

PEARSON plc

PROCEEDINGS at the **ANNUAL GENERAL MEETING**
of the Company held at 8 Northumberland
Avenue, London WC2, on Friday 24th April 2015.

MR. GLEN MORENO
(the Chairman)
presided

GLEN MORENO (Chairman): Hello everybody and welcome to Pearson's Annual General Meeting. We are delighted to see so many individual shareholders here today.

Like any large Footsie company, as you know, we spend a lot of time with the larger City and Institutional investors but this day has always been different – it is a chance to answer your questions directly, and to meet with you individually afterwards over light refreshments and talk about Pearson.

So it's a bit special. I view it like an annual gathering of friends and family of Pearson, a special day.

Today's Meeting is important because I want to share with you how our company is performing, and to outline our strategy for the future. As you know, that strategy is all about furthering Pearson's purpose, which is to help people improve their lives through learning.

This time last year Pearson was partway through a significant transformation of our company. The most difficult phase of that transformation has now been completed I am happy to report, and it has laid the foundations to strengthen our position as the world's leading education company.

2014 was a year of significant policy and cyclical pressures and big changes to the fabric of Pearson.

In the midst of that change, we continued to build a healthy business: we grew our sales at constant exchange rates, grew our underlying profits, and delivered on our earnings guidance.

Our share price, which as you will recall from a year ago was under pressure, has responded well to our results. We have outperformed all the major indices and developed a very solid absolute return.

While there is still plenty to do, I'm increasingly confident about Pearson's future, both in 2015, and the years ahead.

But today, I would like to focus my remarks on a broader issue, on transformation. Over the past decade, our company has pursued three fundamental strategic transformations: from a media holding company to an integrated education company; from a venerable, I believe, Anglo-American company to a global enterprise; and from the world's largest print publishing company to a digital content and services company

That transformation has been accompanied by significant change in Pearson's organisation and leadership.

Three years ago, the Board engaged in intensive succession planning, resulting in the appointment of our new CEO, John Fallon, who took up his appointment in January 2013.

Working with the Board, John completely reorganised our management structure, promoting promising Pearson executives, and bringing excellent new talent in from outside the company, many of whom are with us today.

This executive team has spent the last two years re-engineering this company - making Pearson fit for purpose in the 21st century. They've made huge progress, though we all know there's still plenty of work to be done.

Now with a strong executive team in place, we have turned our attention for some time to Board succession planning. Much of that plan is falling into place today, and I'm pleased to be able to share it with you personally.

Two highly distinguished colleagues are stepping down from the Pearson Board today, after nine years of service.

Sir David Arculus joined the Pearson Board in 2006. David has served as Chair of our Board's Remuneration Committee, and has been a thoughtful and wise guide to colleagues in Pearson on a number of issues.

Ken Hydon also joined our Board in 2006. He was one of the founders of that great British company, Vodafone. Ken has chaired our Audit Committee, and we have benefited greatly from his leadership in that area.

Both David and Ken have played significant roles in Pearson's success over the past nine years. I have personally valued their guidance and counsel and support as colleagues over that time. And we all wish them well.

As part of our succession plan, we have continued to add new skills and expertise to the Pearson Board.

You'll recall last year that we had appointed Linda Lorimer of Yale University and Harish Manwani of Unilever to the Board, two Directors who have contributed enormously since their arrival here.

And two more colleagues have joined us in the past twelve months.

Shortly after last year's AGM, Elizabeth Corley, Chief Executive of Allianz Global Investors, a huge investment institution, joined our Board. Elizabeth was recently appointed a Commander of the British Empire for her services to the financial sector.

And in January, Tim Score joined our Board. Tim has been Chief Financial Officer of ARM Holdings for 13 years and, as many of you will know, ARM is one of the most successful technology companies in the world, and it's a great British success story.

Elizabeth and Tim will assume the chairs of the Remuneration and Audit Committees from David and Ken, respectively.

Many of you will also know that Robin Freestone announced a few months ago that he plans to step down later this summer as Pearson's Chief Financial Officer. Robin joined us in 2004 and became CFO in 2006.

His financial reputation in the City and internationally is second to none. He has played an important role for Pearson, charting a steady course through global recession, the digitisation of the media and education sectors, and the development of Pearson's transformation strategy. We certainly wish him well in the next phase of his career.

But our new CFO is already waiting in the wings: Coram Williams. Coram is currently CFO of our joint venture, Penguin Random House, and before that for many years held senior roles with us in various companies within Pearson. So, in a sense, he is returning home.

Coram has a strong track record at both Pearson and Penguin Random House, and is held in high regard by colleagues in the company, in the Boardroom, and in the City in general. So I am confident he will be a trusted and valued partner to our Shareholders as we continue to build Pearson for long term growth.

By now I hope it's obvious that we have put a lot of thought and time into planning smooth leadership transition at Pearson. We have been refreshing our Board over the past several years, allowing new Directors to gain experience as others prepared to retire. Today represents the culmination of those efforts.

And now let me turn to the final piece of our leadership succession planning.

This will be my 10th and last AGM as Chairman of Pearson.

The Board and I have been working on Chair succession planning for several months now, and we will begin a formal search for my successor next week, under the leadership of our Senior Independent Director, Vivienne Cox.

Let me say that I've had a hugely interesting, challenging, and above all enjoyable time in this job - and I'm proud of what my colleagues have accomplished over the last nine and a half years.

When I first spoke to you many years ago - I think it was in the Queen Elizabeth II Conference Hall over by [Westminster] Abbey – it had been a disappointing period for Pearson shareholders, things hadn't gone well, and I promised we would work hard to create value for you for having stuck with us. And I think we have done that.

The Total Shareholder Return performance for Pearson ... roughly over the last ten years has been 235-plus per cent. [This compares well] to indices like the Footsie 100, the Footsie All Share and some media indices.

We have also tried to reward shareholders who have remained with us during that long period and that will continue now; because of recognition of our confidence in the future, we propose to again increase our dividend by 3p, and this represents the 23rd straight year of above-inflation dividend growth for Pearson shareholders.

Many of you here today were at that meeting almost 10 years ago. And one of the things I have enjoyed most at Pearson is meeting you at this annual event, catching up

downstairs over a sandwich and a glass of wine and talking about the company that we are all so interested in.

So from 2016, I look forward to joining you down there in the audience as a continuing Pearson shareholder. Thank you.

MR. JOHN FALLON (Chief Executive): Well, good afternoon everybody. Thank you, Glen.

Glen, you - rightly - paid tribute to David and to Ken and to Robin, each of whom has played a very important part in Pearson's success over the last decade.

Let me now, in turn, on behalf of all shareholders, thank you for your great contribution. When you joined Pearson back in 2005, it was as you said a tricky time for the company, and you helped Marjorie and Robin and all of us to steer Pearson to what has been, as you saw from the chart, a sustained period of growth.

You have been a great guide, support and, when necessary, challenge to me, as we've set about the task of setting Pearson up for the next decade of growth, and I know that you will continue to play that role for some months yet, as the Board sets about selecting a worthy successor. So thanks again, Glen, for all your work.

Now, as Glen said, this is the 23rd straight year of increasing the dividend above the rate of inflation. That was only possible because in a year of very significant policy and cyclical pressures and big changes in the fabric of our company, we delivered on our earnings guidance.

So I am very, very proud of my 40,000 colleagues, all over the world, who ensured that we put in a strong competitive performance right across the company.

That's true of our education business, which I'll talk more about in a moment.

It's certainly true of the *Financial Times*. Total circulation grew 10 per cent year-on-year to a new high of nearly 720,000 in print and online, and digital subscriptions now represent 70 per cent of the *Financial Times* total paying audience.

And it also applies to our joint venture, Penguin Random House, now the world's first truly global consumer book publishing company. You'll remember that three years ago we took what was for many of us quite a hard decision to decide to merge Penguin with Random House, and we did that because we thought it was the best way to secure Penguin's ongoing and enduring creative and commercial success.

Now two years on, with a record performance on the best-selling list - and the singular achievement last year of publishing, in at least one major market, every one of the Booker Prize short list – I think we can be confident that we've achieved both of those goals.

I'm also confident that, right across the company, we are really well placed now to sustain that strong competitive performance this year. We announced earlier today that for the first three months of the year we are trading in line with our expectations. Headline sales were up 5 per cent but that's due to the strength of the dollar; they are flat at constant exchange rates.

More importantly, for me and for shareholders who care about the long term future of this company, we are making record levels of investment in the next generation of new

products and services. As we do so, we aim to put this idea of the learner, which is really about the students of all ages and in all parts of the world who we exist to serve, at the heart of every single thing we do.

So before you hear any more from me, let's hear from one of them. And just before we play this video I should warn you we did have some problems earlier so I hope I can hear from this learner, but it is only just over one minute long. So let's hear from Mohammed!

(The video - <https://www.youtube.com/watch?v=afTTEPYLjpg> - was then shown)

So, that's Mohammed's story. His success, of course, is primarily due to his own talent, his own commitment, his hard work. It also reflects well on his teachers, his family and his friends. And we played our part too because it was our BTEC qualifications, as I hope you heard, that had a real impact on Mohammed's life.

They provided access - a pathway - to university for him, and helped him to translate that into a great outcome - a dream job and a promising career. Although, as a Manchester City fan, I hope you'll forgive me for wincing when I describe anything to do with Chelsea as being dream-like.

Mohamed is one of many thousands of young people who, with Pearson's BTEC qualification, are taking a less traditional, but certainly not less valuable or important path to education and then on to a successful career.

Julia studies at one of our Wall Street English Centres in Shanghai. Her decision to leave her home in rural South West China to continue her education and further her career many, many miles away from home was a shock to her family.

But she is determined to learn better English so that she can make a career with a global company. But it's not just about the career for her; she's also very active on social media, and she has made friends all around the world and, as she puts it, she wants them to know that there is much more to her city and to her country than air pollution.

With our help, she is set to achieve both her personal and her professional ambitions. And Julia is just one of hundreds of thousands of Chinese students who we now help to teach, in classrooms all over China, and increasingly online as well.

So what do Mohamed and Julia have in common?

And what do they have in common with Taylor, who is mastering statistics at her university in Texas – she is one of 10 million students who are benefiting from the support of a Pearson MyLab product.

And what do they all have in common with the millions of more students like them around the world who we support, in their learning, each and every day?

Well, they are all examples of our work to tackle what we think is one of the most important challenges in the world today, which is how do we equip every global citizen with what are often described as the "21st century skills" needed to succeed in the workplace and in life?

But they [Taylor, Julia, Mohamed] also tell us something else. [They] are all examples of students learning with some of the most commercially successful and fastest-growing products that Pearson has released in recent years.

So what that tells us is, the greater our impact - in improving access to good quality education and translating that into better learning outcomes for far more people - the more we will create a faster-growing and more sustainable profitable company.

So access, impact, outcomes - these are the hallmarks of the most commercially successful products in Pearson today. What this efficacy agenda is about really is making them the hallmarks of everything we do, because that's what will create a stronger company with a bigger opportunity and better financial returns.

That's why we are creating a simpler and leaner Pearson, to make our systems and our platforms more efficient and scalable. For example, we've more than halved our global warehousing capacity. We have reduced the number of systems and applications across Pearson by 10 per cent in the last year, and we will continue to do that this year and next.

This is important because it improves the customer experience; it reduces our operating costs, and it enables us to invest more in better digital products and services.

We are very excited about the potential of these new products, such as the Pearson System of Courses.

These products each combine new technology with great teaching to help many more students to do well and go on to succeed in their lives. They combine a real depth and breadth of learning, so that students just don't know important things but they know how to apply that knowledge.

They are engaging, and empowering for students and teachers.

Now, like any innovation that's worth making in the long run, there are always difficulties when you pilot these products; and in a school environment especially not everything works perfectly the first time.

But, these are brilliant products. They will bring huge benefits to many people, and with the Pearson System of Courses, as with anything we do, we are determined to see it through.

We also care about Pearson's culture. This has in all honesty been a bruising time for many of our colleagues. We've cut more than 5,000 roles across Pearson in the last couple of years, mainly relating to print, or in mature markets, whilst we have been adding new roles in key areas such as technology, efficacy and education research, and in faster growing markets.

Our values - brave, imaginative, decent - have been tested, but ultimately, I believe they have been reaffirmed and strengthened. We are working very hard to ensure that all 40,000 of us are able to contribute, to collaborate and to be rewarded for the good work we do.

But we have also added a fourth value - accountability.

That's because we are committed to this simple but I believe incredibly powerful idea that every product we sell can be measured and judged by its social impact; that we are accountable for the educational outcomes we help to achieve. And we will be very transparent in how we report on our progress.

We are doing this because there are few things in life more important than a child's education. And our commitment to accountability must for that reason also extend to a greater willingness to engage in the public debate.

We need to build our reputation as an organisation committed to making learning more accessible and more affordable for more people. We have to be willing to listen, and engage with students, with teachers, with parents and all those who care about improving education around the world.

That's why we've led a public debate around higher standards here in the UK. It is why we are engaging directly with parents, and students - as well as teachers - in America. It drives our commitment to report publicly on our progress on efficacy.

It explains the very exciting new partnership we've forged with Save The Children to support education in Syrian refugee camps. And it is why we are encouraging all 40,000 people right across the company to volunteer in our local communities.

Now of course not everyone will agree with us. And we'll make some mistakes along the way. But we'll always strive to do better – and will always strive to sustain the support and trust of those we work with.

As we do this work, some folk may question whether a sense of social purpose and the profit motive can actually go hand in hand. I have actually just been having this very debate with some colleagues outside on the pavement before this meeting started.

We think that what makes Pearson such an incredibly special company is that they always go hand in hand. That the profits we make are the by-product of doing something

really important and useful to society and doing it really well. And there are few things more important in life than empowering far more people to progress in their lives through learning.

That, in turn, should make Pearson both a higher returning company - both to its shareholders and to the communities we serve - for many years to come.

Now, I was going to end there. But as I arrived this morning I received a letter, which I think many of you may have received as well, and so I want to respond directly and immediately. So here is what I personally want to tell all of you.

When my dad first trained as a teacher in the late 1940s, he felt at the time that his career choice was as highly valued by society as becoming a lawyer or a doctor or an accountant. By the time he retired 40 years or more later, it was a course of some sadness to him, and by extension to his family, that he felt that the status of teachers had declined, not just in terms of their pay but in the professional respect in which they were held.

Now he did live long enough to see, for I would argue, the support of Education Secretaries actually from both right and left - most notably from Kenneth Baker and David Blunkett here in the UK – that the professional standing of teachers did start to recover. Although I would be the first to admit that there is still a long way to go and as a society we need to be doing much more to promote the professional standing of teaching as a profession.

So this is something that I feel personally very strongly about - as do many of my colleagues. That's why for example we sponsor the Pearson Teacher Awards each year, to celebrate the importance and successes of the profession.

Some 15,000 Pearson employees started their careers as teachers themselves and many more, like me, have deep family connections. So be under no doubt everyone in this company has the greatest respect for the teaching profession.

So, in that spirit, let me now make a few things abundantly clear.

As an exam board here in the UK and as a testing organisation in America, we have a responsibility to every student, to every parent, to every teacher, to ensure that the exams and the tests they take are fair - and it is demonstrably not fair if some students have seen the questions online before they even take the exam.

We do think that assessments - or exams - are important, because it gives parents reassurance that their kids are on track to do well - and, if not, the confidence that something is being done about it. And as you saw with Mohammed, as kids get older they are also really important for universities and employers as well.

We do want fewer, smarter, better exams - or assessments - and we do think they should be just one measure of progress as part of a much wider framework, and we have argued for that both here in the UK, in the United States and elsewhere.

We do believe in higher standards and we do believe that when you make the shift to higher standards it is really important that you give teachers the time and the support to adjust for those standards.

Most of all I believe this: I publicly and enthusiastically support free public education for every child around the world. But here is the reality today. There are 65 million primary

school age children who don't get to go to school at all. There are hundreds of millions of secondary age children who don't get to go to school at all.

There are many, many millions more kids who even after five years of schooling are still largely illiterate and innumerate. If this was health or hunger we'd be talking about an urgent humanitarian crisis. In education it takes a generation for the true social and human cost to bear fruit and so unfortunately the alarm bells don't ring as urgently or as loudly.

So what do we do?

Faced with that challenge and that reality we as a company, as the world's leading learning company, have I believe an absolute responsibility to work with every part of society - with governments, with local authorities, with aid agencies, with charities, with local communities and, yes, where appropriate local entrepreneurs and private companies as well - to give as many people as we possibly can the chance of a good education and a better start in life.

With that, I will hand back to Glen. And with my colleagues we will be very happy to answer your questions. Thank you.

GLEN MORENO (The Chairman): Thank you, John.

Before I ask you to vote on the resolutions today, which is the purpose of this meeting, the Board would be pleased to answer your questions on the business or any part of the resolutions.

As always, we have a large number of shareholders today. We know from previous Annual General Meetings that many of you will have questions for us and we are delighted to use this forum to try and answer those questions.

But in order to allow us to answer as many questions as possible in the limited time available, I ask that you keep your questions short, and also that each shareholder focus on just one question.

May I please ask you to say your name before asking your question and if you are a proxy or a corporate representative please state who you represent. There are microphones available from our stewards.

I am actually going to take the initiative to invite the first question from a distinguished foreign visitor, Randi Weingarten. Randi please!

MS. RANDI WEINGARTEN: Thank you, Mr. Chair. I want to thank...

THE CHAIRMAN: Wait for the microphone.

MS. WEINGARTEN: Sorry, I am using my teacher voice! (Laughter)

THE CHAIRMAN: Well done.

MS. WEINGARTEN: Thank you, Mr. Chair. Can you hear me now?

THE CHAIRMAN: Yes, very well.

MS. WEINGARTEN: Thank you. I want to thank the leadership of Pearson for giving me this opportunity to speak today as a shareholder and a stakeholder. I personally know

how challenging it is to open doors to those who raise difficult questions and I very much appreciate what Mr. Fallon has just said.

While I recognise that Pearson has a duty to its shareholders to be profitable, my question centres on another obligation, and that is to conduct business in a way that befits the world's leading education company.

I represent 1.6 million educators and professionals in the United States and I am honoured to have travelled here with a Montclair, New Jersey parent, Christine McGeoy, who is representative of hundreds of thousands of parents in the United States; and I am also honoured to be accompanied by Kevin Courtney, the Deputy General Secretary of the National Union of Teachers of Great Britain.

So this is my question. First, a recent case in New Jersey of a child showed that Pearson played a role in a chain of events that included monitoring a child's social media account.

Now I heard what Mr. Fallon just said, but more than 30,000 people have signed a petition demanding that Pearson ends this practice. We ask that Pearson listen to the parents and community members to stop the practice of spying on kids and immediately release any contract, language and processes related to test security for full public review.

Second, the obsession with high-stakes testing today at least in the United States isn't informing teaching and learning, it's actually undermining it, and so we ask that Pearson cease all lobbying and campaign contributions to politicians that are driving this obsession and actually using Pearson products to do so.

And third, and I very much appreciate what Mr. Fallon said about having to make sure or ensuring that children have access to high-quality free public education, so we ask that Pearson work with educators around the world to accomplish this and stop charging the poorest people in the world up to 30 per cent of their income to send just one of their children to schools.

So essentially my question is: Pearson does hold itself out to be a pro-education company and I love that Mr. Fallon said that every product must be measured by its social impact; so then at the same time how does it square that in the United States it has gag orders, spying and high-stakes testing and outside the United States is [involved in] low-fee schools? How does the company do both of these things? Thank you, Mr. Moreno, very much.

THE CHAIRMAN: Thank you, Randi. John, can you take this?

MR. FALLON: Thanks Randi, and I'm very much looking forward for us to be able to catch up properly this afternoon when we can talk through these issues in more detail; and it will be a particular pleasure that we can meet as fellow shareholders in Pearson, so I'm very much looking forward to that.

To answer the first question, I think I couldn't have said it any more plainly. However, in danger of repeating what I said last year, I think there has been, on your first point, a spectacular misunderstanding. Pearson does not monitor individual students. We do not have and do not seek access to private accounts.

We do have a responsibility to ensure that tests are fair to every student across the country and ... just to explain in a little more detail [that] these new online tests that have been introduced in America, take place over a number of weeks in different schools across different States across the country. So it is important to ensure the questions that kids in other States have yet to take have not already been posted on the Internet because clearly you want to be sure that every child has a fair 'crack-of-the-whip'.

On the very, very rare occasion that something like that happens we flag the issue to the education departments - and just to remind you these education departments represent the elected representatives of the State from which they come - and then it's their responsibility to decide what action, if any, they want to take.

The important thing is I think as every parent, every student and in fact every teacher would agree, if you are going to have a test it has to be fair for everybody, and if some people already know what the questions are before they go to take the test that's clearly not the case.

I am going to ask Michael Barber to help me in answering the second question, but just briefly on the third question I think I have actually already answered it.

Some of our shareholders will remember that CK Prahalad was on the Board of Pearson for some years before his untimely death. And CK talked about the importance of treating the poorest billion people in the world not as victims or as Wards of State but as informed citizens; and as informed citizens clearly you would want every single parent in every community around the world to be able to have access just down the road to a free good quality school.

But whilst that doesn't exist, what do we do? Do we sit around wringing our hands until the politicians of the world organise themselves to get all those 65 million kids into school. Or do we try to give people a choice?

And sometimes the choice for those parents in those incredibly difficult positions is: don't send your kids to school at all, [or] send them to a public school where very little teaching and learning is going on - and as I said they are likely to be illiterate and innumerate five years later - or spend some of your very hard earned money to give your kid a better chance in life. I don't feel I have the moral right to make that decision on behalf of those parents, but I think they have the right to be able to make that choice.

The second question, which was around do these new generation of high-stakes tests undermine teaching, I think we believe actually the opposite. But rather than me try to explain that I will ask Sir Michael Barber, our chief education adviser, to talk a little bit more about the assessments and why we think they actually benefit teaching and learning. So Mike!

SIR MICHAEL BARBER: Thank you, John. Thank you everybody for the opportunity to be here. I think that one of the big dilemmas for educators over the last generation has been that the tests can measure some important things but they can't measure all of the important things, and that's a continuing dilemma.

One of the things in thinking about the future as tests go online will be the ability to get more refined assessments, assessments that give teachers better feedback, that enables teachers to improve what they do in the classroom, that enables students to learn where their strengths are and weaknesses are, and what they need to do to improve.

So the quality of assessment and testing will improve dramatically over the next five to 10 years, and some of the new tests that are now being developed in the US and elsewhere I think will make a big difference both to students and to teachers, and indeed parents and families, because of the quality of information and feedback that all the participants in that process get.

So those test designs I think are an absolute crucial part of improving the quality of education, which I am sure everybody in the room and certainly every educator worldwide wants to see.

John, did you want me to comment on the Affordable Learning Fund?

MR. FALLON: Yes, just briefly Mike if you would.

SIR MICHAEL BARBER: Randi, you raised the Pearson Affordable Learning Fund. One of the things that has happened over the last 20 years is a radical shift in large parts of the Developing World including India [and] large parts of Africa, which is that because many parents have become frustrated with public education in those countries, they have chosen - poor parents and poor families - to put their children in low-cost private schools and the numbers vary from country to country.

But roughly we are talking about, across India, Pakistan and large parts of Africa, 30/40 per cent of parents have chosen low-free private education because they can't get what they want from the public education system. In the big cities like Delhi or Lahore or Karachi or Agra it is about 70 per cent of parents.

Now it's really important in all those places to focus on improving the quality of the public education system, so for example on my many visits to Pakistan that's what I have been trying to do in Punjab with the Chief Minister and his top team and we have made some significant progress on improving the public education system.

But in the meantime there are many millions of children in low-fee private schools and to me the responsibility of governments and indeed educators and all of us is to ensure that all children regardless of what kind of school they go to, regardless of the governance of the school - all children get a good education.

The Pearson Affordable Learning Fund has been founded to make investments, not to run the schools, but to make investments in either support services to those schools or chains of those schools, to try and get high quality education at low fees that are affordable to parents from low-income families. I think that is a noble cause.

There is lots and lots of aid and donor money rightly going into improving public education across the Developing World; we need that to succeed, it is a really important part of the mission. But in the meantime developing/investing in the low-fee private sector is also a part of ensuring that every child on the planet gets a good education.

And, by the way, the companies we are investing in are generally running schools at the same or lower cost than government schools in the same places which means that if they innovate and succeed - and in all cases as with our other investments we will be measuring the outcomes that these schools generate - if those innovations that some of those schools are adopting succeed, governments will be able to adopt those innovations, improve education in their countries at scale to assist them without adding any extra funding into the

system. Of course all of us in the meantime should campaign for more investment in government schools and education more generally.

THE CHAIRMAN: Questions? Yes!

MR. MUN-LEE LOKE: Good afternoon, Mr. Chairman. My name is Loke and I am a shareholder.

Sir, I would like to apologise for my late arrival and in mitigation I hope you will accept in good faith that there are a congestion of AGMs around at this time. And appertaining to that, if I read the situation correctly, this is going to be your last year, from now onwards, and if that is the case may I wish you all the very best.

At the same time can I also wish our esteemed Finance Director, Mr. Robin Freestone, the best endeavours in his future and at the same time can I welcome - is it Coram Williams? - who is going to take his place, if I am not mistaken.

And last but not least I would like to salute Mr. John Fallon for steering the company at this moment in time.

The pith of my questions, Sir, revolves around education which is primarily one of the three main businesses that our company is engaged in, but to the extent perhaps on an unhealthy level, and I will explain to you why and ask you the same questions at the same time. I have three questions.

The first question pertains to a very potentially damaging incident in Los Angeles for which I understand the school Board is at the current moment threatening legal action against

our company Pearson for the content it provided on the iPads that Apple provided for the schoolchildren.

Los Angeles is the United States second largest school system and basically the long and short of it is that they are suing, or threatening to sue, Pearson for content that is not useable and they are not going to pay for it and, in fact, they want you to pay compensation to them to buy another content especially in English and mathematics.

They claim that you did not circumvent the situation to assess really what is suitable for the population of the schoolchildren in LA and you did not ascertain many other things. In fact, they are also referring you to the FBI which I believe is an ongoing investigation as to whether there may [have been a] disadvantage in the bidding process as a sub-contractor to Apple iPads. That is what I understand and please correct me if I am wrong.

THE CHAIRMAN: I will stop you at that point because we can't handle too many questions, but that deserves a full answer so we will stop with that question. John!

MR. FALLON: Thank you for the question.

The first point to make clear is in terms of the financial terms between Pearson and Los Angeles Unified School District, the actual amount of money they paid us is not material in the context of the overall scheme of Pearson, so there is not a significant financial risk to the company here. But clearly there is an important reputational issue and there is an even more important educational one.

It is partly why I referred specifically to the Pearson System of Courses which was the product that was being deployed in LA. [We have here iPads with with the] Pearson System of

Courses fully-loaded on it and I think you will see that it works very well and it is a product that we are incredible proud of.

Now, as you said, Los Angeles is the second largest school district in America. Trying to implement a technology project on this size and scale in a school district as large and complex as that is difficult.

We bear our share of the responsibility alongside Apple and the school district itself. We think it is very unfortunate they have made the decision that they have because we do believe, as I say, the product is working exceptionally well and we do think it will bring very big benefits to teachers and students across America.

We are now deploying and scaling the product on a pilot basis in a number of other schools both in California and across the country and we hope that in time Los Angeles will come to see that it would have been a better decision to stick with it because the benefits to the kids in LA would have been very, very substantial and significant.

Finally back to my earlier point. The single most important thing about that product is, at a time when there is lots of noise and jargon about how technology is going to transform the world of education, it starts from a simple premise that first and foremost it's the teacher that matters and it's how you deploy the technology that enables the teacher to be more effective in facilitating and enabling learning across students.

So, we are sorry it's happened but we are very confident we behaved in good faith at all times, that the product we have created is fantastic and that time will prove it to be a very good thing to have done.

THE CHAIRMAN: And I am going to limit you to that question, if I may. It was an important question, I think you got a good answer, and I think we need to move on and give other shareholders a chance. Yes!

MR. JAMIE AUDSLEY: Thank you, Mr. Chairman. My name is Jamie Audsley and I am here as an appointed representative of ShareAction, a shareholder in the company; I am also a former employee of Pearson.

My question is about how Pearson is addressing the business risks and social responsibilities of climate change, an important issue for all learners and citizens. It is really positive to read we have set ambitious targets to reduce our operational emissions by the end of 2020 and that we already purchase 100 per cent of electricity from 'green power'.

Is the Board willing to consider joining other leading firms around the world in joining the Renewable Energy 100 Initiative, committing Pearson to use 100 per cent renewable energy in the future?

If you are open to looking at this possibility to make this commitment, may I suggest a meeting with ShareAction to discuss further? It would be great to see Pearson take its place amongst global leaders on corporate environment performance to [make] a bold future commitment on renewable energy use. Thank you.

THE CHAIRMAN: Thank you. John, who do you want to answer that?

MR. FALLON: I think Robin is the best person to answer that.

MR. ROBIN FREESTONE (Chief Financial Officer): Yes, I will take that as the Board member who is responsible for CSR. I think our Annual Report is probably as clear as it could

possibly be on what is a very significant commitment we have made over a large number of years now to climate change.

If you look at the undertaking we have given that we were and have been carbon-neutral for I think at least five years now - a claim that Sir David Bell made in his day - and we've retained since then and we today still maintain that commitment for the future.

All the energy we buy is already green energy, and I think we pioneered moving into that space, and you have seen us install wind and solar power in at least five sites and we will continue to look at other sites where we can do that.

So I do think that we started early in this journey and have actually done a remarkable amount. I am very happy to have further conversations with you about other things we should be doing. We have Peter Hughes down here who heads this for us and comes up with very bright ideas too, but we are always looking for new bright ideas so we very much like to engage and understand what else you feel we could be doing.

THE CHAIRMAN: Just to add to the background that is in our Report, one of the fundamental transformations of Pearson, which I mentioned, is the transformation from the world's leading print company to a digital content services company, and of course [this] is in the background. That represents a massive shift from paper - and paper is not a very pretty thing to produce if you have ever been around a paper mill.

So a shift from having to cut down forests, pulp them and put them in the paper mills with all of the implications of that, to more and more digital delivery. In the FT, for example, where print circulation has steadily declined, where papers were once shipped all over the

world, digital circulation has increased; and in consumer books where the percentage of eBooks has grown quite significantly in relative terms to traditional print books.

That is a phenomena as to text books where massive numbers of text books are being displaced by online distance learning, interactive, electronic text books. So that force is in the background and possibly maybe even more important than the Pearson specific programmes. Just a thought!

Next question please? Yes!

MRS. SARAH WILLIAMS: Hello, I am Sarah Williams. I am here as a shareholder by proxy.

My children's school became an academy and at that time a private company took over this school. As part of their new regime they instigated testing every six weeks in the primary school. With my son we actually saw that he started to regress in his learning due to the stress of these six weekly tests.

They are becoming more and more prevalent I think in the UK, these six tests - about six tests every year - that small children are having to face. This concerns me greatly because in fact my son did so badly as a result of being stressed through the test that he had to leave that school; and fortunately I could get him a place somewhere else, but obviously a lot of children aren't in that position.

Then two days' ago I read in the press that apparently in Shanghai now the stress and strain that young people are under when they are sitting their tests before going to university

[is such] that a leading Shanghai high school has actually installed suicide barriers because of the number of children harming themselves and actually killing themselves at school.

I think this is actually hugely important in that it is happening to our children and I just worry what assurances can the Board give us that we are not going to see suicide cages and grills in our secondary schools in the UK in just a few years' time?

MR. FALLON: Thank you. A very good question. I am going to ask Rod Bristow who leads our UK business amongst other things to answer that question.

Before he does I just want to go back to something I said at the start - we actually believe that there should be fewer tests and that we can make the assessments and tests better and smarter, by which I mean we can provide more helpful information to teachers and to parents to support the teaching process and we can make the tests happen less often.

I certainly don't think anyone in Pearson would recommend a six weekly testing regime by any means whatsoever and I don't believe that's a healthy situation.

Actually one of the problems in America when you talk to people is not the end of year high-stakes testing that's the problem, is that there is a very large number of sort of 'drill-and-kill' benchmark tests, which sounds a bit like what you are talking about, which we would agree is of limited educational value.

But Rod, you might want to add something more specifically from the UK?

MR. ROD BRISTOW: Yes, thank you, John. And thank you, Sarah, for the question. It is very apposite and a very good question. This question about testing is being asked increasingly in this country and in other countries.

But I had a chat with Kevin Courtney just before this and the interesting thing is I think there's probably not much disagreement on the issue that testing has an important role to play. Indeed, I think teachers invented the idea of testing in the first place.

The issue is rather what weight is put on the test and what role is it playing? And certainly in the case of the school that your child attends that is, I think - and perhaps we could have a chat offline? - but I suspect that is something that the school has made their own decision to do for their own purposes and it's perhaps an issue to discuss directly with the school.

But we think this issue of the weight that is put on testing is very, very important. We have been engaging with teachers in the UK for a while and indeed we contributed based on these conversations with teachers too. We supported a report that was written by Centre Forum that was one of the things that was listened to actually by Government and led to a change in the accountability system to reduce some of the unintended consequences of the weight of exams.

I think this is an issue that needs more discussion and we need to understand the consequences of the assessments that we are offering better than we do and I would welcome a discussion with you after this to see how we can work together.

THE CHAIRMAN: Thank you. A question there!

MR. JOHN MARSHALL: My name is John Marshall. You did, Chairman, talk about the last five years where they have also been accompanied - and you did not mention this of course - by a reduction in the return on invested capital and a reduction in dividend cover.

Perhaps someone can tell us what the medium term target is for the return on capital and also what level of dividend cover they would be unhappy with?

THE CHAIRMAN: Thank you. Robin!

MR. FREESTONE: A good comment. Thank you. An excellent observation. Yes, you will recall in the past we have had return on invested capital of over 9 per cent but, as you will also know and as John mentioned, we have been going through a pretty significant restructuring phase in the last couple of years and unlike many companies we declare our ROIC, our return on invested capital, the operating profit contained in that calculation after restructuring costs.

We don't have exceptional items, so we show you a very 'hair-shirted' approach to the right calculation. That meant that last year our ROIC was down at 5.6 per cent and I can assure you that if we hit the guidance for EPS, which we have again today confirmed for the year, that ROIC will rise during the course of this year; and the undertakings we have made concerning restructuring are designed to make sure that we show some faster growth and therefore drive the ROIC higher thereafter.

In terms of dividend cover, also a very good observation. We have in the past achieved 2-times dividend cover and that remains the objective and is stated within our dividend policy. Again after restructuring costs we were somewhat lower than that last year at about 1.3-times, and again as earnings recover and as operating profit improves this year you will see that dividend cover recovers somewhat and it is our objective to get it back up to the 2-times we've achieved in the relatively recent past.

THE CHAIRMAN: I'm having trouble seeing out there - someone in the aisle!

MR. PHIL PARKES: Good afternoon, Chairman. It's Phil Parkes, a shareholder. First of all, thank you for the work you have put into this company over the last decade, which we really appreciate, and we are sorry to be losing you. And we are very sorry to be losing Mr. Freestone as well.

My question is about Note 30 in the Accounts, very deep towards the back which are the acquisitions. We spent £448 million in the year mainly on a company called Grupo Multi. We owned that company for most of the year and it added about £70 million to our turnover and increased profitability by £29 million.

But my question is this, we've paid more than £400 million for a company that's giving us less than £100 million turnover. How can that possibly be good value for money?

And secondly, how do we go about managing [it]? Do we have the capability for managing a company so far away in such a foreign place? Thank you.

THE CHAIRMAN: Thank you. John!

MR. FALLON: Robin may want to add something on the actual detailed financial note, but as you noted we haven't owned the company for a full year yet and we did go through the process last year of integrating Grupo Multi with our existing businesses in Brazil, so in the first year you take some one-off integration costs which suppresses the overall profit of the company.

The other thing to remind you of is that Grupo Multi is a franchise operation so it means that its headline sales are relatively low but its margins are actually very high because it's providing products and services to third-party agents that is then distributing it.

The business is doing well and it is performing in line with the plan we had at the time of the acquisition. It is off to a good start in 2015 and we are feeling very confident about the future.

It is actually a very similar business to the one I was mentioning in China, because as in China there is a huge demand in Brazil for people who want to learn English and to be able to participate, working in a global company, and that's the reason why we have done it and there are significant synergies between the two.

Robin, do you want to add anything on the financials?

MR. FREESTONE: Just to develop the point you have made, John, that the number of £29 million for Grupo Multi in what isn't a full financial year is also after very significant integration costs.

We brought together our existing Brazilian company and merged it actually into Grupo Multi in September and there were significant costs in reducing duplication associated with the bringing together of those two companies and therefore this year it will make more money than that when we reduce and get through that integration phase.

THE CHAIRMAN: And just to emphasise the franchise point, what you are seeing is our franchise fees from the underlying business of 2,500 English schools where the gross parameters are much, much higher of course.

MR. RAYMOND LLOYD: My name is Raymond Lloyd, a shareholder. What new measures is Pearson Publishing taking to advance the learning and education of girls and young women?

THE CHAIRMAN: I couldn't hear or understand.

MR. FALLON: I'm sorry, I was struggling to hear the question.

MR. LLOYD: What new measures is Pearson Publishing taking to advance the learning and education of girls and young women?

MR. FALLON: A very good question. It's a really important issue and goes back to the issue I mentioned earlier. Clearly educating girls and young women is not just important for themselves but actually it has wider social benefits in adult life because the more you educate young women the greater you improve infant mortality rates and all that.

And clearly it's a special concern at the moment when we live at a time when for many girls and young women just going to school every day in some parts of the world can threaten their own personal safety and security. So in all the work we do this is very prominent in our thinking.

We have a major project we have been running with an organisation called Camfed which has been particularly focused on educating girls and young women in many of the poorest parts of Africa, providing resources, providing support for extra teachers and the like.

I mentioned the relationship we have with Save the Children; in addition to that, we have launched a major campaign called Project Literacy which is aimed at the 890 million people I think who are in the world who are still functionally illiterate. A disproportionate number of those are women and so clearly the more effective we are in that work the more we can advance the issue that you raise.

It is a really very important point and, if I may say so as the father of two daughters, it's one I feel particularly strongly about. So, thank you for the question.

MR. ANTHONY ROBINSON: Hello, my name is Anthony Robinson, many years with the *Financial Times* and now the very grateful pensioner of the Pearson Group.

There aren't many Annual General Meetings as interesting as this one and I would just like to make a comment if I may right at the beginning: that you are in the forefront of so many complex social, political, economic issues and I'm enormously grateful that you are taking on this task and I think it seems from all accounts you are doing extremely well - and carry on! Thank you.

But I have got two points to make if I may - I know you are only suppose to make one.

The first is, you have a very brave - I think there are two words, yes - I think you've a very brave and decent newspaper in Russia called Vedomosti, which is being challenged now by a not very brave and not very decent man. I would just like to know whether our commitment to Vedomosti continues and how we propose to deal with the legal issues caused by changes to the law?

And one more general question if I may, and that is I remember three or four years ago the focus was on Asia - the march to the East. I don't see much [of that]. The gentleman, the education specialist and excuse me I have forgotten your name, did actually give some idea of the complexity of operating in such a large and diverse place as Asia.

But my question is essentially - are we still focused on these two, particularly on the billion or more than billion people, the population of countries [like] India and China? And as

we look forward, which of the two - English-speaking India with a rising population that could well be bigger than China, or China whose growth is growing and whose population looks as though it could be falling - which of the two do we think is the best bet? And what is our policy to Asia? Thank you.

MR. FALLON: Thank you, Tony. India or China is a very complex question that I need some time to think about, so we will take the Vedomosti question first. And I know that this is something you care very deeply about, and Sir David Bell sat next to you does as well; and, as you know, we have long championed a free and independent press in Russia as best as we can.

John Ridding is here from the Financial Times Group. John, do you want to talk about what we're up to in terms of Vedomosti?

MR. JOHN RIDDING: Sure! Tony, it is very good to see you again. Clearly we have taken this very seriously and just a few weeks ago we had regular delegations out there to see if there is something we can do about this proposal which obviously we regard as unfortunate. We are sort of working through the options.

But I can assure you that at the sort of top of the list of how we are going about this is the maintenance of editorial integrity and independence and the very good team we have at Vedomosti. So I think there are more rounds of this to come but it's something that we take very, very seriously at the FT and Pearson - and I'll keep you posted.

MR. FALLON: And then on to your China versus India question - you probably saw me reference the work we do with people like Julia in China. China continues to be a very important part of Pearson growth.

We now as a company employ more people in China than we do in any other country in the world outside of America, so it's a very important part of what we do, and it's a business that is doing very well and making a real difference to the lives of many young people in the process.

We have, as you know, made a couple of investments in India some years ago and in the spirit of openness and transparency we should say they have not gone as well in India as they have in China, and actually we took something of a write-down against a couple of those acquisitions in the 2014 Accounts.

We have a new leadership team in India. I spent the best part of a week there, in Delhi and Bangalore, just a couple of weeks ago. We are now really starting to motor; very, very excited as you say. If you just looked at the demographics and the hunger for education there should be a bigger opportunity in India than in anywhere else.

One of the challenges there has always been it's not always been the most straightforward or transparent regulatory environments in which to operate; but again with the new Government there are some signs of that starting to change. So I am afraid you are going to get a cop-out answer - is it's China or India? It's both, is what we are doing.

THE CHAIRMAN: Thank you, John.

I am going to ask for let's say one more question because I hear tummy rumblings somewhere in the ranks ... (Laughter) ... and we going to go downstairs to continue the conversation anyway, so one more question please?

MR. NICK DEARDEN: Thank you, Chair. My name is Nick Dearden and I represent Global Justice Now. I did meet the Chief Executive outside and I am absolutely delighted that we share the belief and long-term view of support for free, universally accessible, publicly-controlled education around the world.

But I am rather concerned, and whether he agrees, about the effect of the provision of private schools which undercut public provision, particularly using public money; whether he agrees with the words of the United Nations Special Rapporteur in the right to education, that the Government should not allow or promote low-cost private schools?

And whether he would support the work we are doing to convince public institutions like the World Bank and the Department for International Development that their funding to education across the world should be exactly into the kind of public universally accessible and free education that we both would like to see long-term?

MR. FALLON: Thank you, Nick. We had a healthy and extensive chat on the pavement outside and I am very much looking forward to pursuing that in the next couple of weeks.

I am going to ask Michael Barber to answer that question because he is closer to the detail of it than me. I don't think personally it's either/or; I do believe it's both and, as you heard me say in my introductory statement, I would struggle greatly with taking some sort of moral principal position that says there are 65 million kids in the world that need our help but we are not going to do anything to help them until the governments of the world get their act together, because I think we are all active principle citizens who have a responsibility to do what we can as we can. So I am going to ask Michael Barber to respond in more detail.

As he does, I do actually want to pick up one thing in your report because you were critical of the work that Michael has been doing in Pakistan over the last six years.

In my personal opinion, someone who travels to Pakistan without being paid six times a year to work in pretty difficult and inhospitable conditions, to do their best to improve education on-the-ground in schools, deserves our admiration and is not somebody who should be impugned or demeaned for that work.

So Michael do you want to answer the question? (Applause)

SIR MICHAEL BARBER: Well, thank you, John, and thank you for the question.

Let me just say some of the outcomes of that work in Pakistan because it helps answer the question, because the critical thing here is if you want free universal public education then we - all of us I mean - who are involved in public education have to ensure that the public education provided is good enough that parents want it. Unfortunately in some parts of the world that hasn't been the case.

In large parts of India more than 20 per cent of teachers don't turn up on any given day. That was the case in Punjab, Pakistan, when I started working there. So the big mission should be to get behind public education systems to improve the quality, the reliability and above all the learning outcomes from those systems, and that's what we have been trying to do in Punjab on my many visits there.

There are 11 million children in government schools, as they call them in Pakistan; 55,000 government schools; over 300,000 teachers. As a result of the work that the Chief Minister and his team and educators across the Punjab have done over these last four years

there is increased investment in education, there is approaching two million additional children going to school - so it is two million out of the 70 million that John referred to.

There is improved student attendance; there is 140,000 new teachers appointed purely on merit; all the teacher transfers in the province are now on merit; all the officials are appointed on merit; corruption is being rooted out; 95 per cent of the buildings now have running water, electricity, toilets and boundary walls; the security of the buildings is all being checked since the terrible atrocity in Peshawar in December.

There is more and better professional development for teachers and there are radically improved materials and textbooks. The big challenge is that although learning outcomes have improved they are still not good enough for what those children need in the 21st century, and that's the big focus of the next phase of the Punjab education road map.

What we need from governments agencies, from movements like yours, is to get behind the kind of reforms that rapidly can change whole education systems for the better. In the meantime, as I mentioned before, roughly about 30/40 per cent of parents - poor parents on low incomes - have chosen low-cost private education because they are frustrated with the quality of public education in large parts of the world.

So if we want to change that we have to improve public education systems and in the meantime, as John just said, we all have a responsibility to all children, regardless of the kind of school their parents chose, to make sure they get a good education that prepares them for the 21st century and enables them to lead fulfilled lives when they become adults.

THE CHAIRMAN: Thank you, Michael.

I am going to intervene now. We have to move to the formal part of the meeting. As you know from many years' experience, this is my least favourite part of the meeting. I view it a bit like reading the safety warnings when you are sitting on a plane at British Airways, about to fly abroad, but I have to do it. I will do this quickly and dryly as possible.

Copies of the Notice of Meeting were sent to all shareholders on 20 March and are available here today. Unless anyone objects, I will take the Notice of Meeting as read.
(Agreed) Thank you.

Our voting procedure today is the same as last year. I am calling for a poll on the resolutions, exercising the authority under Article 60(a) of our Articles of Association.

The procedure for taking a poll is governed by our Articles of Association which provide that, on a poll, every member (whether an individual or a corporation) present in person or by proxy is entitled to one vote for every ordinary share of which he is a holder.

If you would like to vote for or against the resolutions, or would like to abstain from voting, you must fill in the poll card which you will have been given when you registered. I'll ask you to complete that in a moment.

If you submitted your vote before the meeting, you do not need to complete a poll card now, unless you wish to change your vote. If you are a corporate representative but do not have a poll card, please raise your hand and they will be handed out to you.

I now formally propose that each of the Resolutions is put to the Meeting, and they are listed here (They are listed on a screen).

Please would you now complete your poll card: you should enter your full name in block capitals; you should cast your votes on each separate resolution by putting a cross in one of the boxes marked "for", "against" or "vote withheld". If you are not voting your total holding in Pearson shares, would you please also write down the number of shares you do wish to vote.

Please make sure you have signed your poll card and placed it in one of the ballot boxes by the entrance to this room as you leave.

I now formally propose the resolutions, full details of which are contained in the Notice of Annual General Meeting. There are 17 resolutions to be voted on today and I will take each of these resolutions as read. (Agreed)

Please cast your votes on each resolution by filling in and signing your poll card as just explained. The poll will close in 10 minutes.

The final results of the voting will be announced to the Stock Exchange and posted on the Pearson website as soon as possible following the conclusion of this meeting.

But before we break up for refreshments, as usual we want to continue our record of transparency by sharing with you the results of proxy votes received ahead of the meeting, and that is the overwhelming majority of votes likely to be cast.

As you can see from this, all the resolutions have passed with percentages above 90 per cent, and that's a good outcome I think for shareholders, for governance and for Pearson.

So that concluded the business of the Annual General Meeting. I thank you very much again for coming here today.

We are looking forward to meeting you downstairs for refreshments and conversation.

I now declare the Meeting closed. (Applause)

(The proceedings then terminated)