2020 remuneration policy

The Remuneration Committee presents the 2020 Directors' Remuneration Policy (2020 Policy), which will be put to shareholders for binding vote at the AGM to be held on 24 April 2020. Subject to shareholder approval, the effective date of this Policy will be 24 April 2020. However, it is proposed, subject to approval at the AGM, that changes to Executive Director incentives be made effective from the start of the 2020 performance periods. The intention of the Committee is that the Policy will remain in place for three years from the date of its approval.

In 2019, Pearson reviewed its remuneration philosophy and developed a set of remuneration principles that govern the whole organisation. We have evolved our Remuneration Policy to align with these updated remuneration principles:

1 Aligned to longer-term strategy

Reward will be linked to achieving Pearson's longer-term strategy, growth and sustainability

2 Pay for performance

Remuneration framework and outcomes are aligned with performance

3 Market competitive

Pay levels will be market competitive, based on role, grade and contribution to ensure individuals are fairly rewarded in line with the market

4 Targeted differentiation

There will be targeted differentiation of reward across our employees linked to talent and performance management

5 Tailored

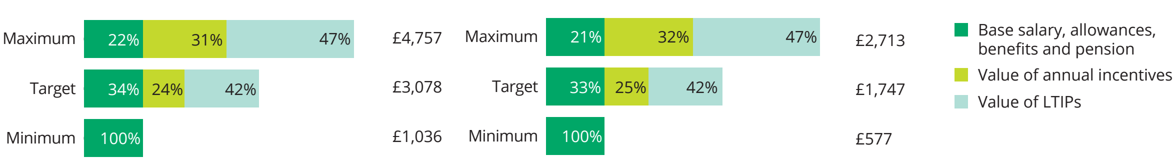
The approach to reward may be tailored in certain circumstances to address a specific market/business need but will be designed in a way which is consistent with our underlying reward philosophy

6 One part of the employee value proposition

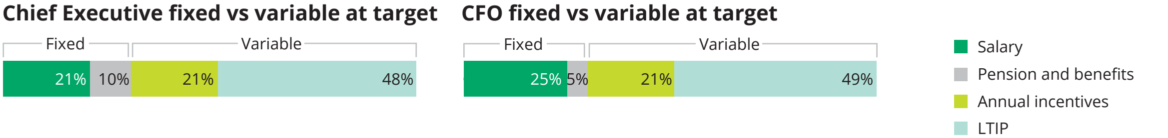
Remuneration is one part of our broader employee value proposition and not the only reason to work for Pearson

Pay and performance scenario analysis

Chief Executive (John Fallon) £000 **CFO (Sally Johnson)** £000



Chief Executive fixed vs variable at target **CFO fixed vs variable at target**



Performance scenario	Elements of remuneration and assumptions
Maximum	› Fixed pay › Maximum individual annual incentive (180% of salary for Chief Executive and 170% of salary for CFO) › Maximum value of 2020 long-term incentive award (275% for Chief Executive and 245% for CFO) with no share price growth assumed
Target	› Fixed pay › 50% of the maximum individual annual incentive › 50% of the maximum value of 2020 long-term incentive award (no share price growth assumed)
Minimum	› Fixed pay only

Consistent with its Policy, the Committee places considerable emphasis on the performance-linked elements, i.e. annual and long-term incentives. The charts above show what each Director could expect to receive in 2020 under different performance scenarios, based on the definitions of performance opposite. On this basis, the relative weighting of fixed and performance-related remuneration and the absolute size of the remuneration packages for the Chief Executive and the Chief Financial Officer are shown above. We will continue to review the mix of fixed and performance-linked remuneration on an annual basis, consistent with our overall Policy.

Note 1: Fixed pay includes 2020 base salary (Chief Executive £817,400, CFO £515,000); allowances and benefits and retirement benefits for Sally Johnson have been included based on the same percentage of base salary as Coram Williams in 2019. Retirement benefits for John Fallon are included at 23% of his base salary.

Note 2: The value of long-term incentives does not take into account dividend awards that are payable on the release of LTIP shares or share price growth.

Note 3: The maximum opportunity scenario plus 50% share price growth would result in overall opportunity of £5,882,000 for the Chief Executive and £3,348,000 for the CFO.

Note 4: Coram Williams will step down as CFO at the AGM in 2020. Until this time, he will be paid his base salary and benefits.

2020 remuneration policy

Policy table for Executive Directors

Total remuneration is made up of fixed and performance-linked elements, with each element supporting different strategic objectives. Remuneration is normally reviewed annually in the context of business performance and conditions prevailing, taking into account pay levels for similar positions in comparable companies as well as internal ratios.

B Base salary

Purpose and link to strategy

- Helps to recruit, reward and retain.
- Reflects level, role, skills, experience, the competitive market and individual contribution.

Operation

Base salaries are set to provide the appropriate rate of remuneration for the job, taking into account relevant recruitment markets, business sectors and geographic regions.

Base salaries are normally reviewed annually taking into account: general economic and market conditions; the level of increases made across the company as a whole; particular circumstances such as changes in role, responsibilities or organisation; the remuneration and level of increases for executives in similar positions in comparable companies in both the UK, US and internationally; and individual performance.

Opportunity

While there is no maximum salary level or maximum increase that may be offered, salary increases will normally be in line with typical increases awarded to other employees in the Group.

However, increases may be above this level in certain circumstances such as:

- Where a new Executive Director has been appointed to the Board at a lower than typical market salary to allow for growth in the role then larger increases may be awarded to move salary positioning closer to typical market level as the Executive Director gains experience.
- Where an Executive Director has been promoted or has had a change in responsibilities.
- Where there has been a significant change in market practice or where there has been a significant change in the size and/or scope of the business.

Performance conditions and period

None, although performance of both the company and the individual are taken into account when determining an appropriate level of base salary increase each year.

A&B Allowances and benefits

Purpose and link to strategy

- Help to recruit, reward and retain.
- Reflect local competitive market.

Operation

Allowances and benefits comprise cash allowances and non-cash benefits which may include:

- travel-related benefits (such as car allowance, company car and private use of a driver)
- health-related benefits (such as healthcare, health assessment and gym subsidy) and
- risk benefits (such as additional life cover and long-term disability insurance that are not covered by the company's retirement plans).

Executive Directors are also eligible to participate in savings-related share acquisition programmes, which are not subject to any performance conditions, on the same terms and to the same value as other employees.

Where an Executive Director is required to relocate to perform their role, appropriate one-off or ongoing expatriate/relocation benefits may be provided (e.g. housing, schooling, etc.)

The Committee may introduce other benefits if it is considered appropriate to do so, taking into account the individual circumstances, the country of residence of a Director, the benefits available to all employees and the wider external market.

Opportunity

The cost of the provision of allowances and benefits varies from year to year depending on the cost to Pearson and there is no prescribed maximum limit. However, the Committee monitors annually the overall cost of the benefits provided, to ensure that it remains appropriate.

R Retirement benefits

Purpose and link to strategy

- Help to recruit, reward and retain.
- Recognise long-term commitment to the company.

Operation

Employees in the UK are eligible to join the Money Purchase 2003 section of the Pearson Pension Plan. Executive Directors are eligible to join this plan or receive a cash allowance of equivalent value.

If any Executive Director is from, or works, outside the UK, the Committee retains a discretion to put in place retirement benefit arrangements for that Director in line with local market practice including defined benefit pension arrangements operated by Pearson locally. The maximum value of such arrangement will reflect local market practice at the relevant time.

The Committee may also honour all pre-existing retirement benefit obligations, commitments or other entitlements that were entered into by a member of the Pearson Group before that person became a Director, such as participation in the Final Pay section of the Pearson Pension Plan which is now closed to new members.

Opportunity

New appointments: new appointments to the Board are eligible to receive pension contributions of up to 16% of pensionable salary or a cash allowance of up to 16% of salary in line with the maximum company contribution as a percentage of salary that UK employees who are over 45 are eligible to receive.

Current Chief Executive: John Fallon is a member of the Final Pay section of the Pearson Pension Plan. His pension accrual rate is 1/30th of pensionable salary per annum, restricted to the Plan earnings cap. Until April 2006, the company also contributed to a Funded Unapproved Retirement Benefits Scheme (FURBS) on his behalf. Since April 2006, he has received a taxable and non-pensionable cash supplement in replacement of the FURBS of 26% of salary.

John Fallon attained the maximum service accrual under the Final Pay section of his pension benefit when he reached 20 years' service in October 2017. Since this time, John Fallon receives the pension supplement of 26% of salary only.

The Committee reviewed the approach to John Fallon's pension in light of shareholder views and best practice and agreed with the Chief Executive that his pension allowance would be reduced on a phased basis over the next three years to bring it in line with the UK workforce of 16% of salary.

Notwithstanding his planned retirement, John Fallon's cash pension allowance has been reduced by 3 percentage points to 23% of salary as the first step on this planned phased reduction.

CFO-elect: Sally Johnson is also a member of the Final Pay section of the Pearson Pension Plan. Her pension accrual rate is 1/60th of pensionable salary per annum, restricted to the Plan earnings cap.

UK Executive Directors who are, or become, affected by the lifetime allowance may be provided with appropriate benefits, as an alternative to further accrual of pension benefits such as a cash supplement, in line with the treatment for the employee population.

SG Shareholding guidelines

Purpose and link to strategy

- Align the interests of Executives and shareholders and encourage long-term shareholding and commitment to the company.

Operation

Executive Directors are expected to build up a shareholding in the company.

Executive Directors are expected to reach the guideline within five years from the date of appointment.

Post-employment shareholding:

Executive Directors are expected to retain their shareholding guideline (or actual holding if lower) for two years following stepping down as an Executive Director. This provision does not apply to any shares purchased by the Executive Director.

Opportunity

The target holding is 300% of salary for the Chief Executive and 200% of salary for other Executive Directors.

Performance conditions and period

Not applicable.

2020 remuneration policy

AIP Annual incentive plan

Purpose and link to strategy

- Help to recruit, reward and retain.
- Motivate the achievement of annual business goals and strategic objectives.
- Provide a focus on key financial and non-financial metrics.
- Reward individual contribution to the success of the company.
- Align to strategy execution priorities.

Operation

Measures and performance targets are set by the Committee at the start of the year with payment made after year end following the Committee's assessment of performance relative to targets.

Annual incentive plans are discretionary. The Committee reserves the right to adjust payments up or down if it believes that the outcome does not reflect underlying financial or non-financial performance or if such other exceptional factors warrant doing so.

The Committee may apply malus and/or clawback for a period of five years in certain circumstances, such as financial misstatement, individual misconduct or reputational damage to the company.

Opportunity

Annual incentives will not exceed 200% of base salary.

For the Chief Executive, the individual maximum incentive opportunity that will apply for 2020 is 180% of base salary and 170% for the Chief Financial Officer (which are the same opportunities as applied for 2019).

There is normally no payout for performance at threshold.

50% of the maximum opportunity is payable for on-target levels of performance.

Performance conditions and period

The Committee has the discretion to select the performance measures and relative weightings from year to year to ensure continuing alignment with strategy and to ensure targets are sufficiently stretching. The Committee sets performance targets for each measure annually.

Annual incentives will normally be based on financial and strategic performance targets. Financial metrics will account for at least 75% of the total annual opportunity with the remaining portion normally being based on strategic and/or performance against personal objectives. Financial measures currently account for 80% of the total funding, The Committee would intend to consult with shareholders in advance if there was to be a significant change in the weighting of financial and strategic measures.

The plan is designed to incentivise and reward underlying performance. Actual results may be adjusted to remove the effect of foreign exchange and portfolio changes (acquisitions and disposals) and other relevant factors that the Committee considers do not reflect the underlying performance of the business in the performance year.

Details of performance measures, weightings and targets will be disclosed in the annual remuneration report for the relevant financial year if and to the extent that the Committee deems them to be no longer commercially sensitive.

The performance period is one year.

LTIP Long-term incentive plan

Purpose and link to strategy

- Help to recruit, reward and retain.
- Drive long-term earnings, share price growth and value creation.
- Align the interests of executives and shareholders.
- Encourage long-term shareholding and commitment to the company.

Operation	Opportunity	Performance conditions and period	
Awards of shares are made on an annual basis, which vest on a sliding scale based on performance against stretching corporate performance targets measured at the end of the three-year performance period. Awards are normally subject to a post vesting holding period for two years following the end of the performance period. For awards granted prior to 2020, the holding period applied will be in line with the approach set out in the Directors' Remuneration Policy in place at the time of award. Participants may receive additional shares representing the gross value of dividends that would have been paid on shares that vest during the performance period. The Committee reserves the right to adjust payouts up or down before they are released if it believes that the vesting outcome does not reflect underlying financial or non-financial performance or if such other exceptional factors warrant doing so. In making such adjustments, the Committee is guided by the principle of aligning shareholder and management interests. The Committee may apply malus and/or clawback for a period of five years in certain circumstances, such as financial misstatement, individual misconduct or reputational damage to the company.	The maximum award is 350% of base salary in respect of a financial year. For 2020, the incoming CFO will be granted an award of 245% of salary.	The Committee will determine the performance measures, weightings and targets governing an award of shares prior to grant to ensure continuing alignment with strategy and to ensure that targets are sufficiently stretching. The Committee establishes a threshold below which no payout is achieved and a maximum at or above which the award pays out in full. The proportion of the award that vests at threshold may be up to 25%. Awards will normally be subject to the achievement of targets for earnings per share, a return on measure and relative total shareholder return (weighted equally). The Committee may determine that different measures or weightings may apply for future awards; however, the Committee would intend to consult with shareholders in advance if there was to be a significant change in the weighting of measures or the performance measures used.	The performance period is three years.

2020 remuneration policy

Notes to the Policy table

Changes to Policy

The key changes to this Policy compared to the 2017 Policy are summarised below:

- Policy limits and measures – The exceptional maximum limits under base salary, benefits and LTIP have been removed to improve transparency for shareholders around how we intend to implement the Policy. Additional flexibility has been provided to allow for changes to performance measures for future years.
- LTIP limit reduced – The normal maximum potential LTIP award has also been reduced from 400% of salary to 350% of salary to bring it more in-line with how we have implemented the Policy in recent years.
- Target AIP – In order to align with shareholder expectations, the AIP paid for 'on target' performance will be no more than 50% of the maximum potential. This results in a reduction in target AIP opportunity for the Chief Executive from 100% of salary to 90% of salary with no change to maximum opportunity.
- Simplified the holding period – We have simplified the structure of the LTIP holding period to reflect typical market practice. 100% of the LTIP award (for 2020 onwards) will be subject to a two-year holding period following the end of the three-year performance period (i.e. five years from award).
- Best practice – Changes have been made to the Policy to reflect the adoption of the 2018 UK Corporate Governance Code (including to incorporate changes outlined in previous Directors' remuneration reports) as well as other areas of best practice. These include:
  - Pensions for new appointments – Pension arrangements for new appointments have been aligned with the pension arrangements available to the majority of UK employees of a similar age.
  - Pension for the Chief Executive – Chief Executive pension opportunity is being reduced in stages over three years to 16% of base salary to align with the rate available to UK employees.
  - Post-employment guideline – These guidelines have been formalised in the Policy and enhanced such that 100% of in-employment guideline is expected to be retained for two years following ceasing to be an Executive Director.
- Other minor changes have been made to the wording of the Policy to simplify and aid its operation and to increase clarity.

In determining the new Remuneration Policy, the Committee followed a robust process which included discussions on the content of the Policy at four Remuneration Committee meetings in 2019. The Committee considered the input from our independent advisors and management, and sought the views of Pearson's major shareholders. Further information on the Committee's decision-making process is set out in the remuneration report.

Selection of performance measures and target setting

In the selection and weighting of performance measures for the annual and long-term incentive awards, the Committee takes into account Pearson's strategic objectives and short and long-term business priorities.

Annual incentive plan AIP	For 2020, the Committee identified sales, adjusted operating profit, operating cash flow and key strategic business imperatives as being relevant measures of Pearson's performance against its shorter-term strategic objectives and business priorities.
Long-term incentive plan LTIP	For 2020 awards, the Committee has judged the following to be most closely matched to sustained delivery of strategy and alignment with shareholders' interests: › Adjusted earnings per share rewards the delivery of the desired outcomes from our strategic growth objectives and is imperative if the company is to improve our total shareholder return and our return on invested capital. › Return on invested capital is used to track investment returns and to help assess capital allocation decisions within the business. › Total shareholder return relative to the constituents of the FTSE 100 is used as the Committee believes, in line with many of our shareholders, that part of Executive Directors' rewards should be linked to long-term performance relative to companies of comparable size, scale and maturity that are similarly impacted by global macro-economic influences.

The performance ranges chosen set a careful balance between upside opportunity and downside risk and are normally based on targets in accordance with the company's operating and strategic plans.

The charts on p97 illustrate how remuneration will be implemented in 2020 based on threshold, target and maximum performance scenarios.

Pre-existing commitments

The Committee reserves the right to make remuneration payments and payments for loss of office (which includes exercising related discretions) that are not in line with this Policy if the terms of the payment were agreed:

1. before the Policy came into effect, if the payment was agreed or made in line with the policy in force at the time or was otherwise approved by shareholders; and
2. at a time when the recipient was not subject to the Policy, provided the Committee does not consider the payment to have been made in consideration of the recipient becoming subject to the Policy.

For these purposes 'payment' means any payment that would otherwise be subject to the Policy and, in relation to a share award, will not be considered to have been 'agreed' any later than the date of grant.

Remuneration policy for other employees

During the year, the Committee reviewed and developed a revised set of remuneration principles, which shape how we develop our remuneration policies. The principles are consistent across the employee population but how they are applied varies by business need, level and geography as required.

Our remuneration policy is as follows:

- The approach to setting base salary increases elsewhere in the company takes into account economic factors, competitive market rates, roles, skills, experience and individual performance.
- Allowances and benefits for employees reflect the local labour market in which they are based.

- Around 1,200 employees participate in an Annual Incentive Plan. The funding for the plan is based on the same performance conditions as those used for the Executive Directors. A number of other employees participate in other forms of cash-based annual incentive such as profit-share or sales commission plan based on performance targets.
- Share incentive plans for the Pearson Executive management team form the basis of the incentive plans throughout the organisation, establishing performance measures and standards and setting the ceiling for individual incentive opportunities. Approximately 5% of the company's employees below the Pearson Executive management team – selected on the basis of their role, performance and potential – participate in share incentive plans.
- All eligible employees (including Executive Directors) are also eligible to participate in savings-related share acquisition programmes in the UK, US and the rest of the world, which are not subject to any performance conditions.
- Pearson employees in the UK may participate in the same underlying pension arrangements as the Executive Directors, subject to certain age bands and legacy arrangements.

Recruitment

The Committee expects any new Executive Directors to be engaged on the same terms and to be awarded variable remuneration within the same normal limits and subject to the same conditions as for the current Executive Directors outlined in the policy.

The maximum level of variable remuneration which may be awarded (excluding any 'buyout' awards referred to above) in respect of recruitment is 550% of salary, which is in line with the current maximum limit under the annual bonus and LTIP.

In setting the basic salary for any new Executive Director, the Committee will apply a level appropriate to recruit a suitable candidate, having regard to the factors set out in the future policy table.

The Committee recognises that it cannot always predict accurately the circumstances in which any new Directors may be recruited. The Committee may determine that it is in the interests of the company and shareholders to secure the services of a particular individual which may require the Committee to take account of the terms of that individual's existing employment and/or their personal circumstances. The Committee may do this in the following circumstances:

- Where an individual is relocating in order to take up the role, in which case the company may provide certain benefits such as reasonable relocation expenses, accommodation for a short period following appointment and assistance with visa applications or other immigration issues and ongoing arrangements such as tax equalisation, annual flights home, schooling and housing allowance.
- Where an individual forfeits outstanding variable pay opportunities or contractual rights at a previous employer as a result of appointment, the Committee may offer compensatory payments or awards, in such form as the Committee considers appropriate taking into account all relevant factors including the form of awards, expected value and vesting timeframe of forfeited opportunities. The Committee would require reasonable evidence of the nature and value of any forfeited award and would, to the extent practicable, ensure any compensation was provided on a like-for-like basis and was no more valuable than the forfeited award.

In making any decision on any aspect of the remuneration package for a new recruit, the Committee would balance shareholder expectations, current best practice and the requirements of any new recruit and would strive not to pay more than is necessary to achieve the recruitment. The Committee would give full details of the terms of the package of any new recruit in the next annual remuneration report.

Where an existing employee of the company is promoted to the Board, the company may honour all existing contractual commitments including any outstanding share awards and benefits, including pensions.

Pearson expects any new Chair or Non-Executive Director to be engaged on terms that are consistent with the general remuneration principles outlined in the relevant sections of this Policy.

Service contracts and termination provisions

In accordance with long established policy, all Executive Directors have service agreements under which, other than by termination in accordance with the terms of these agreements, employment continues indefinitely.

There are no special provisions for notice or non-share-based compensation in the event of a change of control of Pearson.

It is the company's policy that the company may terminate the Chair's and Executive Directors' service agreements by giving no more than 12 months' notice.

Payment in lieu of notice

As an alternative, for Executive Directors the company may at its discretion pay in lieu of that notice. Payment in lieu of notice may be made in equal monthly instalments from the date of termination to the end of any unexpired notice period. Payment in lieu of notice in instalments may also be subject to mitigation and reduced taking into account earnings from alternative employment.

For Executive Directors, payment in lieu of notice comprises 100% of the annual salary at the date of termination and the annual cost to the company of providing pension and all other benefits. For the Chair, payment in lieu of notice comprises 100% of the annual fees at the date of termination.

The company may, depending on the circumstances of the termination, determine that it will not pay the Director in lieu of notice and may instead terminate a Director's contract in breach and make a damages payment, taking into account as appropriate the Director's ability to mitigate his or her loss.

The company may also pay an amount considered to be reasonable by the Remuneration Committee in respect of fees for legal and tax advice and outplacement support for the departing Director. The Committee reserves the right to make any other payments in connection with a Director's cessation of office or employment where the payments are made in good faith, in discharge of an existing legal obligation (or by way of damages for breach of such an obligation) or by way of settlement of any claim arising in connection with the cessation of a Director's office or employment.

Share awards

On cessation of employment, unless otherwise provided for under the rules of Pearson's discretionary share plans, Executive Directors' entitlements to any unvested awards lapse automatically. In the case of injury, disability, ill-health or redundancy (as determined by the Committee), where a participant's employing company ceases to be part of Pearson, or any other reason if the Committee so decides in its absolute discretion:

2020 remuneration policy

- awards will stay in force as if the participant had not ceased employment and shall ordinarily vest on the original vesting date/be released in line with normal time horizons subject to performance conditions.
- the number of shares that are released shall be pro-rated for the period of the participant's service in the restricted period (although the Committee may in its absolute discretion waive or vary the pro-rating).

In determining whether and how to exercise its discretion under Pearson's discretionary share plans, the Committee will have regard to all relevant circumstances distinguishing between different types of leaver, the circumstances at the time the award was originally made, the Director's performance and the circumstances in which the Director left employment.

The rules of Pearson's discretionary share plans also make provision for the treatment of awards in respect of corporate activity, including a change of control of Pearson. The Committee would act in accordance with the terms of the awards in these circumstances, which includes terms as to the assessment of performance conditions and time apportionment.

Annual bonus
On cessation of employment, Executive Directors may, at the Committee's discretion, retain entitlement to a pro rata annual incentive for their period of service in the financial year prior to their leaving date. Such payout will normally be calculated in good faith on the same terms and paid at the same time as for continuing Executive Directors.

Other elements of remuneration
Eligibility for allowances and benefits including retirement benefits (other than pension payments in connection with subsequent retirement) normally ceases on retirement or on the termination of employment for any other reason.

Individual service agreements

Details of each individual's service agreement are outlined in the table below. Employment agreements for other employees are determined according to local labour law and market practice.

Position	Date of agreement	Notice periods	Compensation on termination of employment by the company without notice or cause
Chair	25 October 2015	12 months from the Director; 12 months from the company	Payment in lieu of notice of 100% of annual fees at the date of termination
Executive Directors	31 December 2012 (John Fallon) 26 February 2015 (Coram Williams) 15 January 2020 (Sally Johnson)	6 months from the Director; 12 months from the company	Payment in lieu of notice of 100% of annual salary at the date of termination and the annual cost of pension and all other benefits

Note Under payment in lieu of notice, the annual cost of pension for Executive Directors is normally calculated as the sum, where applicable, of: an amount equal to the company's cost of providing the Executive's pension under the pension plan based on the Future Service Company Contribution Rate for the relevant section of the pension plan as stated in the most recent actuarial valuation (as at the date of termination of employment) as limited by the earnings cap; and any cash allowance in lieu of pension or to take account of the fact that pension benefits and life assurance cover are restricted by the earnings cap.

Non-Executive Directors serve Pearson under letters of appointment which are renewed annually and do not have service contracts. For Non-Executive Directors, there is no notice period or entitlement to compensation on the termination of their directorships.

Executive Directors' non-Executive Directorships

The Committee's policy is that Executive Directors may, by agreement with the Board, serve as non-executives of other companies and retain any fees payable for their services.

Employment conditions

Under the Committee's charter and terms of reference, the Committee's remit includes determining remuneration for the Chief Executive, other Executive Directors and other members of the Pearson Executive management team. In addition, the Committee's remit includes oversight of certain remuneration matters below this level. Before the remuneration packages for the Pearson Executive management team are set for the year ahead, the Committee considers reports from the Chief Executive on general morale and Chief Human Resources Officer on retention, general pay trends in the market and the level of pay increases and incentives across the company as a whole. This helps to ensure that Executive remuneration packages are reviewed in the context of the wider organisation.

The company consults with various employee representative bodies – including trade unions and works councils in some jurisdictions – about the company's strategy, competitiveness and performance of the business and other matters affecting employees. The company also conducts an employee engagement survey to find out how people feel about working for Pearson, what they think about the work they do, the opportunities they have and the rewards they get (including a section on pay and benefits). The company uses all of this feedback to inform decisions on people-related activities, resources and investment, local management action plans and wider business unit and organisational strategies.

It is the company's intention to continue to engage with employees and employee representatives in this way in the future.

The Committee has not consulted directly with employees on the setting of the Directors' Remuneration Policy.

Shareholder views

The company consults regularly with shareholders on all matters affecting its strategy and business operations. As part of that process, we also engage with shareholders on matters relating to Executive remuneration. The Committee continues to monitor and respond to best practice guidelines of shareholders and their representative bodies.

Over the past three years, we have undertaken a thorough review of our Executive Director Remuneration Policy and its implementation. As part of this review, we engaged extensively with our shareholders to ensure Executive remuneration is set appropriately, rewards for performance and aligns management with the shareholder experience. We would like to thank our shareholders for the time they have spent with us in this regard.

In January 2020, we wrote to our key shareholders and the voting advisory agencies, seeking their views on the proposed changes to Pearson's Directors' Remuneration Policy. We received valuable feedback on a number of points, which reflected a significant range of opinions. This feedback has been helpful to the Committee in formulating policy and is much appreciated.

We are committed to continued engagement going forward.

Future policy table for Chair's and Non-Executive Directors' remuneration

The table below summarises policy with respect to the remuneration of the Chair and Non-Executive Directors:

Chair and Non-Executive Director remuneration

Purpose and link to strategy

› To attract and retain high-calibre individuals, with appropriate experience or industry-relevant skills, by offering market competitive fee levels.

Operation	Opportunity	Performance conditions and period
The Chair is paid a single fee for all of their responsibilities. The Chair's fee is set at a level that is competitive with those of chairmen in similar positions in comparable companies. The Non-Executive Directors are paid a basic fee. The Committee Chairs, members of the main Board Committees and the Senior Independent Director are paid an additional fee to reflect their extra responsibilities. Fees for Non-Executive Directors are determined by the full Board having regard to market practice. Additional fees or other payments may be paid to reflect additional responsibilities, roles or contribution, as appropriate. The Chair and Non-Executive Directors are not entitled to any annual or long-term incentive, retirement or other employee benefits. Selected benefits may be introduced, if considered appropriate. The company reimburses the Chair's and Non-Executive Directors' travel and other business expenses and any tax incurred thereon, if applicable. Normally a minimum of 25% of the Chair's and Non-Executive Directors' basic fee is paid in Pearson shares that the Non-Executive Directors have committed to retain for the period of their directorships. Shares are normally acquired quarterly at the prevailing market price with the individual's after-tax fee payments.	Fee levels are reviewed on a periodic basis. The total fees payable to the Non-Executive Directors (excluding the Chair) are subject to the limit set out in the Articles of Association of the company (currently £750,000) and as increased by ordinary resolution from time to time.	None.