

Long Term Incentive Plan (“LTIP”)

Performance targets for the 2017 awards to executive directors

On 11 September 2017, the Company made a grant of performance-related restricted shares to executive directors under the LTIP. Full details of the number of shares awarded is contained in the regulatory announcement.

The awards will vest on 1 May 2020 subject to the following performance conditions:

- 40% of the award will be based on Pearson’s earnings per share in 2019;
- 30% of the award will be based on Pearson’s return on invested capital in 2019; and
- 30% of the award will be based on Pearson’s total shareholder return performance relative to the constituents of the FTSE 100 Index over the three-year period 1 January 2017 to 31 December 2019

Details of the performance targets for each of the above are set out in the tables below.

Earnings per share (“EPS”) (40%)		Return on invested capital (“ROIC”) (30%)		Relative total shareholder return (“TSR”) (30%)	
Vesting schedule (% max)	Adjusted EPS for FY19	Vesting schedule (% max)	Adjusted ROIC for FY19	Vesting schedule (% max)	Ranked position vs FTSE 100
15%	55p	15%	4.5%	25%	Median
75%	62p	75%	5.5%	100%	Upper quartile
100%	75p or above	100%	7.5% or above		

Straight-line vesting will occur in between the points shown, with no vesting for performance below threshold.

Any shares which vest on 1 May 2020 will be subject to an additional two year holding period to 1 May 2022.

Further details regarding the remuneration arrangements for the executive directors, including additional details on the LTIP, will be contained in the Directors’ Remuneration Report for the year ending 31 December 2017.