



# **Pearson AGM 2022**

Friday, 29<sup>th</sup> April 2022

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## **Introduction**

Sidney Taurel

*Chair, Pearson*

### **Welcome**

Good morning, everyone, and welcome on behalf of the Pearson Board to the Annual Meeting of our shareholders. There is a quorum present and we can start the meeting. I am Sidney Taurel, the Chair of Pearson.

The company appreciates that, over the last two years, the way we have conducted our meetings has changed due to circumstances beyond our control. We welcomed shareholder support in resolving to amend our Articles of Association to allow us to hold a hybrid meeting today, a combined physical and electronic shareholder meeting.

We believe this hybrid arrangement will enable a broader cross-section of our shareholders to participate in our general meeting today, and going forward, and are therefore committed to fostering such shareholder engagement.

Shareholders joining us virtually through the Lumi platform will be able to participate in the meeting by watching us live on the webcast and will be able to vote on the resolutions and to ask their questions, if they wish to do so.

When we get to the formal part of the meeting there will be an opportunity for shareholders to ask questions, whether that be shareholders attending in person via the Lumi platform, or dialling in via phone. Shareholders on the Lumi platform can also submit questions at any point during the presentation using the message icon at the top of their screen. We will endeavour to ensure that any questions that do not get answered today will be addressed on our website, as soon as it is practicable after the AGM.

### **The Pearson Board**

So joining me today are: Our Chair Designate, Omid Kordestani and deputy Chair Designate, Tim Score, who also serves as Chair of our Audit Committee; Our Chief Executive, Andy Bird, and Chief Financial Officer, Sally Johnson. And our non-executive directors: Sherry Coutu, Chair of our Remuneration Committee; Linda Lorimer, Chair of our Reputation and Responsibility Committee; Graeme Pitkethly, Annette Thomas and Lincoln Wallen.

I regret to say that our new Board director, Esther Lee, has been unable to travel today due to being unwell. We hope she feels better soon. And I understand that she is watching and listening to us right now.

I refer you to the information on the Notice of Annual General Meeting for more details on the impressive backgrounds of our directors. All in attendance will be available to answer questions, if required.

### **New Pearson – Focused on Lifelong Learning**

Now Pearson Board is confident that the direct to consumer, lifelong learning strategy set out by Management in March 2021 will create sustainable, long-term value for Pearson stakeholders.

The world is changing and the definition of learning is expanding, meaning that all of us are learning all the time. Since becoming Chief Executive, Andy has reorganised and refocused

Pearson to capitalise on this new wave of learning, creating a new organisational structure and dedicated direct to consumer team that successfully launched Pearson+ in July 2021.

In addition, the leaders of all five Pearson divisions have created strong individual strategies to deliver on Andy's vision. Critically, this growing momentum is reflected in our strong 2021 financial performance, which we will hear more about in a moment.

So Pearson is now a digital first business, with vibrant, high-quality products and an interconnected commercial and consumer strategy. It is clear that the progress being seen across the business supports Pearson's outlook for further growth in 2022 and beyond. There is much work still underway, but all of this together represents an exciting future for Pearson.

Let us now go into a little more detail on financial performance.

## **2021 Financial Highlights**

### *Group performance ahead of expectations*

As you will see from the slide, we delivered a strong Group performance in 2021, with 8% underlying sales growth and adjusted operating profit of £385 million, up 33% and ahead of market expectations. Underpinning this, we have a clear and rigorous capital allocation policy and a robust balance sheet, with significant headroom.

Our strong financial position has enabled us to make bolt-on acquisitions such as Faethm and Credly, to help drive our strategy and future growth. And we have announced today the acquisition of Mondly, which Andy will talk about in more detail shortly.

Given our solid results, and our confidence in the outlook, the Board has proposed a 5% increase in the dividend to 20.5p. We were also able to commence the first tranche of our £350 million share buyback, first announced at our prelims in February and we started that on 4<sup>th</sup> April.

Now turning to our Q1 2022 trading, I am pleased to note that we have had a good start to the year. Our performance is in line with expectations with Group revenue up 7% at this early stage in the year. In fact, it is a little bit ahead of expectations. And looking ahead, the Board remains confident about Pearson's 2022 progress. We expect revenue growth and adjusted operating profit to be in line with current market expectations.

## **Introducing our New Chair and Deputy Chair**

Finally, following the announcement in April 2021 of my intention to retire, a thorough process was conducted to appoint a successor, led by our Senior Independent Director, Tim Score. This culminated in the announcement in December of Omid Kordestani as new Chair designate. As part of this process, Tim was elevated to Deputy Chair designate.

Omid brings significant experience of leading and advising some of the world's best-known consumer technology brands, including Netscape, Google and Twitter, which will further Pearson's ambition to accelerate its digital, lifelong learning strategy.

Equally, I am delighted that Tim will support Omid as Deputy Chair. His wealth of experience in UK plc, combined with Omid's deep tech knowledge makes them a formidable team.

I believe that this, together with the wider succession work undertaken by the Board this past year, will help accelerate progress in delivering on our strategy, whilst being reflective of our strong commitment to good governance.

I'd particularly like to welcome Annette and Esther to the Board. Both bring valuable experience and insights to the company.

Now on a personal note, it has truly been a privilege to serve as Chair and to oversee Pearson's transformation over the past six years. I am confident that this great company is well positioned to succeed.

During most of this period, whilst facing a challenging market environment, we have:

- Further focused the business;
- Reduced our cost base;
- Invested in technology to transform both our back office support and our customer-facing efforts; and
- Strengthened our balance sheet.

Following a return to profitable, sustainable growth in 2021, I am confident that this great company is now well-positioned to succeed with a clear strategy in place and an outstanding, diverse Board and management team to implement it.

I am delighted to welcome Omid as my successor as he joins the Board at a very exciting time, congratulate Tim upon his elevation to Deputy Chair, and wish both of them and the whole company every success going forward.

Thank you for your continued support. And with that, I will turn it over to Andy.

## **Overview**

Andy Bird

*CEO, Pearson*

### **Our purpose, vision, mission**

Thank you, Sidney. Good morning, everyone. And for those of you watching online, good morning and thank you for joining us.

I would like to start by adding my gratitude and thanks to Sidney for his diligence, dedication and commitment as Chair of Pearson. On behalf of everyone at Pearson, including all our employees, I wish you all the very best in your retirement.

I would also like to echo Sidney's comments on welcoming Omid, Annette and Esther on to the Board and congratulating Tim on to his elevation to Deputy Chair. As Sidney was just mentioning, Omid has been a driving force behind the growth of a number of world-changing tech companies. I am thrilled that he will now be bringing that expertise to Pearson, enhancing our strategic direction and growth potential, and personally I cannot wait to start working with Omid.

I am also delighted that Tim will support Omid as Deputy Chair. At the beginning of today's presentation, you saw our employees proudly sharing our new company purpose: to add life to a lifetime of learning. We have defined Pearson's purpose to meet this moment in our world, where learning is becoming more fluid and exists both inside and outside of formal education.

The employees you just saw represented today, along with the tens of thousands of others around the world, are relentlessly focused on fulfilling this purpose and executing on our strategy.

### **Divisional Performance**

Against this backdrop, we had a great year in 2021, making strong financial, strategic and operational progress. Let us take a closer look at 2021's performance and underlying growth drivers across our five divisions.

### **Assessment & Qualifications**

Starting with Assessment & Qualifications. This is Pearson's largest business, which provides the assessments that enable people to demonstrate their knowledge and skills across a lifetime of learning. We had an excellent year in 2021 growing sales and profit significantly, and this division is poised to continue as a source of strength and stability for the company.

The business is based on long-term contracts, with high renewal rates, which span multiple sectors and multiple geographies, allowing us to grow and weather any macro changes in the market. With almost 17 million assessments delivered by Pearson VUE through over 20,000 test centres in more than 200 countries, the breadth of our business is a major advantage.

And the continued demand for upskilling and reskilling will increase our market opportunity and allow us to integrate our products to support growth in other parts of the business, particularly in Workforce Skills & English Language Learning.

### **Virtual Learning**

Our Virtual Learning division meets today's learning trends, where online and hybrid learning have become the norm and the lines between high school, higher education and workforce education are blurring. Because of that, we are well positioned for continued growth.

Our Virtual Schools business has benefited from an increasing awareness of and acceptance of online learning, which has been accelerated by the pandemic, even as we gradually return to normal in the post-pandemic world. We estimate that the overall US virtual schooling population still represents only a small fraction of the US K-12 students today at approximately 1.5% or \$3.5 billion in terms of market size. So there is significant room for growth.

Our focus is to increase penetration in existing and new states to take advantage of this opportunity.

### **English Language Learning**

Our vision in English Language Learning is to be the world's leading destination for committed learners to build and prove their English proficiency. With 1.5 billion people currently learning English, there is a big opportunity to grow in the institutional, assessment and direct to consumer spaces, and we are well positioned to capitalise on this.

Our ELL division grew its revenues in 2021 by 17% to £238 million. We have well established businesses with solid market shares, plenty of room for growth, and the ability to contribute to the success of other Pearson divisions.

The Pearson Test of English forms a big part of this division's growth going forward and we will continue to expand our addressable market through gaining recognition from universities and governments across the globe.

### **English Language Learning – acquisition of Mondly**

A key focus for Pearson is to grow more in the direct-to-consumer space. This segment benefited from the shift to online brought by the pandemic and can be an effective, engaging, and affordable way to learn for millions of people. English transforms people's lives and we want to play a greater role in helping more people learn English and other languages, to fulfil their potential.

That is why I am delighted to share today that we have acquired Mondly, one of the world's leading online language learning platforms. Mondly complements our existing strengths and capabilities in English in institutional courseware and assessment, and crucially provides a gateway to participate in the fast growing direct-to-consumer space.

We also see cross-selling opportunities, particularly in Workforce Skills. It's an exciting, fast growing business that is already profitable and has great future prospects. We look forward to working with the Mondly team to grow in this market.

### **Workforce Skills**

Moving to our Workforce Skills division, here the headline is relatively straightforward. We are transitioning to a new business model and a new go-to-market strategy for Pearson, as a strategic solutions provider for Workforce Skills.

Our new business model gives enterprises an integrated, end-to-end set of solutions, from:

- Diagnosing the problems they face;
- Providing the learning solutions to meet their specific needs; and then
- Verifying the outcomes that their employees have achieved.

And whilst we have been building our offering, we grew both sales and profit in 2021, while also winning new business and onboarding new clients.

We are making good progress in integrating our existing businesses together with new acquisitions, Faethm and Credly, into a performance-focused structure, which will deliver revenue growth across our whole portfolio.

We are confident that we are positioning Pearson to capitalise in a significant way on the workforce skills opportunity with an end-to-end solution that serves both employers and workers in one integrated ecosystem with a trusted portfolio of products and services. It is business that can make Pearson the market leader in much needed labour and talent data market.

This is an enormously exciting time for this division to play a critical role in moving Pearson's strategy forward.

### **Higher Education**

And finally, Higher Education. Here, we are moving to a place of stability, where we will drive digital growth in an expanded market. In 2021, our sales and profit fell as digital

registrations dipped 7%, reflecting lower enrolments and lower on campus instruction due to the pandemic.

There are three key drivers that will lead us to stabilisation and digital growth for our higher education business.

- We will continue to enhance our core products, MyLab, Mastering and Revel;
- We will continue to drive secondary recapture; and
- Scale the Pearson+ platform to expand our total addressable market.

I hope this gives you a good sense of why the Higher Education business is on the right track. While we started in Higher Education, we have been intentionally designing Pearson+ so it can grow to become a much broader learning ecosystem.

I am pleased to show you a significant new feature that puts us on that path: Pearson+ Channels. Let us take a look.

[Video]

As you can see, Pearson+ Channels is an interactive hub of curated short-form videos and practice materials, grouped by courses and topics for any student who needs a study help or exam preparation, regardless of their assigned courseware.

Using this model, it is easy to imagine how we could deliver content for everything from language learning to life skills to anyone who needs it, wherever and whenever they are on their learning journey.

Pearson+ will be at the heart of our connected consumer and commercial strategy as we realise its potential beyond the higher education business. We are building Pearson+ as the premier digital ecosystem for lifelong learning, whether through school, university, work, languages or life skills, not just for the tens of million people we serve today, but for a growing addressable market globally.

Pearson+ will become the core digital offering for this company, which I believe has the potential to address multiple demographics and create a meaningful business on a global scale. When you add our diagnostics, assessments and credentials, only Pearson has the ability to scale to succeed. And that is what we are going to do.

### **A Learning Ecosystem**

Now bringing this all together, we recognise that learning is no longer a stage of life, it is a lifelong journey. And we want you to think about Pearson, not as a collection of these individual businesses, but increasingly, as a highly interconnected company, with capabilities that work together to help people learn at multiple points in their lives.

Pearson has the potential to greatly accelerate our growth when we leverage our businesses in a coordinated fashion across the entire spectrum of learning. Increasingly, we are building direct relationships with consumers, which:

- Allows us to better understand their needs;
- Adapt our products; and
- Keep a dynamic approach in a constantly changing market.

We provide products and services for tens of millions of people around the world, and every day we are working to learn about them and from them, so that we can continue to improve the experience we provide for them. Those insights, along with our broad portfolio, provide a significant advantage as we move forward.

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### **Priorities for 2022**

The success of Pearson and the work we do has never been more important. I truly believe we are at a pivotal and important inflection point in Pearson's evolution. That is why my priorities moving forward are very clear. We are going to:

- Deliver sales and profit growth;
- Continue the focus on execution, on quality, and on trust;
- Continue to embed customer and consumer insights, and the total focus on the consumer across the entire company; and
- Progress and scale Pearson+.

And while we execute on these priorities today, we are working hard across the company to deliver a bright tomorrow:

- One that is focused on where the market is going;
- Plays to our strengths; and
- Drives growth for all stakeholders in 2022 and over the longer term.

With that, I will hand it back to Sidney for Q&A. Thank you.

## **Q&A**

**Sidney Taurel:** Many thanks, Andy. Before I ask you to vote on the resolutions, we would be pleased to answer your questions on the business or any of the resolutions. Any person wishing to ask a question should raise their hand and one of our stewards will make a microphone available to you. For those of you attending the meeting via Lumi, please submit your question via the Lumi platform. Or if you are dialled in by phone, please press star one to join the queue to ask your question and you will be made live once introduced.

May I please ask you to say your name before asking your question. If you are a proxy or a corporate representative, please state whom you represent.



I will now hand over to Joanne Russell, Senior Vice President and Head of Investor Relations and Financial Communications, who will be moderating the Q&A session.

**Speaker:** Thank you, Chairman. My name is Dinesh Jain, an individual shareholder. Chairman, over the past 20 years I have held this share, and I have been coming to these meetings. And it is just mind blowing the number of strategic, the flip flops on strategy this Board has made over these years. For example, just in the very last meeting I came to, the Board announced the sale of Wall Street English, and they poo-pooed the English learning businesses just we need to get out of it or whatever. And today, our CEO, Andy Bird, says that it is an exciting fast growing business and it is an area of growth for the company. So first question is, could you finally decide do you want to stay in the English teaching business or not? The second question is regarding our new buyback programme. Just I think a couple of months ago, the Board rejected a private equity bid for the company, which seem to be quite tempting. But I think the CEO thought that the company's strategy of becoming the tinder of education was probably the better thing to do. And given that that is what you are going to do, you need money to invest. And rather than investing in building up all these things, you are just buying back shares, 350 million. So does the Board really seriously think that is the best way to use the money? And my last question is, Chairman, so with your permission to new Chairman. Omid, Warren Buffett once said that when good management meets a bad company, normally it is the company which wins. Given your fantastic record, do you think you can change this company? Or will the company win?

**Sidney Taurel:** Well, thank you very much for your question and for your loyal holding of shares over 20 years. I really appreciate that, as I am sure the rest of the Board does.

Regarding your first question on English language training, I think the divestiture from Wall Street English, we taught English in physical facilities. It raised all kinds of questions in terms of compliance of our employees there in that environment that was often an issue, real estate and so on. Our strategy now is much more a digital strategy online. And we think that we can create a much more sustainable and profitable business for English and the other areas, where we are involved going forward. So that is on English language training.

Secondly, you mentioned the rejection of the bid by Apollo. This was not just a CEO decision, but of course, the whole Board unanimously rejected that approach, because we felt it was a very opportunistic one, which significantly undervalued the company. And as soon as the approach became public, we consulted with our largest shareholders and all agreed with the Board's position that this undervalued the company. If I may say something else, it is, I think the interest of what was a relatively incredible buyer endorsed the strategy and the prospects for growth that this company has.

I would then address your question on capital allocation, which is a good question. I think we have a very clear capital allocation strategy, which is to have a very strong balance sheet, a progressive and growing dividend and sustainable and progressive dividend. Then invest in the business, both internally but also in inorganic growth. And you have seen us do in the last year and a half three acquisitions. There were two smaller ones earlier. So those were Faethm, Credly and Mondly, in order to really go after the vision that Andy has expressed. And finally, to return any excess cash to our shareholders either via buyback or special dividend. And that is exactly what we are doing.

I think we have to balance the interest of both growing the business and returning money to our shareholders. And I think, at this stage, the priority is really to integrate the three acquisitions that we have done. But I am sure there will be some more in the future to pursue this strategy.

**Speaker:** Nick Steiner, private shareholder. I listened with great interest on the five businesses. Just wondering what the connection is between the five. It seems to me there is a filming element. There is a script writing element, and you need to beat the competition. So how do you actually put together your digital offering? How do you make it competitive against the nimble people coming in? Where do you get the script writers from? And for example, do you go to a university and say, "Well, we can do your job better?" Or do you have a way of attracting them in? There is a lot more questions I could add around that. But on the Mondly takeover, does that introduce other languages apart from English?

**Sidney Taurel:** Yeah, I will take briefly the last part of your question, and ask Andy to answer the first part. And yes, the answer is, I think, Mondly, it is about 60% English and the rest other languages. And yes, there is an interest in us getting involved also in teaching other languages. The priority is English, but there will be more.

And also, apologies to the first person who asked the question. I will also turn it over to Omid to answer the last part of your question. So we will just start with Andy.

**Andy Bird:** It is a great question. And many of you will know that I had the privilege of spending several years working for the Walt Disney Company. Actually, to the prior question, one of the things I did in China was create Disney English, which was a bricks and mortar organisation, which we then subsequently sold for the very reasons that Sidney outlined, it was before my time with Wall Street English, but just add some context to that.

And to your excellent question, it was interesting. You may recall, I first became involved with this great company as a member of the Board. And it was during my induction as a Board member, at the beginning of the pandemic, that something struck me that actually at the heart of Pearson is intellectual property. It is actually a media company. It did not quite fully realise it at the time and it did not really have the technology hand to advance enough at the time, the media that it generally focused on was through printed text.

And increasingly, the media, through which learning can be delivered is digital, is non-linear, is video, etc., just as you saw with Pearson Channels. So the comparisons between the world that I had spent in this world of learning and the great purpose that this company brings, I thought was very enticing opportunity. And in order to do that, I looked across the whole company at the array of assets. And the good news is this company has an unparalleled set of assets, unique from the creation of intellectual property, all the way through to the assessment and credentialing and all things in between. That is a unique set of assets that only this company has.

And so in laying out the five divisions, it was really to have both leaders and their teams focused, waking up every day thinking about our English strategy, thinking about our workforce skills strategy, etc., etc., thinking about what higher education means in today's world.

And then how we write the script, as it were, to bring these different acts together, and underpin that with great technology. And we have a wonderful team of engineers and developers. We have a large team up in the Bay Area in San Francisco, who created Pearson+ along with teams in Israel and in India and elsewhere.

So the technology investment that this company has made over the past several years has really been an advance of what has been happening more broadly in terms of the consumer market. And I think what we can all agree that the pandemic in many ways has acted as an accelerant in terms of a greater appreciation of the impact and the power of learning on a global scale.

So the good news is we have the vast majority of the pieces of the jigsaw already in place. They just needed to be rearranged to create a different picture. And as Sidney just alluded to, where we felt that there were gaps, whether it was in skills or technology, we have hired both people and acquired companies: Faethm with its AI and data capabilities; Credly has 26 million consumers using its verified credentialing platform, to help augment the great assets that this company already had, so that for the first time we can start to create a direct relationship with learners.

In the past, we have always, a bit like the media industry, you have released a movie, it went into cinemas. You did not know who watched it. If you subscribe to a streaming service, or you listen to music through Spotify, of course, a Disney or a Netflix or a Spotify, they know exactly what you are doing. And it helps improve the product for you as the consumer and the company providing the content. We have that same ability in the world of learning. And I think that is very powerful as you think of the ongoing lifelong learning that we all embark upon.

We never stop learning as we go through it. And now we have the tools. And we are bringing together in a coherent digital ecosystem, the narrative to present that cohesive story to consumers on a global basis.

**Sidney Taurel:** Thank you, Andy. Omid?

**Omid Kordestani:** Yeah. I appreciate the question. I am also a fan of Warren Buffett recognising as a legendary investors, these gems of companies that he invests in. And I think you probably have some of the same traits. You have been a long term shareholder, you mentioned.

So I think what is so compelling is this company with the incredible assets it has and this very exciting new strategy that the management team and Andy have articulated can really realise this, if you want to call it the disruption that needs to happen in its offerings in its business models. And that I am very excited about seeing a pattern I had seen in my previous companies, where you have a collection of technology and assets, you have a really accomplished management team and Board. And it is going to be hard work. But I think I'm excited to be a part of it and be able to contribute to it. So hope you stay a shareholder with us.

**Sidney Taurel:** Thank you, Omid. Other questions? Yes, gentleman right here.

**Harry Braund:** Harry Braund. UK shareholders, amongst other things, like my colleagues over here. I must say that I agree absolutely with the comments that have been made about

flip flops. I have held shares in this company for the same length of time, 20 years, but I have sold most of them, I am sorry to have to tell you. We have, according to the Chairman, an exciting future. And online learning has certainly been up and down. And certainly flip flop is a very good description of what the company has done over the years that I have seen since, what I would call, the glory days of Marjorie. You remember Marjorie, the CEO? Secondly, share buybacks. I have had the same question here. I also would ask you, without a long-winded explanation, how the long-term incentive plan works, particularly in terms of share awards to executive directors. I would welcome our new Chairman, Omid. Can I call him Mr OK, the Twitterman? And I am afraid in my opinion that this is no longer an exciting company. See if you can make it so, Chairman.

**Sidney Taurel:** Thank you, Mr Braund. Let me just go back a little bit in history, I think when Marjorie Scardino was in charge of the company, I think she defined a new direction, which would be that this company instead of being a conglomerate involved in many different and disparate businesses, with focus on the business of education. And so she set out to make a number of acquisitions, particularly in the area of technology, also in the area of online programme management and several areas, which were helpful to education.

I was at that point sitting on the Board of McGraw Hill, her competitor, and in off for the acquisitions that were being made. Unfortunately, what I found, and I think my predecessor also found was that these acquisitions had not been well integrated. The company continued to behave as a conglomerate, very decentralised. There was no coordination. We lost a number of people that had come with those acquisitions.

And so, there was a need to focus further. So I do take exception to your both views, that it is flip flops. It is in fact, more and more focus on the areas of education, where we can contribute the most. And we have moved from just education to learning. So what we did over the last five, six years, has been to further divest from non-core assets in order to focus on education. And that included therefore the disposal of the Financial Times and the Economist and Penguin Random House, good assets, but which would be better handled by companies, which were focused on the businesses of those assets, rather than a company focused on education.

I think, generally, institutional shareholders particularly insist that if they want to be diversified, they want to do it themselves. They do not want the companies that they invest in to be diversified, unlike the fashion 30, 40 years ago. They want the companies to be the best at what they do. And that is what we have sought to do by focusing more and more on the business of learning. And that explains both the divestiture that we have made and the acquisition that we made more recently.

I do not know if there is anything else that we can add to your question. If Omid have anything you want to add? Okay. Thank you. Any other question? Yes, the lady over here in the middle.

**Speaker:** Jane Perry, a private shareholder for as long as my associates around me. Since Pearson was last a media company probably, the Board are almost entirely new and the majority are now non-English. Could I ask what the geographical distribution of sales and profits are? Or is that completely irrelevant to brand new digital company?

**Sidney Taurel:** Well, I will start answering that question. Perhaps Sally Johnson can complement my answer. But broadly, about 60%-plus of our business right now is in the United States, about 12% or so in the UK. And then we have businesses in countries like Brazil, China, India, South Africa, Australia, a few European countries.

**Sally Johnson:** I think you are spot on. You can see the detail in our segmental note. I think Pearson is a global company, and I think the Board represents that. We sell our products throughout the world. And from a virtual point of view and online learning point of view, I think we will see more and more that we will have hubs, where we will create products and we will sell them from a global point of view across the world. So I think the Board represents that global aspect. Thanks for your question.

**Sidney Taurel:** Relooking at my notes, the previous person had asked a question about long-term incentive programme, and my apologies for not answering at the time. Yes, we have a long-term incentive programme that our executive directors participate in. And it is based on three-year performance. And a third of the award is based on growth in earnings per share, a third in the return on invested capital and a third on the relative total shareholder returns as compared to FTSE 100 companies. And they have to hold on to those shares for another two years after receiving them.

So we make sure that with a programme like this, the remuneration in shares to our executives is aligned with shareholder interests.

I understand there are no questions coming online. Any more questions from the room? Yes, over there.

**Speaker:** Good morning. My name is Paul Castle. I am a private shareholder. I have also held my shares for about 20 years. I bought my shares in the year 2000. I bought the rights. My father was a shareholder. And at the time of the year 2000 rights issue, I bought his rights. The rights price was £10 a share. Today, I think the share price is around £7 or £8. And I just wondered if you could comment on that? So I know that you do not control the share price, but it has sort of languished. It has not taken off as I think it should do for a company like Pearson. So is there any hope with all your enthusiasm for the future that the share price might take off in the future?

**Sidney Taurel:** So very fair question. And thank you for your loyalty over that period of time. I think it is clear to all in the management, as well as the shareholders that the company has gone through a market disruption over the last 10 years or so, which has been painful for every publishing company. And the bulk of the issue has been two things.

One is a reduction in the number of enrolments in the US hired business, which used to be our largest is now only 20% of the business. And secondly, the development over time of a so-called secondary market, whereby we used to sell new books to students. And as the price of those books increased over time, it became less and less affordable for students to buy them. And we saw the development of a secondary market being people buying our textbooks and then reselling them or renting them, including Amazon got into that rental business. And that became more than half of the total volume of usage, was the secondary market and that has affected us and every other publishing company.

We are, fortunately, towards the end of this period, in that we have progressively stopped producing new books. We rent new books, or we have moved to digital, and now 75% or so of our business is digital. And the dependence on the US High Ed business, which was the cause of the reduction, has been decreased significantly. It is now, as I mentioned, only 20% of our total business. And therefore, the prospects for growth are definitely here.

We saw the transition really happening in 2021 with, as you saw, sales and profit growth very significantly above expectations. And we do believe that it is a sustainable growth. And I think I am very optimistic that the market will recognise that. You need a little bit more time I guess of the new management team producing regularly results both on an operational and strategic basis, which they have started to do extremely well.

And this would be reflected in the stock price. I think the fact that our top shareholders will know our business quite well, were supportive of our rejecting a bid at £8.84, indicates that they agree that the prospects for growth are definitely here based on all the things that you have heard today.

Yes, there is one more question on the back.

**David Wilson:** David Wilson, individual shareholder, but also the Assistant General Secretary for the National Education Union. The pandemic undoubtedly highlighted the importance of digital learning and clearly is the future. But the pandemic in the UK at least also highlighted severe flaws in the current assessment system so much so that there are currently no less than five commissions looking at the future of assessment in the UK. And I was just wondering, does the Board have a view on that in terms of opportunities and threats?

**Sidney Taurel:** Andy, do you want to address this?

**Andy Bird:** Sure. Thank you very much for your question. And this is a topic that is very much at the forefront of our thinking as it relates to assessment in schools. And firstly, we appreciate the disruption, particularly in the first year of the pandemic that that had on both teachers, pupils and parents, as everyone was scrambling to figure out what the right format was. I think last year, it was slightly better or slightly more thought through, if I may say.

One of the things I really do think that it highlighted was the importance of unbiased assessments, the need to marry the exam conditions with continued coursework and the hybrid approach between teacher assessment and examination, the utilisation of different forms of assessing pupils' progress, using the new tools that are available, and we are heavily engaged with the relevant departments and those constitutive bodies, as you mentioned.

At the heart of what we want to do is firstly ensure that pupils get the right quality of assessment that they deserve, that teachers get the support that they need to carry out these very, very important roles in addition to the teaching of the subject matter.

And finally, the parents themselves. This is a very anxious time, the assessments and qualifications, GCSEs, A-Levels, BTECs, very, very high stress moments for a family. And so we take that responsibility that we have as a company very, very seriously. And we want to make sure that we really serve each of those three constituencies to the best of our ability and we add our voice to help make sure that the decisions that are made during the consultative period and consultative process are duly heard. But I thank you so much for your question.

**Sidney Taurel:** Thank you, Andy. Well, sorry about this interruption. It looks like up until the very end of my tenure as Chairman, there would be excitement. I understand there was a question on the Lumi platform. So Jo, if you can tell us what the question was?

**Joanne Russell:** So the question comes from Mr Philip Clarke. The Board rejected an offer of 8.70 for the company, the share price has drifted back and is now below £8. What does the Board think the company is worth?

**Sidney Taurel:** Well, at the time we received this offer, the Board has just gone through a five-year planning exercise. And we actually shared with the market at our prelims our guidance for the next five years, which was very much based on that exercise. So we had a very good base on which to assess the three different offers that we got. And in each case, including the last one, we concluded unanimously that the offer was significantly undervaluing the company, and as I mentioned earlier, our top shareholders all agreed once this was made public, that this was not an appropriate price.

I am not going to get into any estimate of what the company is worth, because we do not want to give any roadmap to any potential bidder in the future. What I want to say is that the prospects for the company are excellent, based on, again, a very clear strategy, a strong balance sheet to help us grow both organically and inorganically, and the great Board and management team to implement that strategy.

Any other question in the room? No. And nothing else on the platform.

**Speaker:** Just a very quick one. Scott Wallace, nominee account. I just wonder if we could have the meeting a little bit later instead of 11 o'clock, because I have get used to be, if there was a future.

**Sidney Taurel:** There is a future indeed. This is a question that I will leave to the Board to decide in the future I think. But we take note of your request. Thank you.

Well, as there are no further questions, I will now move to the formal part of the meeting. The Notice of Meeting was published on 24<sup>th</sup> March and copies are also available here today. Unless anyone objects, I will take the Notice of Meeting as read. Good. Thank you.

For the voting procedure today I am calling for a poll on the resolutions, as this meeting is being held partly by means of electronic facility. On a poll, every member, whether an individual or a corporation, present in person, by means of electronic facility or by proxy is entitled to one vote for every ordinary share of which they are a holder.

If you would like to vote for or against the resolutions, or would like to abstain from voting, you must either fill in the poll card, which you will have been given when you registered in person, or click on the voting button on the Lumi platform and follow the instructions on the screen. I will ask you to complete that in a moment.

If you submitted your vote prior to the meeting, you do not need to complete a poll card or vote via the Lumi platform now, unless you wish to change your vote or if you did not originally appoint me as proxy and the person you appointed as your proxy is not present in person or via the Lumi platform. If you are attending as a proxy, you should vote now.

If you are entitled to vote as a shareholder, proxy or corporate representative, but do not have a poll card, please raise your hand and one of our stewards will provide you with a card.

Okay. I now formally propose that each of the resolutions as set out in the Notice of Meeting is put to the meeting. There are 20 resolutions to be voted on, of which one to 16 are ordinary resolutions and 17 to 20 are special resolutions. With your permission, I will take each resolution as read.

Over the next few minutes, you will be able see the results of all proxy votes that were received ahead of the meeting. These will be displayed on our presentation slides, and will be displayed until the poll closes.

Please would you now complete your poll card or vote via the Lumi platform. In order to complete your poll card, please 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, please also write down the number of shares you wish to vote. Please then sign your poll card and place it in one of the ballot boxes as you leave the room.

To vote via the Lumi platform, the resolutions and voting choices should now appear on your screen. To vote on all resolutions displayed select the vote all option. Alternatively, simply click on the for, against or withheld option for each resolution. To change your vote, reselect your choice. To cancel your vote, select the cancel option. Once you have selected your vote, it will change colour and a message confirming your vote will appear. You will be able to vote while the poll remains open.

Now the poll will close in 10 minutes. The final results of the voting will be announced to the markets and posted on the Pearson website as soon as possible following the conclusion of this meeting.

So this concludes the business of the Annual General Meeting. Thank you very much for attending today and for your support of Pearson. I appreciate all the longstanding shareholders that we have with us in the room. It is very good to see you again for the last time for me. For those attending in person, my colleagues and I will now be pleased to meet you outside, where light refreshments will be served. Thank you very much. And I adjourn.

[END OF TRANSCRIPT]