

# Letter from the Chairman

## on business to be transacted at the Annual General Meeting at 12 noon on Friday, 30 April 2010 and Notice of Annual General Meeting

**This document is important and requires your immediate attention.**

If you have sold or transferred all of your ordinary shares in Pearson plc, please pass this document and the enclosed form of proxy at once to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

A form of proxy for the Annual General Meeting is enclosed and should be completed and returned as soon as possible. To be valid, it must reach the company's registrar, Equiniti, no later than 12 noon on Wednesday, 28 April 2010. Alternatively, you may register your vote online by visiting the registrar's website at [www.sharevote.co.uk](http://www.sharevote.co.uk) or, if you have a portfolio registered with Equiniti, by logging onto [www.shareview.co.uk](http://www.shareview.co.uk). In order to register your vote online you will need to enter the Voting I.D., Task I.D. and Shareholder Reference Number which are given on the enclosed form of proxy. If you are a member of CREST, the electronic settlement system for UK securities, you may register the appointment of a proxy by using the CREST electronic proxy appointment service. Further details are contained in the Notes to the Notice of Annual General Meeting and in the form of proxy. Electronic and CREST proxy voting instructions should also be submitted no later than 12 noon on Wednesday, 28 April 2010. Completion of a form of proxy or the appointment of a proxy electronically, will not stop you from attending the meeting and voting in person should you so wish.

# To Shareholders

## 25 March 2010

Dear Shareholder

I am writing to give you details of the business which will be conducted at the Annual General Meeting (AGM or the meeting) of Pearson plc (Pearson or the company) to be held at The Queen Elizabeth II Conference Centre, Broad Sanctuary, Westminster, London SW1P 3EE at 12 noon on Friday, 30 April 2010.

Voting on all of the proposed resolutions at the AGM will be conducted on a poll rather than on a show of hands.

Voting by calling a poll is more transparent and equitable because it includes the votes of all shareholders, including those cast by proxies, rather than just the votes of those members who attend the meeting.

Shareholders of the company (shareholders) will be asked to consider and, if thought fit, approve resolutions in respect of the following matters:

### Ordinary business

---

The company's accounts and reports of the directors of the company (directors) and auditors of the company (auditors);

The final dividend for the year ended 31 December 2009;

Re-election of directors;

Approval of the report on directors' remuneration;

Reappointment of PricewaterhouseCoopers LLP (PwC) as auditors for the ensuing year;

Authority to determine the remuneration of the auditors;

Authority to allot shares; and

Approval of Share Incentive Plan.

### Special business

---

Waiver of pre-emption rights in certain circumstances;

Authority for the company to purchase its own shares;

Amendment to the company's Articles of Association (Articles); and

Approval of a 14 day notice period for general meetings in accordance with the Shareholder Rights Directive.

A brief description of these matters is set out below.

### Notice of AGM

---

The Notice convening the AGM is set out on pages 9 to 12 of this document.

### Report and accounts and final dividend

---

(resolutions 1 and 2)

The first item at the AGM will be the receipt and consideration of the company's accounts and the reports of the directors and auditors for the financial year ended 31 December 2009.

Separately, shareholders will also be asked to approve the payment of a final dividend of 23.3p per ordinary share in respect of the year ended 31 December 2009, as recommended by the directors.

It is proposed that the dividend will be paid on 7 May 2010 to shareholders on the register at close of business on 9 April 2010 (the record date).

### Re-election of directors

---

(resolutions 3 to 13)

Although not required by the company's Articles, all of the directors being eligible, with the exception of Terry Burns, will, in the interests of good corporate governance, offer themselves for re-election. Terry Burns will retire at the forthcoming AGM and will not offer himself for re-election.

**David Arculus**, aged 63, is a non-executive director of Telefónica SA and was appointed chairman of Numis Corporation plc in May 2009. His previous roles include chairman of O2 plc, Severn Trent plc and IPC Group, chief operating officer of United Business Media plc and group managing director of EMAP plc. He became a non-executive director of Pearson in February 2006, is chairman of the personnel committee and a member of the audit and nomination committees.

**Patrick Cescau**, aged 61, is a non-executive director of Tesco plc and joined the board of directors of INSEAD, the Business School for the World, in June 2009. He was previously group chief executive of Unilever. He became a non-executive director of Pearson in April 2002 and is a member of the audit and nomination committees. On Terry Burns' retirement from the board, Patrick will become Pearson's senior independent director and will also join the personnel committee.

**Will Ethridge**, aged 58, chief executive of Pearson North American Education, joined the Pearson board in May 2008, having held a number of senior positions within Pearson Education, including CEO of the International and Higher Education divisions. He is chairman of CourseSmart, a publishers' digital retail consortium and chairman of the Association of American Publishers.

**Rona Fairhead**, aged 48, chairman and chief executive of The Financial Times Group, joined the Pearson board in June 2002 as chief financial officer. She was appointed chief executive of The Financial Times Group in June 2006 and became responsible for Pearson VUE in March 2008. From 1996 until 2001, she served as executive vice president, group control and strategy at ICI. She is also chairman of Interactive Data, a non-executive director of HSBC Holdings plc and chairs the HSBC audit committee.

**Robin Freestone**, aged 51, chief financial officer, joined Pearson in 2004 as deputy chief financial officer and became chief financial officer in June 2006, when he also joined the Pearson board. He was previously group financial controller of Amersham plc (now part of GE). He qualified as a chartered accountant with Touche Ross (now Deloitte). He is also a non-executive director and founder shareholder of eChem Limited.

**Susan Fuhrman**, aged 65, is president of Teachers College at Columbia University, America's oldest and largest graduate school of education and president of the National Academy of Education. She was previously dean of the Graduate School of Education at the University of Pennsylvania and on the board of trustees of the Carnegie Foundation for the Advancement of Teaching. She became a non-executive director of Pearson in July 2004 and is a member of the audit and nomination committees.

**Ken Hydon**, aged 65, is a non-executive director of Reckitt Benckiser Group plc, Royal Berkshire NHS Foundation Trust and Tesco plc. He was previously financial director of Vodafone Group plc and of subsidiaries of Racal Electronics. He became a non-executive director of Pearson in February 2006, is chairman of the audit committee and a member of the nomination and personnel committees.

**John Makinson**, aged 55, chairman and chief executive of The Penguin Group, joined the Pearson board in March 1996 and was finance director until June 2002. He was appointed chairman of The Penguin Group in May 2001. He is also chairman of the Institute for Public Policy Research, director of The Royal National Theatre and trustee of The International Rescue Committee (UK).

**Glen Moreno**, aged 66, was appointed chairman of Pearson on 1 October 2005, is chairman of the nomination committee and a member of the personnel committee. He is a director of Fidelity International Limited and a non-executive director of Lloyds Banking Group plc. He was previously senior independent director of Man Group plc and acting chairman of UK Financial Investments Limited, the company set up by

HM Treasury to manage the government's shareholdings in UK banks.

**C K Prahalad**, aged 68, is a distinguished university professor of corporate strategy and international business at The University of Michigan Business School. He is a non-executive director of NCR Corporation and Hindustan Unilever Corporation and director of the World Resources Institute and The Indus Entrepreneurs. He became a non-executive director of Pearson in May 2008 and is a member of the nomination committee.

**Marjorie Scardino**, aged 63, chief executive, joined the Pearson board in January 1997 and is a member of the nomination committee. She trained and practised as a lawyer, and was chief executive of The Economist Group from 1993 until joining Pearson. She is also vice chairman of Nokia Corporation and on the boards of several charitable organisations.

#### **Report on directors' remuneration** (resolution 14)

Shareholders will be asked to approve the report on directors' remuneration in accordance with the provisions of the Directors' Remuneration Report Regulations 2002.

#### **Auditors** (resolutions 15 and 16)

Resolutions will be proposed to reappoint PwC as auditors until the conclusion of the AGM in 2011 and to authorise the directors to determine the remuneration of the auditors.

#### **Directors' authority to allot shares** (resolution 17)

Shareholders will be asked, pursuant to the provisions of section 551 of the Companies Act 2006 (the Act), to confer on the board of directors the authority to allot shares for a period ending at the close of the AGM in 2011.

If passed, the new authority would permit the allotment of up to 270 million ordinary shares (representing approximately 33.3% of Pearson's issued ordinary share capital at 26 February 2010); save in connection with an offer by way of a rights issue in which case the authority would permit the allotment of up to 540 million ordinary shares (representing approximately 66.6% of Pearson's issued share capital at 26 February 2010) – in each case over and above those committed to the various share option and employee share plans. At the date this document was approved by the board, the directors had no intention to exercise this authority, although they considered its grant to be appropriate in order to preserve maximum flexibility for the future.

**Waiver of pre-emption rights** (resolution 18)

A resolution will also be proposed to waive (under the provisions of section 570 of the Act) the statutory pre-emption provisions applicable to the allotment of equity securities for cash contained in section 561 of the Act for a period ending at the close of the AGM in 2011.

Accordingly, resolution 18 proposes authority to issue equity securities for cash consideration either (i) by way of a rights or other pre-emptive issue or (ii) by way of a non-pre-emptive issue, in the latter case limited to a total of 40 million ordinary shares, representing approximately 5% of Pearson's issued ordinary share capital as at 26 February 2010. This resolution is conditional on resolution 17 being passed.

At the date this document was approved by the board, the directors had no intention to exercise this authority, although they considered its grant to be appropriate in order to preserve maximum flexibility for the future. The directors intend to comply with the Pre-Emption Group's Statement of Principles in relation to the cumulative three year cap regarding non-pre-emptive issues for cash.

**Authority to purchase own shares** (resolution 19)

Shareholders will be asked (as in previous years) to authorise the market purchase by Pearson of a proportion of its issued ordinary share capital, subject to the limits referred to below.

The directors consider it prudent to be able to act at short notice if circumstances warrant. In considering the purchase of ordinary shares, the directors will follow the procedures laid down in the Act and will take into account cash resources, capital requirements and the effect of any purchase on gearing levels and on earnings per equity share. They will only consider exercising the authority when satisfied that it is in the best interests of the company to do so, having first considered any other investment opportunities open to the company.

Any purchase by the company of its own shares pursuant to this authority will be paid for out of distributable profits. Any shares which are repurchased will be dealt with in accordance with section 724 of the Act. The company is entitled to hold the shares as treasury shares, sell them for cash, cancel or transfer them pursuant to an employee share plan. The authority, which will expire at the close of the AGM in 2011, will be limited to the purchase of 81 million ordinary shares, representing approximately 10% of Pearson's issued ordinary share capital as at 26 February 2010. The maximum price (excluding expenses) to be paid per

ordinary share on any occasion will be restricted to the higher of (i) 105% of the average of the market value of ordinary shares of the company derived from the London Stock Exchange Daily Official List for the five business days before the purchase is made and (ii) an amount equal to the higher of the price of the last independent trade of an ordinary share and the highest current bid for an ordinary share as derived from the London Stock Exchange Trading System, and the minimum price will be 25p per ordinary share.

Shareholders should understand that the maximum number of shares and the price range are stated merely for the purposes of compliance with statutory and Financial Services Authority (FSA) requirements in seeking this authority and should not be taken as any indication of the terms upon which the company intends to make such purchases. At the date this document was approved by the board, the directors had no intention to exercise this authority.

The total number of options to subscribe for ordinary shares which were outstanding at 26 February 2010, the latest practicable date prior to the publication of this document, was approximately 12.3 million, which represents approximately 1.51% of the issued share capital of the company at that date and would represent approximately 1.68% of the company's issued share capital, if the maximum number of 81 million shares were to be purchased by the company.

**Amendment to Articles of Association** (resolution 20)

It is proposed in resolution 20 to adopt new articles of association (the New Articles) in order to update the company's current articles of association (the Current Articles). Primarily, this is to take account of the Companies (Shareholders' Rights) Regulations 2009 (the Shareholders' Rights Regulations), the implementation of the final provisions of the Companies Act 2006 (the 2006 Act) and the amendments to the Uncertificated Securities Regulations 2001.

The principal changes introduced in the New Articles are summarised below. Certain other minor changes, which are of a technical or clarifying nature and which merely reflect changes made by the 2006 Act, the Shareholders' Rights Regulations or the Uncertificated Securities Regulations 2001, have not been noted below. The New Articles (showing all the changes to the Current Articles) are available for inspection at the company's registered office address during normal business hours on any business day.

*Change of name* – Under the Companies Act 1985 (the 1985 Act), a company could only change its name by special resolution. Under the 2006 Act a company can change its name by other means provided for in its articles. To take advantage of this provision, the New Articles enable the directors to pass a resolution to change the company's name, as an alternative method of making this change.

*Authorised share capital and unissued shares* – The 2006 Act abolished the requirement for a company to have an authorised share capital and the New Articles reflect this. Directors will still be limited as to the number of shares that they can allot at any time because allotment authority continues to be required under the 2006 Act, save in respect of employee share schemes.

*Redeemable shares* – Under the 1985 Act, if a company wished to issue redeemable shares, it had to include in its articles the terms and manner of redemption. The 2006 Act enables directors to determine such matters instead, provided they are so authorised by the articles. The New Articles contain such an authorisation. The company has no plans to issue redeemable shares but if it did so the directors would need shareholders' authority to issue new shares in the usual way.

*Authority to purchase own shares, consolidate and sub-divide shares and reduce share capital* – Under the 1985 Act, in addition to shareholder approval, a company required specific enabling provisions in its articles in order to purchase its own shares, to consolidate or sub-divide its shares or to reduce its share capital or other undistributable reserves. Under the 2006 Act a company only requires shareholder authority to do any of these things and therefore these enabling provisions have been removed in the New Articles.

*Use of seals* – Under the 1985 Act, a company required authority in its articles to have an official seal for use abroad. Under the 2006 Act, such authority will no longer be required and therefore the relevant authorisation has been removed in the New Articles.

*Suspension of registration of share transfers* – The Current Articles permit the directors to suspend the registration of transfers. Under the 2006 Act, share transfers must be registered as soon as practicable. Therefore, as the power in the Current Articles to suspend the registration of transfers is inconsistent with the 2006 Act, it has been removed in the New Articles.

*Voting by proxies* – The Shareholders' Rights Regulations have amended the 2006 Act so that it now provides that each proxy appointed by a member has one vote on a show of hands unless the proxy is appointed by more

than one member. If this is the case and the proxy has been instructed by one or more members to vote for the resolution and by one or more members to vote against the resolution, the proxy has one vote for and one vote against. The Current Articles have been amended to reflect these changes.

There is also a new statutory obligation for proxies to vote in accordance with any instructions given by the member. This has always been the case under common law and there is no statement that a breach would affect the outcome of a vote. The New Articles reinforce the position that there is no obligation on the company to check whether proxies (or corporate representatives) are voting in accordance with instructions and that the vote is not invalidated should instructions not be followed.

*Voting by corporate representatives* – The Shareholders' Rights Regulations have amended the 2006 Act in order to enable multiple representatives appointed by the same corporate member to vote in different ways on a show of hands and a poll. The New Articles contain provisions which reflect these amendments.

*Adjournments for lack of quorum* – Under the 2006 Act as amended by the Shareholders' Rights Regulations, general meetings adjourned for lack of quorum must be held at least 10 clear days after the original meeting. The Current Articles have been changed to reflect this requirement.

**Notice of meetings** (resolution 21)

Although our Articles already grant the company the authority to call general meetings (other than annual general meetings) on 14 days' notice, under the Shareholder Rights Directive this authority is required to be approved by shareholders annually, otherwise a minimum of 21 days' notice must be given. The directors believe it is in the best interests of shareholders to preserve the shorter notice period, although the flexibility offered by this resolution will only be used where, taking into account all the circumstances, the directors consider this appropriate in relation to the business to be considered at the meeting.

**Approval of Share Incentive Plan** (resolution 22)

Pearson's long-standing policy has been to encourage employees at all levels to become shareholders in the company and tax-favoured share plans are one method to achieve this. Pearson obtained the approval of shareholders for the introduction of a HM Revenue & Customs (HMRC) approved Share Incentive Plan (then known as an all-employee share ownership plan) at the Annual General Meeting in May 2000. The underlying legislation had then only recently been introduced. Although Pearson has not to date implemented a Share Incentive Plan based on that authority, it may wish to do so in the future. To date, Pearson has considered that the Worldwide Save for Shares Plan is a more appropriate tax-favoured plan for UK employees. Nevertheless, Pearson wishes to refresh the 2000 authority by seeking shareholder approval for a new Share Incentive Plan (the Plan). Subject to approval by the shareholders, it will be submitted to HMRC for approval, enabling awards under the Plan to attract tax favoured treatment for UK resident employees.

*Eligibility:* Employees of any member of the Pearson group who are UK resident taxpayers are eligible to participate in the Plan provided they satisfy any minimum service requirement. Pearson may set a minimum service requirement but that requirement cannot exceed 18 months' service. When the Plan is operated, all eligible employees must be invited to participate on similar terms.

*Overview of the Plan:* In summary, the Plan allows three types of award to be granted and held in trust for participants:

- (i) an award of ordinary shares (Free Shares);
- (ii) the opportunity for employees to purchase ordinary shares with deductions from their pre-tax salary (Partnership Shares); and

- (iii) an award of ordinary shares (Matching Shares) to those employees who have purchased Partnership Shares.

These elements may be operated individually or in conjunction with each other. In addition, employees can be required or allowed to reinvest dividends paid on their Free Shares, Partnership Shares and Matching Shares in further ordinary shares (Dividend Shares).

*Free Shares:* Pearson may provide Free Shares to eligible employees up to a maximum value set from time to time by HMRC. The current maximum value is £3,000 per employee per annum. If Pearson wishes, the award of Free Shares can be based on the achievement of personal, team, divisional or corporate performance targets which must be notified to all employees. Otherwise, Free Shares must be awarded to employees on the same terms subject only to variation according to an employee's remuneration, length of service or hours worked.

*Partnership Shares:* Pearson may provide employees with the opportunity to acquire Partnership Shares from their pre-tax salary up to a maximum value set from time to time by HMRC, currently the lesser of £1,500 per annum or 10% of salary. Salary for these purposes includes base salary and bonus. Pearson may set a minimum monthly deduction which may not be greater than £10. Ordinary shares will be acquired on behalf of employees, within 30 days after each deduction, at a price equal to the market value of such ordinary shares on the date they are acquired. Alternatively, deductions can be accumulated for up to 12 months. In this case, ordinary shares will be acquired on behalf of employees within 30 days of the end of the accumulation period, at the lower of the market value of the ordinary shares at the beginning of the accumulation period or the date when they are acquired.

*Matching Shares:* Pearson may award Matching Shares to those employees who have purchased Partnership Shares. The Matching Shares must be offered on the same basis to all employees in such ratio as Pearson may determine, but that ratio may not exceed two Matching Shares for every one Partnership Share purchased.

*Dividend Shares:* Pearson may either give employees the opportunity, or it may require them, to re-invest dividends paid on their Free Shares, Partnership Shares and Matching Shares in further ordinary shares up to a maximum value set by HMRC. This value is currently £1,500 per annum.

*Holding Period:* Free Shares and Matching Shares must generally be held in the Plan trust for a minimum period set by Pearson which may not be less than three years or more than five years from the date on which such ordinary shares are allocated to employees. Dividend Shares must generally be held in the Plan trust for a minimum period of not less than three years.

*Leavers:* Pearson can provide for Free Shares and Matching Shares to be forfeited if employees cease employment with the Pearson group within the period of up to three years from the date on which ordinary shares were allocated other than in specified circumstances such as redundancy, disability, injury or reaching retirement age.

Employees may withdraw their Partnership Shares at any time. However, Pearson can stipulate that Matching Shares will be subject to forfeiture if the corresponding Partnership Shares are withdrawn within a specified period (not exceeding three years) of their purchase on behalf of the employee. Pearson may also stipulate that Free Shares may be forfeited if an employee purports to withdraw them within a period of up to three years from the date they were allocated. Forfeiture will not apply if the ordinary shares are withdrawn from the Plan in consequence of a change of control.

Income tax and employee's national insurance contributions will be payable on the transfer of Free Shares, Partnership Shares or Matching Shares out of the Plan trust to the employee unless the employee is a good leaver or the ordinary shares have been held in trust for five years. Dividend Shares, transferred out of the trust where the employee is not a good leaver and the ordinary shares have not been held in the trust for three years, will be taxed as a dividend.

*Corporate Events:* In the event of any reconstruction or takeover of Pearson, employees may direct the trustee of the Plan how to act in respect of any ordinary shares held on their behalf.

*Other Provisions:* Pearson will be able to satisfy awards under the Plan using existing shares purchased in the market, treasury shares or newly issued shares. To the extent that new shares are issued, Pearson will ensure that over any ten year period, no more than 10% of the company's ordinary share capital will be issued under the Plan and all other employee share plans taken together. The satisfaction of awards with treasury shares will be treated as an issue of ordinary shares for the purposes of the above limit for so long as institutional shareholder guidelines recommend this.

Any ordinary shares allotted under an award will rank *pari passu* with ordinary shares then in issue (except for rights arising by reference to a record date prior to their allotment). At any time when the ordinary shares are admitted to listing on a recognised stock exchange, application will be made for any newly issued ordinary shares to be admitted to listing and admitted to trading on the relevant exchange.

In the event of a variation of the company's ordinary share capital (for example, by reason of a bonus issue or a rights issue), participants in the Plan will be entitled to direct the trustee as to what action they wish to be taken in respect of their shares under the Plan, in accordance with the terms of the legislation.

Alterations to the basic structure of the Plan which are to the advantage of actual or potential participants may not be made without the prior approval of shareholders in general meeting. The requirement to obtain the prior approval of shareholders will not, however, apply to any alteration which benefits the administration of the Plan or to take account of changes in legislation, or to obtain favourable tax or regulatory treatment for participants. In addition, no amendment may operate to affect adversely any right already obtained by a participant.

No awards may be made under the Plan following the tenth anniversary of the board's adoption of the Plan.

## **Annual General Meeting**

The resolutions referred to in this letter are included in the Notice of AGM set out on pages 9 to 12 of this document. The AGM is to be held at The Queen Elizabeth II Conference Centre, Broad Sanctuary, Westminster, London SW1P 3EE at 12 noon on Friday, 30 April 2010. If you are unable to attend the meeting, please complete and return the enclosed form of proxy in the prepaid envelope provided so as to reach the company's registrar, Equiniti, not less than 48 hours before the time of the meeting. Alternatively, you may register your vote online by visiting the registrar's website at [www.sharevote.co.uk](http://www.sharevote.co.uk) or, if you already have a portfolio registered with them, by logging onto [www.shareview.co.uk](http://www.shareview.co.uk). In order to register your vote online you will need to enter the Voting I.D., Task I.D. and Shareholder Reference Number which are given on the enclosed form of proxy. If you are a member of CREST, you may register the appointment of a proxy by using the CREST electronic proxy appointment service. Further details are contained in the Notes to the Notice of AGM and in the form of proxy.

Completion of a form of proxy or the appointment of a proxy electronically, will not stop you from attending the AGM and voting in person should you so wish. If you are unable to attend the AGM in person but would like to ask a question, please e-mail [glenmoreno-agm@pearson.com](mailto:glenmoreno-agm@pearson.com).

### **Recommendation**

---

In the opinion of the directors, the passing of resolutions 1 to 22 is in the best interests of the company and its shareholders as a whole. Your directors unanimously recommend you to vote in favour of resolutions 1 to 22 as they intend to do in respect of their own beneficial holdings.

Yours sincerely



**Glen Moreno** Chairman

### **Directors**

---

#### **Chairman**

G R Moreno

#### **Executive directors**

M M Scardino (chief executive)

W T Ethridge (chief executive, Pearson North American Education)

RA Fairhead (chairman and chief executive of The Financial Times Group)

RA D Freestone (chief financial officer)

J C Makinson (chairman and chief executive of The Penguin Group)

#### **Non-executive directors**

T D G Arculus

T Burns

P J Cescau

S H Fuhrman

K J Hydon

C K Prahalad



# Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting (AGM or the meeting) of Pearson plc (the company) will be held at The Queen Elizabeth II Conference Centre, Broad Sanctuary, Westminster, London SW1P 3EE at 12 noon on Friday, 30 April 2010 for the following purposes:

## Ordinary business

1. To receive and consider the accounts of the company and reports of the directors of the company (directors) and auditors of the company (auditors) for the year ended 31 December 2009;
2. To declare a final dividend on the ordinary shares, as recommended by the directors;
3. To re-elect David Arculus as a director;
4. To re-elect Patrick Cescau as a director;
5. To re-elect Will Ethridge as a director;
6. To re-elect Rona Fairhead as a director;
7. To re-elect Robin Freestone as a director;
8. To re-elect Susan Fuhrman as a director;
9. To re-elect Ken Hydon as a director;
10. To re-elect John Makinson as a director;
11. To re-elect Glen Moreno as a director;
12. To re-elect C K Prahalad as a director;
13. To re-elect Marjorie Scardino as a director;
14. To receive and approve the report on directors' remuneration;
15. To reappoint PricewaterhouseCoopers LLP as auditors for the ensuing year;
16. To authorise the directors to determine the remuneration of the auditors; and
17. To consider and, if thought fit, to pass the following resolution which will be proposed as an ordinary resolution:

THAT, pursuant to section 551 of the Companies Act 2006 (the Act), the board be authorised to allot shares in the company and to grant rights to subscribe for or to convert any security into shares in the company:

(A) with an aggregate nominal value of up to £67,600,000; and

(B) comprising equity securities, as defined in the Act, with an aggregate nominal value of up to £135,200,000 (including within such limit any

shares issued under (A) above) in connection with an offer by way of a rights issue:

- (i) to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and
- (ii) to people who are holders of other equity securities if this is required by the rights of those securities or, if the board considers it necessary, as permitted by the rights of those securities;

and so that the board may impose any limits or restrictions and make any arrangements which it considers necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter;

such authorities to expire at the close of the AGM in 2011 provided that, in each case, the company may make offers and enter into agreements during the relevant period which would, or might, require shares in the company to be allotted or rights to subscribe for or convert any security into shares to be granted, after the authority expires and the board may allot shares in the company and grant rights under any such offer or agreement as if the authority had not expired.

## Special business

18. To consider and, if thought fit, to pass the following resolution which will be proposed as a special resolution:

THAT, subject to resolution 17 being passed, the board be given authority to allot equity securities for cash under the authority given by that resolution and/or where the allotment constitutes an allotment of equity securities by virtue of section 560(2) of the Act, free of the restriction in section 561(1) of the Act, such authority to be limited:

(A) to the allotment of equity securities in connection with an offer of equity securities (but in the case of the authority granted under resolution 17(B), by way of a rights issue only):

- (i) to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and
- (ii) to people who are holders of other equity securities, if this is required by the rights of those securities or, if the board considers it necessary, as permitted by the rights of those securities;

and so that the board may impose any limits or restrictions and make any arrangements which it considers necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter; and

(B) in the case of the authority granted under resolution 17(A), to the allotment (otherwise than under 18(A) above) of equity securities with an aggregate nominal value of up to £10,140,000;

such authority to apply until the close of the AGM in 2011 provided that during this period the company may make offers, and enter into agreements, which would, or might, require equity securities to be allotted after the authority expires and the board may allot equity securities under any such offer or agreement as if the authority had not expired.

19. To consider and, if thought fit, to pass the following resolution which will be proposed as a special resolution:

THAT, the company is hereby generally and unconditionally authorised to make market purchases (within the meaning of section 693(4) of the Act) of ordinary shares of 25p each in the capital of the company provided that: (i) the maximum number of ordinary shares hereby authorised to be purchased is 81,000,000; (ii) the minimum price which may be paid for an ordinary share is 25p per share which amount shall be exclusive of expenses; (iii) the maximum price which may be paid for an ordinary share is, in respect of an ordinary share contracted to be purchased on any day, the higher of (a) an amount (exclusive of expenses) equal to 105% of the average of the market value of ordinary shares of the company derived from the London Stock Exchange Daily Official List for the five business days before the purchase is made and (b) an amount equal to the higher of the price of the last independent trade of an ordinary share and the highest current independent bid for an ordinary share as derived from the London Stock Exchange Trading System; (iv) the authority hereby conferred shall expire at the close of the AGM in 2011; and (v) the company may make a contract to purchase ordinary shares under this authority prior to the expiry of such authority which will or may be executed wholly or partly after the end of such authority and may make a purchase of ordinary shares in pursuance of any such contract as if the authority had not expired.

20. To consider and, if thought fit, to pass the following resolution which will be proposed as a special resolution:

THAT, with effect from the close of the 2010 AGM, the company adopt the new Articles of Association in the form produced to the meeting and initialised by the chairman for identification purposes.

21. To consider and, if thought fit, to pass the following resolution which will be proposed as a special resolution:

THAT, in accordance with the company's Articles of Association, the company be and is hereby authorised until the close of the AGM in 2011, to call general meetings on 14 clear days' notice.

### Ordinary business

22. To consider and, if thought fit, to pass the following resolution which will be proposed as an ordinary resolution:

THAT, the Pearson Share Incentive Plan, the principal terms of which are summarised on pages 6 and 7 of the circular to shareholders of the company, dated 25 March 2010, be and is hereby approved and the directors be and are hereby authorised to do all such acts and things as they may consider necessary or expedient to carry the same into effect.

By order of the board



**Philip Hoffman** Secretary  
25 March 2010

## Notes

1. Ordinary shareholders and/or nominee shareholders only are entitled to attend, speak and vote at the AGM. Any such shareholder or nominee shareholder may appoint one or more persons (whether members of the company or not) to act as his/her proxy or proxies to attend, speak and vote instead of him/her. The form of proxy for use at the meeting must be deposited, together with any power of attorney or authority under which it is signed, at Equiniti, Aspect House, Spencer Road, Lancing, West Sussex BN99 6GQ, not less than 48 hours before the time appointed for the AGM or any adjournment thereof. An appropriate form of proxy is enclosed. Alternatively, you may register your vote online by visiting [www.sharevote.co.uk](http://www.sharevote.co.uk) or, if you already have a portfolio registered with Equiniti, by logging onto [www.shareview.co.uk](http://www.shareview.co.uk). In order to register your vote online you will need to enter the Voting I.D., Task I.D. and Shareholder Reference Number which are given on the enclosed form of proxy.
2. CREST members who wish to appoint a proxy or proxies, or amend an instruction to a previously appointed proxy, through the CREST electronic proxy appointment service may do so for the AGM to be held at 12 noon on Friday, 30 April 2010 and any adjournment(s) thereof by using the procedures described in the CREST manual (available via [www.euroclear.com/CREST](http://www.euroclear.com/CREST)). CREST personal members or other CREST sponsored members, and those CREST members who have appointed (a) voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
 

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a CREST Proxy Instruction) must be properly authenticated in accordance with Euroclear's specifications and must contain the information required for such instructions, as described in the CREST manual. The message, regardless of whether it relates to the appointment of a proxy or to an instruction to a previously appointed proxy, must be transmitted so as to be received by the issuer's agent (ID: RA19) by no later than 12 noon on Wednesday, 28 April 2010. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

CREST members and, where applicable, their CREST sponsors or voting service provider(s) should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST proxy instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed (a) voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service provider(s) is/are referred, in particular, to those sections of the CREST manual concerning practical limitations of the CREST system and timings.

The company may treat as invalid a CREST proxy instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
3. Completion of a form of proxy, or the appointment of a proxy electronically, will not stop you from attending the meeting and voting in person should you so wish.
4. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.
5. Any person to whom this Notice is sent who is a person nominated under section 146 of the Companies Act 2006 (the Act) to enjoy information rights (a Nominated Person) may have a right, under an agreement between him/her and the shareholder by whom he/she was nominated, to be appointed (or to have someone else appointed) as a proxy for the AGM. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.
 

The statement of the rights of shareholders in relation to the appointment of proxies in note 1 above does not apply to Nominated Persons. The rights described in that note can only be exercised by shareholders of the company.

6. As at 26 February 2010 (being the last practicable date prior to the publication of this Notice) the company's issued share capital consists of 811,296,019 ordinary shares, carrying one vote each. Therefore, the total number of voting rights in the company as at 26 February 2010 is 811,296,019.
7. The company, pursuant to Regulation 41(1) of the Uncertificated Securities Regulations 2001, specifies that only those shareholders registered in the register of members of the company at 6 pm on Wednesday, 28 April 2010 (the voting record date) shall be entitled to attend and vote at the AGM in respect of the number of shares registered in their name at that time. Changes to the register of members of the company after 6 pm on Wednesday, 28 April 2010 shall be disregarded in determining the rights of any person to attend, speak or vote at the meeting.
8. Under section 527 of the Act, members meeting the threshold requirements set out in that section have the right to require the company to publish on a website a statement setting out any matter relating to: (i) the audit of the company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the AGM; or (ii) any circumstance connected with an auditor of the company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with section 437 of the Act. The company may not require the shareholders requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the Act. Where the company is required to place a statement on a website under section 527 of the Act, it must forward the statement to the company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the AGM includes any statement that the company has been required under section 527 of the Act to publish on a website.
9. Any member, proxy or corporate representative attending the meeting on behalf of a member, has the right to ask questions. The company must cause to be answered any such question relating to the business being dealt with at the meeting but no such answer need be given if (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information, (b) the answer has already been given on a website in the form of an answer to a question, or (c) it is undesirable in the interests of the company or the good order of the meeting that the question be answered.
10. A copy of this Notice and certain other information (as required by section 311A of the Act) can be found at [www.pearson.com/investors](http://www.pearson.com/investors)
- The following documents are available for inspection during normal business hours on any business day at the company's registered office and also during the AGM and for 15 minutes beforehand:
- copies of the directors' service contracts with, or letters of appointment by, the company;
  - the company's Current Articles;
  - the proposed New Articles; and
  - the draft trust deed and the rules of the Pearson Share Incentive Plan.
- The register of directors' interests will also be available for inspection during the AGM.