

**IMPORTANT: You must read the following disclaimer before continuing.** The following disclaimer applies to the attached offering circular (the “**Offering Circular**”) and you are therefore advised to read this carefully before reading, accessing or making any other use of the attached Offering Circular. In accessing the Offering Circular, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from us as a result of such access.

The Offering Circular and the offering of the Notes (as defined in the Offering Circular) (the “**Offer**”) when made are only addressed to and directed at persons in member states of the European Economic Area (“**EEA**”) or the United Kingdom (“**UK**”) who are “qualified investors” within the meaning of Article 2(e) of the Prospectus Regulation (Regulation (EU) 2017/1129) as amended (the “**Prospectus Regulation**”) (“**Qualified Investors**”). In addition, in the UK, the Offering Circular is being distributed only to, and is directed only at, Qualified Investors (i) who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the “**Order**”) and Qualified Investors falling within Article 49 of the Order, and (ii) to whom it may otherwise lawfully be communicated (all such persons together being referred to as “**relevant persons**”). The Offering Circular must not be acted on or relied on (i) in the UK, by persons who are not relevant persons, and (ii) in any member state of the EEA other than the UK, by persons who are not Qualified Investors. Any investment or investment activity to which the Offering Circular relates is available only to (i) in the UK, relevant persons, and (ii) in any member state of the EEA other than the UK, Qualified Investors, and will be engaged in only with such persons.

THE OFFERING CIRCULAR MAY ONLY BE DISTRIBUTED IN “OFFSHORE TRANSACTIONS” TO PERSONS OTHER THAN U.S. PERSONS AS DEFINED IN, AND AS PERMITTED BY, REGULATION S UNDER THE US SECURITIES ACT OF 1933 (THE “**SECURITIES ACT**”). ANY FORWARDING, REDISTRIBUTION OR REPRODUCTION OF THE OFFERING CIRCULAR IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS NOTICE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

**MiFID II professionals/ECPs-only/No PRIIPs KID** – Manufacturer target market (MiFID II product governance) is eligible counterparties and professional clients only (all distribution channels). No Regulation (EU) No 1286/2014 (as amended, the “**PRIIPs Regulation**”) key information document (KID) has been prepared as the Notes are not available to retail investors in the EEA or in the UK. See page (ii) of the attached Offering Circular, “*MiFID II Product Governance/Professional Investors and ECPs only Target Market*” and “*PRIIPs Regulation – Prohibition of Sales to EEA or UK Retail Investors*” for further information.

**Confirmation of your representation:** The attached Offering Circular is delivered to you at your request and on the basis that you have confirmed to Barclays Bank PLC, HSBC Bank plc and Merrill Lynch International (the “**Joint Lead Managers**”), Pearson Funding plc (the “**Issuer**”) and Pearson plc (the “**Guarantor**”) that (i) you are located outside United States and not a U.S. person (as defined in Regulation S under the Securities Act); and (ii) if you are in the UK, you are a relevant person; (iii) if you are in any member state of the EEA, you are a Qualified Investor; (iv) if you are acting a financial intermediary, the securities acquired by you as a financial intermediary in the Offer have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to, any person in circumstances which may give rise to an offer of any securities to the public other than their offer or resale in any member state of the EEA to Qualified Investors; or (v) you are outside of the UK or EEA (and the electronic mail addresses that you provided and to which the Offering Circular has been delivered are not located in such jurisdictions) or (vi) you are a person into whose possession the Offering Circular may lawfully be delivered in accordance with the laws of the jurisdiction in which you are located.

The Offering Circular has been made available to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Issuer, the Guarantor, the Joint Lead Managers, the Trustee or any of their respective affiliates accepts any liability or responsibility whatsoever in respect of any difference between the Offering Circular distributed to you in electronic format and the hard copy version. By accessing the attached Offering Circular, you consent to receiving it in electronic form.

You are reminded that you have accessed the attached Offering Circular on the basis that you are a person into whose

possession the Offering Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not nor are you authorised to deliver the Offering Circular, electronically or otherwise, to any other person.

**Recipients of the Offering Circular who intend to subscribe for or purchase any Notes are reminded that any subscription or purchase may only be made on the basis of the information contained in the Final Offering Circular to be circulated in due course.**

**Restriction:** Nothing in this electronic transmission constitutes an offer of securities for sale to persons other than the specified Qualified Investors described above and to whom it is directed and access has been limited so that it shall not constitute a general solicitation. If you have gained access to this transmission contrary to the foregoing restrictions, you will be unable to purchase any of the securities described therein. None of the Joint Lead Managers, the Trustee or any of their respective affiliates accepts any responsibility whatsoever for the contents of the Offering Circular or for any statement made or purported to be made by any of them, or on any of their behalf, in connection with the Issuer, the Guarantor or the Offer.

The Joint Lead Managers, the Trustee and their respective affiliates accordingly disclaim all and any liability whether arising in tort, contract, or otherwise which they might otherwise have in respect of the Offering Circular or any such statement. No representation or warranty express or implied, is made by any of the Joint Lead Managers, the Trustee or their respective affiliates as to the accuracy, completeness, verification or sufficiency of the information set out in the Offering Circular.

The Joint Lead Managers are acting exclusively for the Issuer and the Guarantor and no one else in connection with the Offer. They will not regard any other person (whether or not a recipient of the Offering Circular) as their client in relation to the Offer and will not be responsible to anyone other than the Issuer and the Guarantor for providing the protections afforded to their clients or for giving advice in relation to the Offer or any transaction or arrangement referred to herein.

You are responsible for protecting against viruses and other destructive items. **Your receipt of the electronic transmission is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.**



## PEARSON FUNDING PLC

**£350,000,000 in aggregate principal amount of 3.750% Guaranteed Notes due 2030**

**Guaranteed by Pearson plc**

**Issue price: 99.246 per cent.**

Pearson Funding plc (the “**Issuer**”) will pay interest at the rate of 3.750 per cent. per annum annually on each 4 June, commencing 4 June 2021, up to the date of maturity or earlier upon redemption of the £350,000,000 3.750 per cent. Guaranteed Notes due 2030 (the “**Notes**”). The rate of interest payable on the Notes will be subject to change in the case of a Step Up Rating Change or Step Down Rating Change (both as defined herein) as further described in this offering circular (the “**Offering Circular**”). The Issuer will be entitled to redeem the Notes in whole, but not in part, on any Optional Redemption Date at redemption prices to be determined using the procedures described in this Offering Circular. The Issuer will also be entitled to redeem the Notes, in whole, but not in part, at 100% of their principal amount, plus accrued and unpaid interest to, but excluding, the date of redemption (i) at any time if purchases (and corresponding cancellations) and/or redemptions shall have been effected in respect of 80 per cent. or more in principal amount of the Notes originally issued and (ii) at any time upon the occurrence of certain tax events. Pearson plc (the “**Guarantor**” or “**Pearson**”) will fully, irrevocably and unconditionally guarantee all amounts payable under the Notes (the “**Guarantee**”). The Notes will mature on 4 June 2030.

The Notes and the Guarantee will rank *pari passu* with, respectively, all of the Issuer’s and the Guarantor’s other unsecured and unsubordinated debt.

Application has been made to the Irish Stock Exchange plc trading as Euronext Dublin (“**Euronext Dublin**”) for the approval of this Offering Circular as listing particulars (“**Listing Particulars**”) and for the Notes to be admitted to the Official List of Euronext Dublin (the “**Official List**”) and to trading on the Global Exchange Market which is the exchange-regulated market of Euronext Dublin (the “**Global Exchange Market**”). References in this Offering Circular to the Notes being “**listed**” (and all related references) shall mean that the Notes have been admitted to the Official List and admitted to trading on the Global Exchange Market. There can be no assurance that any such application will be successful or that any listing will be granted or maintained. The Global Exchange Market is not a regulated market for the purposes of Directive 2014/65/EU (as amended, “**MiFID II**”) of the European Parliament and of the Council on markets in financial instruments. Walkers Listing Services Limited is acting solely in its capacity as listing agent for the Issuer in connection with the Notes and is not itself seeking admission of the Notes to trading on the Global Exchange Market.

This document constitutes the Listing Particulars in respect of the admission of the Notes to the Official List and to trading on the Global Exchange Market of Euronext Dublin. **Investors should note that securities to be admitted to the Official List and to trading on the Global Exchange Market will, because of their nature, normally be bought and traded by a limited number of investors who are particularly knowledgeable in investment matters.**

If a change of control triggering event occurs with respect to the Guarantor, the Issuer will make an offer to each holder of Notes to repurchase all or any part of that holder’s Notes at a repurchase price in cash equal to the aggregate principal amount of Notes repurchased plus any accrued and unpaid interest on the Notes repurchased to the date of repurchase. The Guarantor will fully and irrevocably guarantee the obligations of the Issuer to repurchase the Notes and further irrevocably and unconditionally guarantees to make payment for any and all Notes properly tendered for payment.

Ratings for the Notes will be sought from Moody’s Investors Service Limited (“**Moody’s**”) and Standard & Poor’s Financial Services LLC (“**S&P**”). Moody’s is established in the European Economic Area (the “**EEA**”) and registered under Regulation (EU) No 1060/2009, as amended (“**CRA Regulation**”). S&P is not established in the European Union (the “**EU**”) and has not applied for registration under the CRA Regulation, but its ratings have been endorsed by S&P Global Ratings Europe Limited in accordance with the CRA Regulation. S&P Global Ratings Europe Limited is established in the European Union and registered under the CRA Regulation. As such, both Moody’s and S&P Global Ratings Europe Limited are included in the list of credit agencies published by the European Securities and Markets Authority (“**ESMA**”) on its website in accordance with the CRA Regulation. ESMA has indicated that ratings issued by S&P which have been endorsed by S&P Global Ratings Europe Limited may be used in the EU by the relevant market participants. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation.

**Investing in the Notes involves risks. See “Risk Factors” beginning on page 4.**

Neither the Notes nor the Guarantee have been and will not be, registered under the United States Securities Act of 1933, as

amended (the “**Securities Act**”) and the Notes are subject to United States tax law requirements. The Notes are being offered outside the United States by the Joint Lead Managers (as defined in “*Subscription and Sale*”) (the “**Joint Lead Managers**”) in accordance with Regulation S under the Securities Act (“**Regulation S**”), and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

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The Notes will be issued in bearer form and in the denominations of £100,000 and integral multiples of £1,000 in excess of £100,000 up to and including £199,000. The Notes will initially be in the form of a temporary global note (the “**Temporary Global Note**”), without interest coupons, which will be deposited on or around 4 June 2020 (the “**Closing Date**”) with a common safekeeper for Euroclear and Clearstream, Luxembourg. The Temporary Global Note will be exchangeable, in whole or in part, for interests in a permanent global note (the “**Permanent Global Note**”) and, together with the Temporary Global Note, each a “**Global Note**”), without interest coupons, not earlier than 40 days after the Closing Date upon certification as to non-U.S. beneficial ownership. Interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership. The Permanent Global Note will be exchangeable in certain limited circumstances in whole, but not in part, for Notes in definitive form with interest coupons attached. See “*Summary of Provisions Relating to the Notes in Global Form*”.

*Joint Lead Managers*

**Barclays**

**BofA Securities**

**HSBC**

The date of this Offering Circular is 2 June 2020.

## IMPORTANT INFORMATION

Each of the Issuer and the Guarantor accepts responsibility for the information contained in this Offering Circular and, to the best of the knowledge of the Issuer and the Guarantor (each of which has taken all reasonable care to ensure that such is the case), the information contained in this Offering Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.

Prospective investors should rely only on the information contained in or incorporated by reference into this Offering Circular. No person is authorised to give any information or to make any representation not contained in this Offering Circular and any information or representation not so contained must not be relied upon as having been authorised by or on behalf of the Issuer, the Guarantor, or the Joint Lead Managers. Neither the delivery of this Offering Circular nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer or the Guarantor since the date hereof or that there has been no adverse change in the financial position of the Issuer or the Guarantor since the date hereof.

This Offering Circular is to be read in conjunction with all documents which are incorporated herein by reference. See “*Documents Incorporated by Reference*”.

None of the Joint Lead Managers or the Trustee has independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Joint Lead Managers or the Trustee as to the accuracy or completeness of the information contained or incorporated in this Offering Circular or any other information provided by the Issuer or the Guarantor in connection with the issue and offering of the Notes of their distribution. None of the Joint Lead Managers or the Trustee accepts any liability in relation to the information contained or incorporated by reference in this Offering Circular or any other information provided by the Issuer or Guarantor in connection with the issue and offering of the Notes or their distribution.

In making an investment decision, investors must rely upon their own examination of Pearson, the Issuer, and Pearson’s other subsidiaries and the terms of the offering being made, including the merits and risks involved.

### **EACH PROSPECTIVE INVESTOR IS ADVISED TO CONSULT ITS OWN TAX ADVISER, LEGAL ADVISER AND FINANCIAL ADVISER AS TO TAX, LEGAL, FINANCIAL AND RELATED MATTERS CONCERNING THE PURCHASE OF THE NOTES.**

The market share, ranking and other data contained in, or incorporated by reference into, this Offering Circular are based either on Pearson’s management’s own estimates, independent industry publications, reports by market research firms or other published independent sources and, in each case, are believed by Pearson’s management to be reasonable estimates. However, market share data is subject to change and cannot always be verified with complete certainty due to limits on the availability and reliability of raw data, the voluntary nature of the data gathering process and other limitations and uncertainties inherent in any statistical survey of market share. In addition, consumption patterns and consumer preferences can and do change. As a result, prospective investors should be aware that a market share, ranking and other similar data set forth herein, and estimates and beliefs based on such data may not be reliable.

The Notes and the Guarantee have not been and will not be registered under the Securities Act and the Notes are subject to U.S. tax law requirements. Subject to certain exceptions, the Notes may not be offered, sold or delivered within the United States or to U.S. persons. For a further description of certain restrictions on the offering and sale of the Notes and on distribution of this Offering Circular, see “*Subscription and Sale*”.

The distribution of this Offering Circular and the offering or sale of the Notes and the Guarantee in certain jurisdictions is restricted by law. This Offering Circular may not be used for, or in connection with, and does not constitute, any offer to, or solicitation by, anyone in any jurisdiction in which it is unlawful to make such an offer or solicitation. Persons into whose possession this Offering Circular may come are required by the Issuer, the Guarantor and the Joint Lead Managers to inform themselves about and to observe such restrictions. None of the Issuer, the Guarantor or any of the Joint Lead Managers accepts any responsibility for any violation by any person, whether or not he, she or it is a prospective purchaser of the Notes, of any such restrictions.

The Issuer and the Guarantor reserve the right to withdraw the offering of Notes at any time, and the Issuer, the Guarantor and the Joint Lead Managers reserve the right to reject any commitment to subscribe for the Notes, in whole or in part. The Issuer also reserves the right to allot to prospective investors less than the full amount of Notes sought by them.

Unless otherwise indicated, the financial information contained in, and incorporated by reference into, this Offering Circular relating to the Group has been prepared in accordance with International Financial Reporting Standards and IFRS Interpretations Committee interpretations as issued by the International Accounting Standards Board and as adopted by the European Union (“**IFRS**”). The Group’s consolidated financial statements are presented in sterling. In this Offering Circular and any documents incorporated by reference into this Offering Circular:

- references to “sterling”, “pounds”, “pence” or “£” are to the lawful currency of the United Kingdom,
- references to “euro” or “€” are to the euro, the lawful currency of the participating Member States in the Third Stage of the European Economic and Monetary Union of the Treaty Establishing the European Union,
- references to “U.S. dollars”, “dollars”, “cents” or “\$” are to the lawful currency of the United States of America,
- references to the “Group” are references to Pearson plc, its predecessors and its consolidated subsidiaries,
- references to the “Issuer” or “Pearson Funding plc” refer only to Pearson Funding plc, and
- references to “Pearson” or the “Guarantor” are to Pearson plc only, and
- references to Pearson’s “Social Bond Framework” are to the social bond framework published by Pearson on 26 May 2020 and available on Pearson’s website at <https://www.pearson.com/corporate/investors.html>.

**MiFID II product governance/Professional investors and ECPs only target market** — Solely for the purposes of each manufacturer’s product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a “distributor”) should take into consideration the manufacturers’ target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers’ target market assessment) and determining appropriate distribution channels.

None of the Joint Lead Managers makes any representation as to the suitability of the Notes to fulfil social criteria required by prospective investors. None of the Joint Lead Managers have undertaken, or are responsible for, any assessment of Pearson’s Social Bond Framework or the Eligible Categories, or the monitoring of the use of proceeds. Investors should refer to the Guarantor’s website, Social Bond Framework and Vigeo-Eiris second party opinion for information. Vigeo-Eiris has been appointed by the Guarantor. No representation or assurance is given by the Joint Lead Managers as to the suitability or reliability of any opinion or certification of any third party made available in connection with the Notes. For the avoidance of doubt, any such opinion or certification is not incorporated in this Offering Circular. Any such opinion or certification is not a recommendation by the Joint Lead Managers or any other person to buy, sell or hold the Notes and is current only as of the date it was issued. As of the date of this Offering Circular, the providers of such opinions and certifications are not subject to any specific regulatory or other regime or oversight. Prospectus investors must determine for themselves the relevance of any such opinion or certification and/or the information contained therein.

**PRIPs Regulation/Prohibition of sales to EEA or UK retail investors** — The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (“EEA”) or the United Kingdom (“UK”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of Directive 2016/97/EU (as amended, the “Insurance Distribution Directive”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by the PRIIPs Regulation for offering or selling the Notes or otherwise making them available to retail investors in the EEA or in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA or in the UK may be unlawful under the PRIIPs Regulation.

**NOTIFICATION UNDER SECTION 309B(1)(c) OF THE SECURITIES AND FUTURES ACT (CHAPTER 289) OF SINGAPORE, AS MODIFIED OR AMENDED FROM TIME TO TIME (the SFA)** – The Notes are prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore).

**In connection with the issue of the Notes, Barclays Bank PLC (the “Stabilisation Manager”) or any person acting on behalf of the Stabilisation Manager may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilising action may begin on or after the date on which adequate public disclosure of the terms of offer of the Notes is made and, if begun, may cease at any time but must end no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of allotment of the Notes. Any stabilisation action must be conducted by the Stabilisation Manager in accordance with all applicable laws and rules.**

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## RISK FACTORS

*Prospective investors should carefully consider the risk factors described below, as well as the other information contained in and incorporated by reference into this Offering Circular, before purchasing the Notes. The Group's business, financial condition or results from operations could be materially adversely affected by any or all of these risks, or by other risks that the Group presently cannot identify.*

*The Issuer believes that the following factors may affect its ability to fulfil its obligations under the Notes and the Guarantor believes that, unless otherwise indicated, the following factors may affect its ability to fulfil its obligations under the Guarantee. In addition, each of the risks highlighted below could adversely affect the trading price of Notes or the rights of investors under the Notes and, as a result, investors could lose some or all of their investment.*

*Most of these factors are contingencies which may or may not occur and neither the Issuer nor the Guarantor is in a position to express a view on the likelihood of any such contingency occurring. In addition, risk factors which are specific to the Notes or the Guarantee are also described below. Factors which the Issuer and the Guarantor believe may be material for the purpose of assessing the market risks associated with the Notes are also described below.*

*The Issuer and the Guarantor believe the risk factors described below to currently be the most significant risk factors when considering an investment in the Notes. The risks described below do not necessarily comprise all the risks associated with the Group. There may be other risks of which neither the Issuer nor the Guarantor is aware, or which the Group believes to be immaterial, which may have an adverse effect on the business, financial condition, results or future prospects of the Group and/or its businesses.*

### **Risks Related to the Group's Business**

***The Group's business, results of operations and financial condition could be adversely affected by the effects of the global COVID-19 pandemic.***

In December 2019, a novel strain of COVID-19 was reported in China. Since then, COVID-19 has spread globally, to include the United Kingdom, United States and other countries where the Group operates. The spread of COVID-19 has resulted in the World Health Organization (WHO) declaring the outbreak of COVID-19 as a "pandemic," or a worldwide spread of a new disease, on 11 March 2020. Many countries around the world have imposed quarantines and restrictions on travel and large gatherings to slow the spread of the virus and have closed non-essential businesses. The Group is closely monitoring developments on a day-by-day basis. The Group's primary focus is on ensuring the safety and well-being of its employees, customers and learners. The Group has invoked its business resilience plans to help support its customers and maintain its business operations.

As local jurisdictions continue to put restrictions in place, the Group's ability to continue to operate its business may be disrupted for an indefinite period of time. If the COVID-19 outbreak continues to spread, the Group may need to further limit operations, including due to shutdowns that may be requested or mandated by governmental authorities.

In addition, the spread of COVID-19, which has caused a broad impact globally, may materially affect the Group economically. While the potential economic impact brought by, and the duration of, COVID-19 may be difficult to assess or predict, a widespread pandemic could result in significant disruption of global financial markets, reducing the Group's ability to access capital, which could in the future negatively affect the Group's liquidity. In addition, a recession or market correction resulting from the spread of COVID-19 could materially affect the Group's business.

The global outbreak of COVID-19 continues to rapidly evolve. The extent to which COVID-19 may impact the Group's business and operations will depend on future developments, including the duration of the outbreak, travel restrictions and social distancing in the United Kingdom, the United States and other countries where the Group operates, the effectiveness of actions taken by governmental authorities to contain and treat the disease and whether additional countries where the Group operates are required to move to complete lock-down status. There is a risk that certain countries or regions where the Group operates may be less effective at containing COVID-19, or it may be more difficult to contain if the outbreak reaches a larger population or broader geography, in which case the risks described herein could be elevated significantly. The ultimate long-term impact of COVID-19 is highly uncertain and cannot be predicted with confidence.

***The accelerated pace and scope of the Group's business transformation initiatives increase the Group's risk to execution timelines and to business adoption of change. The risk is that benefits may not be fully realised, costs may increase, or that the Group's business as usual activities are adversely impacted.***

Business transformation and change initiatives in support of the Group's strategic goals to accelerate its digital transition and to simplify its business continued throughout 2019. A range of transformation initiatives were successfully completed

during the year with further ones identified for completion in the first half of 2020. The pace and scope of change potentially increases the risk that not all of these changes will be delivered within anticipated timeframes, and that the costs of these changes may increase. In addition, as a result of the increased pressure of transformational change, business as usual activities may not perform in line with plans or the level of customer service may not meet expectations. In parallel with the business transformation, as the Group responds to the digital revolution and shift from a product to a services business, it will continue to look at opportunities to develop business models and further refine organisation structures. Resistance to change could restrict the organisation from making the necessary changes to the business model.

***Failure to use the Group's data effectively to enhance the quality and scope of current products and services in order to improve learning outcomes could adversely affect the Group's business.***

The Group seeks to maximise data to enhance the quality and scope of current products and services in order to improve learning outcomes while managing associated risks. The Group's ability to continue to do so may be subject to factors beyond the Group's control. In addition, the unavailability of timely, complete and accurate data limits informed decision-making and increases the risk of non-compliance with legal, regulatory and reporting requirements. Business change and transformation success is dependent on migration of a significant number of datasets and the Group's inability to effectively accomplish this could adversely affect the Group's results.

***Global economy and cyclical market factors may adversely impact the Group's financial performance.***

With the continued pressure and uncertainty in the worldwide economies, particularly in light of the COVID-19 pandemic, there remains a risk of a weakening in trading conditions, which could adversely impact the Group's future financial performance. The effect of continued deterioration or lack of recovery in the global economy will vary across different businesses and will depend on the depth, length and severity of any economic downturn. The education market can be affected by cyclical factors which, although they can have a positive impact for many of the Group's businesses, could for others lead to a reduction in demand for the Group's products and services.

***Failure to successfully invest in and deliver the right products and services and respond to competitive threats could result in lower than expected revenues and profits.***

A common trend facing all the Group's businesses is the digitisation of content and proliferation of distribution channels, either over the internet, or via other electronic means, replacing traditional print formats. The digital migration brings the need for change in product and content distribution, consumers' perception of value and the publisher's position between consumers, retailers and authors.

This is a highly competitive market that is subject to rapid change. The Group faces competitive threats both from large media players and from smaller businesses, online and mobile portals and operators in the digital arena that provide alternative sources of content. Alternative distribution channels, e.g. digital format, the internet, online retailers, growing delivery platforms (e.g. e-readers or tablets), pose both threats and opportunities to traditional publishing business models, potentially impacting both sales volumes and pricing.

Students are seeking cheaper sources of content, e.g. second hand and rental copies, online discounters, file sharing and use of pirated copies. This change in behavior puts downward pressure on textbook prices in major markets, and this could adversely impact the Group's results.

If the Group does not adapt rapidly to these changes, it may lose business to 'faster' and more 'agile' competitors, who increasingly are non-traditional competitors, making their identification all the more difficult. The Group may be required to invest significant resources to further adapt to the changing competitive environment.

***Changes in government policy and/or regulations have the potential to affect the Group's business model and/or decisions across all markets.***

The Group's educational services and assessment businesses may be adversely affected by changes in government funding resulting from either trends that are beyond the Group's direct control, such as general economic conditions, changes in government educational funding, programmes, policy decisions, legislation and/or changes in the procurement process, or the Group's failure to successfully deliver previous contracts.

The results and growth of the Group's US educational services and assessment businesses are dependent on the level of federal and state educational funding, which in turn is dependent on the robustness of state finances and the level of funding allocated to educational programmes. State, local and municipal education funding pressures remain, competition from low price and disruptive new business models continues and open source is promoted as a way to keep costs down for customers. The current challenging environment could impact the Group's ability to collect on education-related debt.

State and local government leadership changes and resultant shifts in education policy can also affect the funding available for educational expenditure, which include the impact of educational reform. Similarly, changes in the government procurement process for textbooks, learning material and student tests, and vocational training programmes can also affect the Group's markets. Political pressure on testing, changes in curricula, delays in the timing of the adoptions and changes in the student testing process can all affect these programmes and therefore the size of the market in any given year. There was during 2019 a risk of political instability in the UK arising from the Brexit deal with the EU. As at the date of this Offering Circular, and with the UK exit from the EU completed on 31 January 2020, the Group believes the immediate risks are lesser, with trade arrangements yet to be decided. There are other examples of wider uncertainty and instability in the rest of the world, particularly in light of the COVID-19 pandemic, which can affect governments' education policy and decisions.

There are multiple competing demands for educational funds and there is no guarantee that new courseware or testing or training programmes will be funded, or that the Group will win or retain this business.

***Failure to comply with antitrust and competition legislation could result in costly legal proceedings and/or adversely impact the Group's reputation.***

The Group is subject to global and local antitrust and competition law and although it is committed to conducting its business in compliance with local and international laws, there is a risk that management, employees or representatives may act in a way that violates applicable antitrust or competition laws. As a result, there is a risk of litigation and regulatory proceedings in the countries in which the Group operates. These legal proceedings could result in greater scrutiny of the Group's operations in other countries for anti-competitive behavior and, in the worst case, incur a substantial financial cost. This would also have an adverse impact on the Group's reputation.

***If the Group does not adequately protect its intellectual property and proprietary rights, its competitive position and results may be adversely affected and its ability to grow limited.***

The Group's products and services largely comprise intellectual property delivered through a variety of print and digital media, online software applications and platforms. The Group relies on trademark, patent, copyright and other intellectual property laws to establish and protect its proprietary rights in these products and services. Failure to adequately manage, procure, register or protect intellectual property rights (including trademarks, patents, trade secrets and copyright) in the Group's brands, content and technology, may (1) prevent the Group from enforcing its rights, and (2) enable bad actors to illegally access and duplicate the Group's content (print and digital counterfeit, digital piracy), which will reduce sales and/or erode revenues.

The Group's intellectual property rights ("IPR") in brands and content — historically its core assets — are generally well established in key markets. As technology has become an increasingly critical component of the Group's business strategy, it has also been steadily increasing investment in its patent program to expand its protection of high value inventions in the US and key international markets.

Online copying and security circumvention have become increasingly sophisticated and resistant to available countermeasures. Notably, 2018 introduced "digital counterfeit" web sites selling unprotected PDF files of many of Pearson's titles, at scale, using modern and sophisticated ecommerce methods, with a professional and polished look and feel. From an intellectual property perspective, increasing the Group's digital business exposes it to more trademark, copyright and patent infringement risks.

The Group's forward-looking IP strategy also includes plans to continue increasing its global patent footprint in key markets outside the US. However, the Group also conducts business in other countries where its protection efforts have been limited or inconsistent and the extent of effective legal protection for intellectual property rights is uncertain, and this uncertainty could affect future growth. Where the Group has registered or otherwise established its IPR, it cannot guarantee that such rights will provide competitive advantages due to: the challenges and costs of monitoring and enforcement in jurisdictions where competition may be intense; the limited and/or ineffective IPR protection and enforcement mechanisms available to it in many countries; the potential that its IPR may lapse, be invalidated, circumvented, challenged, or abandoned, or that it may otherwise lose the ability to assert its intellectual property rights against others. The loss or diminution in value of these proprietary rights or the Group's intellectual property could have a material adverse effect on the Group's business and financial performance.

***A control breakdown or service failure in the Group's school assessment and qualification businesses could result in financial loss and reputational damage.***

The Group's professional services and assessment businesses involve complex contractual relationships with both government agencies and commercial customers for the provision of various testing services. The Group's financial

results, growth prospects and/or reputation may be adversely affected if these contracts and relationships are poorly managed or face increased competitive pressures.

There are inherent risks associated with the Group's assessment and qualification businesses, both in the US and the UK. A service failure caused by a breakdown in testing and assessment processes could lead to a mis-grading of student tests and/or late delivery of test results to students and their schools. In either event the Group may be subject to legal claims, penalty charges under contracts, non-renewal of contracts and/or the suspension or withdrawal of its accreditation to conduct tests. A late delivery of qualification results could result in a potentially significant regulatory fine in addition to the contractual penalties. It is also possible that such events would result in adverse publicity, which may affect the Group's ability to retain existing contracts and/or obtain new customers.

***The Group's investment in inherently riskier emerging markets may deliver returns that are lower than anticipated.***

To take advantage of international growth opportunities and to reduce its reliance on the US and UK markets, the Group has invested in a number of emerging markets, some of which are inherently riskier than the Group's traditional markets. Political, regulatory, economic and legal systems in emerging markets may be less predictable than in countries with more developed institutional structures. Political, regulatory, economic, currency, reputational and corporate governance and compliance risks (including fraud, sanctions, bribery and corruption) as well as unmanaged expansion are all factors which could limit returns on investments made in these markets.

***Failure to effectively manage risks associated with compliance to global and local anti-bribery and corruption (ABC) legislation could result in costly legal investigations and/or adversely impact the Group's reputation.***

Although the Group is committed to conducting business in a legal and ethical manner in compliance with local and international statutory requirements and standards applicable to its business, there is a risk that the Group's management, employees or representatives may take actions that violate applicable laws and regulations prohibiting the making of improper payments for the purposes of obtaining or keeping business, including laws such as the US Foreign Corrupt Practices Act or the UK Bribery Act. Responding to investigations is costly and requires a significant amount of management's time and attention. In addition, investigations may adversely impact the Group's reputation, or lead to litigation and financial impacts.

***Failure to generate anticipated revenue growth, synergies and/or cost savings from acquisitions, mergers and other business combinations, could lead to goodwill and intangible asset impairments.***

The Group periodically acquires and disposes of businesses to achieve its strategic objectives and will continue to consider both as means to pursue its strategic priorities.

***All the Group's businesses depend on Information Technology ("IT") systems and technological change. Failure to maintain and support customer facing services, systems, and platforms, including addressing quality issues and execution on time of new products and enhancements, could negatively impact the Group's revenues and reputation.***

All the Group's businesses, to a greater or lesser extent, are dependent on information technology. The Group either provides software and/or internet services to its customers or uses complex IT systems and products to support its business activities, including customer-facing systems, back-office processing and infrastructure. The Group faces several technological risks associated with software product development and service delivery, information technology security (including viruses and cyber-attacks), e-commerce, enterprise resource planning system implementation and upgrades. Although plans and procedures are in place to reduce such risks, from time to time the Group has experienced verifiable attacks on its systems by unauthorised parties. To date, such attacks have not resulted in any material damage, but the Group's businesses could be adversely affected if its systems and infrastructure experience a significant failure or interruption.

***From time to time, the Group's business has experienced, and may continue to experience in the future, an unauthorised disclosure of personal information despite best efforts to prevent it. Such an incident, together with a failure to comply with data privacy regulations, could result in damage to customer experience, the Group's reputation and financial loss.***

Across its businesses, the Group holds large volumes of personally identifiable information ("PII") including that of employees, customers, students and citizens. Any perceived or actual unauthorised disclosure of PII, whether through breach of the Group's network by an unauthorised party, employee theft, misuse or error or otherwise, could harm the Group's reputation, impair its ability to attract and retain its customers, or subject the Group to claims or litigation arising from damages suffered by individuals, and thereby harm its business and operational results. Failure to adequately protect

PII could potentially lead to regulatory penalties, litigation damages, significant remediation costs, reputational damage, cancellation of some existing contracts and difficulty in competing for future business. In addition, the Group could incur significant costs in complying with the relevant laws and regulations regarding the unauthorised disclosure of personal information. Changes to data privacy legislation must also be monitored and acted upon to ensure the Group remains in compliance across different markets.

***Failure to prevent or detect a malicious attack on the Group's systems could result in a breach of confidentiality, integrity and/or availability of sensitive information.***

Information security and cyber risk is continually evolving and comprises many complex external drivers: increasing customer demand to demonstrate a strong security posture, external compliance requirements, ongoing digital revolution, increasing use of the cloud and increasingly sophisticated attack strategies. Across its businesses, the Group holds large volumes of personally identifiable information including that of employees, customers, students and citizens, and other highly sensitive business critical data such as financial data, internal sensitive information, and intellectual property. Despite its implementation of security measures, individuals, criminal organisations, state sponsored operatives or other threat action may try to gain unauthorised access to the Group's data in order to misappropriate such information for potentially fraudulent or other purposes. A significant breach can result in a devastating impact on the Group's reputation, customer loyalty, and student experience. Inability to prove due diligence can result in severe penalties and loss of business (existing and future).

***The Group's reported earnings and cash flows may be adversely affected by changes in its pension costs and funding requirements.***

The Group operates a number of pension plans throughout the world, the principal ones being in the UK and the US. The major plans are self-administered with the plans' assets held independently of the Group. Regular valuations, conducted by independent qualified actuaries, are used to determine pension costs and funding requirements. As these assets are invested in the capital markets, which are often volatile, the plans may require additional funding from the Group, which could have an adverse impact on its results.

It is the Group's policy to ensure that each pension plan is adequately funded, over time, to meet its ongoing and future liabilities. The target for the UK defined benefit plan is a self-sufficient level of funding. The Group's earnings and cash flows may be adversely affected by the need to provide additional funding to eliminate pension fund deficits in its defined benefit plans. The Group's greatest exposure relates to the UK defined benefit pension plan, which is valued every three years. Pension fund deficits may arise because of inadequate investment returns, increased member life expectancy, changes in actuarial assumptions and changes in pension regulations, including accounting rules and minimum funding requests.

Although the UK defined benefit plan is significantly de-risked (as it is in surplus with effect from 1 January 2018 as per the latest valuation), the ability to achieve and maintain this standard remains subject to market conditions, meaning that additional funding could still be required from the Group in the future.

***Operational disruption to its business, including those caused by third party providers, a major disaster and/or external threats, could restrict the Group's ability to supply products and services to its customers.***

Across all its businesses, the Group manages complex operational and logistical arrangements including distribution centres, data centres, and educational and office facilities, as well as relationships with third party print sites. It has also outsourced some support functions, including information technology, warehousing and logistics to third party providers. The failure of third parties to whom it has outsourced business functions could adversely affect its reputation or financial condition. Failure to recover from a major disaster, (e.g. fire, flood, etc.) at a key facility or the disruption of supply from a key third party vendor or partner (e.g. due to bankruptcy) could restrict the Group's ability to service its customers and meet the terms of its contractual relationships with both government agencies and commercial customers. Penalty clauses and/or the failure to retain these contracts at the end of the contract term could adversely impact future revenue growth.

***A significant deterioration in the Group's profitability and/or cash flow caused by prolonged economic instability could reduce its liquidity and/or impair its financial ratios, and trigger a need to raise additional funds from the capital markets and/or renegotiate its banking covenants.***

To the extent that worldwide economic conditions materially deteriorate, as a result of the COVID-19 pandemic or otherwise, the Group's revenues, profitability and cash flows could be significantly reduced as customers would be unable to purchase products and services in the expected quantities and/or pay for them within normal agreed terms.

Disruption in capital markets or potential concerns about the Group's credit, such as downgrades or negative outlooks by the credit rating agencies, may mean that this capital may not be available on favorable terms or may not be available at all.

***The Group generates a substantial proportion of its revenue in foreign currencies, particularly the US dollar, and foreign exchange rate fluctuations could adversely affect the Group's earnings and the strength of its balance sheet.***

As with any international business, the Group's earnings can be materially affected by exchange rate movements. The main exposure is to movements in the US dollar to sterling exchange rate as approximately 60% of the Group's total revenue is generated in US dollars. The Group also has exposure to a range of other international currencies including emerging market currencies. The Group's operating profit for 2019, translated at 2018 average rates, would have been £15 million or 5% lower.

***A lack of sufficient capital resources could adversely impact the Group's ability to operate.***

If the global economy weakens further and/or the global financial markets collapse, as a result of COVID-19 pandemic or otherwise, the Group may not have access to or could lose its bank deposits or suffer a significant increase in customer bad debts. Lack of sufficient capital resources could significantly limit the Group's ability to take advantage of business and strategic opportunities. If replacement funds are not available, the Group may be required to delay, reduce the scope of, or eliminate material parts of its business strategy, including potential additional acquisitions or development of new products, services and technologies.

***Changes in tax law or perceptions on tax planning strategies may lead to higher effective tax rate or negative reputational impact.***

Changes in corporate tax rates and/or other relevant tax laws in the UK, US or other jurisdictions could have a material impact on the Group's future reported tax rate and/or its future tax payments. The Group has been subject to audit by tax authorities. Although the Group believes its tax provision is reasonable, the final determination of its tax liability could be materially different from its historical income tax provisions, which could have a material effect on the Group's financial position, results of operations or cash flows.

The Group's tax strategy reflects its business strategy and the locations and financing needs of its operations. In common with many companies, the Group seeks to manage its tax affairs to protect value for its shareholders, in line with its broader fiduciary duties. The Group is committed to complying with all statutory obligations, to undertake full disclosure to tax authorities and to follow agreed policies and procedures with regard to tax planning and strategy.

***If the Group fails to attract, retain and develop appropriately skilled employees, it may limit its ability to achieve its strategic and operational goals and its business may be harmed.***

The Group's success depends on the skill, experience and engagement of its employees. If it is unable to attract, retain and develop sufficiently experienced and capable staff, especially in technology, product development, sales and leadership, its business and financial results may suffer. When talented employees leave, the Group may have difficulty replacing those skills, and its business may suffer. There can be no assurance that the Group will be able to successfully retain and attract the skills that it needs.

***Failure to adequately protect learners could result in significant harm to one or more learners.***

Incidents may occur where learners are abused or harassed, for example where the Group has direct learner contact via online learning, or in its direct delivery businesses where it is operating, either directly or in a third party partnership. These incidents can cause harm to learners, which is something the Group takes extremely seriously, and could also have a negative financial, legal and reputational impact to the Group's business.

***Failure to adequately protect the health, safety and well-being of the Group's employees, learners and other stakeholders could adversely impact the Group's reputation, profitability and future growth.***

Although the Group has invested in global Health and Safety procedures and controls to safeguard the health, safety and wellbeing of its employees and other stakeholders, accidents or incidents could still occur due to unforeseen risks, causing injury or harm to individuals and impacting the Group's business operations. The effects of the COVID-19 pandemic may exacerbate this risk. This has the potential to lead to criminal and civil litigation, business disruption leading to operational loss, reduction in profitability and impact on the Group's global reputation.

***Failure to ensure security for the Group's staff, learners, assets and reputation, due to increasing numbers of and variety of local and global threats.***

Pearson is a global business with locations in diverse, sometimes high-risk, locations worldwide. Although it has protective measures in place to secure its staff, learners and assets, the Group could still be impacted by external threats, such as localised incidents, terrorist attacks, strikes or extreme weather. Future occurrences could cause harm to individuals and/or disrupt business operations. These have the potential to lead to operational loss, a reduction in profitability and impact on the Group's global reputation.

***Environmental, social and governance risks may also adversely impact the Group's business.***

The Group considers environmental, social and governance (ESG) risks no differently to the way it manages any other business risk. These include ethical business behaviour, compliance with UN Global Compact standards, environmental impact, people and editorial standards. A failure to comply with such standards would adversely affect the Group's reputation and have a negative impact on its relations with employees, vendors and customers.

***The Group's business depends on a strong brand, and any failure to maintain, protect and enhance its brand would hurt its ability to retain or expand its business.***

Protecting the Pearson brand is critical to expanding the Group's business and will depend largely on its ability to maintain its customers' trust in its solutions and in the quality and integrity of its products and services. If the Group does not successfully maintain a strong brand, its business could be harmed. Beyond protection, strengthening the Pearson brand will enable the Group to more effectively engage governments, administrators, teachers, learners and influencers more effectively.

## **Risks Related to the Notes and this Offering**

***There is no public market for the Notes***

Although application has been made to list the Notes on the Global Exchange Market, there is no existing market for the Notes, and there can be no assurance as to the liquidity of any market that may develop for the Notes, the ability of Noteholders to sell their Notes or the prices at which they may be able to sell their Notes. Future trading prices of the Notes will depend on many factors, including, among other things, prevailing interest rates, the Group's operating results and the market for similar securities.

***Pearson is a holding company and it may not have access to the cash that is needed to make payments on the Notes. The claims of the creditors of Pearson's subsidiaries will effectively rank senior to the Noteholders' claims against Pearson and the Issuer with respect to the assets of such other subsidiaries.***

Pearson is a holding company that conducts substantially all of its operations, and holds most of its operating assets, through its subsidiaries. The Issuer, a wholly-owned subsidiary of Pearson, has no operations of its own and its only asset will be claims against Pearson and other subsidiaries of Pearson to which it will advance the proceeds from the sale of the Notes. The Issuer's obligations will consist only of the obligations under the Notes. None of Pearson's subsidiaries is obligated to make funds available to the Issuer or Pearson for payment on the Notes. Accordingly, the ability to make payments on the Notes is dependent on the distribution of earnings or cash payments by Pearson's operating subsidiaries to the Issuer and Pearson. Regulatory, contractual or other restrictions on Pearson's subsidiaries' ability to pay dividends or make cash payments to the Issuer or Pearson may adversely affect the Issuer's or Pearson's ability to pay principal and interest on the Notes. Pearson's subsidiaries are separate and distinct legal entities and, except in the case of the Issuer, they will have no obligation, contingent or otherwise, to pay any amounts due under the Notes or to make any funds available for any of those payments. Claims of creditors of Pearson's subsidiaries other than the Issuer, including trade creditors, will effectively have priority over claims of the holders of the Notes with respect to the assets of those subsidiaries.

Pearson's subsidiaries may incur indebtedness. This indebtedness may restrict or prohibit the making of distributions, the payment of dividends or the making of loans by these subsidiaries. In addition, this indebtedness will effectively rank senior to the Notes with respect to the assets of those subsidiaries. The Trust Deed will not limit the amount of indebtedness that can be incurred by Pearson's subsidiaries. Neither Pearson nor the Issuer can provide assurance that the agreements governing the current and future indebtedness of Pearson's operating subsidiaries will permit those subsidiaries to provide Pearson or the Issuer with sufficient dividends or cash payments to fund payments on the Notes when due.

***Meetings of Noteholders, modification, waiver, authorisation, determination and substitution***

The Terms and Conditions of the Notes and the Trust Deed (as defined in the Terms and Conditions of the Notes) contain provisions for convening meetings of Noteholders to consider any matter affecting their interests. These provisions permit defined majorities to bind all Noteholders, including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The Terms and Conditions of the Notes and the Trust Deed also provide that the Trustee may, without the consent of the Noteholders or Couponholders, agree to (i) any modification of the Notes, the Coupons or the Trust Deed which is not, in the opinion of the Trustee, materially prejudicial to the interests of the Noteholders or (ii) any modification of the Notes, the Coupons or the Trust Deed which is of a formal, minor or technical nature or which is made to correct a manifest error or to comply with mandatory provisions of applicable law. The Trustee may also agree, without the consent of the Noteholders or Couponholders, to the waiver or authorisation of any breach or proposed breach of any of the Terms and Conditions of the Notes or any of the provisions of the Trust Deed or determine, without any such consent, that any Event of Default or Potential Event of Default (each as defined in the Trust Deed) shall not be treated as such, which in any such case is not, in the opinion of the Trustee, materially prejudicial to the interests of the Noteholders.

The Trust Deed contains provisions under which the Trustee may, without the consent of the Noteholders or the Couponholders, agree with the Issuer and the Guarantor to the substitution (a) in place of the Issuer as the principal debtor in respect of the Notes of (i) of the Guarantor, (ii) a successor in business to the Issuer or the Guarantor, (iii) a holding company (as defined in the Trust Deed) of the Issuer or the Guarantor or (iv) any subsidiary of the Guarantor; or (b) in place of the Guarantor as the guarantor in respect of the Notes, the Coupons and the Trust Deed of (i) a successor in business to the Guarantor or (ii) a holding company of the Guarantor, in each case subject to certain conditions, as specified in Condition 14 (*Substitution*) of the Notes and the Trust Deed, including the Trustee being satisfied that the substitution is not materially prejudicial to the interests of the Noteholders.

#### ***Minimum denomination of £100,000, and integral multiples thereafter of less than £100,000; definitive Notes***

The Notes have a minimum denomination of £100,000. The Terms and Conditions of the Notes provide that, for so long as the Notes are represented by a Global Note and Euroclear and Clearstream, Luxembourg (or other relevant clearing system) so permit, the Notes will be tradeable in nominal amounts (a) equal to, or integral multiples of, the minimum denomination, and (b) equal to the minimum denomination plus integral multiples thereafter of £1,000 up to and including £199,000.

Definitive Notes will only be issued if (a) Euroclear or Clearstream, Luxembourg (or other relevant clearing system) is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or (b) any of the circumstances described in Condition 10 (*Events of Default*) occurs. If Definitive Notes are issued, such Notes will be issued only in denominations of at least £100,000 plus integral multiples thereafter of £1,000 up to and including £199,000. No Definitive Notes will be issued with a denomination above £199,000. As such, a holder of Notes who holds less than the minimum denomination in his account with the relevant clearing system at the relevant time may not receive all of his entitlement in the form of Definitive Notes unless and until such time as his holding becomes an integral multiple of a permitted denomination. Definitive Notes will in no circumstances be issued to any person holding Notes in an amount lower than the minimum denomination.

#### ***Exchange rate risks and exchange controls***

The Issuer will pay principal and interest on the Notes in euro. This presents certain risks relating to currency conversion if an investor's financial activities are denominated principally in a currency or currency unit (the “**Investor's Currency**”) other than euro. These include the risk that exchange rates may significantly change (including changes due to devaluation of the euro or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the euro would decrease (1) the Investor's Currency equivalent yield on the Notes; (2) the Investor's Currency equivalent value of the principal payable on the Notes; and (3) the Investor's Currency equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

#### ***Interest rate risks***

Investment in the Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Notes.

#### ***Credit ratings may not reflect all risks***

The Notes are expected to be rated “Baa2” by Moody's and “BBB-” by S&P. Moody's is established in the European

Economic Area and is registered under the CRA Regulation. S&P is not established in the European Union and has not applied for registration under the CRA Regulation, but its ratings have been endorsed by S&P Global Ratings Europe Limited in accordance with the CRA Regulation. S&P Global Ratings Europe Limited is established in the European Union and registered under the CRA Regulation. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. Any adverse change in an applicable credit rating could adversely affect the trading price for the Notes.

One or more independent credit rating agencies may assign credit ratings to the Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above and other factors that may affect the value of the Notes. In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances whilst the registration application is pending. Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended).

***The Notes may not meet social criteria set by some investors***

Pearson intends to apply the net proceeds of the issue of the Notes, in part or in full, to finance or refinance projects and expenditures that meet the Eligible Categories set out in Pearson's Social Bond Framework. There is currently no market consensus on what precise attributes are required for a particular project to be defined as "social", and therefore no assurance can be provided to investors that the Eligible Categories set out in Pearson's Social Bond Framework will satisfy, whether in whole or in part, any present or future expectations or investment criteria regarding sustainability performance or expectations for sustainable finance products. In particular, no assurance is given that the use or allocation of such proceeds for any such projects or expenditures will satisfy, whether in whole or in part, any present or future investor expectations or requirements, taxonomies or standards or other investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable laws or regulations, by its own by-laws or other governing rules or investment portfolio mandates, ratings criteria, taxonomies or standards or other independent expectations (in particular with regard to any direct or indirect, environmental, sustainability or social impact of any projects that meet the Eligible Categories as set out in Pearson's Social Bond Framework). Pearson retains flexibility in allocating the net proceeds from the Notes, including re-allocating the net proceeds in the event Pearson determines at its discretion that the projects receiving allocation no longer meet the criteria within the Eligible Categories. Any failure to use the net proceeds from the issue of the Notes for the purpose described above or to meet or continue to meet the investment requirements of certain socially-focused investors with respect to the Notes may affect the value of the Notes and/or may have consequences for certain investors with portfolio mandates to invest in social assets. No representation or assurance is given as to the suitability or reliability of any opinion or certification of any third party made available in connection with the Notes. For the avoidance of doubt, any such opinion or certification is not incorporated in this Offering Circular. Any such opinion or certification is not a recommendation by the Issuer, the Guarantor, the Joint Lead Managers or any other person to buy, sell or hold the Notes and is current only as of the date it was issued. As at the date of this Offering Circular, the providers of such opinions and certifications are not subject to any specific regulatory or other regime or oversight. Prospective investors must determine for themselves the relevance of any such opinion or certification and/or the information contained therein.

## DOCUMENTS INCORPORATED BY REFERENCE

The following document shall be deemed to be incorporated in, and to form part of, this Offering Circular:

- Pearson's Annual Report on Form 20-F for the year ended 31 December 2019, which includes Pearson's audited consolidated financial statements as of 31 December 2019 and 2018 and for each of the years ended 31 December 2019, 2018 and 2017 prepared in accordance with IFRS ("**Pearson's Annual Report on Form 20-F**"), excluding the exhibits incorporated by reference therein as detailed on page 83 thereof.
- The audited annual financial statements (on an entity basis and including the auditor's report thereon and notes thereto) of the Issuer as of 31 December 2018 and for the year ended 31 December 2018 prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' ("**FRS 101**") (the "**2018 Issuer Financial Statements**").
- The audited annual financial statements (on an entity basis and including the auditor's report thereon and the notes thereto) of the Issuer as of 31 December 2017 and for the year ended 31 December 2017 prepared in accordance with FRS 101 (the "**2017 Issuer Financial Statements**").
- Pearson's March 2020 Trading Update (unaudited) of the Group issued by Pearson on 23 March 2020 providing an update on the impact of the COVID-19 pandemic on the business of the Group (the "**March Trading Update**").
- Pearson's 2020 Q1 Trading Update (unaudited) of the Group issued by Pearson on 24 April 2020 providing an update on its Q1 trading (the "**Q1 Trading Update**").

The abovementioned exhibits to Pearson's Annual Report on Form 20-F are not incorporated by reference herein, shall not form part of this Offering Circular and are not relevant for investors in the Notes. Without limiting the generality of the foregoing, Pearson's Annual Report on Form 20-F includes Pearson's consolidated financial statements as of 31 December 2019 and 2018 and for each of the years ended 31 December 2019, 2018 and 2017, which have been audited by PricewaterhouseCoopers LLP, independent registered public accounting firm.

Pearson's Annual Report on Form 20-F has been previously published and was filed with each of the FCA and the SEC on 2 April 2020 and 1 April 2020 respectively (SEC File No. 1-16055).

Copies of documents incorporated by reference in this Offering Circular may be obtained at the office of The Bank of New York Mellon, London Branch, One Canada Square, London E14 5AL, United Kingdom or (at no cost) by contacting Pearson's Company Secretary at 80 Strand, London WC2R 0RL, United Kingdom (Tel: +44 20 7010 2257). In addition, a copy of Pearson's Annual Report on Form 20-F may be accessed electronically free of charge at Pearson's website at <https://www.pearson.com/corporate/investors/reports-and-presentations.html>, and the Q1 Trading Update, the March Trading Update, the 2018 Issuer Financial Statements and the 2017 Issuer Financial Statements may be accessed electronically free of charge at [www.morningstar.co.uk/uk/NSM](http://www.morningstar.co.uk/uk/NSM). Other than the documents specifically incorporated by reference herein, as set forth above, the information contained on Pearson's website is not incorporated by reference in this Offering Circular, and prospective investors should not consider any information contained on, or that can be accessed through, Pearson's website as part of this Offering Circular or in deciding whether to purchase the Notes being offered hereby.

Any statement contained in a document which is incorporated by reference herein shall be deemed to be modified or superseded for the purposes of this Offering Circular to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Offering Circular.

## TERMS AND CONDITIONS OF THE NOTES

The following is the text of the Terms and Conditions of the Notes (the “**Conditions**”) which (subject to modification) will be endorsed on each Note in definitive form (if issued):

The £350,000,000 3.750 per cent. Guaranteed Notes due 2030 (the “**Notes**”, which expression shall in these Conditions, unless the context otherwise requires, include any further notes issued pursuant to Condition 17 (*Further Issues*) and forming a single series with the Notes) of Pearson Funding plc (the “**Issuer**”) are constituted by a Trust Deed dated 4 June 2020 (the “**Trust Deed**”) made between the Issuer, Pearson plc (the “**Guarantor**”) as guarantor and The Law Debenture Trust Corporation p.l.c. (the “**Trustee**”, which expression shall include its successor(s)) as trustee for the holders of the Notes (the “**Noteholders**”) and the holders of the interest coupons appertaining to the Notes (the “**Couponholders**” and the “**Coupons**” respectively).

The statements in these Conditions include summaries of, and are subject to, the detailed provisions of and definitions in the Trust Deed. Copies of the Trust Deed and the Agency Agreement dated 4 June 2020 (the “**Agency Agreement**”) made between the Issuer, the Guarantor, The Bank of New York Mellon, London Branch as Principal Paying Agent (the “**Principal Paying Agent**”) and the Trustee are available for inspection during normal business hours by the Noteholders and the Couponholders at the registered office for the time being of the Trustee, being at the date of issue of the Notes at Fifth Floor, 100 Wood Street, London EC2V 7EX, United Kingdom and at the specified office of the Principal Paying Agent (or may be provided by email to such Noteholder or Couponholder requesting copies of such documents). The Noteholders and the Couponholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the Agency Agreement applicable to them.

### 1. FORM, DENOMINATION AND TITLE

#### 1.1 Form and Denomination

The Notes are in bearer form, serially numbered, in the denominations of £100,000 and integral multiples of £1,000 (the “**Calculation Amount**”) in excess thereof up to and including £199,000 (each a “**Specified Denomination**”) with Coupons attached on issue. Notes of one denomination may not be exchanged for Notes of the other denomination.

#### 1.2 Title

Title to the Notes and to the Coupons will pass by delivery.

#### 1.3 Holder Absolute Owner

The Issuer, the Guarantor, any Paying Agent and the Trustee may (to the fullest extent permitted by applicable laws) deem and treat the bearer of any Note or Coupon as the absolute owner for all purposes (whether or not the Note or Coupon shall be overdue and notwithstanding any notice of ownership or writing on the Note or Coupon or any notice of previous loss or theft of the Note or Coupon or of any trust or interest therein) and shall not be required to obtain any proof thereof or as to the identity of such bearer.

### 2. STATUS OF THE NOTES

The Notes and the Coupons are direct, unconditional, unsubordinated and (subject to the provisions of Condition 4 (*Negative Pledge*)) unsecured obligations of the Issuer and rank and will rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer, from time to time outstanding.

### 3. GUARANTEE

#### 3.1 Guarantee

The payment of the principal and interest in respect of the Notes and all other moneys payable by the Issuer under or pursuant to the Trust Deed has been unconditionally and irrevocably guaranteed by the Guarantor (the “**Guarantee**”) in the Trust Deed.

#### 3.2 Status of the Guarantee

The obligations of the Guarantor under the Guarantee are direct, unconditional, unsubordinated and (subject to the provisions of Condition 4 (*Negative Pledge*)) unsecured obligations of the Guarantor and rank and will rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Guarantor, from time to time outstanding.

#### 4. **NEGATIVE PLEDGE**

So long as any of the Notes remains outstanding, the Guarantor will not, and will not permit any Material Company (as defined in Condition 10.2) to, create or permit to arise or subsist any Relevant Indebtedness or grant or permit to subsist any guarantee of any Relevant Indebtedness, which Relevant Indebtedness or guarantee of Relevant Indebtedness is secured by any mortgage, pledge or other charge upon any of the present or future assets or revenues (including uncalled capital) of the Guarantor or such Material Company, unless in any such case as aforesaid simultaneously with, or prior to the creation of such security, there shall be taken any and all action necessary to procure that such security is extended equally and rateably to all amounts payable in respect of the Notes, the Coupons, the Guarantee and under the Trust Deed to the satisfaction of the Trustee, or such other security is provided as the Trustee shall in its absolute discretion deem to be not materially less beneficial to the interests of the Noteholders or as shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders.

For the purposes of this Condition, “**Relevant Indebtedness**” means any indebtedness of the Issuer or the Guarantor or of any other person which is in the form of or represented by any bonds, notes, loan stock, depositary receipts or other securities which are intended by the Issuer or the Guarantor to be, or are, with the consent or concurrence of the Issuer or the Guarantor for the time being, quoted or listed on, or dealt in or traded on, any stock exchange, over-the-counter securities market or other organised securities market (whether or not initially distributed by means of a private placing) and any reference to a guarantee in respect of any Relevant Indebtedness shall include a reference to an indemnity being given in respect thereof.

#### 5. **INTEREST**

##### 5.1 **Interest Rate and Interest Payment Dates**

Subject as provided in this Condition 5, the Notes bear interest on their outstanding principal amount from and including 4 June 2020 (the “**Issue Date**”) at the rate of 3.750 per cent. per annum (the “**Initial Rate of Interest**”), payable annually in arrear on 4 June in each year (each such date an “**Interest Payment Date**”). The first payment (for the period from and including 4 June 2020 to but excluding 4 June 2021 and amounting to £37.50 per £1,000 principal amount of Notes) shall be made on 4 June 2021.

From (and including) the Interest Payment Date falling on or immediately following the date of a Step Up Rating Change (or a deemed Step Up Rating Change, as set out below), the Initial Rate of Interest will increase to the Step Up Rate of Interest.

If a Step Down Rating Change (or a deemed Step Down Rating Change, as set out below) occurs after the date of a Step Up Rating Change (or a deemed Step Up Rating Change, as set out below) or on the same date but subsequent thereto, with effect from (and including) the Interest Payment Date falling on or immediately following the date of such Step Down Rating Change (or deemed Step Down Rating Change), the Rate of Interest will decrease back to the Initial Rate of Interest.

The Issuer and the Guarantor shall use all reasonable efforts to maintain a credit rating for the Notes from each of S&P and Moody’s; provided that the Issuer and the Guarantor may in their sole discretion substitute either such credit rating for the Notes with a credit rating for the Notes from the Substitute Rating Agency. If either such credit rating for the Notes is so substituted by the Issuer or the Guarantor, references in this Condition 5.1 to S&P, Moody’s or a Rating Agency, as the case may be, or the ratings thereof, shall be to the Substitute Rating Agency or, as the case may be, the equivalent ratings thereof.

If either Rating Agency fails to, or ceases to, assign a rating to the Notes, the Issuer and the Guarantor shall use all reasonable efforts to obtain a rating of the Notes from the Substitute Rating Agency and references in this Condition 5.1 to S&P, Moody’s or a Rating Agency, as the case may be, or the ratings thereof, shall be to the Substitute Rating Agency or, as the case may be, the equivalent ratings thereof. If such a rating is not obtained from the Substitute Rating Agency, then, for the purposes of the interest rate adjustments described in this Condition 5.1, the rating assigned to the Notes by the remaining Rating Agency (if any) shall be deemed also to be the rating assigned to the Notes by the other Rating Agency.

If both Rating Agencies fail to, or cease to assign a rating to, the Notes and the Issuer and the Guarantor fail to obtain a rating for the Notes from the Substitute Rating Agency, a Step Up Rating Change will be deemed to have occurred on the date of such failure but not otherwise. If a rating of the Notes is subsequently assigned by one or more Rating Agencies, then if such rating (or ratings if more than one) is at least an Investment Grade Rating, a Step Down Rating Change will be deemed to have occurred on the date of such assignment.

The Rate of Interest will only increase to the Step Up Rate of Interest, as provided above, upon the first occurrence of a Step Up Rating Change or a deemed Step Up Rating Change on or after the Issue Date. A decrease to the Rate of Interest back to the Initial Rate of Interest following the occurrence of a Step Down Rating Change or a deemed Step Down Rating Change may only occur once and, in any event, only after the occurrence of the Step Up Rating Change or deemed Step Up Rating Change, as the case may be.

The Issuer and the Guarantor shall cause each Rating Change (if any) and the relevant Rate of Interest to be notified to the Principal Paying Agent, the Trustee and any stock exchange or other relevant authority on which the Notes are for the time being listed and the Noteholders in accordance with Condition 13 as soon as practicable after such Rating Change. Promptly upon the Issuer and the Guarantor exercising the substitution discretion described in the fourth paragraph of this Condition 5.1, the Issuer and the Guarantor shall give notice thereof to the Trustee and the Noteholders in accordance with Condition 13.

In these Conditions:

“**Exchange Act**” means the U.S. Securities Exchange Act of 1934, as amended.

“**Fitch**” means Fitch Ratings Ltd., or any successor.

“**Investment Grade Rating**” means a rating equal to or higher than Baa3 (or the equivalent) by Moody's and BBB- (or the equivalent) by S&P, and the equivalent investment grade credit rating from any additional rating agency or rating agencies selected by the Issuer.

“**Moody's**” means Moody's Investor Service Inc, or any successor.

“**Rate of Interest**” means the Initial Rate of Interest or the Step Up Rate of Interest, whichever is applicable pursuant to the operation of this Condition 5.1.

“**Rating Agencies**” means (1) each of Moody's and S&P; and (2) if either Moody's or S&P ceases to rate the Notes or fails to make a rating of the Notes publicly available for reasons outside the control of the Issuer and the Guarantor, a “nationally recognised statistical rating organisation” within the meaning of Rule 15c3-1(c)(2)(vi)(F) under the Exchange Act selected by the Issuer or the Guarantor (as certified by a resolution of the Board of Directors of the Issuer or the Guarantor) as a replacement agency for Moody's or S&P, or both of them, as the case may be.

“**Rating Change**” means a Step Up Rating Change (or a deemed Step Up Rating Change, as set out above) and/or a Step Down Rating Change (or a deemed Step Down Rating Change, as set out above) which results in an adjustment to the Rate of Interest as described in this Condition 5.1.

“**S&P**” means Standard & Poor's Financial Services LLC, a division of S&P Global Inc., or any successor.

“**Step Down Rating Change**” means, subject as provided above in relation to a deemed Step Down Rating Change, either:

- (a) the first public announcement by both Rating Agencies of an increase in the rating of the Notes to at least an Investment Grade Rating; or
- (b) the first public announcement by either Rating Agency of an increase in the rating of the Notes to at least an Investment Grade Rating, and a confirmation by the other Rating Agency that the rating of the Notes is at least an Investment Grade Rating,

provided that, for the avoidance of doubt, any further increases in the credit rating of the Notes above an Investment Grade Rating shall not constitute a Step Down Rating Change.

“**Step Up Rate of Interest**” means the Initial Rate of Interest plus 1.250 per cent. per annum.

“**Step Up Rating Change**” means, subject as provided above in relation to a deemed Step Up Rating Change, the first public announcement by either Rating Agency or, as the case may be, both Rating Agencies of a decrease in the rating of the Notes to below an Investment Grade Rating. For the avoidance of doubt, any further decreases in the credit rating of the Notes below an Investment Grade Rating shall not constitute a Step Up Rating Change.

“**Substitute Rating Agency**” means (i) Fitch or (if applicable) S&P or Moody’s to the extent previously substituted pursuant to the Issuer’s substitution discretion described in the fourth paragraph of this Condition 5.1, or (ii) in the event that any of S&P, Moody’s or Fitch ceases to operate its rating business without any successor, such other “nationally recognised statistical rating organisation” within the meaning of Rule 15c3-1(c)(2)(vi)(F) under the Exchange Act selected by the Issuer or the Guarantor (as certified by a resolution of the Board of Directors of the Issuer or the Guarantor) as a replacement agency for S&P, Moody’s or Fitch.

## **5.2 Interest Accrual**

Each Note will cease to bear interest from and including its due date for redemption unless, upon due presentation, payment of the principal in respect of the Note is improperly withheld or refused or unless default is otherwise made in respect of payment, in which event interest shall continue to accrue as provided in the Trust Deed.

## **5.3 Calculation of Broken Interest**

When interest is required to be calculated in respect of a period other than as described in Condition 5.1, it shall be calculated on the basis of (a) the actual number of days in the period from and including the date from which interest begins to accrue (the “**Accrual Date**”) to but excluding the date on which it falls due divided by (b) the actual number of days from and including the Accrual Date to but excluding the next following Interest Payment Date.

## **6. PAYMENTS**

### **6.1 Payments in respect of Notes**

Payments of principal and interest in respect of each Note will be made in euro against presentation and surrender (or, in the case of part payment only, endorsement) of the Note, except that payments of interest due on an Interest Payment Date will be made against presentation and surrender (or, in the case of part payment only, endorsement) of the relevant Coupon, in each case at the specified office outside the United States of any of the Paying Agents.

### **6.2 Method of Payment**

Payments will be made by credit or transfer to an account in euro maintained by the payee with a bank in London.

### **6.3 Missing Unmatured Coupons**

Each Note should be presented for payment together with all relative unmatured Coupons, failing which the full amount of any relative missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the full amount of the missing unmatured Coupon which the amount so paid bears to the total amount due) will be deducted from the amount due for payment. Each amount so deducted will be paid in the manner mentioned above against presentation and surrender (or, in the case of part payment only, endorsement) of the relative missing Coupon at any time before the expiry of ten years after the Relevant Date (as defined in Condition 8 (*Taxation*)) in respect of the relevant Note (whether or not the Coupon would otherwise have become void pursuant to Condition 9 (*Prescription*)) or, if later, five years after the date on which the Coupon would have become due, but not thereafter.

### **6.4 Payments subject to Applicable Laws**

All payments under the Notes will be subject in all cases to (i) any applicable fiscal or other laws, regulations and directives, but without prejudice to the provisions of Condition 8 (*Taxation*) and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the United States Internal Revenue Code of 1986 or otherwise imposed pursuant to Sections 1471 through 1474 of the United States Internal Revenue Code of 1986, any regulations or agreements thereunder, any official interpretations thereof, or any law implementing an intergovernmental approach thereto (in each case without prejudice to the provisions of

Condition 8 (*Taxation*)).

## 6.5 Payment only on a Presentation Date

A holder shall be entitled to present a Note or Coupon for payment only on a Presentation Date and shall not, except as provided in Condition 5 (*Interest*), be entitled to any further interest or other payment if a Presentation Date is after the due date.

“**Presentation Date**” means a day which (subject to Condition 9 (*Prescription*)):

- (a) is or falls after the relevant due date;
- (b) is a Business Day in the place of the specified office of the Paying Agent at which the Note or Coupon is presented for payment; and
- (c) a day on which TARGET2 (or any successor thereto) is open for settlement of payments in euro.

In this Condition: “**Business Day**” means, in relation to any place, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits); and “**TARGET2**” means the Trans-European Automated Real-Time Gross Settlement Express Transfer payment system or any successor thereto.

## 6.6 Initial Paying Agents

The names of the initial Paying Agents and their initial specified offices are set out at the end of these Conditions. The Issuer and the Guarantor reserve the right, subject to the prior written approval of the Trustee, at any time to vary or terminate the appointment of any Paying Agent and to appoint additional or other Paying Agents provided that there will at all times be a Principal Paying Agent.

Notice of any termination or appointment and of any changes in specified offices will be given to the Noteholders promptly by the Issuer in accordance with Condition 13 (*Notices*).

## 7. REDEMPTION AND PURCHASE

### 7.1 Redemption at Maturity

Unless previously redeemed or purchased and cancelled as provided below, the Issuer will redeem the Notes at their principal amount on 4 June 2030 (the “**Maturity Date**”).

### 7.2 Redemption for Taxation Reasons

If the Issuer satisfies the Trustee immediately before the giving of the notice referred to below that:

- (a) as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction (as defined in Condition 8 (*Taxation*)), or any change in the application or official interpretation of the laws or regulations of a Relevant Jurisdiction, which change or amendment becomes effective after 2 June 2020, on the next Interest Payment Date either (i) the Issuer would be required to pay additional amounts as provided or referred to in Condition 8 (*Taxation*) or (ii) the Guarantor would be unable for reasons outside its control to procure payment by the Issuer and in making payment itself would be required to pay such additional amounts; and
- (b) the requirement cannot be avoided by the Issuer or, as the case may be, the Guarantor taking reasonable measures available to it,

the Issuer may at its option, having given not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 13 (*Notices*) (which notice shall be irrevocable), redeem all the Notes, but not some only, at any time at their principal amount together with interest accrued to but excluding the date of redemption, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer or, as the case may be, the Guarantor would be required to pay such additional amounts, were a payment in respect of the Notes then due. Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Trustee a certificate signed by two Directors of the Issuer or, as the case may be, the Guarantor stating that the requirement referred to in (a) above will apply on the next Interest

Payment Date, and cannot be avoided by the Issuer or, as the case may be, the Guarantor taking reasonable measures available to it, and the Trustee shall be entitled to accept the certificate as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on the Noteholders and the Couponholders.

### 7.3 Redemption at the Option of the Issuer

The Issuer may, having given not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 13 (*Notices*) (which notice shall be irrevocable), redeem all (but not some only) of the Notes:

- (a) at any time, at their principal amount together with unpaid interest accrued to (but excluding) the date of redemption if, prior to the date the relevant notice of redemption is given, purchases (and corresponding cancellations) and/or redemptions shall have been effected in respect of 80 per cent. or more in principal amount of the Notes originally issued (which shall for this purpose include any further Notes issued pursuant to Condition 17 and consolidated and forming a single series with the Notes), and
- (b) at the Optional Redemption Amount on any Optional Redemption Date.

For the purposes of this Condition 7.3, "**Optional Redemption Amount**" means, in respect of each Note of the Specified Denomination: (a) 100 per cent. of the Calculation Amount; or (b) if higher, the Calculation Amount multiplied by the price (as determined by the Calculation Agent and reported in writing by the Calculation Agent to the Issuer, the Guarantor and the Trustee) expressed as a percentage (rounded to four decimal places, 0.00005 being rounded upwards) at which the Gross Redemption Yield on the Notes (if the Notes were to remain outstanding until their stated maturity) on the Determination Day is equal to the sum of (x) the Gross Redemption Yield at 11.00 a.m. (London time) on the Determination Day of the Reference Stock plus (y) 0.550 per cent., where:

"**Business Day**" shall mean a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London.

"**Calculation Agent**" means an independent adviser with appropriate expertise appointed by the Issuer not less than 15 days prior to the scheduled date for redemption for the purposes of calculating the Optional Redemption Amount, and notified to the Noteholders in accordance with Condition 13 (*Notices*).

"**Determination Day**" means the day falling three Business Days prior to the Optional Redemption Date.

"**Gross Redemption Yield**" on the Notes and the Reference Stock will be expressed as a percentage and will be calculated by the Calculation Agent on the basis set out by the United Kingdom Debt Management Office in the paper "Formulae for Calculating Gilt Prices from Yields" page 4, Section One: Price/Yield Formulae "Conventional Gilts"; "Double-dated and Undated Gilts with Assumed (or Actual) Redemption on a Quasi-Coupon Date" (published on 8 June 1998 and updated on 15 January 2002 and 16 March 2005 and as further updated or amended from time to time) on a semi-annual compounding basis (converted to an annualised yield and rounded up (if necessary) to four decimal places).

"**Optional Redemption Date**" means any Business Day falling after 4 June 2020.

"**Reference Stock**" means 0.375 per cent. United Kingdom Government Treasury Stock due October 2030 or, where the Calculation Agent advises the Issuer, the Guarantor and the Trustee that, for reasons of illiquidity or otherwise, such Reference Stock is not appropriate for such purpose, such other government stock as the Calculation Agent may recommend.

### 7.4 Offer to Purchase upon a Change of Control Triggering Event

If a Change of Control Triggering Event occurs, unless the Issuer has exercised its option to redeem the Notes pursuant to Conditions 7.2 or 7.3, the Issuer will be required to make an offer (the "**Change of Control Offer**") to each Noteholder to purchase all or any part (equal to £100,000 or an integral multiple of £1,000 in excess thereof) of that Noteholder's Notes. In the Change of Control Offer, the Issuer will be required to offer payment in cash equal to the aggregate principal amount of Notes to be purchased, plus accrued and unpaid interest, if

any, on the Notes to be purchased up to but excluding the date of purchase (the “**Change of Control Payment**”). Within 30 days following any Change of Control Triggering Event or, at the option of the Issuer, prior to any Change of Control, but after public announcement of the transaction that constitutes or may constitute the Change of Control, the Issuer will give written notice to the Trustee, in accordance with the procedures set forth in Clause 26 (*Notices*) of the Trust Deed, describing: (i) the transaction which constitutes or may constitute the Change of Control Triggering Event; (ii) offering to purchase the Notes on the date specified in such notice, which date will be a date no earlier than 30 days and no later than 60 days from the date such notice is given (the “**Change of Control Payment Date**”); and (iii) including the instructions (as determined by the Issuer) that a Noteholder must follow in order to have its Notes purchased.

The notice will, if given prior to the date of consummation of the Change of Control, state that the offer to purchase is conditional on the Change of Control Triggering Event occurring on or prior to the Change of Control Payment Date.

On the Change of Control Payment Date, the Issuer will, to the extent lawful:

- (a) accept for purchase all Notes or portions of Notes properly tendered and not withdrawn pursuant to the Change of Control Offer;
- (b) deposit with the agent as set out in the written notice an amount equal to the Change of Control Payment in respect of all Notes or portions of Notes properly tendered and not withdrawn; and
- (c) deliver or cause to be delivered to the Principal Paying Agent the Notes accepted for purchase together with a certificate signed by an Officer of the Issuer stating the aggregate principal amount of Notes or portions of Notes being purchased and request that such Notes are cancelled forthwith as contemplated pursuant to Condition 7.6 below.

The Issuer will not be required to make a Change of Control Offer upon the occurrence of a Change of Control Triggering Event if a third party makes such an offer in the manner, at the times and otherwise in compliance with the requirements for an offer made by the Issuer and the third party purchases all Notes properly tendered and not withdrawn under its offer. In addition, the Issuer will not purchase any Notes if there has occurred and is continuing on the Change of Control Payment Date an Event of Default under Condition 10 (*Events of Default*), other than a default in the payment of the Change of Control Payment upon a Change of Control Triggering Event.

The Guarantor hereby irrevocably and unconditionally guarantees the obligations of the Issuer to make a Change of Control Offer as described above. The Guarantor further irrevocably and unconditionally guarantees to make payment for any and all Notes properly tendered and not withdrawn as described above.

The Trustee is under no obligation to ascertain whether a Change of Control Triggering Event, a Change of Control or Rating Event or any event which could lead to the occurrence of or could constitute a Change of Control Triggering Event or Rating Event has occurred and, until it shall have actual knowledge or notice to the contrary, the Trustee may assume that no Change of Control Triggering Event, Change of Control or Rating Event or other such event has occurred.

References in the Trust Deed and in these Conditions to principal shall, unless the context otherwise requires, be deemed to include a reference any purchase monies paid pursuant to this Condition 7.4.

## **7.5 Purchases**

Subject to paragraph 7.4, the Issuer, the Guarantor or any of the Guarantor's other Subsidiaries may at any time purchase Notes (provided that all unmatured Coupons appertaining to the Notes are purchased with the Notes) in any manner and at any price.

## **7.6 Cancellations**

All Notes which are (a) redeemed or (b) purchased by or on behalf of the Issuer, the Guarantor or any of the Guarantor's other Subsidiaries will forthwith be cancelled, together with all related unmatured Coupons attached to the Notes or surrendered with the Notes, and accordingly may not be held, reissued or resold.

## **7.7 Notices Final**

Upon the expiry of any notice as is referred to in paragraph 7.2, 7.3 or 7.4 above the Issuer shall be bound to redeem or purchase the Notes to which the notice refers, all in accordance with the terms of such paragraph.

## 7.8 Interpretation

In these Conditions:

“**Affiliate**” shall have the meaning given in Rule 405 of the U.S. Securities Act of 1933, as amended.

“**Board of Directors**” means, as to any Person, the board of directors, management committee or similar governing body of such Person or any duly authorised committee thereof.

“**Change of Control**” means the occurrence of any of the following:

- (a) the consummation of any transaction (including, without limitation, any merger or consolidation) the result of which is that any Person or “group” (as used in Section 13d-3 of the Exchange Act) (other than an Affiliate of the Guarantor) becomes the beneficial owner, directly or indirectly, of more than 50 per cent. of the Voting Stock of the Guarantor or other Voting Stock into which the Voting Stock of the Guarantor is reclassified, consolidated, exchanged or changed, measured by voting power rather than number of shares;
- (b) the direct or indirect sale, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or more series of related transactions, of all or substantially all of the assets of the Guarantor and the Subsidiaries of the Guarantor, taken as a whole, to one or more Persons (other than an Affiliate of the Guarantor);
- (c) the first day on which a majority of the members of the Board of Directors of the Guarantor are not Continuing Directors; or
- (d) the adoption of a plan relating to the liquidation or dissolution of the Guarantor.

Notwithstanding the foregoing, a transaction will not be deemed to involve a Change of Control if:

- (i) the Guarantor becomes a direct or indirect wholly-owned subsidiary of a holding company; and
- (ii) (A) the direct or indirect holders of the Voting Stock of such holding company immediately following that transaction are substantially the same as the holders of the Voting Stock of the Guarantor immediately prior to that transaction or (B) immediately following that transaction one Person (other than a holding company satisfying the requirements of this sentence) is not the beneficial owner, directly or indirectly, of more than 50 per cent. of the Voting Stock of such holding company.

“**Change of Control Triggering Event**” means the occurrence of both a Change of Control and a Rating Event.

“**Continuing Directors**” means, as of any date of determination, any member of the Board of Directors of the Guarantor who (1) was a member of such Board of Directors on the date the Notes were issued or (2) was nominated for election, elected or appointed to such Board of Directors with the approval of a majority of the continuing directors who were members of such Board of Directors at the time of such nomination, election or appointment (either by a specific vote or by approval of the proxy statement of the Guarantor in which such member was named as a nominee for election as a director, without objection to such nomination).

“**Officer**” means, when used in connection with any action to be taken by the Issuer or the Guarantor, as the case may be, the chairman of the Board of Directors, the chief executive officer, any executive director of the Issuer or the Guarantor, as the case may be, or any person authorised by the Board of Directors of the Issuer or the Guarantor, as the case may be, (such authorisation to be evidenced in writing and delivered to the Trustee) to act as representative of such persons.

“**Person**” means an individual, partnership, corporation, limited liability company, unincorporated organisation, trust or joint venture, or a governmental agency or political subdivision thereof, or any other entity.

“**Rating Event**” means the rating on the Notes is lowered by each of the Rating Agencies and the Notes are rated below an Investment Grade Rating by each of the Rating Agencies on any day during the period commencing 60 days prior to the first public announcement by the Guarantor of any Change of Control (or pending Change of Control) and ending 60 days following the consummation of such Change of Control

(which period will be extended following consummation of a Change of Control for so long as any of the Rating Agencies has publicly announced that it is considering a possible ratings change).

“**Subsidiary**” means, in relation to the Issuer or the Guarantor, any company (i) in which the Issuer or, as the case may be, the Guarantor holds a majority of the voting rights or (ii) of which the Issuer or, as the case may be, the Guarantor is a member and has the right to appoint or remove a majority of the board of directors or (iii) of which the Issuer or, as the case may be, the Guarantor is a member and controls a majority of the voting rights, and includes any company which is a Subsidiary of a Subsidiary of the Issuer or, as the case may be, the Guarantor.

“**Voting Stock**” means, with respect to any specified Person as of any date, the capital stock of such Person that is at the time entitled to vote generally in the election of the board of directors of such Person.

## 8. TAXATION

### 8.1 Payment without Withholding

All payments in respect of the Notes by or on behalf of the Issuer or the Guarantor shall be made free and clear of, and without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature (“**Taxes**”) imposed or levied by or on behalf of the Relevant Jurisdiction, unless the withholding or deduction of the Taxes is required by law. In the event that any withholding or deduction is required by law for or on account of any Taxes imposed or levied by or on behalf of the Relevant Jurisdiction, the Issuer or, as the case may be, the Guarantor will pay such additional amounts as may be necessary in order that the net amounts received by the Noteholders and Couponholders after the withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Notes or, as the case may be, Coupons in the absence of the withholding or deduction; except that no additional amounts shall be payable in relation to any payment in respect of any Note or Coupon:

- (a) presented for payment by or on behalf of, a holder who is liable to the Taxes in respect of the Note or Coupon by reason of his having some connection with the Relevant Jurisdiction other than the mere holding of the Note or Coupon; or
- (b) where such withholding or deduction could have been avoided by the holder making a declaration of non-residence or other similar claim for exemption to any authority of or in the United Kingdom; or
- (c) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that a holder would have been entitled to additional amounts on presenting the same for payment on the last day of the period of 30 days assuming, whether or not such is in fact the case, that day to have been a Presentation Date (as defined in Condition 6 (*Payments*)).

### 8.2 Interpretation

In these Conditions:

- (a) “**Relevant Date**” means the date on which the payment first becomes due but, if the full amount of the money payable has not been received by the Principal Paying Agent or the Trustee on or before the due date, it means the date on which, the full amount of the money having been so received, notice to that effect has been duly given to the Noteholders by the Issuer in accordance with Condition 13 (*Notices*); and
- (b) “**Relevant Jurisdiction**” means the United Kingdom or any political subdivision or any authority thereof or therein having power to tax or any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which the Issuer or the Guarantor, as the case may be, becomes subject in respect of payments made by it of principal and interest on the Notes and Coupons.

### 8.3 Additional Amounts

Any reference in these Conditions to any amounts in respect of the Notes shall be deemed also to refer to any additional amounts which may be payable under this Condition or under any undertakings given in addition to, or in substitution for, this Condition pursuant to the Trust Deed.

## 9. PRESCRIPTION

Notes and Coupons will become void unless presented for payment within periods of 10 years (in the case of principal) and five years (in the case of interest) from the Relevant Date in respect of the Notes or, as the case may be, the Coupons, subject to the provisions of Condition 6 (*Payments*).

## 10. EVENTS OF DEFAULT

10.1 The Trustee at its absolute discretion may, and if so required in writing by the holders of not less than 25 per cent. in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution of the Noteholders shall (subject in each case to being indemnified and/or secured and/or prefunded to its satisfaction), give notice to the Issuer declaring the Notes to be repayable, if at any time any of the following events (each an “**Event of Default**”) shall occur and is continuing, so long as at the time of such notice such event or (as the case may be) all such events shall not have been waived by, or remedied to the reasonable satisfaction of, the Trustee:

- (a) default being made in the payment of any interest in respect of any of the Notes for a period of 14 days as and when the same ought to be paid; or
- (b) default being made in the payment of the principal in respect of any of the Notes for a period of seven days as and when the same ought to be paid; or
- (c) default being made by the Issuer or the Guarantor in the performance or observance of any other covenant, undertaking, condition or provision contained in the Trust Deed or in the Notes and (except where the Trustee shall have certified in writing to the Issuer or the Guarantor (as the case may be) that it considers such default to be incapable of remedy when no such notice as is hereinafter mentioned shall be required) such default continues for a period of 30 days or more immediately following the service by the Trustee on the Issuer of a notice requiring the same to be remedied; or
- (d) the occurrence of any event of default as defined in any mortgage, indenture or instrument under which there may be issued, or by which there may be secured or evidenced, any indebtedness of the Issuer, the Guarantor or any Material Company for money borrowed, whether such indebtedness now exists or shall hereafter be created, resulting in such indebtedness in principal amount in excess of \$50,000,000 (or the equivalent thereof in other currencies) becoming or being declared due and payable prior to the date on which it would otherwise become due and payable, and such acceleration not having been rescinded or annulled, or such indebtedness not having been discharged, within a period of 30 days after written notice thereof shall have been given to the Issuer and the Guarantor by the Trustee; or
- (e) an order being made or an effective resolution being passed for the winding up or dissolution of the Issuer, the Guarantor or any Material Company (except, in the case of a Material Company, for a winding-up for the purpose of a reconstruction or amalgamation the terms of which have previously been approved in writing by the Trustee or a voluntary solvent winding-up in connection with the transfer of all or the major part of the business, undertaking and assets of such Material Company to the Issuer or the Guarantor, another Material Company or any Subsidiary which becomes a Material Company as a result of such transfer); or
- (f) the Issuer, the Guarantor or any Material Company ceasing to carry on all or substantially all of its business (except a cessation (1) in the circumstances referred to in the parentheses of paragraph (e) above or (2) consequent upon a sale by a Material Company of all or any part of its business on arm's length terms and for fair market value); or
- (g) an encumbrancer taking possession of, or an administrative or other receiver, an administrator or any similar official being appointed in relation to, the Issuer, the Guarantor or any Material Company or in relation to the whole or substantially the whole of the undertaking, property, assets or revenues of the Issuer, the Guarantor or any Material Company or a distress or execution or other legal process being levied or enforced upon or sued out against the whole or substantially the whole of the chattels or property of the Issuer, the Guarantor or any Material Company and not being discharged within 28 days; or
- (h) the Issuer, the Guarantor or any Material Company being unable to pay its debts within the meaning of Section 123(1) of the Insolvency Act 1986; or
- (i) the Issuer, the Guarantor or any Material Company consenting to proceedings relating to itself under any applicable bankruptcy, insolvency, composition or other similar laws or making a conveyance or assignment for the benefit of, or entering into any composition with, its creditors generally, or being adjudicated or found bankrupt or insolvent by any competent court; or

- (j) the Guarantee ceases to be in full force and effect or the Guarantor shall, in writing, deny or disaffirm its obligations under the Guarantee.

Upon any such declaration being made as aforesaid, the outstanding Notes shall become immediately due and repayable at their principal amount, together with accrued interest as provided in the Trust Deed.

## 10.2 Interpretation

In this Condition, “**Business Day**” means any day other than a Saturday or Sunday or a day on which commercial banks and trust companies located in New York City or London are authorised or required by law, regulation or executive order to be closed.

In these Conditions:

“**Material Company**” means:

- (a) the Issuer; and
- (b) any Subsidiary of the Guarantor:
- (i) whose unconsolidated profits (before interest, taxation and non-operating items) are more than 5 per cent. of the consolidated profits of the Guarantor and its Subsidiaries (the “**Group**”) (before interest, taxation and non-operating items); or
- (ii) whose external turnover is more than 3 per cent. of the consolidated turnover of the Group,

all as shown (in the case of any Subsidiary) in the accounts used for preparing the Group consolidation in the most recent annual consolidated financial statements of the Group. If a Subsidiary (other than the Issuer) which is not a Material Company on the basis of the most recent such accounts receives a transfer of assets or the right to receive any trading profits or turnover which, taken together with the existing trading profits, assets or, as the case may be, turnover of that Subsidiary, would satisfy any test in (i) or (ii) above, then that Subsidiary shall also be a Material Company on and from the date it receives such transfer. If a Material Company disposes of any assets or the right to receive any trading profits or turnover such that it would on the basis of the most recent such accounts cease to be a Material Company, then it shall be excluded as a Material Company on and from the date of such disposal. A report (whether or not addressed to the Trustee) by two directors of the Guarantor that a Subsidiary of the Guarantor is or is not or was or was not at any particular time or throughout any specified period a Material Company may be relied upon by the Trustee without further enquiry or evidence and, if so relied upon by the Trustee shall, in the absence of manifest error, be conclusive and binding on all parties.

## 11. ENFORCEMENT

### 11.1 Enforcement by the Trustee

The Trustee may at any time, at its discretion and without notice, take such proceedings against the Issuer and/or the Guarantor as it may think fit to enforce the provisions of the Trust Deed, the Notes and the Coupons, but it shall not be bound to take any such proceedings or any other action in relation to the Trust Deed, the Notes or the Coupons unless (a) it has been so directed by an Extraordinary Resolution of the Noteholders or so requested in writing by the holders of at least one-quarter in principal amount of the Notes then outstanding and (b) it has been indemnified and/or secured and/or prefunded to its satisfaction.

### 11.2 Enforcement by the Noteholders

No Noteholder or Couponholder shall be entitled to proceed directly against the Issuer or the Guarantor unless the Trustee, having become bound so to proceed, fails or is unable so to do within 60 days and such failure or inability shall be continuing.

## 12. REPLACEMENT OF NOTES AND COUPONS

Should any Note or Coupon be lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Principal Paying Agent upon payment by the claimant of the expenses incurred in connection with the replacement and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Notes or Coupons must be surrendered before replacements will be issued.

### 13. NOTICES

All notices to the Noteholders will be valid if published in a leading English language daily newspaper published in London or such other English language daily newspaper with general circulation in Europe as the Trustee may approve. It is expected that publication will normally be made in the *Financial Times*. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any stock exchange or the relevant authority on which the Notes are for the time being listed. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers. If publication as provided above is not practicable, notice will be given in such other manner, and shall be deemed to have been given on such date, as the Trustee may approve. Couponholders will be deemed for all purposes to have notice of the contents of any notice given to the Noteholders in accordance with this paragraph.

So long as the Notes are held on behalf of Euroclear and/or Clearstream, Luxembourg, any notice to the holders of the Notes shall be validly given by the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg, rather than by notification as required by these Conditions.

### 14. SUBSTITUTION

The Trustee may, without the consent of the Noteholders or the Couponholders, agree with the Issuer and the Guarantor to the substitution (a) in place of the Issuer as the principal debtor in respect of the Notes of (i) the Guarantor, (ii) a successor in business to the Issuer or the Guarantor, (iii) a holding company (as defined in the Trust Deed) of the Issuer or the Guarantor or (iv) any Subsidiary of the Guarantor; or (b) in place of the Guarantor as the guarantor in respect of the Notes, the Coupons and the Trust Deed of (i) a successor in business to the Guarantor or (ii) a holding company of the Guarantor, subject to:

- (a) except in the case of the substitution of the Guarantor, the Notes being unconditionally and irrevocably guaranteed by the Guarantor;
- (b) the Trustee being satisfied that the interests of the Noteholders will not be materially prejudiced by the substitution; and
- (c) certain other conditions set out in the Trust Deed being complied with.

### 15. MEETINGS OF NOTEHOLDERS, MODIFICATION, WAIVER, AUTHORISATION AND DETERMINATION

The Trust Deed contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Notes, the Coupons or any of the provisions of the Trust Deed. Such a meeting may be convened by the Issuer or the Trustee or by Noteholders holding not less than 5 per cent. in principal amount of the Notes for the time being outstanding. The quorum at any such meeting for passing an Extraordinary Resolution will be one or more persons holding or representing a clear majority in principal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the principal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Notes or the Coupons or the Trust Deed (including modifying the date of maturity of the Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes or altering the currency of payment of the Notes or the Coupons), the quorum shall be one or more persons holding or representing not less than two-thirds in principal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than one-third in principal amount of the Notes for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Noteholders shall be binding on all the Noteholders, whether or not they are present at the meeting, and on all Couponholders. An Extraordinary Resolution may also be effected in writing executed by or on behalf of persons holding or representing not less than three-fourths in principal amount of the Notes for the time being outstanding.

The Trustee may agree, without the consent of the Noteholders or Couponholders, to:

- (a) any modification of the Notes, the Coupons or the Trust Deed which is not, in the opinion of the Trustee, materially prejudicial to the interests of the Noteholders; or
- (b) any modification of the Notes, the Coupons or the Trust Deed which is of a formal, minor or technical nature or which is made to correct a manifest error or to comply with mandatory provisions of applicable

law.

The Trustee may also agree, without the consent of the Noteholders or Couponholders, to the waiver or authorisation of any breach or proposed breach of any of these Conditions or any of the provisions of the Trust Deed or determine, without any such consent as aforesaid, that any Event of Default or Potential Event of Default (each as defined in the Trust Deed) shall not be treated as such, which in any such case is not, in the opinion of the Trustee, materially prejudicial to the interests of the Noteholders.

Any such modification, waiver, authorisation or determination as aforesaid shall be binding on the Noteholders and the Couponholders and, unless the Trustee agrees otherwise, any such modification shall be notified to the Noteholders by the Issuer in accordance with Condition 13 (*Notices*) as soon as practicable thereafter.

In connection with the exercise by it of any of its trusts, powers, authorities or discretions (including, but without limitation, any modification, waiver, authorisation or determination), the Trustee shall have regard to the general interests of the Noteholders as a class but shall not have regard to any interests arising from circumstances particular to individual Noteholders or Couponholders (whatever their number) and, in particular, but without limitation, shall not have regard to the consequences of such exercise for individual Noteholders or Couponholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory and the Trustee shall not be entitled to require, nor shall any Noteholder or Couponholder be entitled to claim, from the Issuer or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders or Couponholders except, in the case of the Issuer, to the extent provided for in Condition 8 (*Taxation*) and/or any undertaking given in addition to, or in substitution for, Condition 8 (*Taxation*) pursuant to the Trust Deed.

## **16. INDEMNIFICATION OF THE TRUSTEE AND ITS CONTRACTING WITH THE ISSUER AND THE GUARANTOR**

### **16.1 Indemnification of the Trustee**

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking action unless indemnified and/or secured and/or prefunded to its satisfaction.

### **16.2 Trustee Contracting with the Issuer and the Guarantor**

The Trust Deed also contains provisions pursuant to which the Trustee is entitled, *inter alia*, (a) to enter into business transactions with the Issuer and/or the Guarantor and/or any of the Guarantor's other Subsidiaries and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer and/or the Guarantor and/or any of the Guarantor's other Subsidiaries, (b) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Noteholders or Couponholders, and (c) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

## **17. FURTHER ISSUES**

The Issuer is at liberty from time to time without the consent of the Noteholders or Couponholders to create and issue further notes or bonds (whether in bearer or registered form) either (a) ranking *pari passu* in all respects (or in all respects save for the first payment of interest thereon) and so that the same shall be consolidated and form a single series with the outstanding notes or bonds of any series (including the Notes) constituted by the Trust Deed or any supplemental deed or (b) upon such terms as to ranking, interest, conversion, redemption and otherwise as the Issuer may determine at the time of the issue. Any further notes or bonds which are to form a single series with the outstanding notes or bonds of any series (including the Notes) constituted by the Trust Deed or any supplemental deed shall, and any other further notes or bonds may (with the consent of the Trustee), be constituted by a deed supplemental to the Trust Deed. The Trust Deed contains provisions for convening a single meeting of the Noteholders and the holders of notes or bonds of other series in certain circumstances where the Trustee so decides.

## **18. GOVERNING LAW**

The Trust Deed (including the Guarantee), the Notes and the Coupons and any non-contractual obligations arising out of or in connection with the Trust Deed (including the Guarantee), the Notes and the Coupons are governed by, and will be construed in accordance with, English law.

**19. RIGHTS OF THIRD PARTIES**

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Note, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

## SUMMARY OF PROVISIONS RELATING TO THE NOTES IN GLOBAL FORM

### 1. Form

The Notes will be in bearer new global note (“NGN”) form and will be initially issued in the form of a temporary Global Note which will be delivered on or prior to the issue date of the Notes to a common safekeeper for Euroclear and Clearstream, Luxembourg.

The Notes are intended to be held in a manner which will allow Eurosystem eligibility. This means that the Notes are intended upon issue to be deposited with Euroclear or Clearstream, Luxembourg as common safekeeper and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life.

### 2. Exchange

The Permanent Global Note will be exchangeable in whole but not in part (free of charge to the holder) for definitive Notes only:

- (a) upon the happening of any of the events defined in the Trust Deed as “Events of Default”; or
- (b) if either Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so and no alternative clearing system satisfactory to the Trustee is available.

Thereupon the holder of the Permanent Global Note (acting on the instructions of one or more of the Accountholders (as defined below)) or the Trustee may give notice to the Issuer of its intention to exchange the Permanent Global Note for definitive Notes on or after the Exchange Date (as defined below).

On or after the Exchange Date the holder of the Permanent Global Note shall surrender the Permanent Global Note to or to the order of the Principal Paying Agent. In exchange for the Permanent Global Note the Issuer will deliver, or procure the delivery of, an equal aggregate principal amount of definitive Notes (having attached to them all Coupons in respect of interest which has not already been paid on the Permanent Global Note), security printed in accordance with any applicable legal and stock exchange requirements and in or substantially in the form set out in the Trust Deed. On exchange of the Permanent Global Note, the Issuer will procure that it is cancelled and, if the holder so requests, returned to the holder together with any relevant definitive Notes.

For these purposes, “**Exchange Date**” means a day specified in the notice requiring exchange falling not less than 60 days after that on which such notice is given and being a day on which banks are open for general business in the place in which the specified office of the Principal Paying Agent is located and, except in the case of exchange pursuant to (b) above, in the place in which the relevant clearing system is located.

### 3. Payments

On and after 14 July 2020, no payment will be made on the Temporary Global Note unless exchange for an interest in the Permanent Global Note is improperly withheld or refused. Payments of principal and interest in respect of Notes represented by a Global Note will, subject as set out below, be made to the bearer of such Global Note and, if no further payment falls to be made in respect of the Notes, against surrender of such Global Note to the order of the Principal Paying Agent or such other Paying Agent as shall have been notified to the Noteholders for such purposes. The Issuer shall procure that the amount so paid shall be entered *pro rata* in the records of Euroclear and Clearstream, Luxembourg and the nominal amount of the Notes recorded in the records of Euroclear and Clearstream, Luxembourg and represented by such Global Note will be reduced accordingly. Each payment so made will discharge the Issuer's obligations in respect thereof. Any failure to make the entries in the records of Euroclear and Clearstream, Luxembourg shall not affect such discharge.

Payments of interest on the Temporary Global Note (if permitted by the first sentence of this paragraph) will be made only upon certification as to non-U.S. beneficial ownership unless such certification has already been made.

### 4. Notices

For so long as all of the Notes are represented by one or both of the Global Notes and such Global Note(s) is/are held on behalf of Euroclear and/or Clearstream, Luxembourg, notices to Noteholders may be given by delivery of

the relevant notice to Euroclear and/or Clearstream, Luxembourg (as the case may be) for communication to the relative Accountholders rather than by publication as required by Condition 13 (*Notices*).

**5. Accountholders**

For so long as all of the Notes are represented by one or both of the Global Notes and such Global Note(s) is/are held on behalf of Euroclear and/or Clearstream, Luxembourg, each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg as the holder of a particular principal amount of such Notes (each an Accountholder) (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the principal amount of such Notes standing to the account of any person shall, in the absence of manifest error, be conclusive and binding for all purposes) shall be treated as the holder of such principal amount of such Notes for all purposes (including but not limited to, for the purposes of any quorum requirements of, or the right to demand a poll at, meetings of the Noteholders and giving notice to the Issuer pursuant to Condition 10 (*Events of Default*)) other than with respect to the payment of principal and interest on such principal amount of such Notes, the right to which shall be vested, as against the Issuer and the Trustee, solely in the bearer of the relevant Global Note in accordance with and subject to its terms and the terms of the Trust Deed. Each Accountholder must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for its share of each payment made to the bearer of the relevant Global Note.

**6. Prescription**

Claims against the Issuer and the Guarantor in respect of principal and interest on the Notes represented by a Global Note will be prescribed after ten years (in the case of principal) and five years (in the case of interest) from the Relevant Date (as defined in Condition 8 (*Taxation*)).

**7. Cancellation**

Cancellation of any Note represented by a Global Note and required by the Terms and Conditions of the Notes to be cancelled following its redemption or purchase will be effected by endorsement by or on behalf of the Principal Paying Agent of the reduction in the principal amount of the relevant Global Note on the relevant part of the schedule thereto.

## USE OF PROCEEDS

Pearson intends to apply the net proceeds of the issue of the Notes, in part or in full, to finance or refinance projects and expenditures that meet the Eligible Categories set out in Pearson's Social Bond Framework (see "*Social Bond Framework*").

The Eligible Categories are the following:

- (i) Access to essential services – education.
- (ii) Socioeconomic advancement and empowerment.

## SOCIAL BOND FRAMEWORK

On 26 May 2020, Pearson published its Social Bond Framework, which has been prepared in accordance with the 2018 Social Bond Principles (the “**Social Bond Principles**”) published by the Executive Committee of the Social Bond Principles with the support of the International Capital Market Association (ICMA) and under which Pearson aims to issue bonds that finance or refinance projects and expenditures that meet the Eligible Categories set out in the Social Bond Framework and which advances the United Nations’ Sustainable Development Goal 4 – Quality Education.

### Use and Management of Proceeds

The net proceeds of the issue of the Notes will be allocated in part or in full, to finance or refinance projects and expenditures that meet the following Eligible Categories:

1. Access to essential services – education: (i) teaching, technology, student materials and curriculum development for the provision of free online education services through Pearson’s Connections Academy, and (ii) curriculum and product development for alternative secondary education credential and foundational learning through the General Educational Development programme
2. Socioeconomic Advancement and Empowerment: (i) the development of vocational certification services for underserved and underemployed learners through the Business and Technology Education Council vocational qualification; (ii) teaching, technology and curriculum development for the provision of free adult learning services including Pearson’s Accelerated Pathways product, and (iii) curriculum and product adaptation to ensure accessibility of Pearson’s products to people with disabilities

The Social Bond Framework has been approved by Pearson’s Responsible Business Leadership Council (“**RBLC**”), which is led by the Chief Corporate Affairs and Global Marketing Officer and includes 20 of Pearson’s Senior Management team.

Eligible projects will be shortlisted by Pearson’s Treasury Team in collaboration with the Sustainability Team. The Treasury Team will regularly submit potential eligible projects and expenditures to the RBLC for review and approval. Each project or expenditure approved by the RBLC for inclusion in the bond issuance portfolio is recorded by the Treasury Team in an internal database, and proceeds from outstanding bonds will be allocated accordingly.

The proceeds of each bond will be earmarked against a pool of eligible projects and expenditures and may be used for direct operating expenses or capital expenditure provided the primary purpose is the provision of education. Allocations will be made from 24 months prior to the issuance and up to 24 months after the date of issuance of the Notes. In the event that funds cannot be immediately and fully allocated, or in the event of any early repayment, any unutilised funds may be lent in the short term to operating companies to fund working capital and investment in Pearson’s education business, until such time as they are recalled for investment in eligible projects that meet the Eligible Categories as updated from time to time.

In the event an approved project or expenditure ceases to be eligible or is involved in a material controversy, Pearson will remove such project or expenditure from the allocation portfolio (on a forward-looking basis) whilst a review is conducted. During the review period, Pearson will aim to allocate the proceeds to other eligible projects or expenditure as soon as possible. If and when a project or expenditure becomes eligible again, it will be resubmitted to the RBLC for review against the Eligible Categories as updated from time to time.

### Reporting

The RBLC will be responsible for reporting both the allocation of proceeds and social benefits of the project or expenditure. Pearson will report to investors annually on the allocation of the use of proceeds, and these reports will also be subject to external verification. All such documents will be published on Pearson’s Investor Relations webpage (<https://www.pearson.com/corporate/investors.html>).

### External Review

Pearson has appointed Vigeo-Eiris to confirm the alignment of its Social Bond Framework with the Social Bond Principles. Vigeo-Eiris has reviewed the content of Pearson’s Social Bond Framework as well as its alignment with the Social Bond Principles and provided Pearson with a second party opinion. The objective of this opinion is to provide investors with an independent assessment of the Pearson Social Bond Framework. The second party opinion provided by Vigeo-Eiris is available on Pearson’s website (<https://www.pearson.com/corporate/investors.html>). For the avoidance of doubt, such second party opinion is not incorporated in this Offering Circular.

Pearson, through the RBLC, may amend or update the Social Bond Framework in the future, and any change to the Social Bond Framework would be publicly announced. Pearson’s Social Bond Framework, including any changes thereto, is available on its website (<https://www.pearson.com/corporate/investors.html>).

## DESCRIPTION OF THE ISSUER

### General

Pearson Funding plc (the “**Issuer**”) (formerly known as Pearson Funding Five plc) is a direct wholly-owned subsidiary of Pearson plc (the “**Guarantor**”). The Issuer acts as a financing company within the Group. The Issuer’s corporate purposes are to carry on business as a finance company in all its aspects and to carry on any other lawful business activity, in accordance with its Memorandum and Articles of Association. Its registered office and principal administrative office is 80 Strand, London WC2R 0RL, United Kingdom (telephone: +44 20 7010 2000) with Companies House registration number 08422787. The Issuer was duly incorporated and registered on 27 February 2013. The Issuer was initially incorporated as a public limited company under the UK Companies Act 2006.

All of the debt held by Pearson Funding plc is guaranteed by Pearson plc and the Issuer is rated Baa2 (negative outlook) by Moody’s and BBB- (stable outlook) by Standard and Poor’s in line with Pearson plc.

### Reporting

The Issuer produces unconsolidated financial statements for the year ended 31 December in each year, and the Issuer’s unconsolidated financial statements for the years ended 31 December 2018 and 31 December 2017 are incorporated by reference in this Offering Circular. The Issuer has no employees. During 2018 and 2017, the only income statement items were finance income and costs related to external debt and receivables from the Guarantor and taxes payable on the profit generated, resulting in a net profit of £3 million in 2018 (£13 million in 2017).

The Issuer had total share capital of £367 million at 31 December 2018 and 31 December 2017 and retained profits of £60 million at 31 December 2018 and £57 million at 31 December 2017.

### Directors of the Issuer

The following table sets forth information concerning each of the directors of Pearson Funding plc as of the date of this Offering Circular.

<u>Name</u>	<u>Role</u>
Suzi Brennan	Deputy CFO, Pearson plc
Andrew Midgley	SVP Group Reporting, Pearson plc
James Kelly	SVP Treasury, Pearson plc

The business address for each of the above directors is the Issuer’s registered office at 80 Strand, London WC2R 0RL, United Kingdom.

No conflicts of interest currently exist. Any principal activities outside group or conflicts of interest would be reviewed and authorised by Coram Williams, CFO and an executive director of the Guarantor.

## DESCRIPTION OF THE GUARANTOR

Information about the Guarantor is incorporated herein by reference from pages 1 to 82 (inclusive) of Pearson's Annual Report on Form 20-F.

### Pearson

Pearson is an international education company with its principal operations in the education and consumer publishing markets. The Group delivers content, assessment and services, powered by technology, in order to drive personalised learning at scale. The Group creates and manages intellectual property, which it promotes and sells to its customers under well-known brand names. The Group delivers its content in a variety of forms and through a variety of channels, including books and online services. The Group offers services as well as content, from test creation, administration and processing to teacher development and school software. Though it operates in more than 70 countries around the world, for the year ended 31 December 2019 its largest markets are North America (65% of sales) and Europe (16% of sales).

Pearson plc was incorporated and registered in 1897 under the laws of England and Wales as a limited company and re-registered under the UK Companies Act as a public limited company in 1981. The Group conducts its operations primarily through Pearson's subsidiaries and other affiliates. Pearson's principal executive offices are located at 80 Strand, London WC2R 0RL, United Kingdom (telephone: +44 20 7010 2000) and its website address is [www.pearson.com](http://www.pearson.com).

The Group is a leading provider of educational materials and learning technologies. It provides test development, processing and scoring services to governments, educational institutions, corporations and professional bodies around the world. It publishes across the curriculum and provides a range of education services including teacher development, educational software and system-wide solutions, and also owns and operates colleges and schools.

The Group is run as one global education company, organised around three geographical operating segments (North America, Core and Growth). Within each segment, the Group provides content, assessment and digital services to schools, colleges and universities, as well as professional and vocational education to learners.

The Group owned a 25% interest in Penguin Random House, which was formed on 1 July 2013, upon the completion of an agreement between Pearson and Bertelsmann SE & Co. KGaA ("Bertelsmann") to merge their respective publishing companies, Penguin and Random House. Pearson originally owned a 47% stake in Penguin Random House, but sold 22% on 5 October 2017. In December 2019, the Group announced the sale of its remaining 25% interest to Bertelsmann in a transaction that closed on 1 April 2020.

### Directors of the Guarantor

Pearson is managed by a board of directors and a chief executive who reports to the board and manages through an executive committee. Pearson refers to the board of directors, the chairman of the board of directors and the executive committee as its "senior management".

The directors of Pearson are:

Name	Position
Sidney Taurel	Chair
John Fallon <sup>1</sup>	Chief Executive
Sally Johnson	Chief Financial Officer
Andy Bird	Non-Executive Director
Elizabeth Corley, DBE	Non-Executive Director
Sherry Coutu, CBE	Non-Executive Director
Vivienne Cox, CBE	Senior Independent Director
Linda Lorimer	Non-Executive Director
Michael Lynton	Non-Executive Director
Graeme Pitkethly	Non-Executive Director
Tim Score	Non-Executive Director
Lincoln Wallen	Non-Executive Director

The business address for each director of the Guarantor is 80 Strand, London WC2R 0RL, United Kingdom.

<sup>1</sup> John Fallon has announced his intention to retire from Pearson during 2020.

There are no potential conflicts of interest between any duties owed to the Guarantor by its directors and their private interest and/or other duties.

Further details about the directors can be found under “Item 6. Directors, Senior Management and Employees—Directors and Senior Management” of Pearson’s Annual Report on Form 20-F, which is incorporated by reference into this Offering Circular.

## TAXATION

### United Kingdom Taxation

The following is a general summary of the Issuer's understanding of certain aspects of current United Kingdom law and published HM Revenue & Customs ("HMRC") practice relating to certain aspects of United Kingdom taxation. It applies only to persons who are the absolute beneficial owners of Notes and related Coupons and may not apply to certain classes of persons, such as dealers and persons connected with the Issuer, to whom special rules may apply.

**Prospective Noteholders who are in any doubt as to their tax position or who may be subject to tax in any jurisdiction other than the United Kingdom should seek independent professional advice without delay.**

### *United Kingdom withholding tax*

Payments of interest made in respect of Notes which carry a right to interest and are listed on a "recognised stock exchange" within the meaning of section 1005 Income Tax Act 2007 ("ITA 2007"), or are admitted to trading on a multilateral trading facility operated by an EEA-regulated recognised stock exchange within the meaning of section 987 ITA 2007 may be made without withholding or deduction for or on account of United Kingdom income tax.

Section 1005(3) ITA 2007 provides that securities will be listed on a recognised stock exchange if (and only if) they are admitted to trading on that exchange, and either they are included in the United Kingdom official list (within the meaning of Part 6 of the Financial Services and Markets Act 2000) or they are officially listed, in accordance with provisions corresponding to those generally applicable in European Economic Area states, in a country outside the United Kingdom in which there is a recognised stock exchange. The Global Exchange Market is a listed market of Euronext Dublin which is a recognised stock exchange. Accordingly, provided the Notes are and continue to be admitted to trading on the Global Exchange Market of Euronext Dublin and officially listed as described above, the Issuer is entitled to make payments of interest on such Notes without deduction for or on account of United Kingdom income tax.

In cases falling outside the exemption described above, interest on Notes may fall to be paid under deduction of United Kingdom income tax at the basic rate (currently 20%), subject to such relief as may be available following a direction from HMRC pursuant to the provisions of any applicable double taxation treaty, or to any other exemption which may apply.

Depending on the correct legal analysis of payments made by the Guarantor as a matter of United Kingdom tax law, it is possible that payments by the Guarantor would be subject to withholding on account of United Kingdom tax, subject to any applicable exemptions or reliefs (and noting that not all of the exemptions and reliefs set out above would necessarily be applicable).

### **The Foreign Account Tax Compliance Act**

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "foreign financial institution" may be required to withhold on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting or related requirements. The Issuer may be a foreign financial institution for these purposes.

A number of jurisdictions (including the United Kingdom) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change.

Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, such withholding would not apply prior to the date that is two years after the date on which final regulations defining "foreign passthru payments" are published in the U.S. Federal Register and Notes characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining "foreign passthru payments" are filed with the U.S. Federal Register generally would be "grandfathered" for purposes of FATCA withholding unless materially modified after such date (including by reason of a substitution of the Issuer). However, if additional Notes (as described under "Terms and Conditions – Further Issues") that are not distinguishable from previously issued Notes are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all such Notes, including those Notes offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA.

Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Notes.

### **The proposed financial transactions tax (“FTT”)**

On 14 February 2013, the European Commission published a proposal (the “**Commission’s Proposal**”) for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the “**participating Member States**”). However, Estonia has since stated that it will not participate.

The Commission’s Proposal has very broad scope and could, if introduced, apply to certain dealings in Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of Notes should, however, be exempt.

Under the Commission’s Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, “established” in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional Member States may decide to participate. Prospective holders of Notes are advised to seek their own professional advice in relation to the FTT.

## SUBSCRIPTION AND SALE

Barclays Bank PLC, HSBC Bank plc and Merrill Lynch International (the “**Joint Lead Managers**”) have, pursuant to a Subscription Agreement (the “**Subscription Agreement**”) dated 2 June 2020, jointly and severally agreed to subscribe for or procure subscribers for the Notes at the issue price of 99.246 per cent. of the principal amount of Notes, less a combined management and underwriting commission. The Issuer will reimburse the Joint Lead Managers in respect of certain of their expenses, and has agreed to indemnify the Joint Lead Managers against certain liabilities, incurred in connection with the issue of the Notes. The Subscription Agreement may be terminated in certain circumstances prior to payment of the Issuer.

### **United States**

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act.

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder.

Each Joint Lead Manager has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Notes (a) as part of their distribution at any time or (b) otherwise until 40 days after the later of the commencement of the offering and the Closing Date within the United States or to, or for the account or benefit of, U.S. persons and that it will have sent to each dealer to which it sells any Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

In addition, until 40 days after the commencement of the offering, an offer or sale of Notes within the United States by any dealer that is not participating in the offering may violate the registration requirements of the Securities Act.

### **United Kingdom**

Each Joint Lead Manager has represented and agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

### **European Economic Area and the United Kingdom**

Each Joint Lead Manager has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the European Economic Area or in the United Kingdom. For the purposes of this provision the expression “retail investor” means a person who is one (or more) of the following:

- (a) a retail client as defined in point (11) of Article 4(1) of MiFID II; or
- (b) a customer within the meaning of Directive (EU) 2016/97, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

### **Belgium**

Each Joint Lead Manager has represented and agreed that it has not advertised, offered, sold or delivered and will not advertise, offer, sell or deliver, directly or indirectly, Notes to any Belgian Consumers, and has not distributed or caused to be distributed and will not distribute or cause to be distributed, any prospectus, memorandum, information circular, brochure or any similar documents in relation to the Notes, directly or indirectly, to any Belgian Consumer. For these purposes, a Belgian Consumer has the meaning provided by the Belgian Code of Economic Law, as amended from time to time (*Wetboek van 28*

*februari 2013 van economisch recht/Code du 28 février 2013 de droit économique*), being any natural person resident or located in Belgium and acting for purposes which are outside his/her trade, business or profession.

## **Singapore**

Each Joint Lead Manager has acknowledged and agreed that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore and, accordingly, each Joint Lead Manager has represent, warranted and agreed that it has not offered or sold the Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell the Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (a) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289 of Singapore) (the “SFA”)) pursuant to Section 274 of the SFA, (b) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA or (c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

## **General**

No action has been taken by the Issuer, the Guarantor or any of the Joint Lead Managers that would, or is intended to, permit a public offer of the Notes in any country or jurisdiction where any such action for that purpose is required. Accordingly, each Joint Lead Manager has undertaken that it will not, directly or indirectly, offer or sell any Notes or distribute or publish any offering circular, prospectus, form of application, advertisement or other document or information in any country or jurisdiction except under circumstances that will, to the best of its knowledge and belief, result in compliance with any applicable laws and regulations and all offers and sales of Notes by it will be made on the same terms.

The Joint Lead Managers and certain of their affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage activities. Certain of the Joint Lead Managers and certain of their affiliates have, from time to time, performed, and may in the future perform, various commercial and investment banking and financial advisory services for Pearson and its affiliates, for which they received or may in the future receive customary fees and reimbursements of their out-of-pocket expenses.

In the ordinary course of their various business activities, the Joint Lead Managers and certain of their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and such investment and securities activities may involve securities and/or instruments of Pearson or its affiliates. Certain of the Joint Lead Managers or their affiliates that are lenders under certain of Pearson’s credit facilities routinely hedge, and certain other of those Joint Lead Managers may hedge, their credit exposure to Pearson consistent with their customary risk management policies. The Joint Lead Managers and their affiliates may hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in Pearson’s securities or the securities of Pearson’s affiliates, including potentially the Notes offered hereby. Any such credit default swaps or short positions could adversely affect future trading prices of the Notes offered hereby. The Joint Lead Managers and certain of their affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such securities or instruments and may at any time hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

## GENERAL INFORMATION

1. The issue of the Notes was duly authorised by a resolution of the Board of Directors of the Issuer dated 26 May 2020 and the giving of the Guarantee was duly authorised by a resolution of the Standing Committee of the Board of Directors of the Guarantor dated 24 May 2020.
2. The Legal Entity Identifier (“LEI”) for the Issuer is 2138001ZJKQ5U81RMY52 and the LEI for the Guarantor is 2138004JBXWWJKIURC57.
3. It is expected that official listing will be granted on or about 4 June 2020 subject only to the issue of the Temporary Global Note. Application has been made to Euronext Dublin for the Notes to be admitted to the Official List and to trading on the Global Exchange Market.
4. The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The ISIN for this issue is XS2044910466 and the Common Code is 204491046. The CFI Code for the issue of the Notes and the FISN Code are set out on the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking S.A., 42 Avenue JF Kennedy, L-1855 Luxembourg.

5. Save as disclosed in the Q1 Trading Update, the March Trading Update and Pearson’s Annual Report on Form 20-F, there has been no significant change in the financial or trading position of the Group since 31 December 2019, and no material adverse change in the prospects of the Group since 31 December 2019. There has been no significant change in the financial or trading position of the Issuer since 31 December 2018. There has been no material adverse change in the prospects of the Issuer since 31 December 2018.
6. Neither the Issuer nor the Guarantor nor any other member of Pearson is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer or the Guarantor are aware) in the 12 months preceding the date of this Offering Circular which may have or have in such period had a significant effect on the financial position or profitability of the Issuer, Pearson or the Group.
7. The auditors of the Issuer are PricewaterhouseCoopers LLP, 1 Embankment Place, London WC2N 6RH, who have audited the Issuer’s financial statements, without qualification, for the years ended 31 December 2018 and 2017. The auditors of the Issuer have no material interest in the Issuer.

The auditors of the Guarantor are PricewaterhouseCoopers LLP, 1 Embankment Place, London WC2N 6RH, who have audited the Guarantor’s financial statements, without qualification, for the years ended 31 December 2019 and 2018. The auditors of the Guarantor have no material interest in the Guarantor.

8. The Notes and Coupons will contain the following legend: “Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code.”
9. For as long as the Notes remain outstanding, copies of the following documents will be available for inspection by Noteholders at the offices of the Principal Paying Agent and the registered office of the Issuer during usual business hours on any weekday (public holidays excepted), or may be provided by email to such Noteholder requesting copies of such documents:
  - (a) this Offering Circular;
  - (b) the Articles of Association of the Issuer and the Guarantor;
  - (c) the audited consolidated financial statements of the Group as of 31 December 2019 and 2018 and for each of the years ended 31 December 2019, 2018 and 2017, respectively which appear in Pearson’s Annual Report on Form 20-F;
  - (d) the audited financial statements (on an entity basis and including the auditor’s report thereon and notes thereto) of the Issuer as of and for each of the years ended 31 December 2018 and 2017;
  - (e) Pearson’s Annual Report on Form 20-F for the year ended 31 December 2019 (excluding the exhibits incorporated by reference therein as detailed on page 83 thereof); and
  - (f) the Trust Deed and the Agency Agreement.

10. Certain of the Joint Lead Managers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services to the Issuer, the Guarantor and their affiliates in the ordinary course of business.

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