

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to any aspect of the proposals referred to in this document or as to the action you should take, you should seek advice from a stockbroker, bank manager, solicitor, accountant, or other professional adviser authorised under the Financial Services and Markets Act 2000.

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

The release, publication or distribution of this document in jurisdictions other than the United Kingdom may be restricted by law and, therefore, any persons who are subject to the laws of any jurisdiction other than the United Kingdom should inform themselves about, and observe, any applicable requirements. This document has been prepared for the purposes of complying with English law and the Listing Rules and the information disclosed may not be the same as that which would have been disclosed if this document had been prepared in accordance with the laws and regulations of any jurisdiction outside of England.

Pearson plc

(incorporated and registered in England and Wales with registered number 53723)

Proposal to approve an amendment to the Directors' Remuneration Policy to allow a Co-investment Award to be granted to the prospective Chief Executive of Pearson plc and Notice of General Meeting

The whole document should be read. Your attention, in particular, is drawn to Part I (*Letter from the Chair of Pearson plc*) on pages 5 to 9 of this document and which contains a recommendation from the Independent Directors (being the Board other than Andy Bird and the Executive Directors, each of whom has not participated in the decision to approve the proposal or the recommendation) that you vote in favour of the Resolution to be proposed at the General Meeting.

Notice of a General Meeting of Pearson to be held at the offices of Freshfields Bruckhaus Deringer LLP, 65 Fleet Street, London, EC4Y 1HS at 12 noon on Friday, 18 September 2020 is set out in the Notice of General Meeting in Part IV (*Notice of General Meeting*) on page 15 of this document.

A summary of the action to be taken by Shareholders in respect of the General Meeting is set out in Section 8 of Part I (*Letter from the Chair of Pearson plc*) on page 8 of this document. A Form of Proxy for the General Meeting is enclosed and should be completed and returned as soon as possible. To be valid, it must reach the Company's registrar, Equiniti, no later than 12 noon on Wednesday, 16 September 2020. Alternatively, you may appoint a proxy online by visiting the registrar's website at www.sharevote.co.uk or, if you already have a portfolio registered with Equiniti, by logging onto www.shareview.co.uk.

In order to register your proxy appointment online you will need to enter the Voting ID, Task ID and Shareholder Reference Number which are given on the enclosed Form of Proxy. If you are a member of CREST, the electronic settlement system for UK securities, you may register the appointment of a proxy by using the CREST electronic proxy appointment service. Further details are contained in the notes to the Notice of General Meeting (see pages 16 and 17 of this document) and in the Form of Proxy. Electronic and CREST proxy voting instructions should also be submitted no later than 12 noon on Wednesday, 16 September 2020. Please note that in light of mandatory measures imposed by the UK Government relating to the outbreak of COVID-19 (Coronavirus), Shareholders will not be able to attend the General Meeting in person. **You should appoint the Chair of the General Meeting as your proxy and give your instructions on how you wish the Chair of the General Meeting to vote on the Resolution.**

Capitalised terms have the meaning ascribed to them in Part III (*Definitions*) of this document.

Deloitte has given, and not withdrawn, its written consent to the issue of this document with a reference to its name being included in the form and context in which it appears.

INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

Certain statements included in this document contain forward-looking information concerning Pearson's strategy, operations, financial performance or condition, outlook, growth opportunities, circumstances in the countries, sectors or markets in which Pearson operates, the appointment of Andy Bird, the Co-investment Award and the General Meeting. By their nature, forward-looking statements involve risk and uncertainty because they depend on future circumstances, and relate to events, not all of which are within the Company's control or can be predicted by the Company. Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove to have been correct. Actual results could differ materially from those set out in the forward-looking statements. No part of this document constitutes, or shall be taken to constitute, an invitation or inducement to invest in Pearson or any other entity, and must not be relied upon in any way in connection with any investment decision. Other than in accordance with its legal or regulatory obligations (including under the Listing Rules and the Disclosure Guidance and Transparency Rules), Pearson is not under any obligation and Pearson expressly disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

NO PROFIT FORECAST

No statement in this document is intended as a profit forecast or a profit estimate and no statement in this document should be interpreted to mean that earnings per Pearson Share for the current or future financial years would necessarily match or exceed the historical published earnings per Pearson Share.

IMPORTANT NOTICE RE COVID-19

As a result of the ongoing COVID-19 (Coronavirus) outbreak within the United Kingdom, and in particular the imposition of mandatory measures by the UK Government related to social distancing and the prohibition of indoor public gatherings (save in certain limited circumstances), the General Meeting will be run as a closed meeting and Shareholders will not be able to attend in person. The General Meeting will be convened with the minimum quorum necessary to conduct the business of the meeting and the attendance of Shareholders to satisfy such quorum will be facilitated by Pearson. Other Shareholders should not attempt to attend the General Meeting.

Pearson is keen to ensure that Shareholders are able to exercise their right to vote notwithstanding the restrictions. If you wish to participate in the General Meeting, you should appoint the Chair of the General Meeting as your proxy and give your instructions on how you wish the Chair of the General Meeting to vote on the Resolution.

Information on how to appoint the Chair of the General Meeting as your proxy can be found in the notes to the Notice of General Meeting set out on page 16 of this document. To be valid, your proxy appointment must be received by 12 noon on Wednesday, 16 September 2020.

Any Shareholder has the right to ask questions. However, in light of the restricted physical attendance at the General Meeting, Shareholders are strongly encouraged to submit any questions relating to the business set out in this document by email in advance to companysecretary@pearson.com. Responses to Shareholder FAQs will be published after the General Meeting. Further information on the submission of questions can be found in the notes to the Notice of General Meeting set out on page 17 of this document.

Pearson will continue to closely monitor any developments relating to the COVID-19 crisis, including relevant measures mandated or recommended by the UK Government regarding public events and travel. If Pearson considers it appropriate to adjust the arrangements for the General Meeting as a result of any updates to the UK Government's recommendations, this will be communicated to Shareholders at the earliest possible opportunity by way of a Regulatory Information Service and on the Pearson website (www.pearson.com).

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EXPECTED TIMETABLE OF PRINCIPAL EVENTS

<i>Event</i>	<i>Time and Date</i>
Latest time for lodging of Forms of Proxy for General Meeting	12 noon on Wednesday, 16 September 2020
Voting Record Time	6:30 p.m. on Wednesday, 16 September 2020
General Meeting	12 noon on Friday, 18 September 2020

Notes:

All time references in this document are to London time.

Times and dates in this document are provided by way of indicative guidance and are subject to change. If any of the above times and/or dates change, Pearson will give adequate notice by issuing an announcement through a Regulatory Information Service.

PART I – LETTER FROM THE CHAIR OF PEARSON PLC

(Incorporated and registered in England and Wales with registered number 53723)

Directors:

Sidney Taurel (*Chair*)
John Fallon (*Chief Executive*)*
Sally Johnson (*Chief Financial Officer*)*
Vivienne Cox, CBE (*Senior Independent Director*)
Andy Bird, CBE (*Non-Executive Director*)*
Dame Elizabeth Corley, DBE (*Non-Executive Director*)
Sherry Coutu, CBE (*Non-Executive 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*)

Registered Office:

80 Strand,
London,
WC2R 0RL,
United Kingdom

28 August 2020

Dear Shareholder,

Proposal to approve an amendment to the Directors' Remuneration Policy to allow a Co-investment Award to be granted to Andy Bird, prospective Chief Executive of Pearson plc

1. Introduction

On 24 August 2020, Pearson announced the prospective appointment of Andy Bird as Chief Executive and as an Executive Director with effect from 19 October 2020, conditional upon the passing of the Resolution.

I am therefore writing to you now to set out the background to, and the reasons for, the General Meeting of the Company to be held on Friday, 18 September 2020 and to set out the Independent Directors' recommendation that Shareholders vote in favour of the Resolution that will be proposed at the General Meeting to approve an amendment to the Directors' Remuneration Policy to allow the grant of the Co-investment Award. Neither Andy nor the Executive Directors have participated in the decision by the Independent Directors to approve the proposal or their recommendation. In view of their respective executive roles, the Board considered it appropriate that neither John Fallon nor Sally Johnson should participate in the decision to approve Andy's proposed remuneration package or the recommendation.

Capitalised terms used but not defined in this letter shall have the meanings given to them in Part III (*Definitions*) of this document. Where this circular contains references to the "Board" in relation to the approval of Andy's proposed remuneration terms, the proposal contained in this circular or the recommendation to Shareholders, the "Board" refers to the Independent Directors.

2. Andy Bird's background

Andy has had a distinguished career spanning 35 years in the media industry. Most recently he worked for The Walt Disney Company as Chairman of Walt Disney International, responsible for the company's businesses outside of the US. After joining in 2004, he led a major expansion of Walt Disney International, transforming the organisation into a digital-first business focused on the diverse needs of consumers around the world.

Andy was at the forefront of digital change at Disney, transforming its route-to-market, product portfolio, and consumer insight available to the business. He was at the heart of Disney's development of its direct-to-consumer strategy, marketing the company's content as a service directly to the end user, which has become a key growth driver for the company.

* Indicates those Directors who did not participate in the decision to approve the proposal or the recommendation of the Independent Directors.

Andy's experience in navigating change and digital disruption will provide strong support to the ongoing transformational change at Pearson. He understands that education will be highly disrupted by technological change and is well placed to guide Pearson through this transition. Having recently joined the Board as a Non-Executive Director, Andy has a good working knowledge of Pearson while at the same time bringing a fresh perspective.

Prior to The Walt Disney Company, Andy held a number of senior positions at AOL Time Warner, and spent the earlier part of his career in a variety of roles at Piccadilly Radio and Virgin Broadcasting Company, among others.

3. Summary of the principal terms of Andy Bird's proposed remuneration package

In order to secure Andy's appointment, the Board has developed a highly competitive remuneration package which it is satisfied will promote the long-term success of the Company and support the creation of long-term Shareholder value, but which takes into account Andy's experience and skills as well as practice in the US market where Andy was previously employed.

With the exception of the Co-investment Award described below, the package is consistent with the Company's existing Remuneration Policy, which was approved by Shareholders at its Annual General Meeting in April 2020. The principal elements of Andy's proposed remuneration are described below:

- an annual base salary of \$1.25 million, fixed until at least 2023;
- an annual company contribution of 16% of base salary in lieu of pension, in line with the pension provision that UK employees of a similar age are eligible to receive;
- participation in the Annual Incentive Plan from 1 January 2021, with a maximum annual opportunity of 200% of base salary and a target bonus of 50% of the maximum opportunity;
- a one-off co-investment opportunity under which Andy will purchase by 31 December 2020 Pearson Shares at an aggregate cost to him equal to 300% of base salary (being \$3.75 million) (the "**Investment Shares**"). In consideration for Andy purchasing the Investment Shares, Andy would be granted an award over 1,208,861 Pearson Shares (such Shares having an aggregate value equal to 750% of base salary (being \$9.375 million) on the basis of a Share value equal to the average of the closing middle market quotations for a Share over the five dealing days immediately preceding 24 August 2020, being the date the Company announced the prospective appointment of Andy as Chief Executive) (the "**Co-investment Award**"). The Co-investment Award will vest in three equal tranches as soon as practicable following 31 December 2021, 31 December 2022 and 31 December 2023 respectively. The Award will be subject to performance underpins (as described below), and continued employment as at each vesting date. Shares that vest will then be subject to a holding period until 31 December 2023. Andy must also continue to hold the Investment Shares throughout the period to 31 December 2023;
- from 2021, participation in the Pearson LTIP with a maximum annual face value opportunity of 300% of base salary, subject to the rules of the Pearson LTIP and the Remuneration Policy;
- a contribution towards the rental costs of an apartment in New York to be used for business purposes, the cost of which will be c.\$240,000 per year prior to any taxes that may be due; and
- a six-month notice period exercisable by Andy, and a twelve-month notice period exercisable by the Company with the right for the Company to make a payment in lieu of notice equal to base salary otherwise payable during the notice period. In addition, if the Company gives notice, it will continue the payment of premiums necessary to continue Andy's medical, dental and vision insurance in respect of the notice period.

4. Further information on the Co-investment Award

Assuming the Resolution is approved, Andy will purchase Pearson Shares at an aggregate cost to him of 300% of base salary by 31 December 2020 (being a total value of \$3.75 million), constituting the Investment

Shares. In consideration for Andy purchasing the Investment Shares and thereby meeting the Company's shareholding requirement for Executive Directors, the Co-investment Award will be made as soon as practicable following the date that his appointment takes effect.

Whilst all of the other elements of Andy's remuneration package are within the Directors' Remuneration Policy approved by Shareholders, the Co-investment Award is outside the Remuneration Policy. As such, Shareholders are being asked to approve at a General Meeting an amendment to the Directors' Remuneration Policy to allow the grant of the Co-investment Award. A notice convening a General Meeting of the Company on Friday, 18 September 2020 is set out in Part IV (*Notice of General Meeting*) of this document.

The Co-investment Award will be granted under the Pearson LTIP which was approved by Shareholders at the Company's Annual General Meeting in April 2020. The provisions of that plan (including as to malus and clawback, treatment of the Co-investment Award if Andy leaves employment and treatment on a change of control) will apply in the normal way. Further details on the relevant provisions of the Pearson LTIP are set out in the summary of the plan in Part II (*Summary of the Principal Terms Applying to the Co-investment Award*).

Vesting of the Co-investment Award

The Shares subject to the Award will vest in three equal tranches as soon as practicable following 31 December 2021, 31 December 2022 and 31 December 2023 respectively, subject to Andy's continued employment with the Group and him continuing to hold the Investment Shares as at each vesting date. The Award will be subject to the performance underpins (as described below).

Performance Underpins

The Award will be subject to three performance underpins (the "Underpins"), which will ensure that the Award payout can be reduced if in the opinion of the Remuneration Committee the Underpins have not been met. The Underpins relate to delivery of strategy; environmental, social or governance (ESG) considerations; and total shareholder return (TSR) performance. Full details of the Underpins are set out at Part II (*Summary of the Principal Terms Applying to the Co-investment Award*) of this document.

The strategy and ESG Underpins will be assessed as soon as practicable following each vesting date and the TSR Underpin will be assessed as soon as practicable following the final vesting date. If one or more of the Underpins are not achieved at any vesting date, then the Remuneration Committee will consider whether and to what extent a discretionary reduction in the number of Shares which should vest at the relevant vesting date is required.

Holding Period

The Shares subject to the Award will be subject to a post-vesting holding period until 31 December 2023, and may not be transferred, assigned, sold, pledged or otherwise disposed of during the holding period save as to satisfy any tax liability incurred in connection with the Award.

Further information on the terms of the Co-investment Award is set out in Part II (*Summary of the Principal Terms Applying to the Co-investment Award*) of this document.

Failure of the Resolution to approve the Co-investment Award

Andy's employment is conditional upon the passing of the Resolution and, without Shareholder support for the Resolution, the Company will not be able to secure Andy as its Chief Executive.

5. Shareholder consultation in relation to Andy Bird's appointment and remuneration

The Board approved Andy's prospective appointment and remuneration after consulting with a small number of Pearson's largest Shareholders to outline the rationale for the arrangements and to seek their feedback.

6. Requirement for approval of the Co-investment Award at a General Meeting

The Co-investment Award to be granted to Andy is outside the Company's Remuneration Policy approved by Shareholders at its Annual General Meeting in 2020. This is because such an award is not contemplated by the Remuneration Policy and the Award will exceed the maximum annual face value that may be granted by way of a share award under the Remuneration Policy.

As the Co-investment Award to be granted to Andy is outside the Remuneration Policy, it requires approval by Shareholders at a general meeting under section 226B(1)(b) of the Companies Act 2006 with such approval being an effective amendment to the Remuneration Policy.

7. The General Meeting

A notice convening a General Meeting of the Company to be held at the offices of Freshfields Bruckhaus Deringer LLP, 65 Fleet Street, London, EC4Y 1HS at 12 noon on Friday, 18 September 2020 is set out in the Notice of General Meeting in Part IV (*Notice of General Meeting*) on page 15 of this document. The purpose of the General Meeting is to seek Shareholders' approval of the Resolution set out in the Notice of General Meeting.

The Resolution will propose that the Co-investment Award to be granted to Andy is approved for the purposes of section 226B(1)(b) of the Companies Act 2006 and the Remuneration Policy is amended accordingly. The Resolution will also authorise the Directors to do all things necessary and desirable to implement, complete or to procure the implementation or completion of the grant of the Award to Andy and to give effect thereto with such modifications, variations, revisions or amendments (not being modifications, variations, revisions or amendments of a material nature) as the Directors may deem necessary, expedient or appropriate in connection with the Award.

The Resolution will be proposed as an ordinary resolution. The passing of the Resolution requires a majority of the votes cast in respect of it. The Resolution will be decided on a poll. The results of the poll will be announced as soon as practicable and will appear on the Company's website, www.pearson.com.

8. Action to be taken

As a result of the ongoing COVID-19 (Coronavirus) outbreak within the United Kingdom, and in light of the UK Government's guidance on social distancing which prohibits indoor public gatherings (save in limited circumstances), Shareholders and/or their proxies (other than the Chair of the General Meeting and those required to make it quorate) will not be able to attend the General Meeting in person. Appointing the Chair of the General Meeting as your proxy will ensure that your votes are cast in accordance with your wishes in these circumstances. It is important that as many Shareholders as possible cast their votes. Shareholders should therefore appoint the Chair of the General Meeting as their proxy.

You will find enclosed a Form of Proxy for use in connection with the General Meeting. You may appoint the Chair of the General Meeting as your proxy by completing the Form of Proxy (or appoint a proxy electronically, as referred to below) in accordance with the instructions printed on the Form of Proxy and returning it to the Company's registrar, Equiniti, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, no later than 12 noon on Wednesday, 16 September 2020.

Electronic Proxy Appointment is available for this General Meeting. This facility enables Shareholders to lodge their proxy appointment by electronic means through the Registrar's website, www.sharevote.co.uk (or, if you already have a portfolio registered with Equiniti, by logging onto www.shareview.co.uk) or, for those who hold their Shares in CREST, through the CREST electronic proxy appointment service. Further details are included in the notes to the Notice of General Meeting in Part IV (*Notice of General Meeting*) on page 16 of this document.

9. Further information

The expected timetable of principal events for the General Meeting is set out on page 4 of this document. Further information regarding the terms of the Co-investment Award and its grant to Andy is set out in Part II (*Summary of the Principal Terms Applying to the Co-investment Award*) of this document.

Shareholders are advised to read the whole of this document and not merely rely on the summarised information set out in this letter.

If you have any questions about this document, the General Meeting or the completion and return of the Form of Proxy, please call the shareholder helpline on 0371 384 2043 (from inside the UK) or +44 121 415 7062 (from outside the UK). Lines are open 8.30 a.m. to 5.30 p.m., Monday to Friday (excluding public holidays in England and Wales). Calls to this shareholder helpline from outside the UK are charged at the applicable international rates. Calls may be recorded and randomly monitored for security and training purposes. Please note that the shareholder helpline operators cannot provide advice on the merits of the Resolution nor give financial, tax, investment or legal advice.

A list of documents available for inspection and details of other information available on the Company's website is set out in notes 9 to 11 to the Notice of General Meeting in Part IV (*Notice of General Meeting*) on page 17 of this document.

10. Recommendation to Shareholders

The Independent Directors*, having taken advice from the Board's remuneration consultants Deloitte, consider the proposed remuneration arrangements for Andy Bird to be fair and reasonable and no more than is reasonably required to recruit a candidate of the calibre of Andy Bird. The Independent Directors therefore believe that the proposed Resolution will promote the long-term success of the Company and is in the best interests of the Company and Shareholders as a whole.

Accordingly, the Independent Directors recommend Shareholders to vote in favour of the Resolution. The Independent Directors intend to vote in favour of the Resolution in respect of their own beneficial holdings, amounting to 334,778 Pearson Shares in aggregate at the date of this Circular, representing approximately 0.04 per cent. of the Company's current issued ordinary share capital.

Yours faithfully,

Sidney Taurel
Chair
Pearson plc

* Being the Board other than Andy Bird and the Executive Directors.

PART II – SUMMARY OF THE PRINCIPAL TERMS APPLYING TO THE CO-INVESTMENT AWARD

The Co-investment Award to be granted to Andy, subject to approval of the Resolution by Shareholders at the General Meeting, will be granted under and subject to the rules of the Company's Long Term Incentive Plan that was approved by Shareholders in April 2020 (the "**Pearson LTIP**"). Vesting of the Co-investment Award is based upon the consideration of the Underpins, as further described in this Part II below.

The principal terms which will apply to the Award are described below.

The Award is outside the Remuneration Policy approved by Shareholders at its Annual General Meeting in 2020. This is because such an award is not contemplated by the Remuneration Policy and the Award will exceed the maximum annual face value for share awards permitted under the Remuneration Policy. As the Award to be granted to Andy is outside the Remuneration Policy, an amendment to the Remuneration Policy is proposed which requires approval by Shareholders at a general meeting under section 226B(1)(b) of the Companies Act 2006.

Capitalised terms have the meaning ascribed to them in Part III (*Definitions*) of this document dated 28 August 2020, of which this Part II forms part.

Grant of the Co-investment Award

The Award is proposed to be granted to Andy as soon as practicable following the date that his appointment takes effect. If, for whatever reason, such grant would be prohibited at that time under the Company's share dealing policy or any other applicable laws or regulations, the grant will be made as soon as practicable after any such prohibition ceases.

Number of Pearson Shares under the Co-investment Award

The Award will be granted over 1,208,861 Shares (the "**Award Shares**") (such Award Shares having an aggregate value equal to 750% of base salary (being \$9.375 million), rounded down to the nearest whole number of Shares and on the basis of a Share value equal to the average of the closing middle market quotations for a Share over the five dealing days immediately preceding 24 August 2020, being the date the Company announced the prospective appointment of Andy as Chief Executive and the average USD:GBP exchange rate over that same period).

Under the Pearson LTIP, the face value of Shares over which awards may be granted to any employee in a financial year may not exceed the level specified in the Remuneration Policy, as approved by Shareholders from time to time (currently 350% of an employee's base salary). The Award is proposed to be granted over Shares with a face value equal to 750% of Andy's base salary.

Vesting

The Award Shares will vest in three equal tranches as soon as practicable following 31 December 2021, 31 December 2022 and 31 December 2023 respectively, subject to Andy's continued employment with the Group and him continuing to hold the Investment Shares as at each vesting date. Vesting will also be dependent on consideration of the Underpins by the Remuneration Committee, as described below.

Performance Underpins

The vesting of each tranche of Award Shares will be based upon a number of performance underpins (the "**Underpins**").

Each tranche of the Award Shares will vest if, as soon as practicable following each vesting date, the Remuneration Committee is satisfied that the relevant Underpins have been met over the relevant vesting period. If one or more of the relevant Underpins are not achieved, then the Remuneration Committee will consider whether and to what extent the number of Shares vesting at the relevant vesting date should be reduced.

The Underpins for each tranche are as follows:

- an appropriate level of continued progress being made in relation to delivering Pearson's strategy, including the ongoing transition from print to digital; and
- there having been no significant environmental, social or governance issues occurring which relate to Andy's period as Chief Executive and which result in significant reputational damage for the Group.

In addition, vesting of the final tranche is subject to the following Underpin: the Company's TSR from the date the Company announced the prospective appointment of Andy as Chief Executive to 31 December 2023 is either (1) positive; OR (2) is at median or above when compared to the performance of the FTSE 100 (whichever is lower).

Holding Period

The Award Shares will be subject to a post-vesting holding period until 31 December 2023, and may not be transferred, assigned, sold, pledged or otherwise disposed of during the holding period save as to satisfy any tax liability incurred in connection with the Award.

Andy will be subject to the ongoing shareholding policy that requires him to hold Shares with a market value of 300% of salary.

Malus and clawback

Malus and clawback provisions will apply to the Award. The Remuneration Committee may determine in accordance with the Pearson LTIP that the number of unvested Award Shares should be reduced (including to nil) or that the number of vested Award Shares (or an equivalent monetary amount) should be returned to the Company, in each case on such basis as the Remuneration Committee may in its discretion determine. The circumstances in which the Remuneration Committee may make this determination include a material misstatement of the Company's audited financial accounts, conduct by Andy which results in or is reasonably likely to result in significant reputational damage to the Company, negligence or gross misconduct of Andy, or material corporate failure or failure of risk management. The Remuneration Committee may determine to apply clawback for up to five years from the date on which the Award is granted.

Cessation of employment

Each tranche of the Award will normally only vest if Andy remains in employment with the Group until the relevant vesting date.

If Andy leaves employment in circumstances such as death, injury, disability, ill-health, redundancy or for any other reason if the Remuneration Committee so decides, the Award will not lapse, but will vest subject to satisfaction of the Underpins. Subject to the exercise of discretion by the Remuneration Committee under the Pearson LTIP, the number of Award Shares in any unvested tranche will be reduced pro-rata to reflect the period from the date of grant until cessation as a proportion of the applicable vesting period.

Andy will also be required to comply with Pearson's policy on post-employment shareholdings. This requires directors to maintain their shareholding on leaving employment (or 300% if lower) for two years following termination.

Form of Co-investment Award

The Award will be granted in the form of a conditional award to acquire the Award Shares on the relevant vesting dates. The Award will not be pensionable.

Sourcing of Shares

Although the Award will be granted under the Pearson LTIP which permits the use of newly issued Pearson Shares or treasury shares, the Board has determined that the Award will only be satisfied by existing Pearson

Shares which would be purchased in the market through the Company's employee benefit trust. The Award would therefore not be dilutive for Shareholders.

Corporate events

If there is a change of control of the Company, any person proposes to obtain control of the Company pursuant to a compromise or court-sanctioned arrangement, or notice is given of a resolution for the voluntary or compulsory winding-up of the Company, the default position under the rules of the Pearson LTIP is that awards (including the Award) would be accelerated subject to performance and time pro rating but the Remuneration Committee has discretion under the rules of the Pearson LTIP to decide an alternative vesting treatment.

If there is a demerger, dividend in specie, super-dividend or other transaction which, in the opinion of the Remuneration Committee, may affect the current or future value of the Award, the Remuneration Committee may in accordance with the Pearson LTIP allow part or all of the Award to vest early.

Dividend equivalents

On vesting of the Award, Andy will be entitled to additional Shares equal to the value of dividends payable on Award Shares (to the extent they vest) between the date of grant and the relevant vesting date.

Variation of capital

If there is a variation of the share capital of the Company (for example a capitalisation or rights issue, or a subdivision or consolidation of capital), a demerger or a special dividend or distribution, the Remuneration Committee may adjust the number of Shares under the Award as it thinks fit.

Amendments

The Remuneration Committee may amend the terms of the Pearson LTIP (including as they apply to the Award) save that the prior approval of Shareholders at a general meeting must be obtained for the amendment of certain terms of the Pearson LTIP to any participant's (including Andy's) advantage. Shareholders' approval will not be required for minor changes to benefit the administration of the Pearson LTIP, to take account of any changes to legislation or to obtain or maintain favourable tax, or exchange control or regulatory treatment for the Company, Andy or any member of the Group.

PART III – DEFINITIONS

The following definitions apply throughout this document unless the context requires otherwise:

“\$”	the lawful currency from time to time of the United States of America
“Award” or “Co-investment Award”	the co-investment award of Pearson Shares to be granted to Andy Bird, on and subject to the rules of the Pearson LTIP, the principal terms of which are set out in Part II (<i>Summary of the Principal Terms Applying to the Co-investment Award</i>) of this document
“Award Letter”	the draft letter setting out the principal terms of the Co-investment Award
“Award Shares”	the Pearson Shares subject to the Co-investment Award, being 1,208,861 Pearson Shares
“Board”	the board of Directors of the Company
“Chair”	the Chair of the Company, currently Sidney Taurel
“Chair of the General Meeting”	the person who is appointed chair of the General Meeting
“Company” or “Pearson”	Pearson plc, incorporated in England and Wales with registered number 53723 and whose registered office is 80 Strand, London, WC2R 0RL, United Kingdom
“CREST”	the UK based system for the paperless settlement of trades in listed securities, of which Euroclear is the operator in accordance with the Uncertificated Securities Regulations 2001 (SI 2001/3755)
“CREST Manual”	the manual, as amended from time to time, produced by Euroclear describing the CREST system, and supplied by Euroclear to users and participants thereof
“Directors”	the Directors of the Company
“Directors’ Remuneration Policy” or “Remuneration Policy”	the Pearson directors’ remuneration policy as approved by Shareholders at the Company’s Annual General Meeting on 24 April 2020
“Disclosure Guidance and Transparency Rules”	the Disclosure Guidance and Transparency Rules made by the FCA for the purposes of Part VI of FSMA
“Electronic Proxy Appointment”	appointment of a proxy through the CREST electronic proxy appointment service
“Euroclear”	Euroclear UK & Ireland Limited
“Executive Directors”	the executive directors of the Company from time to time, currently John Fallon (Chief Executive) and Sally Johnson (Chief Financial Officer)
“FCA”	the Financial Conduct Authority of the UK, its predecessors or its successors from time to time, including, as applicable, in its capacity as the competent authority for the purposes of Part VI of FSMA
“Form of Proxy”	the form of proxy in connection with the General Meeting, which accompanies this document
“FSMA”	the Financial Services and Markets Act 2000, as amended

“General Meeting”	the general meeting of the Company to be held at the offices of Freshfields Bruckhaus Deringer LLP, 65 Fleet Street, London, EC4Y 1HS at 12 noon on Friday, 18 September 2020
“Group”	Pearson plc and its subsidiaries and subsidiary undertakings from time to time
“Independent Directors”	the Directors of the Company, other than Andy Bird and the Executive Directors
“Investment Shares”	Pearson Shares having an aggregate cost to Andy Bird of \$3.75 million and which he will purchase by 31 December 2020
“Listing Rules”	the Listing Rules made by the FCA for the purposes of Part VI of FSMA
“Non-Executive Director”	the non-executive directors of the Company, as set out in Part I (<i>Letter from the Chair of Pearson plc</i>) of this document
“Notice of General Meeting”	the notice of the General Meeting, as set out in Part IV (<i>Notice of General Meeting</i>) of this document
“Pearson LTIP”	the Pearson plc Long Term Incentive Plan 2020 approved by Shareholders in April 2020 (as amended from time to time)
“Pearson Share” or “Share”	an ordinary share of 25 pence in the capital of the Company
“Pearson Shareholding Guidelines”	the Pearson shareholding guidelines, which encourage Executive Directors to build up and retain a minimum holding of shares
“Registrar”	Equiniti, of Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA
“Regulatory Information Service”	a Regulatory Information Service that is approved by the FCA and that is on the list of Regulatory Information Services maintained by the FCA
“Remuneration Committee”	the remuneration committee of the Board
“Resolution”	the ordinary resolution to be proposed at the General Meeting to approve the Co-investment Award and to authorise the Directors to grant the Co-investment Award to Andy Bird
“Shareholders”	the holders of Pearson Shares from time to time
“UK”	the United Kingdom of Great Britain and Northern Ireland
“Underpins”	the performance underpins applicable to the Co-investment Award as set out in Part II (<i>Summary of the Principal Terms Applying to the Co-investment Award</i>) of this document
“Voting Record Time”	6.30 p.m. on Wednesday, 16 September 2020 or, if the General Meeting is adjourned, 6.30 p.m. on the date which is two days (excluding non-working days) before the time fixed for the adjourned General Meeting

PART IV – NOTICE OF GENERAL MEETING

NOTICE OF GENERAL MEETING OF PEARSON PLC

Notice is hereby given that a General Meeting of Pearson plc (the “**Company**”) will be held at the offices of Freshfields Bruckhaus Deringer LLP, 65 Fleet Street, London, EC4Y 1HS at 12 noon on Friday, 18 September 2020 to consider and, if thought fit, to pass the resolution set out below (the “**Resolution**”), which shall be proposed as an ordinary resolution, in connection with the grant of a co-investment award of ordinary shares of 25 pence each in the capital of the Company (“**Pearson Shares**”) to Andy Bird.

Ordinary resolution to approve an amendment to the directors’ remuneration policy to permit the grant of the Co-investment Award (as defined below) to Andy Bird

THAT

- (a) an amendment to the Company’s directors’ remuneration policy to allow the co-investment award of Pearson Shares (the “**Co-investment Award**”) to be granted to Andy Bird on and subject to the terms of the draft letter setting out the principal terms of the Co-investment Award (the “**Award Letter**”) and the Pearson plc Long Term Incentive Plan 2020 approved by the Company’s shareholders in April 2020 (as amended from time to time) (the “**Pearson LTIP**”), copies of which were produced to the Meeting and initialled by the Chair for identification, be and is hereby approved for the purposes of section 226B(1)(b) of the Companies Act 2006, as amended; and
- (b) the directors of the Company (the “**Directors**”) (or any duly constituted committee thereof) be and are hereby authorised to do all things necessary and desirable to implement, complete or to procure the implementation or completion of the grant of the Co-investment Award to Andy Bird on and subject to the terms of the Award Letter and Pearson LTIP and to give effect thereto with such modifications, variations, revisions or amendments (not being modifications, variations, revisions or amendments of a material nature) as the Directors (or any duly authorised committee thereof) may deem necessary, expedient or appropriate in connection with the Co-investment Award.

By order of the Board

Graeme Baldwin
Company Secretary

28 August 2020

Registered Office: 80 Strand, London, WC2R 0RL, United Kingdom
Registered in England
Registered number 53723

Notes

Appointing a proxy

1. As a result of the ongoing COVID-19 (Coronavirus) outbreak within the United Kingdom, and in particular the imposition of mandatory measures by the UK Government related to social distancing and the prohibition of indoor public gatherings (save in limited circumstances), shareholders are not permitted to attend the General Meeting. Shareholders should not attempt to attend the General Meeting. Shareholders who would usually be entitled to attend and vote at the General Meeting are entitled to appoint the Chair of the General Meeting as their proxy to exercise all or any of their rights to attend and to vote on their behalf at the General Meeting. You should appoint the Chair of the General Meeting as your proxy in advance of the General Meeting.
2. A Form of Proxy which may be used to make such appointment and give proxy instructions accompanies this notice. If you do not have a Form of Proxy and believe that you should have one, or if you require additional forms, please contact the shareholder helpline on 0371 384 2043 (from inside the UK) or +44 121 415 7062 (from outside the UK). Lines are open 8.30 a.m. to 5.30 p.m. Monday to Friday (excluding public holidays in England and Wales). Calls to the shareholder helpline from outside the UK are charged at the applicable international rates. Calls may be recorded and randomly monitored for security and training purposes. Please note that the shareholder helpline operators cannot provide advice on the merits of the Resolution nor give financial, tax, investment or legal advice.

Ordinary shareholders and/or nominee shareholders only are entitled to vote at the General Meeting. The Form of Proxy for use at the General Meeting must be deposited, together with any power of attorney or authority under which it is signed or a certified copy of the authority, at Equiniti, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, by no later than 12 noon on Wednesday, 16 September 2020. Details of how to appoint a proxy are also set out in the Form of Proxy. Alternatively, you may appoint a proxy online by visiting www.sharevote.co.uk or, if you already have a portfolio registered with Equiniti, by logging onto www.shareview.co.uk. In order to do so you will need to enter the Voting ID, Task ID and Shareholder Reference Number which are given on the enclosed Form of Proxy. Shareholders holding shares through Sharestore must submit votes by 12 noon Tuesday, 15 September 2020. Please note that any electronic communication sent to the Company's registrar that is found to contain a computer virus will not be accepted.

Electronic Proxy Appointment through CREST

3. CREST members who wish to appoint a proxy or proxies, or amend an instruction to a previously appointed proxy, through the CREST electronic proxy appointment service may do so for the General Meeting to be held at 12 noon on Friday, 18 September 2020 and any adjournment(s) thereof, by using the procedures described in the CREST manual (available via www.euroclear.com). CREST personal members or other CREST sponsored members, and those CREST members who have appointed (a) voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a CREST Proxy Instruction) must be properly authenticated in accordance with Euroclear UK & Ireland Limited (Euroclear)'s specifications and must contain the information required for such instructions, as described in the CREST manual. The message, regardless of whether it relates to the appointment of a proxy or to an instruction to a previously appointed proxy, must be transmitted so as to be received by the issuer's agent (ID: RA19) by no later than 12 noon on Wednesday, 16 September 2020. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

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

The Company may treat as invalid a CREST proxy instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

Appointing a corporate representative

4. Any corporation which is a shareholder can appoint one or more corporate representative(s) who may exercise on its behalf all of its powers as a shareholder, provided that if two or more representatives purport to vote in respect of the same shares (i) if they purport to exercise the power in the same way as each other, the power is treated as exercised in that way; and (ii) in other cases the power is treated as not exercised. Please note that a person other than the Chair of the General Meeting who is appointed as a representative will not be permitted to attend the meeting in person.

Nominated persons

5. Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a nominated person) may have a right, under an agreement between him/her and the shareholder by whom

he/she was nominated, to be appointed (or to have someone else appointed) as a proxy for the General Meeting. If a nominated person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.

The statement of the rights of shareholders in relation to the appointment of proxies in notes 2 and 3 above does not apply to nominated persons. The rights in relation to the appointment of proxies described in those notes can only be exercised by shareholders of the Company.

Total voting rights

6. As at Wednesday, 26 August 2020 (being the latest practicable date prior to the publication of this notice) the Company's issued share capital consisted of 752,965,985 ordinary shares, carrying one vote each. Therefore, the total number of voting rights in the Company as at Wednesday, 26 August 2020 was 752,965,985. As at Wednesday, 26 August 2020, the Company did not hold any shares in treasury.

Right to vote

7. The Company, pursuant to Regulation 41(1) of the Uncertificated Securities Regulations 2001, specifies that only those shareholders registered in the register of members of the Company at 6.30p.m. on Wednesday, 16 September 2020 (the voting record date) (or, if the meeting is adjourned, at 6.30p.m. on the date which is two days, excluding non-working days, prior to the adjourned meeting) shall be entitled to vote at the General Meeting in respect of the number of shares registered in their name at that time. Changes to the register of members of the Company after that time shall be disregarded in determining the rights of any person to vote at the General Meeting. Voting at the General Meeting will be by poll.

Shareholders' right to ask questions

8. Any shareholder of the Company has the right to ask questions. However, in light of the restricted physical attendance at the General Meeting, shareholders are strongly encouraged to submit any questions relating to the business set out in this notice by email to companysecretary@pearson.com by 12 noon on Wednesday, 16 September 2020. The Company must cause to be answered any such question relating to the business being dealt with at the meeting but no such answer need be given if (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information, (b) the answer has already been given on a website in the form of an answer to a question, or (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered. Responses to shareholder FAQs will be published after the General Meeting.

Availability of documents and other information

9. The contents of this notice, details of the total number of shares in respect of which shareholders are entitled to exercise voting rights at the General Meeting and details of the total of the voting rights that shareholders are entitled to exercise at the General Meeting will be available on the Company's website <https://www.pearson.com/investors.html>.
10. A copy of this notice and certain other information (as required by section 311A of the Companies Act 2006) can be found at <https://www.pearson.com/investors.html>.
11. As at the date of this notice, the Company's registered office is closed. The following documents are available for inspection during normal business hours on any business day at the offices of Freshfields Bruckhaus Deringer LLP, 65 Fleet Street, London EC4Y 1HS and also at the General Meeting and for 15 minutes beforehand:
 - a) a copy of the Award Letter;
 - b) a copy of the rules of the Pearson Long Term Incentive Plan 2020;
 - c) a copy of Andy Bird's service contract dated 23 August 2020; and
 - d) a copy of Part II (*Summary of the Principal Terms Applying to the Co-investment Award*) of this document comprising the memorandum that is required to be made available for inspection by shareholders in accordance with Section 226D of the Companies Act 2006. The copy of Part II of this document will also be available for inspection on the Company's website, <https://www.pearson.com/investors.html>, from the date of this notice until the end of the Company's annual general meeting in 2021.
12. You may not use any electronic address provided either in this notice or any related documents (including the Form of Proxy) to communicate with the Company for any purposes other than those expressly stated.
13. The results of the voting at the General Meeting will be announced through a Regulatory Information Service and will be posted on the Company's website – <https://www.pearson.com/news-and-research/announcements.html> as soon as possible following the meeting.

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