



# Pearson

## Pearson plc

### **Standing Committee - Terms of Reference**

These terms of reference were last reviewed and approved by the Board on 7 December 2018.

A standing committee of the board is established pursuant to Article 96 to carry out the matters listed below on behalf of the full Pearson board:

<b><u>Matters</u></b>	<b><u>Quorum</u></b>
<b>1. Terms of Borrowings by the Company</b>  1.1 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.	Authority A
<b>2. Borrowings by the Company</b>  2.1. Borrowings (including bonds and medium-term notes) up to an aggregate of \$2,500m outstanding at any point in time with a maturity of 15 years or less.  2.3. The redemption or cancellation of borrowings issued by the company or guaranteed by the company.  2.4. The authorisation and issue of any certificate of compliance in connection with any of the company's borrowings.	Authority B
<b>3. Guarantees by the Company in respect of:</b>  3.1. Obligations to third party counterparties of the company or any of its wholly owned subsidiaries, up to a maximum in aggregate of \$2,000m. Obligations include Parental guarantees, Bank guarantees, Sureties, Letters of Credit and any other similar instrument including guarantees of overdraft liabilities of wholly owned subsidiaries to a bank under a group cash management arrangement.  3.2 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.	Authority B
<b>4. Bank Accounts</b>  4.1. 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.	Authority B

<b>5. Bank and deposit counterparties</b>  5.1. The authorisation of the strategy for determining acceptable deposit counterparties and setting of approved counterparty limits. Oversight of actual limits and balances is to be undertaken by the CFO who will report to the Audit Committee.	Authority C
<b>6. Interest Rate and Currency Hedging Transactions</b>  6.1. The authorisation of the strategy to be used to manage interest rate and foreign currency risk. Oversight of actual limits and balances is to be undertaken by the CFO in conjunction with the Audit Committee.	Authority C
<b>7. Insurance</b>  7.1. The approval of up to £20m spend in aggregate in respect of insurance for the company, including the arrangement of Directors' and Officers' Insurance.	Authority B
<b>8. Ordinary and Preference Shares</b>  8.1. The payment of dividends on preference shares.  8.2. 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.  8.3. 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).  8.4. 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.	Authority C
NB: The authority under section 8 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).	
<b>9. Share Plans</b>  9.1. Allot shares under the company's share option plans, where such allotments relate to the vesting or maturity of previously granted awards.  9.2. Grant restricted share awards or share options under the Long-Term Incentive Plan.  9.3. Make decisions regarding performance-related vestings under the Long-Term Incentive Plan.	Authority D
9.4. 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.	Authority E
NB: The authority under section 9 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).	
<b>10. Intra-Group Transactions</b>  10.1. 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.  10.2. Advances or loans to or from any wholly owned subsidiary  10.3. 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.	Authority C
<b>11. Protection of Brand Rights</b>  11.1. 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.	Authority C
<b>12. Other</b>  12.1. 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.  12.2. 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.  12.3. 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.	Authority C
<b>13. Penguin Random House</b>  13.1. 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.	Authority F

### **Composition of the Standing Committee**

<b>Quorum</b>	<b>Key</b>
The CFO and at least one of either the Chairman, the CEO or, in their absence, the Company Secretary.	Authority A
The CFO and at least one other director or, in the absence of a second director, the Company Secretary.	Authority B
Any two directors or, if no two directors are available, any one director and the Company Secretary.	Authority C
Any two directors, or any one director and either the Company Secretary or the Chief Human Resources Officer or the SVP Reward.	Authority D
Any two of the Company Secretary, the Chief Human Resources Officer and the SVP Reward.	Authority E
Any two of the CEO, CFO and the Company Secretary.	Authority F