

Chairman's introduction



Glen Moreno
Chairman

“The most difficult phase of our transformation has now been completed... one which has laid the foundations to strengthen our position as the world's largest education company.”

Share price performance

+32.0%

FTSE 100: +2.0%

FTSE All Share: +2.3%

Performance over 12 months to announcement of preliminary results (close of 27 February 2015)

Source: Datastream

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Dear shareholders,

We continue to make this report as helpful as possible to our shareholders and everyone interested in our company. We are guided by the IIRC and FRC's principles, and wherever possible, we will continue to move towards those over the next few years. Our ambition this year is to tell a more transparent, concise, and joined-up story of the journey we are on to create value.

In 2013 we made a series of commitments designed to measure and increase the company's impact on learning outcomes around the world. In 2014, John Fallon and his leadership team have embedded efficacy – the idea that each product or service we invest in is judged by the outcomes it helps learners achieve – as the defining principle around which Pearson is organised. We also, as an organisation, reaffirmed the values that we stand for, which John talks about in more depth on page 4.

This report is the story of how these commitments will result in a more sustainable and profitable company.

[Read more about this in our Chief executive's strategic overview on p4-9, and our Efficacy section on p38-43.](#)

Transforming for long-term success

The most difficult phase of our transformation has now been completed. This has been one of the most significant restructures in our long and varied history, one which has laid the foundations to strengthen our position as the world's largest education company. The benefits of this restructure are already being felt, as Pearson becomes more digital, more service-driven, and more capable of improving education in the world's great economies. They are also visible in the way we are organised, the strategies behind which we are marshalled, and our emerging culture. This is explained and exemplified throughout this report.

Transformations of this scale cannot succeed without the commitment of all our stakeholders, and I am very grateful to our shareholders and employees for the confidence and patience they have placed in our long-term vision. Although in 2014 our share price saw some volatility, at the time I write this (having just announced our preliminary results) it has recovered significantly, rising 32% over the last 12 months. Over the ten years to December 2014 it had almost doubled (89.3%), during which time the total shareholder return has increased by 182.6%. Moreover, I'm delighted that, for the 23rd consecutive year we've been able to increase our dividend per share. We have confidence that these trends will continue, thanks to the steps we have taken in the last two years.

Share price performance

One year % change

Pearson		-11.3%
FTSE 100		-2.7%
FTSE All-Share		-2.1%
FTSE All-Share Media		0.8%
STOXX 600 Media		7.3%

Five years % change

Pearson		33.6%
FTSE 100		21.3%
FTSE All-Share		28.0%
FTSE All-Share Media		90.6%
STOXX 600 Media		70.5%

Ten years % change

Pearson		89.3%
FTSE 100		36.4%
FTSE All-Share		46.5%
FTSE All-Share Media		75.2%
STOXX 600 Media		36.7%

Source: Datastream to 31 December 2014

Total shareholder return (TSR)

One year % change

Pearson		-7.1%
FTSE 100		0.7%
FTSE All-Share		1.2%
FTSE All-Share Media		3.9%
STOXX 600 Media		11%

Five years % change

Pearson		62.0%
FTSE 100		44.8%
FTSE All-Share		51.8%
FTSE All-Share Media		122.1%
STOXX 600 Media		107.5%

Ten years % change

Pearson		182.6%
FTSE 100		96.1%
FTSE All-Share		107.6%
FTSE All-Share Media		137.0%
STOXX 600 Media		97.1%

Source: Datastream to 31 December 2014

Building a balanced and strong team

Though our immediate transformation has been completed, we will, of course, continue to adapt and improve to ensure our ongoing success. We continue to build a balanced, experienced team, welcoming Elizabeth Corley and Tim Score to the board, and a number of highly regarded industry specialists to the executive management team.

This year we have also held our triennial external board review, and alongside that we have established a process for long-term succession planning, which we'll undertake annually. I would like to take this opportunity to thank our chief financial officer, Robin Freestone, for his enormous contribution to Pearson over the last ten years. We look forward to Coram Williams joining us in that role on 1 August 2015. Read more about our board on page 60, and the executive team on page 9.

Looking forward

These are exciting times for everyone involved at Pearson, as we begin to see the opportunities created by two years of very substantial transformation. It has been a challenging journey at times, but worth it. We now move into our next chapter, better prepared than ever to help people all over the world progress in their lives through learning, and in so doing, create a growing sustainable company for the benefit of our shareholders.

Glen Moreno, Chairman