



Pearson

Pearson plc

Standing Committee - Terms of Reference

These terms of reference were last reviewed and approved by the Board on 23 February 2017.

Composition: the CFO and at least one of either the Chairman, the CEO or, in their absence, the Company Secretary

General

A standing committee of the board, comprising the CFO and at least one of either the chairman, the CEO or the Company Secretary, is established pursuant to Article 96 to carry out the matters listed below on behalf of the full Pearson board:

- The approval, as part of any new borrowing facility, of any covenant term that is worse than that in the company's most onerous current financing of the same type.

Composition: CFO and at least one other director or, in the absence of a second director, the Company Secretary

General

A standing committee of the board, comprising the CFO and at least one other director or the Company Secretary, is established pursuant to Article 96 to carry out the matters listed below on behalf of the full Pearson board:

Borrowings by the Company

- Borrowings up to a total of \$400m that are (a) uncommitted with no stated maturity date or (b) committed with a maturity date of 1 year or less.
- Borrowings of up to a total of \$2500m with a maturity date of 7 years or less.
- Bonds and medium term notes up to a total of \$2 billion with a maturity date of 21 years or less.

Guarantees by the Company in respect of:

Treasury-related matters

- Borrowings by wholly owned subsidiaries of up to \$400m which are (a) uncommitted with no stated maturity date or (b) with a maturity date of 1 year or less.
- Obligations of wholly owned subsidiaries (that are not borrowings) of up to a total of \$300m, with

a maturity date of 3 years or less.

- Borrowings by wholly owned subsidiaries of up to \$2500m with a maturity date of 7 years or less.
- Bonds and/or medium term notes issued by wholly owned subsidiaries up to a total of \$2 billion with a maturity date of 21 years or less.

Other matters - operational etc.

- Obligations to third party counterparties of the company or any of its wholly owned subsidiaries, within the following guarantee programme limits:
 - US - \$1500m
 - UK - £400m

In each case for individual guarantees up to a limit of £100m/\$150m or equivalent. The standing committee may further delegate its authority in this respect to the CFO in respect of individual guarantees up to a limit of £50m/\$75m or equivalent.

- The overdraft liabilities of wholly owned subsidiaries to a bank under a group cash management arrangement.
- Interest rate and/or currency hedging agreements entered into by any of its wholly owned subsidiaries.

Composition: any two directors or, if no two directors are available, any one director and the Company Secretary

General

A standing committee of the board, comprising any two directors or any one director and the Company Secretary, is established pursuant to Article 96 to carry out the standard matters listed below that are required on a continuing basis on behalf of the full Pearson board:

Ordinary and Preference Shares

- The payment of dividends on preference shares.
- The exercise of any of the powers of the board under the rules of any share option or executive share schemes subject to any required Remuneration Committee approval.
- The implementation of any scrip dividend offer (i.e. an offer of fully paid new ordinary shares in lieu of cash for all or part of any final or interim dividend).
- The allotment of ordinary shares, and any relevant application to the London Stock Exchange, under share schemes, share option schemes and/or convertible loan instruments.

NB: The authority regarding shares does not extend to PDMRs (i.e. Pearson board directors and/or members of the Pearson Executive). Allotments to PDMRs shall be subject to the terms of the Listing Rules and the Market Abuse Regulation (or such appropriate regulation or legislation as may prevail at the time).

Bank Accounts

- The passing of any resolution, and the signing of any document, required to open and operate bank accounts in the name of the company in accordance with policies established by the board.

Borrowings by the Company

- The redemption or cancellation of bonds, notes or debenture stocks.
- The authorisation and issue of any certificate of compliance in connection with any of the company's borrowings unless contemplated as part of the contract.

Interest Rate and Currency Hedging Transactions

- The authorisation, approval and execution of interest rate and/or currency hedging contracts (such as ISDA Master Agreements and any related actions or documentation necessary to make them compliant with relevant laws and regulations) with counterparties.

Intra-Group Transactions

- The acquisition or disposal by the company from or to any wholly owned subsidiary of the company of shares or other investments or assets of such wholly owned subsidiary.
- Advances or loans to or from any wholly owned subsidiary
- Approval and execution of any intercompany agreements, charges, licence fees or other such charging mechanisms as necessary with any wholly owned subsidiary of the company, to enable application of Pearson's Intercompany Trading / Transfer Pricing Policy.

Protection of Brand Rights

- The authorisation of all matters and documents needed for the appropriate protection of the Pearson corporate brands owned or proposed to be owned by the Company, within the financial limits laid down from time to time by the board, including the power to appoint individuals to act as the Company's attorney in such matters.

Other

- The authorisation of all matters and documents needed to effect any capital or revenue projects authorised by any Pearson executive director or directors within the limits laid down from time to time by the board, including the power to issue and allot shares.
- The authorisation of any deeds of indemnity required to be entered into by the company in connection with (i) the appointment to the company of any new directors or otherwise in favour of existing directors or employees of the company or its wholly owned subsidiaries; or (ii) the liquidation of any wholly owned subsidiaries of the company.
- The power to appoint persons to act as the company's attorney in association with any matters permitted by this document, or any matters which have otherwise been approved by the board.

Composition: any two directors, or any one director and either the Company Secretary or the Chief Human Resources Officer or the SVP Reward

General

A standing committee of the board, comprising any two directors or any one director and the Company Secretary/ Chief Human Resources Officer/ SVP Reward, is established pursuant to Article 96 to carry out the matters listed below on behalf of the full Pearson board:

Share Plans

- Allot shares under the company's share option plans, where such allotments relate to the vesting or maturity of previously granted awards.
- Grant restricted share awards or share options under the Long-Term Incentive Plan.
- Make decisions regarding performance-related vestings under the Long-Term Incentive Plan.

NB: The authority under this section does not extend to PDMRs (i.e. Pearson board directors and/or members of the Pearson Executive). Allotments to PDMRs shall be subject to the terms of the Listing Rules and the Market Abuse Regulation (or such appropriate regulation or legislation as may prevail at the time).

Composition: any two of the Company Secretary, the Chief Human Resources Officer and the SVP Reward

General

A standing committee of the board, comprising any two of the Company Secretary, the Chief Human Resources Officer and the SVP Reward, is established pursuant to Article 96 to carry out the matters listed below on behalf of the full Pearson board:

Share Plans

- Allow for the retention and release of share awards or retention and exercise of share options on the termination of employment under the Long-Term Incentive Plan and the company's share option plans.

NB: The authority under this section does not extend to PDMRs (i.e. Pearson board directors and/or members of the Pearson Executive). Allotments to PDMRs shall be subject to the terms of the Listing Rules and the Market Abuse Regulation (or such appropriate regulation or legislation as may prevail at the time).

Composition: any two of the CEO, CFO and the Company Secretary

General

A standing committee of the board, comprising any two of the CEO, CFO and Company Secretary, is established pursuant to Article 96 to carry out the matters listed below on behalf of the full Pearson board:

Penguin Random House

- Routine or administrative matters relating to Pearson's investment in Penguin Random House (PRH), including amendments to the Framework Agreement, which, in the opinion of the standing committee (and Pearson's internal or external legal counsel if appropriate) do not materially affect Pearson's rights and/or obligations in respect of PRH whether arising from the Framework Agreement or otherwise.