

Chairman's introduction

Sidney Taurel
Chairman



“My focus will be on helping guide Pearson back to growth, supporting the management team and all of our employees in our mission: to help more people make progress in their lives through learning.”

Dear shareholders,

I am proud to introduce our annual report for the first time as Pearson's chairman.

My predecessor, Glen Moreno, made a major contribution to Pearson during his long and successful tenure as chairman. I am sure my fellow shareholders will join me in thanking Glen and wishing him all the best for the future.

This is an important time to be joining Pearson. Our 2015 performance was not what we would have wanted, and we now have a plan in place to return the company to growth.

The company has a strong purpose at its heart, and has made great strides in focusing on education. My own focus will be on helping guide Pearson back to growth, supporting the management team and all of our employees in our mission: to help more people make progress in their lives through learning.

Our immediate priorities

This is a challenging time for businesses in global education, with rapid changes taking place in the sector. Digital technology is revolutionising education just as it has all other aspects of the way we work, communicate and do business. In an era of constrained spending, there is a big productivity challenge, as governments and education leaders seek to achieve better outcomes

at the same or lower cost. The value of a university degree continues to grow, but many students and institutions face cost pressures. These changes offer big opportunities for Pearson, but also present risks and transitions that we will need to manage in some of our traditionally strong businesses.

With these factors in mind, my immediate priorities are clear:

- › I will be supporting our management team to ensure that we stay focused on our biggest strategic growth objectives.
- › I will offer guidance to help them to make further progress on simplifying and integrating the business. We need to make sure that Pearson is better able to leverage our assets, skills, and technology platforms in order to deploy our products globally.
- › I will be supporting the team to ensure that capital is allocated in a way that provides better returns for shareholders, ultimately creating a better, more sustainable company for the future.

We will engage transparently with shareholders on our capital allocation plans and progress against our strategic goals, as well as on all important issues.

We plan to hold our dividend at the 2015 level while we rebuild cover, reflecting the board's confidence in the medium-term outlook for our business, and we are committed to increasing total shareholder returns.

These priorities require strong leadership, dedication and hard work from me, the board, and the management team.

Our leadership team

We have continued to enhance the strength and depth of our board, including the appointment of Coram Williams as our chief financial officer. Coram has a decade's experience working directly for Pearson and helped to lead our joint venture, Penguin Random House, through a successful company integration as its first CFO.

Like me, Lincoln Wallen joined the board on 1 January 2016. Lincoln is chief technology officer for DreamWorks Animation, and his appointment further strengthens our digital capabilities. Like thousands of Pearson employees across the globe, he also has a background in education and teaching.

We have an experienced executive team, and committed employees around the world. I look forward to working with John Fallon and the executive team to deliver our agenda.

Read more about [our board](#) on pages 72-73. ➔

Share price performance

One year % change

Pearson	-38.2%
FTSE 100	-4.9%
FTSE All-Share	-2.5%
FTSE All-Share Media	13.3%
STOXX 600 Media	12.0%

Five years % change

Pearson	-27.0%
FTSE 100	5.8%
FTSE All-Share	12.5%
FTSE All-Share Media	78.2%
STOXX 600 Media	68.8%

Ten years % change

Pearson	7.1%
FTSE 100	11.1%
FTSE All-Share	21.0%
FTSE All-Share Media	88.2%
STOXX 600 Media	36.1%

Source: Datastream to 31 December 2015

Total shareholder return (TSR)

See p14 [↗](#)

One year % change

Pearson	-35.7%
FTSE 100	-1.3%
FTSE All-Share	1.0%
FTSE All-Share Media	16.5%
STOXX 600 Media	15.3%

Five years % change

Pearson	-11.2%
FTSE 100	26.9%
FTSE All-Share	33.8%
FTSE All-Share Media	107.5%
STOXX 600 Media	102.6%

Ten years % change

Pearson	59.8%
FTSE 100	60.2%
FTSE All-Share	71.8%
FTSE All-Share Media	155.8%
STOXX 600 Media	97.4%

Source: Datastream to 31 December 2015

Building a company for the future

I led Eli Lilly, a business in the global health sector, as CEO and Chair for ten years. I see some clear parallels between health and education that I believe provide opportunities for Pearson.

Like health, education affects every citizen of the world in a deep and personal way. Both sectors have seen dramatic increases in the use of digital technologies for the benefit of users – in our case, teachers and students. For us, this means personalised, adaptive learning, with the ability to measure and improve outcomes at an individual level.

So we are continuing at pace on our mission to become more digital and service-driven, and a simpler, better integrated business, with efficacy at the heart of everything we do. Read more on [our ongoing commitment to efficacy](#) on pages 46-53. [↗](#)

Pearson's future

I would like to thank you for your continued support of Pearson. It has been a tough 2015, and there are undoubtedly challenges ahead. Pearson is a company with strong market positions, real competitive advantage and a significant medium-term market opportunity. The board believes that the plans we are enacting will help to build on these strengths and enjoy sustained growth.

I see an exciting future ahead for Pearson – as with my experience in the health sector, I am inspired by working in a company with a strong sense of purpose. As chairman I am fully focused on helping the management team develop our strategy and deliver long-term value for our students, customers and you, our shareholders.



Sidney Taurel
Chairman

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