemson University, Clemson, SC Ph.D. Applied Management and Decision Sciences: Walden University, Minneapolis, MN M.A. Computer Resources and Information Management: Webster University, St. Louis, MO B.Sc. Business Administration/ Management: Charleston Southern University, Charleston, SC
Employment History	West Coast University | CEO and Co-President | 2022 – present Walden University | President | 2012 – 2021 Latimer Education (Maarifa Education) | Chief Academic Officer/ Chief Information Officer | 2010 – 2012 Strayer University | 2006 – 2010 | Senior Vice Provost 2010 | Dean 2006 – 2010 Kaplan University | 2004 – 2006 |Dean, School of Information Systems and Technology 2006 | Department Chair, School of Information Systems and Technology 2004 – 2006 Orangeburg-Calhoun Technical Community College | Dean, School of Business and Technology | 2000 – 2004
How were you recruited to join this Board of Directors?	The Board was in need of individuals with experience in the education sector who could have value, innovation, and support of the school's mission and vision. A former colleague of mine from Strayer University

	is now employed by Pearson. She referred me to of her colleagues at Pearson, who reached out to me. After hearing more about the long-term goals, I knew I wanted to be a part of this organization. Having been a student, faculty member, administrator, and President at various levels in the education sector, I am interested in paying it forward so that students have another avenue of learning.
Why do you wish to serve on the board of the proposed charter school?	My educational background and professional experience have opened so many doors for me. One of my PhDs is from an online program, and I have served more than two decades of my career in the virtual learning environment. I also have extensive experience in the community colleges, so I am very familiar with workforce development opportunities. I'm certain that the future of workforce development in North Carolina will play a major role in the education of our future graduates. I look forward to supporting this mission.
How were you recruited to join this Board of Directors?	Repeated question; please see above.
Why do you wish to serve on the board of the proposed charter school?	Repeated question; please see above.
What is your understanding of the appropriate role of a public charter school board member?	The Board plays a vital role in the success and future of the school. Offering insight and oversight to the school leader, and the administrative team will ensure proper outcomes and day-to-day operations. I understand the legal accountability for this position and for the school. Ensuring appropriate operations through policy and process is paramount.
Describe any previous experience you have that is relevant to serving on the charter school's board (e.g., other board service). If you have not had previous experience of this nature, explain why you can be an effective board member.	I have a PhD in Education Leadership from Clemson University, as well as extensive academic and operational experience in the K-12 and high education space. I've also served on the Guilford Technical Community College Advisory Board for several years. Having been a board member, as well as a president who answers to a board for several years, I'm certain I can add value to this board.

Describe the specific knowledge and experience that you would bring to the board.	I am currently serving as the president of Trinity medical sciences University, an institution training physicians across the globe. I've also served in multiple rolls from faculty member to university president at other institutions. I received a bachelor of science management from Charleston Southern University; a masters in computer information systems from Webster University; a PhD in Systems from Walden University; and a PhD in leadership from Clemson University. I am a huge proponent of diversity, equity, and inclusion, with an extensive background in operations. I have experience serving as an accreditation team member, as well as numerous volunteer activities. I believe my extensive experience in leadership, business, finance, and board governance will be an asset to the Founding Board of North Carolina Connections Academy.

School Mission and Program

What is your understanding of the school's mission and guiding beliefs?	Mission- The School's mission is to help students meet performance standards and maximize their potential through an individualized learning program. The school's tailored approach prepares students of all abilities to succeed in school and life. Vision- The School will be a virtual learning leader delivering life-changing learning outcomes and experiences for North Carolina students in K-12, building the next generation of curious, skilled, career-ready citizens. The Board approved the school's Mission and Vision Statements at the first meeting, to ensure that those were the driving principles guiding decisions from the beginning.
What is your understanding of the school's proposed educational program?	This new Connections Academy career-focused school model will serve students statewide as a remote charter academy. The school will serve students in grades K-12 across the state. The school will offer an

	award-winning, standards-aligned curriculum focusing on and supporting academic achievement for all students. I am honored to be a part of this proposed full-time virtual model. The fact the new connections Academy focuses on workforce readiness and career training is vital as there is a huge need for a quality program like this across our state.
What do you believe to be the characteristics of a successful school?	A successful school is easy to identify—you know it when you see it. Clear leadership, clear mission, envision, clear outcomes, and an overall quality experience for students and faculty. Credentialed instructors shepherding students who are excited to learn his contagious, and our state needs more of that.
How will you know that the school is succeeding (or not) in its mission?	As a board member, I will expect regular and consistent updates on all metrics measured at any other school in our state. I also look forward to interacting with students, faculty, parents, and other stakeholders on a regular basis. Goals will be set in the very beginning and adjusted as needed.

Governance	
Describe the role that the board will play in the school's operation.	As is the case with most boards, the board will offer insight and accountability to the school, leader and team. Appropriate measures across financial health, accreditation, student outcomes, and adherence to policies will be the norm.
How will you know if the school is successful at the end of the first year of operation?	The board will operate the same as any other school board in the state. We will receive regular inconsistent updates on all metrics, including student outcomes, test scores, Faculty/staff/family feedback, etc. We will know if the school is successful at the end of the first year of operation by examining those metrics as well as financial and operational metrics as compared to the proposed budget.

How will you know at the end of five years of the schools is successful?	As is the case, after the first year, those same metrics will be tweaked on an as needed basis, as we continue with the original mission and vision. Adherence to the five-year plan is crucial to the measurement of success at that time. Results will be no surprise to the board as we will be receiving updates on all metrics on regular basis.
What specific steps will the charter school board need to take to ensure that the school is successful?	The same process to monitor the one-year results and the five-year results will be the exact process to continuously monitor performance of the school leader, student metrics, and other data. Financial results will be monitored on a regular basis, as will adherence to policies and procedures.
How would you handle a situation in which you believe one or more members of the school's board were acting unethically or not in the best interests of the school?	In the event, a member of the board was acting inappropriately, the first that would be reporting it to the board chair. Then it's important to make sure that gets processed appropriately. If necessary, the Pearson Board-focused partners within need to be informed.

Certification

I, Ward Ulmer, certify to the best of my knowledge and ability that the information I am providing to the North Carolina State Board of Education as a prospective board member for Connections Academy Charter School is true and correct in every respect.

Board Member's Signature

Signature

Date April 24, 2024

**If you responded within the application that disciplinary action has been taken against any past or present professional licenses, provide a detailed response below outlining the disciplinary action and the license validity. Click or tap here to enter text.*

DR. WARD ULMER

University President | Online Education Expert | Diversity & Inclusion Champion | Ed Tech Innovator

336-541-5860 | wardulmer@gmail.com | 4910 Little Oak Drive, Greensboro, NC 27410

West Coast University | CEO and Co-President | 2022 – present

Lead business operations, growth and academic outcomes of for-profit healthcare university serving 12,000 students across six campuses in three states and online. Establish and execute strategic direction and achievement of long-range goals for academic quality, financial performance, scaling operations, brand recognition and reputation, healthcare partnerships, accreditation, and governance.

Walden University | President | 2012 – 2021

Directly responsible for the strategic direction of the University and development and implementation of a sustainable vision through continued strengthening of the organization and academic programs.

Latimer Education (Maarifa Education) | Chief Academic Officer/ Chief Information Officer | 2010 – 2012

Launched education management startup focused on expanding the reach and competitive edge of Historically Black Colleges and Universities (HBCUs). Raised capital in multiple rounds and worked hand-in-hand with accreditors, institutions, and vendors to increase access to HBCUs quality programs.

Strayer University | 2006 – 2010 | Senior Vice Provost 2010 | Dean 2006 – 2010

Responsibilities included operations, strategic planning, accreditation/ regulatory (accrediting agencies and states), budgeting, assessment, student learning outcome mapping, curriculum maintenance, and course development.

Kaplan University | 2004 – 2006 |Dean, School of Information Systems and Technology 2006 | Department Chair, School of Information Systems and Technology 2004 – 2006

Led day-to-day operations of programs, faculty, and staff. Responsible for strategic planning and management of a $30 million budget, as well as all aspects of the student experience.

Orangeburg-Calhoun Technical Community College | Dean, School of Business and Technology | 2000 – 2004

Front-line leader of the department and a member of the executive staff. Responsible for promoting academic, administrative, and fiscal leadership in alignment with the college strategic plan.

Education

Ph.D. Leadership: Clemson University, Clemson, SC

Ph.D. Applied Management and Decision Sciences: Walden University, Minneapolis, MN

M.A. Computer Resources and Information Management: Webster University, St. Louis, MO

B.Sc. Business Administration/ Management: Charleston Southern University, Charleston, SC

APPENDIX H

for

Daniel Krchnavek

1. **Board Member Information Form**
2. **One-Page Resume**

Office of
CHARTER SCHOOLS
NC Department of Public Instruction

Charter School Board Member Information Form

Note: *To be completed individually by each proposed founding charter school board member. Please include a* ***one-page*** *resume with this form and sign by hand.*

Serving on a public charter school board is a position of public trust and as a board member of a North Carolina public charter school; you are responsible for ensuring the quality of the school's entire program, competent stewardship of public funds, and the school's fulfillment of its public obligations and all terms of its charter.

As part of the application for a new charter school, the State Board of Education requests that each prospective board member respond individually to this questionnaire. Where narrative responses are required, brief responses are sufficient.

The purpose of this questionnaire is twofold: 1) to give application reviewers a clearer introduction to the applicant team behind each school proposal in advance of the applicant interview, in order to be better prepared for the interview; and 2) to encourage board members to reflect individually as well as collectively on their common mission, purposes, and obligations at the earliest stage of school development.

School Information	
Name of charter school	North Carolina Connections Academy Charter School

Board Member's Information	
Board Members	Full name: Daniel Milan Krchnavek
	Home Address: 9204 Meadow Sweet Ct, Raleigh, NC 27603
	Business Name & Address: Chalmers, Adams, Backer & Kaufman, PLLC, 500 Benson Road, Suite 134, Garner, NC 27529
	Telephone No.: 919-230-1562

	E-mail address: dkrchnavek@chalmersadams.com

Board Member Application

Have you previously served on a board of a school district, another charter school, a non-public school, or any non-profit corporation?	No: X Yes: ☐
Educational History	George Mason University: BA in Government and International Politics, 2015, BA in Russian and Eurasian Studies 2015. Baylor University School of Law: Juris Doctorate.
Employment History	Member of Chalmers, Adams, Backer & Kaufman, PLLC: March 2024 through Present. Owner of Krchnavek Law, PLLC: April 2023 through Present. Associate at Plekan Law, PLLC: March 2022 through April 2023. Associate at Breeden Law Office: February 2021 through March 2022. Attorney at North Carolina Department of Public Instruction: June 2019 through February 2021.

How were you recruited to join this Board of Directors?	One of my law partners who was involved with this new school opportunity contacted me, knowing about my support for school choice after having worked with me at the Department of Public Instruction.
Why do you wish to serve on the board of the proposed charter school?	I believe that one of the many things that parents must consider when choosing a school for their children is what type of environment is best suited for their children to learn. For many children across the state, the answer is a virtual education environment. I am excited to be a part of the development of this innovative education option for children.
How were you recruited to join this Board of Directors?	One of my law partners who was involved with this new school opportunity contacted me, knowing about my support for school choice after having worked with me at the Department of Public Instruction.
Why do you wish to serve on the board of the proposed charter school?	I believe that one of the many things that parents must consider when choosing a school for their children is what type of environment is best suited for their children to learn. For many children across the state, the answer is a virtual education environment. I am excited to be a part of the development of this innovative education option for children.
What is your understanding of the appropriate role of a public charter school board member?	The appropriate role of a public charter school board member is to participate with other board members in overseeing the fiscal health and operations of the virtual charter school and be legally accountable for its operations. A public charter school board member participates with other board members in setting the policy direction of the school, and enters into contracts related to curriculum, technology, and other services.
Describe any previous experience you have that is relevant to serving on the charter school's board (e.g., other board service). If you have not had previous experience of this nature, explain why you can be an effective board member.	While I have not served on a charter school board before, I have experience working with various sections of the Department of Public Instruction and the State Board. Combining this experience with my skills as an attorney will assist the new charter school board to limit risk while achieving academic success.
Describe the specific knowledge and experience that you would bring to the board.	I have been a practicing attorney for the past five years, a portion of which I worked for the North Carolina Department of Public Instruction.

	I have experience in ensuring Family Educational Rights and Privacy Act compliance.

School Mission and Program

What is your understanding of the school's mission and guiding beliefs?	The mission of the school is to help students meet performance standards and maximize their potential through an individualized learning program. The school's tailored approach prepares students of all abilities to succeed in school, and more importantly life.
What is your understanding of the school's proposed educational program?	The school will serve students in grades K-12 across the state. The school will offer a standards-aligned curriculum focusing on and supporting academic achievement for all students. The full-time virtual school option will allow students to pursue various career pathways and learn at their own individual pace.
What do you believe to be the characteristics of a successful school?	A successful school requires school leadership and board membership to have a shared vision with actionable goals to meet that vision. It further requires involvement from parents, teachers, administrative and support staff, and the community.
How will you know that the school is succeeding (or not) in its mission?	(1) Student and parent feedback, including as it relates to preparation for career success. (2) Student performance data in the form of annual and benchmark assessments. (3) Operational metrics as it relates to teacher retention and fiscal responsibility.

Governance

Describe the role that the board will play in the school's operation.	The board will oversee the school's financial health, as well as develop policies and procedures that guide the school's operations.

How will you know if the school is successful at the end of the first year of operation?	Survey results from students, staff and families. Course completion rates of students.
How will you know at the end of five years of the schools is successful?	From reports relating to student metrics, demographics, academic health and fiscal health.
What specific steps will the charter school board need to take to ensure that the school is successful?	Monitoring of school leader performance, academic metrics, enrollment, participation, and fiscal performance.
How would you handle a situation in which you believe one or more members of the school's board were acting unethically or not in the best interests of the school?	I would address the situation with the Board Chair, and if necessary, discuss with the Board attorney.

Certification

I, Daniel M. Krchnavek, certify to the best of my knowledge and ability that the information I am providing to the North Carolina State Board of Education as a prospective board member for North Carolina Connections Academy Charter School is true and correct in every respect.

Board Member's Signature

Signature	**Date: 04/24/2024**

**If you responded within the application that disciplinary action has been taken against any past or present professional licenses, provide a detailed response below outlining the disciplinary action and the license validity.* Click or tap here to enter text.

Daniel M. Krchnavek

500 Benson Rd, Ste 134, Garner, NC 27529 – dkrchnavek@chalmersadams.com – 919-230-1562

Bar Admission

- State Bar of North Carolina April 2019

Experience

Chalmers, Adams, Backer & Kaufman, PLLC – Raleigh, NC March 2024 – Present
Member

Krchnavek Law, PLLC – Raleigh, NC April 2023 - Present
Founding Attorney

- Drafting, negotiating, and advising clients regarding premarital agreements, postnuptial agreements, and separation agreements.
- Representing clients in mediation and litigation relating to division of assets, alimony, child custody, and child support.
- Drafting founding documents for North Carolina entities, including corporations, limited liability companies, and partnerships.

Plekan Law, PLLC – Apex, NC March 2022 – April 2023
Associate Attorney

- Represented clients throughout all phases of divorce.

Breeden Law Office – Garner, NC February 2021 – March 2022
Associate Attorney

- Represented clients throughout all phases of divorce.

NC Department of Public Instruction – Raleigh, NC June 2019 – February 2021
Regulatory & Compliance Counsel

- Drafting motions, responses, and discovery documents for contested cases.
- Advising department leadership on compliance with education and privacy laws related to Department programs.
- Conducting reviews of compiled documents in response to public records requests.
- Drafting, negotiating, and reviewing contracts to provide goods and services to NC schools.

The Angel Law Firm, PLLC; Law Clerk	Mar 2019 - Jun 2019
Coastal Legal Counsel; Legal Research Intern	Jul 2018 - Jul 2018
Cokinos Young; Summer Associate	May 2018 - Jun 2018
Baylor Law Intellectual Property Clinic; Student Associate	Oct 2017 - May 2018
Texas Army National Guard; Infantryman	Jul 2016 - Oct 2017
Court of Appeals for the Fifth District of Texas; Judicial Intern	May 2017 - Jun 2017
Virginia Army National Guard; Infantryman	Oct 2011 - Jul 2016

Education

Baylor Law School – Waco, TX February 2019
Doctor of Jurisprudence

- Baylor Law Review.
- Ranked 24 of 125.

George Mason University – Fairfax, VA May 2015
B.A. Government and International Politics, *cum laude.*
B.A. Russian and Eurasian Studies, *cum laude.*

Activities

- Pro Bono work through the North Carolina Lawyers for Entrepreneurs Assistance Program and Legal Aid of North Carolina.

Enrollment Projections Year 1 through Year 5

In the following tables, please list for each year and grade level, the numbers of students that the school reasonably expec
please indicate any plans to increase the grade levels offered by the school over time and be sure these figures match tho

If applying as 'Statewide Virtual', select 1000-Statewide Avg as LEA 1 only. If applying as 'Regional Virtual', select a maxi
The numbers in the following tables are projections, or estimates, and do not bind the State to fund the school at any parti

LEA #1:	**1000-Statewide Avg**		What percentage of students from t
LEA #2:			What percentage of students from t
LEA #3:			What percentage of students from t

Grade	Year 1			Year 2			
	LEA #1	LEA #2	LEA #3	LEA #1	LEA #2	LEA #3	LEA #1
	1000			1000			1000
Kindergarten	30			50			85
Grade 1	30			50			80
Grade 2	30			55			95
Grade 3	30			55			95
Grade 4	35			65			100
Grade 5	60			105			175
Grade 6	65			115			180
Grade 7	85			130			200
Grade 8	85			130			200
Grade 9	95			150			240
Grade 10	80			125			195
Grade 11	65			115			180
Grade 12	60			105			175
LEA Totals:	**750**	**0**	**0**	**1250**	**0**	**0**	**2000**

For the first two years the State will fund the school up to the maximum projected enrollment for each of those years as se
subsequent years, the school may increase its enrollment only as permitted by NCGS 115C-218.7(b).

cts to enroll. In addition,
ose on the initial cover page.

num of three LEAs.
cular level.

he LEA selected above will qualify for EC funding?	**100%**
he LEA selected above will qualify for EC funding?	
he LEA selected above will qualify for EC funding?	

Year 3		**Year 4**			**Year 5**		
LEA #2	**LEA #3**	**LEA #1**	**LEA #2**	**LEA #3**	**LEA #1**	**LEA #2**	**LEA #3**
		1000			**1000**		
		115			145		
		110			140		
		130			165		
		130			165		
		140			180		
		240			305		
		250			320		
		275			350		
		275			350		
		325			410		
		270			345		
		250			320		
		240			305		
0	**0**	**2750**	**0**	**0**	**3500**	**0**	**0**

t forth and approved in the projected enrollment tables. However, in

Budget: Revenue Projections from each LEA Year 1

State Funds: *Charter schools receive an equivalent amount per student as the local education agency (LEA) receives per student receives from the State. Funding is based on the 1st month average daily membership.*

In year 1: *Base state allotments are determined by the LEA in which the student resides.*
In year 2 and Beyond: *Base State allotments are determined by the LEA in which the school is located.*

Local Funds: *Charter schools receive a per pupil share of the local current expense of the LEA in which the student resides.*

State EC Funds: *Charter schools receive a per pupil share of state funds per student with disabilities (school-aged 5 through 21). Funds are limited to 12.75% of the local education agency's average daily membership (ADM).*

Federal EC Funds: *Charter schools must qualify and apply for the individual federal grants based on their population of students.*

REFER TO RESOURCE GUIDE FOR ADDITIONAL INFORMATION AND SOURCE DOCUMENTS

LEA #1:	**1000-Statewide Avg**		
Revenue	**Approximate Per Pupil Funding**	**Projected LEA ADM**	**Approximate funding for Year 1**
State Funds	$6,663.71	750	$4,997,782.50
Local Funds	$2,053.06	750	$1,539,795.00
State EC Funds	$5,309.31	96	$507,702.77
Federal EC Funds	$1,514.35	96	$144,809.72
		Total:	$7,190,089.99

LEA #2:			
Revenue	**Approximate Per Pupil Funding**	**Projected LEA ADM**	**Approximate funding for Year 1**
State Funds		0	
Local Funds		0	
State EC Funds		0	
Federal EC Funds		0	
		Total:	$0.00

LEA #3:			
Revenue	**Approximate Per Pupil Funding**	**Projected LEA ADM**	**Approximate funding for Year 1**
State Funds			
Local Funds			
State EC Funds			
Federal EC Funds			
		Total:	$0.00

Total Budget: Revenue Projections Year 1 through Year 5

All per pupil amounts are from the most current information and would be approximations for Year 1.

Federal funding is based upon the number of students enrolled who qualify. The applicant should use caution when relying
year one to meet budgetary goals.

These revenue projection figures do NOT guarantee the charter school would receive this amount of funding in Year 1.

For local funding amounts, applicants will need to contact their local offices or LEA.

Income: Revenue Projections	**Year 1**	**Year 2**	**Year 3**	**Year 4**
State ADM Funds	$ 4,997,783	$ 8,329,638	$ 13,327,420	$ 18,325,203
Local Per Pupil Funds	$ 1,539,795	$ 2,566,325	$ 4,106,120	$ 5,645,915
State EC Funds	$ 507,703	$ 846,171	$ 1,353,874	$ 1,861,577
Federal EC Funds	-	$ 144,810	$ 386,159	$ 530,969
Other Funds*				
Working Capital*				
TOTAL REVENUE:	**$ 7,045,280**	**$ 11,886,944**	**$ 19,173,573**	**$ 26,363,663**

**All budgets should balance indicating strong budgetary skills. Any negative fund balances will, more than likely, generate a*
those evaluating the application. If the applicant is depending on other funding sources or working capital to balance the op
provide documentation such as signed statements from donors, foundations, bank documents, etc., on the commitment of t
figures are loans, the repayment needs to be explained in the narrative and found within the budget projections.

Assurances are needed to confirm the commitment of these additional sources of revenue. Please include these as Appen *on federal funding in*

Year 5
$ 23,322,985
$ 7,185,710
$ 2,369,280
$ 675,779
$ 33,553,753

dditional questions by
erating budget, please
hese funds. If these

lix M.

Personnel Budget: Expenditure Projections

Budget Expenditure Projections	Year 1			Year 2			Year 3			Year 4			Year 5		
	Number of Staff	Average Salary	Total Salary	Number of Staff	Average Salary	Total Salary	Number of Staff	Average Salary	Total Salary	Number of Staff	Average Salary	Total Salary	Number of Staff	Average Salary	Total Salary
Administrative & Support Personnel															
Lead Administrator	1	$ 130,000	**$ 130,000**	1	$ 133,900	**$ 133,900**	1	$ 137,917	**$ 137,917**	1	$ 142,055	**$ 142,055**	1	$ 146,316	**$ 146,316**
Assistant Administrator	1	$ 80,000	**$ 80,000**	1	$ 82,400	**$ 82,400**	2	$ 84,872	**$ 169,744**	3	$ 87,418	**$ 262,254**	3	$ 90,041	**$ 270,122**
Finance Officer			**$ -**			**$ -**			**$ -**			**$ -**			**$ -**
Clerical			**$ -**			**$ -**			**$ -**			**$ -**			**$ -**
Food Service Staff			**$ -**			**$ -**			**$ -**			**$ -**			**$ -**
Custodians			**$ -**			**$ -**			**$ -**			**$ -**			**$ -**
Transportation Staff			**$ -**			**$ -**			**$ -**			**$ -**			**$ -**
Special Education Manager	1	$ 115,000	**$ 115,000**	1	$ 118,450	**$ 118,450**	1	$ 122,004	**$ 122,004**	1	$ 125,664	**$ 125,664**	1	$ 129,434	**$ 129,434**
Assistant Special Education Manager			**$ -**			**$ -**	1	$ 86,000	**$ 86,000**	1	$ 88,580	**$ 88,580**	1	$ 91,237	**$ 91,237**
Manager of Counseling	1	$ 90,000	**$ 90,000**	1	$ 92,700	**$ 92,700**	1	$ 95,481	**$ 95,481**	1	$ 98,345	**$ 98,345**	1	$ 101,296	**$ 101,296**
Administrative Assistants	2	$ 40,000	**$ 80,000**	3	$ 41,200	**$ 123,600**	5	$ 42,436	**$ 212,180**	7	$ 43,709	**$ 305,964**	9	$ 45,020	**$ 405,183**
Specialty FTE			**$ -**	3	$ 65,850	**$ 197,550**	3	$ 67,826	**$ 203,477**	3	$ 69,860	**$ 209,581**	3	$ 71,956	**$ 215,868**
Total Admin and Support:	**6**		**$ 495,000**	**10**		**$ 748,600**	**14**		**$ 1,026,802**	**17**		**$ 1,232,442**	**19**		**$ 1,359,456**
Instructional Personnel															
Core Content Teacher(s)	20	$ 52,400	**$ 1,048,000**	33	$ 53,972	**$ 1,781,076**	52	$ 55,591	**$ 2,890,740**	72	$ 57,259	**$ 4,122,640**	91	$ 58,977	**$ 5,366,876**
Electives/Specialty Teacher(s)			**$ -**			**$ -**			**$ -**			**$ -**			**$ -**
Exceptional Children Teacher(s)	4	$ 55,000	**$ 220,000**	7	$ 56,650	**$ 396,550**	10	$ 58,350	**$ 583,495**	14	$ 60,100	**$ 841,400**	18	$ 61,903	**$ 1,114,254**
Instructional Support			**$ -**			**$ -**			**$ -**			**$ -**			**$ -**
Teacher Assistants			**$ -**			**$ -**			**$ -**			**$ -**			**$ -**
Advisory/Counselor	2	$ 53,000	**$ 106,000**	4	$ 54,590	**$ 218,360**	7	$ 56,228	**$ 393,594**	9	$ 57,915	**$ 521,231**	12	$ 59,652	**$ 715,824**
ELL	1	$ 54,000	**$ 54,000**	2	$ 55,620	**$ 111,240**	2	$ 57,289	**$ 114,577**	3	$ 59,007	**$ 177,022**	4	$ 60,777	**$ 243,110**
*** Edit text as needed. ***			**$ -**			**$ -**			**$ -**			**$ -**			**$ -**
*** Edit text as needed. ***			**$ -**			**$ -**			**$ -**			**$ -**			**$ -**
*** Edit text as needed. ***			**$ -**			**$ -**			**$ -**			**$ -**			**$ -**
Total Instructional Personnel:	**27**		**$ 1,428,000**	**46**		**$ 2,507,226**	**71**		**$ 3,982,406**	**98**		**$ 5,662,293**	**125**		**$ 7,440,063**
Total Admin, Support and Instructional Personnel:	**33**		**$ 1,923,000**	**56**		**$ 3,255,826**	**85**		**$ 5,009,208**	**115**		**$ 6,894,735.15**	**144**		**$ 8,799,520**

Benefits	Year 1			Year 2			Year 3			Year 4			Year 5		
	Number of Staff	Cost Per	Total	Number of Staff	Cost Per	Total	Number of Staff	Cost Per	Total	Number of Staff	Cost Per	Total	Number of Staff	Cost Per	Total
Administrative & Support Benefits															
Health Insurance			$ -			$ -			$ -			$ -			$ -
Retirement Plan--NC State			$ -			$ -			$ -			$ -			$ -
Retirement Plan--Other			$ -			$ -			$ -			$ -			$ -
Life Insurance			$ -			$ -			$ -			$ -			$ -
Disability			$ -			$ -			$ -			$ -			$ -
Medicare	6	$ 1,196	$ 7,178	10	$ 1,085	$ 10,855	14	$ 1,063	$ 14,889	17	$ 1,051	$ 17,870	19	$ 1,037	$ 19,712
Social Security	6	$ 5,115	$ 30,690	10	$ 4,641	$ 46,413	14	$ 4,547	$ 63,662	17	$ 4,495	$ 76,411	19	$ 4,436	$ 84,286
Connections Education Global Benefit Plan*	6	$ 21,450	$ 128,700	10	$ 19,464	$ 194,636	14	$ 19,069	$ 266,969	17	$ 18,849	$ 320,435	19	$ 18,603	$ 353,459
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Total Admin and Support Benefits:			**$ 166,568**			**$ 251,904**			**$ 345,519**			**$ 414,717**			**$ 457,457**
Instructional Personnel Benefits															
Health Insurance			$ -			$ -			$ -			$ -			$ -
Retirement Plan--NC State			$ -			$ -			$ -			$ -			$ -
Retirement Plan--Other			$ -			$ -			$ -			$ -			$ -
Social Security	27	$ 3,279	$ 88,536	46	$ 3,379	$ 155,448	71	$ 3,478	$ 246,909	98	$ 3,582	$ 351,062	125	$ 3,690	$ 461,284
Disability			$ -			$ -			$ -			$ -			$ -
Medicare	27	$ 767	$ 20,706	46	$ 790	$ 36,355	71	$ 813	$ 57,745	98	$ 838	$ 82,103	125	$ 863	$ 107,881
Life Insurance			$ -			$ -			$ -			$ -			$ -
Connections Education Global Benefit Plan*	27	$ 13,751	$ 371,280	46	$ 14,171	$ 651,879	71	$ 14,583	$ 1,035,426	98	$ 15,022	$ 1,472,196	125	$ 15,475	$ 1,934,416
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Total Instructional Personnel Benefits:			**$ 480,522**			**$ 843,682**			**$ 1,340,080**			**$ 1,905,362**			**$ 2,503,581**
Total Personnel Benefits:			**$ 647,090**			**$ 1,095,585**			**$ 1,685,599**			**$ 2,320,078**			**$ 2,961,038**
Total Admin & Support Personnel (Salary & Benefits):	**6**		**$ 661,568**	**10**		**$ 1,000,504**	**14**		**$ 1,372,321**	**17**		**$ 1,647,159.24**	**19**		**$ 1,816,913**
Total Instructional Personnel (Salary & Benefits):	**27**		**$ 1,908,522**	**46**		**$ 3,350,908**	**71**		**$ 5,322,486**	**98**		**$ 7,567,654**	**125**		**$ 9,943,645**
TOTAL PERSONNEL:	**33**		**$ 2,570,090**	**56**		**$ 4,351,411**	**85**		**$ 6,694,807**	**115**		**$ 9,214,814**	**144**		**$ 11,760,558**

*The personnel list below may be amended to meet the staffing of individual charter schools: This list should align with the projected staff located in the Operations Plan.

Operations Budget: Expenditure Projections

The following list of expenditure items is presented as an example. Applicants should modify to meet their needs.

OPERATIONS BUDGET: Administrative and Support	Year 1	Year 2	Year 3
Office			
Office Supplies	$ 6,512.22	$ 11,051.04	$ 16,773.90
Paper			
Computers & Software			
Communications & Telephone	$ 3,819.42	$ 6,481.44	$ 9,837.90
Copier leases	$ 1,799.82	$ 3,054.24	$ 4,635.90
Other			
*** Insert rows and edit text as needed. ***			
Management Company			
Contract Fees			
Other			
Pearson Monthly Administrative Fees	$ 390,000.00	$ 674,866.93	$ 1,137,854.70
Professional Contract			
Legal Counsel	$ 25,000.00	$ 5,000.00	$ 5,000.00
Student Accounting			
Financial	$ 20,000.00	$ 20,600.00	$ 21,218.00
Other			
*** Insert rows and edit text as needed. ***			
Facilities			
Facility Lease/Mortgage	$ 87,500.00	$ 90,125.00	$ 92,828.75
Maintenance	$ 1,159.95	$ 1,968.40	$ 2,987.75
Custodial Supplies			
Custodial Contract	$ 3,000.00	$ 3,090.00	$ 3,182.70
Insurance (pg19)			
Other			
*** Insert rows and edit text as needed. ***			
Utilities			
Electric	$ 2,100.00	$ 2,163.00	$ 2,227.89
Gas	$ 1,056.00	$ 1,087.68	$ 1,120.31
Water/Sewer	$ 780.00	$ 803.40	$ 827.50
Trash	$ 420.00	$ 432.60	$ 445.58
Other	$ 5,534.10	$ 9,391.20	$ 14,254.50
*** Insert rows and edit text as needed. ***			
Transportation			
Buses			
Gas			

Oil/Tires & Maintenance			
Other			
*** Insert rows and edit text as needed. ***			
Other			
Marketing			
Child nutrition			
Travel	$ 13,570.59	$ 23,028.88	$ 34,954.55
Other	$ 5,346.00	$ 9,072.00	$ 13,770.00
Staff Recruiting/Background Verification	$ 903.87	$ 1,533.84	$ 2,328.15
Board Related Expenses	$ 10,000.00	$ 11,000.00	$ 12,000.00
Dues	$ 5,000.00	$ 5,150.00	$ 5,304.50
Directors & Officers Insurance	$ 3,500.00	$ 3,605.00	$ 3,713.15
Total Administrative & Support Operations:	**$ 587,001.97**	**$ 883,504.65**	**$ 1,385,265.73**

OPERATIONS BUDGET: Instructional	Year 1	Year 2	Year 3
Classroom Technology			
Software			
Other			
Internet Subsidy Program	$ 77,448.46	$ 129,080.77	$ 206,529.23
Student Technology	$ 485,940.00	$ 811,146.00	$ 1,297,086.00
Instructional Contract			
Staff Development	$ 20,224.71	$ 34,320.72	$ 52,093.95
Other	$ 52,597.50	$ 87,662.50	$ 140,260.00
Student Activities	$ 15,435.00	$ 25,725.00	$ 41,160.00
Pearson Upfront Instructional Fees	$ 1,187,590.00	$ 1,980,690.00	$ 3,168,280.00
Pearson Monthly Instructional Fees	$ 1,881,717.76	$ 3,305,711.07	$ 5,626,275.30
Books and Supplies			
Instructional Materials			
Curriculum/Texts			
Copy Paper			
Testing Supplies	$ 161,857.50	$ 269,762.50	$ 431,620.00
Other			
Graduation Expense	$ 2,250.00	$ 3,750.00	$ 6,000.00
Total Instructional Operations:	**$ 3,885,060.94**	**$ 6,647,848.56**	**$ 10,969,304.48**

TOTAL OPERATIONS:	**$ 4,472,062.91**	**$ 7,531,353.21**	**$ 12,354,570.21**

**Applicants may amend this table and the position titles to fit their Education and Operations Plans.*

Year 4	Year 5
$ 22,694.10	$ 28,416.96
$ 13,310.10	$ 16,666.56
$ 6,272.10	$ 7,853.76
$ 1,557,429.30	$ 1,973,206.08
$ 5,000.00	$ 5,000.00
$ 21,854.54	$ 22,510.18
$ 95,613.61	$ 98,482.02
$ 4,042.25	$ 5,061.60
$ 3,278.18	$ 3,376.53
$ 2,294.73	$ 2,363.57
$ 1,153.92	$ 1,188.54
$ 852.33	$ 877.90
$ 458.95	$ 472.71
$ 19,285.50	$ 24,148.80

$ 47,291.45	$ 59,217.12
$ 18,630.00	$ 23,328.00
$ 3,149.85	$ 3,944.16
$ 13,000.00	$ 14,000.00
$ 5,463.64	$ 5,627.54
$ 3,824.54	$ 3,939.28
$ 1,844,899.08	**$ 2,299,681.30**

Year 4	Year 5
$ 283,977.69	$ 361,426.15
$ 1,783,649.00	$ 2,270,835.00
$ 70,480.05	$ 88,253.28
$ 192,857.50	$ 245,455.00
$ 56,595.00	$ 72,030.00
$ 4,356,900.00	$ 5,545,520.00
$ 7,724,990.70	$ 9,817,765.92
$ 593,477.50	$ 755,335.00
$ 8,250.00	$ 10,500.00
$ 15,071,177.44	**$ 19,167,120.35**
$ 16,916,076.52	**$ 21,466,801.66**

Overall Budget

SUMMARY	Logic	Year 1	Year 2	Year 3	Year 4	Year 5
Total Personnel	J	$ 2,570,089.50	$ 4,351,411.45	$ 6,694,807.05	$ 9,214,813.53	$ 11,760,558.20
Total Operations	M	$ 4,472,062.91	$ 7,531,353.21	$ 12,354,570.21	$ 16,916,076.52	$ 21,466,801.66
Total Expenditures	N = J + M	$ 7,042,152.41	$ 11,882,764.66	$ 19,049,377.26	$ 26,130,890.05	$ 33,227,359.86
Total Revenue	Z	$ 7,045,280.27	$ 11,886,943.50	$ 19,173,573.30	$ 26,363,663.29	$ 33,553,753.28
Surplus / (Deficit)	= Z - N	$ 3,127.86	$ 4,178.84	$ 124,196.04	$ 232,773.24	$ 326,393.41

Signature Page

The foregoing application is submitted on behalf of the Board of Directors of North Carolina for Online Instruction, Inc. The undersigned has read the application and hereby declares that the information contained in it is true and accurate to the best of his/her information and belief. The undersigned further represents that the applicant has read the Charter School Law and agrees to be governed by it, other applicable laws, and SBE regulations. Additionally, we understand the final approval of the charter is contingent upon successful completion of a mandatory planning year. Per SBE policy "Planning Year for New and Preliminary Charter Schools – CHTR 013, all new nonprofit boards receiving a charter must participate in a year-long planning program prior to the charter school's opening for students. The planning year provides an applicant time to prepare for the implementation of the school's curricular, financial, marketing, and facility plans. During this planning year, regular meetings are held with the Board of Directors and consultants from the Office of Charter Schools to provide information on the following topics: school opening plans, staff development, finance, governance, board training, marketing, policies and procedures, securing a school site, and hiring a school administrator. Final approval of the charter will be contingent upon successfully completing all of the planning program requirements.

Print/Type Name: Marchelle Sutton
Board Position: President
Signature:
Date: 4.16.24

Sworn to and subscribed before me this 16 day of April, 2024.

Notary Public: Official Seal:

My commission expires: 06-24, 2028.

BRENDA ROSE
NOTARY PUBLIC
WAYNE COUNTY, NC