

# Letter from the Chairman

## on business to be transacted at the Annual General Meeting at 3 pm on Thursday, 28 April 2011 and Notice of Annual General Meeting

This document is important and requires your immediate attention.

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.

A form of proxy for the Annual 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 3 pm on Tuesday, 26 April 2011. Alternatively, you may register your vote online by visiting the registrar's website at [www.sharevote.co.uk](http://www.sharevote.co.uk) or, if you have a portfolio registered with Equiniti, by logging onto [www.shareview.co.uk](http://www.shareview.co.uk).

In order to register your vote online you will need to enter the Voting I.D., Task I.D. 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 Annual General Meeting and in the form of proxy. Electronic and CREST proxy voting instructions should also be submitted no later than 3 pm on Tuesday, 26 April 2011. Completion of a form of proxy or the appointment of a proxy electronically, will not stop you from attending the meeting and voting in person should you so wish.

## To Shareholders

24 March 2011

Dear Shareholder

I am writing to give you details of the business which will be conducted at the Annual General Meeting (AGM or the meeting) of Pearson plc (Pearson or the company) to be held at The Institution of Engineering and Technology, 2 Savoy Place, London WC2R 0BL at 3 pm on Thursday, 28 April 2011.

Voting on all of the proposed resolutions at the AGM will be conducted on a poll rather than on a show of hands.

Voting by calling a poll is more transparent and equitable because it includes the votes of all shareholders, including those cast by proxies, rather than just the votes of those members who attend the meeting.

Shareholders of the company (shareholders) will be asked to consider and, if thought fit, approve resolutions in respect of the following matters:

### Ordinary business

The company's accounts and reports of the directors of the company (directors) and auditors of the company (auditors);

The final dividend for the year ended 31 December 2010;

Re-election and reappointment of directors;

Approval of the report on directors' remuneration;

Reappointment of PricewaterhouseCoopers LLP (PwC) as auditors for the ensuing year;

Authority to determine the remuneration of the auditors;

Authority to allot shares; and

Renewal of the Long-Term Incentive Plan.

### Special business

Waiver of pre-emption rights in certain circumstances;

Authority for the company to purchase its own shares; and

Approval of a 14-day notice period for general meetings in accordance with the Companies (Shareholders' Rights) Regulations 2009 (the Shareholder Rights Regulations) and the company's Articles of Association (Articles).

A brief description of these matters is set out below.

### Notice of AGM

The Notice convening the AGM is set out on pages 7 to 15 of this document (the Notice).

### Report and accounts and final dividend (resolutions 1 and 2)

The first item at the AGM will be the receipt and consideration of the company's accounts and the reports of the directors and the auditors for the financial year ended 31 December 2010.

Separately, shareholders will also be asked to approve the payment of a final dividend of 25.7p per ordinary share in respect of the year ended 31 December 2010, as recommended by the directors.

It is proposed that the dividend will be paid on 6 May 2011 to shareholders on the register at close of business on 8 April 2011 (the record date).

### Re-election and reappointment of directors (resolutions 3 to 13)

Although not required by the company's Articles, all of the directors being eligible will, in the interests of good corporate governance, offer themselves for re-election. As chairman, I believe that the contribution and performance of each of the directors continues to be valuable and effective and that it is appropriate for them to continue to serve as directors of the company. In accordance with the Combined Code 2008 (the Code), the board has reviewed the independence of its non-executive directors and has determined that they remain fully independent of management. In particular, the board has reviewed the independence of Patrick Cescau as he is approaching nine years of service. The board has concluded that Patrick Cescau remains independent, as explained on page 50 of the Annual Report.

**David Arculus**, aged 64, is a non-executive director of Telefónica S.A. He is also chairman of Numis Corporation plc and in October 2010 was appointed chairman of Aldermore Bank plc. His previous roles include chairman of O<sub>2</sub> plc, Severn Trent plc and IPC Group, chief operating officer of United Business Media plc and group managing director of EMAP plc. He became a non-executive director of Pearson in February 2006 and is chairman of the remuneration committee.

**Patrick Cescau**, aged 62, is the senior independent director of Tesco plc and a director of INSEAD, the Business School for the World. In September 2010, he joined the board of IAG, the International Consolidated Airlines Group, S.A. He was previously group chief executive of Unilever. He became a non-executive director of Pearson in April 2002 and senior independent director in April 2010.

**Will Ethridge**, aged 59, chief executive of Pearson North American Education, joined the Pearson board in May 2008, having held a number of senior positions within Pearson Education, including CEO of the International and Higher Education divisions. He is chairman of CourseSmart, a publishers' digital retail consortium and chairman of the Association of American Publishers.

**Rona Fairhead**, aged 49, chairman and chief executive of The Financial Times Group, joined the Pearson board in June 2002 as chief financial officer. She was appointed chief executive of The Financial Times Group in June 2006 and became responsible for Pearson VUE in March 2008. From 1996 until 2001, she served as executive vice president, group control and strategy at ICI. She is also a non-executive director of HSBC Holdings plc and chairs the HSBC audit and risk committees. In December 2010 she was appointed as a non-executive director of The Cabinet Office.

**Robin Freestone**, aged 52, chief financial officer, joined Pearson in 2004 as deputy chief financial officer and became chief financial officer in June 2006, when he also joined the Pearson board. He was previously group financial controller of Amersham plc (now part of GE). He qualified as a chartered accountant with Touche Ross (now Deloitte). He is also a non-executive director and founder shareholder of eChem Limited.

**Susan Fuhrman**, aged 66, is president of Teachers College at Columbia University, America's oldest and largest graduate school of education and president of the National Academy of Education. She was previously dean of the Graduate School of Education at the University of Pennsylvania and on the board of trustees of the Carnegie Foundation for the Advancement of Teaching. She became a non-executive director of Pearson in July 2004.

**Ken Hydon**, aged 66, is a non-executive director of Reckitt Benckiser Group plc, Royal Berkshire NHS Foundation Trust and Tesco plc. He was previously financial director of Vodafone Group plc and of subsidiaries of Racal Electronics. He became a non-executive director of Pearson in February 2006 and is chairman of the audit committee.

**John Makinson**, aged 56, is chairman and chief executive of The Penguin Group. He joined the Pearson board in March 1996 and was finance director until June 2002. He was appointed chairman of The Penguin Group in May 2001. He is also chairman of The Royal National Theatre and trustee of the Institute for Public Policy Research.

**Glen Moreno**, aged 67, was appointed chairman of Pearson on 1 October 2005 and is chairman of the nomination committee. He was appointed deputy chairman of the Financial Reporting Council Limited in November 2010. He is also the senior independent director of Lloyds Banking Group plc as well as a non-executive director of Fidelity International Limited. He was previously the senior independent director of Man Group plc and acting chairman of UK Financial Investments Limited, the company set up by HM Treasury to manage the government's shareholdings in UK banks.

**Marjorie Scardino**, aged 64, chief executive, joined the Pearson board in January 1997. She trained and practised as a lawyer, and was chief executive of The Economist Group from 1993 until joining Pearson. She is also vice chairman of Nokia Corporation and on the boards of several charitable organisations. In 2010 she was named a fellow of the American Academy of Arts and Sciences.

**Joshua Lewis**, aged 48. Having been appointed since the last AGM, Mr Lewis will retire at the forthcoming AGM and, in accordance with the Articles and being eligible, will offer himself for reappointment. He is managing principal of Salmon River Capital LLC, a private equity/venture capital investment firm, and is also an advisor to the Bill & Melinda Gates Foundation's Next Generation Learning Challenges programme. He was previously a general partner of both Warburg Pincus and Forstmann Little, and served on the board of the Capella Education Company, a pioneering provider of web-based post-secondary education. He was also chair of New Leaders for New Schools, a social enterprise training the next generation of US urban principals, and remains involved with that organisation.

### Report on directors' remuneration (resolution 14)

Shareholders will be asked to approve the report on directors' remuneration in accordance with the provisions of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008.

### Auditors (resolutions 15 and 16)

Resolutions will be proposed to reappoint PwC as auditors until the conclusion of the AGM in 2012 and to authorise the directors to determine the remuneration of the auditors.

### Directors' authority to allot shares (resolution 17)

Shareholders will be asked, pursuant to the provisions of section 551 of the Companies Act 2006 (the Act), to confer on the board of directors the authority to allot shares for a period ending at the close of the AGM in 2012.

If passed, the new authority would permit the allotment of up to 271,043,000 ordinary shares (representing 33.3% of Pearson's issued ordinary share capital at 25 February 2011); save in connection with an offer by way of a rights issue in which case the authority would permit the allotment of up to 542,086,000 ordinary shares (representing 66.6% of Pearson's issued share capital at 25 February 2011) – in each case over and above those committed to the various share option and employee share plans. At the date this document was approved by the board, the directors had no intention to exercise this authority, although they considered its grant to be appropriate in order to preserve maximum flexibility for the future.

### Waiver of pre-emption rights (resolution 18)

A resolution will also be proposed to waive (under the provisions of section 570 of the Act) the statutory pre-emption provisions applicable to the allotment of equity securities for cash contained in section 561 of the Act for a period ending at the close of the AGM in 2012.

Accordingly, resolution 18 proposes authority to issue equity securities for cash consideration either (i) by way of a rights or other pre-emptive issue or (ii) by way of a non-pre-emptive issue, in the latter case limited to a total of 40,655,000 ordinary shares, representing 5% of Pearson's issued ordinary share capital as at 25 February 2011. This resolution is conditional on resolution 17 being passed.

At the date this document was approved by the board, the directors had no intention to exercise this authority, although they considered its grant to be appropriate in order to preserve maximum flexibility for the future. The directors intend to comply with the Pre-Emption Group's Statement of Principles in relation to the cumulative three year cap regarding non-pre-emptive issues for cash.

### Authority to purchase own shares (resolution 19)

As in previous years, shareholders will be asked to authorise the market purchase by Pearson of a proportion of its issued ordinary share capital, subject to the limits referred to below.

The directors consider it prudent to be able to act at short notice if circumstances warrant. In considering the purchase of ordinary shares, the directors will follow the procedures laid down in the Act and will take into account cash resources, capital requirements and the effect of any purchase on gearing levels and on earnings per equity share. They will only consider exercising the authority when satisfied that it is in the best interests of the company to do so, having first considered any other investment opportunities open to the company.

Any purchase by the company of its own shares pursuant to this authority will be paid for out of distributable profits. Any shares which are repurchased will be dealt with in accordance with section 724 of the Act. The company is entitled to hold the shares as treasury shares, sell them for cash, cancel or transfer them pursuant to an employee share plan. The authority, which will expire at the close of the AGM in 2012, will be limited to the purchase of 81,310,000 ordinary shares, representing 10% of Pearson's issued ordinary share capital as at 25 February 2011. The maximum price (excluding expenses) to be paid per ordinary share on any occasion will be restricted to the higher of (i) 105% of the average of the market value of ordinary shares of the company derived from the London Stock Exchange Daily Official List for the five business days before the purchase is made and (ii) an amount equal to the higher of the price of the last independent trade of an ordinary share and the highest current bid for an ordinary share as derived from the London Stock Exchange Trading System, and the minimum price will be 25p per ordinary share.

Shareholders should understand that the maximum number of shares and the price range are stated merely for the purposes of compliance with statutory and Financial Services Authority (FSA) requirements in seeking this authority and should not be taken as any indication of the terms upon which the company intends to make such purchases. At the date this document was approved by the board, the directors had no intention to exercise this authority.

The total number of options to subscribe for ordinary shares which were outstanding at 25 February 2011, the latest practicable date prior to the publication of this document, was approximately 8.7 million, which represents approximately 1.07% of the issued share capital of the company at that date and would represent approximately 1.19% of the company's issued share capital, if the maximum number of 81,310,000 shares were to be purchased by the company.

#### Notice of meetings (resolution 20)

Although our Articles already grant the company the authority to call general meetings (other than annual general meetings) on 14 days' notice, under the Shareholder Rights Regulations this authority is required to be approved by shareholders annually, otherwise a minimum of 21 days' notice must be given. The directors believe it is in the best interests of shareholders to preserve the shorter notice period, although the flexibility offered by this resolution will not be used as a matter of routine for general meetings, but only where, taking into account all the circumstances, the directors consider this appropriate in relation to the business to be considered at the meeting.

#### Renewal of Long-Term Incentive Plan (resolution 21)

The Pearson Long-Term Incentive Plan (the Plan) was first approved by shareholders in 2001 and renewed in 2006.

The remuneration committee of the Pearson board (the committee) has reviewed the operation of the Plan in light of the company's strategic goals. The committee has concluded that the Plan is achieving its objectives and, looking forward, will continue to enable the company to recruit and retain the most able managers worldwide and to ensure that their long-term incentives encourage outstanding performance and are competitive in the markets in which we operate.

We are therefore seeking approval of its renewal by shareholders on broadly similar terms. A summary of the Plan and its intended operation is set out in the Appendix.

Our goal as a company is to make an impact on people's lives and on society through education and information. Our strategy to achieve that goal is pursued by all Pearson's businesses in some shape or form and has four parts: investment in quality content; adding services to this content; working in markets around the world, particularly in the developing world; and efficiency.

An important measure of our strategy is, of course, financial performance. Here, our goal is to achieve sustainable growth in three key financial measures earnings, cash and return on invested capital – and reliable cash returns to our investors through healthy and growing dividends. We believe those are, in concert, good indicators that we are building the long-term value of Pearson. So those measures (or others that contribute to them, such as operating margins and working capital) form the basis of our annual budgets and plans, and the basis for bonuses and long-term incentives.

Pearson's remuneration framework continues to link rewards to the performance of the company and therefore to shareholders' interests. Full details of our remuneration policy are set out in the report on directors' remuneration in the annual report for the year ended 31 December 2010.

Consistent with its policy, the committee places considerable emphasis on the performance-linked elements. The performance conditions that we select for the company's various performance-related annual or long-term incentive plans are linked to the company's strategic objectives and financial performance measures set out above so as to align the interests of our executive directors with the interests of our shareholders.

We have consulted with major shareholders and their representatives on the renewal of the Plan and its operation in 2011. The proposals set out in the Appendix reflect the constructive and supportive comments received as part of this consultation. The committee will continue to ensure that full and transparent information is provided to shareholders each year on the manner in which the Plan is operated.

## Annual General Meeting

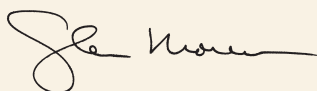
The resolutions referred to in this letter are included in the Notice of AGM set out on pages 7 to 15 of this document. The AGM is to be held at The Institution of Engineering and Technology, 2 Savoy Place, London WC2R 0BL at 3 pm on Thursday, 28 April 2011. If you are unable to attend the meeting, please complete and return the enclosed form of proxy in the prepaid envelope provided so as to reach the company's registrar, Equiniti, not less than 48 hours before the time of the meeting. Alternatively, you may register your vote online by visiting the registrar's website at [www.sharevote.co.uk](http://www.sharevote.co.uk) or, if you already have a portfolio registered with them, by logging onto [www.shareview.co.uk](http://www.shareview.co.uk). In order to register your vote online you will need to enter the Voting I.D., Task I.D. and Shareholder Reference Number which are given on the enclosed form of proxy. If you are a member of CREST, 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 AGM and in the form of proxy.

Completion of a form of proxy or the appointment of a proxy electronically, will not stop you from attending the AGM and voting in person should you so wish. If you are unable to attend the AGM in person but would like to ask a question, please e-mail [glenmoreno-agm@pearson.com](mailto:glenmoreno-agm@pearson.com).

## Recommendation

In the opinion of the directors, the passing of resolutions 1 to 21 is in the best interests of the company and its shareholders as a whole. Your directors unanimously recommend that you vote in favour of resolutions 1 to 21 as they intend to do in respect of their own beneficial holdings.

Yours sincerely



Glen Moreno Chairman

## Directors

### Chairman

G R Moreno

### Executive directors

M M Scardino (chief executive)

W T Ethridge (chief executive, Pearson North American Education)

R A Fairhead (chairman and chief executive of The Financial Times Group)

R A D Freestone (chief financial officer)

J C Makinson (chairman and chief executive of The Penguin Group)

### Non-executive directors

T D G Arculus

P J Cescau

S H Fuhrman

K J Hydon

S J Lewis

### Registered office:

Pearson plc,  
80 Strand,

London WC2R 0RL,  
UK

Registered in England

Registered number 53723

## Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting (AGM or the meeting) of Pearson plc (the company) will be held at The Institution of Engineering and Technology, 2 Savoy Place, London WC2R 0BL at 3 pm on Thursday, 28 April 2011 for the following purposes:

### Ordinary business

1. To receive and consider the accounts of the company and reports of the directors of the company (directors) and auditors of the company (auditors) for the year ended 31 December 2010;
2. To declare a final dividend on the ordinary shares, as recommended by the directors;
3. To re-elect David Arculus as a director;
4. To re-elect Patrick Cescau as a director;
5. To re-elect Will Ethridge as a director;
6. To re-elect Rona Fairhead as a director;
7. To re-elect Robin Freestone as a director;
8. To re-elect Susan Fuhrman as a director;
9. To re-elect Ken Hydon as a director;
10. To re-elect John Makinson as a director;
11. To re-elect Glen Moreno as a director;
12. To re-elect Marjorie Scardino as a director;
13. To reappoint Joshua Lewis as a director;
14. To receive and approve the report on directors' remuneration;
15. To reappoint PricewaterhouseCoopers LLP as auditors for the ensuing year;
16. To authorise the directors to determine the remuneration of the auditors; and
17. To consider and, if thought fit, to pass the following resolution which will be proposed as an ordinary resolution:

THAT, pursuant to section 551 of the Companies Act 2006 (the Act), the board be authorised to allot shares in the company and to grant rights to subscribe for or to convert any security into shares in the company:

(A) up to an aggregate nominal amount of £67,760,750; and

(B) comprising equity securities, as defined in the Act, up to an aggregate nominal amount of £135,521,500 (including within such limit any shares or rights issued under (A) above) in connection with an offer by way of a rights issue:

- (i) to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and
- (ii) to people who are holders of other equity securities if this is required by the rights of those securities or, if the board considers it necessary, as permitted by the rights of those securities;

and so that the board may impose any limits or restrictions and make any arrangements which it considers necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter;

such authorities to expire at the close of the AGM in 2012 provided that, in each case, the company may make offers and enter into agreements during the relevant period which would, or might, require shares in the company to be allotted or rights to subscribe for or convert any security into shares to be granted, after the authority expires and the board may allot shares in the company and grant rights under any such offer or agreement as if the authority had not expired.

### Special business

18. To consider and, if thought fit, to pass the following resolution which will be proposed as a special resolution:

THAT, subject to resolution 17 being passed, the board be given authority to allot equity securities for cash under the authority given by that resolution and/or where the allotment constitutes an allotment of equity securities by virtue of section 560(2) of the Act, free of the restriction in section 561(1) of the Act, such authority to be limited:

(A) to the allotment of equity securities in connection with an offer of equity securities (but in the case of the authority granted under resolution 17(B), by way of a rights issue only):

- (i) to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and



(ii) to people who are holders of other equity securities, if this is required by the rights of those securities or, if the board considers it necessary, as permitted by the rights of those securities;

and so that the board may impose any limits or restrictions and make any arrangements which it considers necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter; and

(B) in the case of the authority granted under resolution 17(A), to the allotment (otherwise than under 18(A) above) of equity securities with an aggregate nominal value of up to £10,163,750;

such authority to apply until the close of the AGM in 2012 provided that during the relevant period the company may make offers, and enter into agreements, which would, or might, require equity securities to be allotted after the authority expires and the board may allot equity securities under any such offer or agreement as if the authority had not expired.

19. To consider and, if thought fit, to pass the following resolution which will be proposed as a special resolution:

THAT, the company is hereby generally and unconditionally authorised to make market purchases (within the meaning of section 693(4) of the Act) of ordinary shares of 25p each in the capital of the company provided that: (i) the maximum number of ordinary shares hereby authorised to be purchased is 81,310,000; (ii) the minimum price which may be paid for an ordinary share is 25p per share which amount shall be exclusive of expenses; (iii) the maximum price which may be paid for an ordinary share is, in respect of an ordinary share contracted to be purchased on any day, the higher of (a) an amount (exclusive of expenses) equal to 105% of the average of the market value of an ordinary share of the company derived from the London Stock Exchange Daily Official List for the five business days before the purchase is made and (b) an amount equal to the higher of the price of the last independent trade of an ordinary share and the highest current independent bid for an ordinary share as derived from the London Stock Exchange Trading System; (iv) the authority hereby conferred shall expire at the close of the AGM in 2012; and (v) during the relevant period the company may make a contract to purchase ordinary shares under this authority prior to

the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority and may make a purchase of ordinary shares in pursuance of any such contract as if the authority had not expired.

20. To consider and, if thought fit, to pass the following resolution which will be proposed as a special resolution:

THAT, in accordance with the company's Articles of Association, the company be and is hereby authorised until the close of the AGM in 2012, to call general meetings on 14 clear days' notice.

### Ordinary business

21. To consider and, if thought fit, to pass the following resolution which will be proposed as an ordinary resolution:

THAT, the Pearson Long-Term Incentive Plan, the principal terms of which are summarised in the Appendix to this Notice, be and is hereby approved and adopted, and the directors be and are hereby authorised to do all such acts and things as they may consider necessary or expedient to carry the Plan into effect.

By order of the board



Philip Hoffman Secretary

24 March 2011



## Notes

1. Ordinary shareholders and/or nominee shareholders only are entitled to attend, speak and vote at the AGM. Any such shareholder or nominee shareholder may appoint one or more persons (whether members of the company or not) to act as his/her proxy or proxies to attend, speak and vote instead of him/her. The form of proxy for use at the meeting must be deposited, together with any power of attorney or authority under which it is signed, at Equiniti, Aspect House, Spencer Road, Lancing, West Sussex BN99 6GN, not less than 48 hours before the time appointed for the AGM or any adjournment thereof. An appropriate form of proxy is enclosed. Alternatively, you may register your vote online by visiting [www.sharevote.co.uk](http://www.sharevote.co.uk) or, if you already have a portfolio registered with Equiniti, by logging onto [www.shareview.co.uk](http://www.shareview.co.uk). In order to register your vote online you will need to enter the Voting I.D., Task I.D. and Shareholder Reference Number which are given on the enclosed form of proxy.

2. 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 AGM to be held at 3 pm on Thursday, 28 April 2011 and any adjournment(s) thereof, by using the procedures described in the CREST manual (available via [www.euroclear.com/CREST](http://www.euroclear.com/CREST)). 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'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 3 pm on Tuesday, 26 April 2011. 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 UK & Ireland Limited 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 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.

3. Completion of a form of proxy, or the appointment of a proxy electronically, will not stop you from attending the meeting and voting in person should you so wish.
4. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member, provided that they do not do so in relation to the same shares.
5. Any person to whom this Notice is sent who is a person nominated under section 146 of the Companies Act 2006 (the Act) 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 AGM. 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 note 1 above does not apply to Nominated Persons. The rights in relation to the appointment of proxies described in that note can only be exercised by shareholders of the company.

6. As at 25 February 2011 (being the last practicable date prior to the publication of this Notice) the company's issued share capital consisted of 813,129,981 ordinary shares, carrying one vote each. Therefore, the total number of voting rights in the company as at 25 February 2011 was 813,129,981.
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 pm on Tuesday, 26 April 2011 (the voting record date) shall be entitled to attend and vote at the AGM in respect of the number of shares registered in their name at that time. Changes to the register of members of the company after 6 pm on Tuesday, 26 April 2011 shall be disregarded in determining the rights of any person to attend, speak or vote at the meeting.
8. Under section 527 of the Act, members meeting the threshold requirements set out in that section have the right to require the company to publish on a website a statement setting out any matter relating to: (i) the audit of the company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the AGM; or (ii) any circumstance connected with the auditors of the company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with section 437 of the Act. The company may not require the shareholders requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the Act. Where the company is required to place a statement on a website under section 527 of the Act, it must forward the statement to the company's auditors not later than the time when it makes the statement available on the website. The business which may be dealt with at the AGM includes any statement that the company has been required under section 527 of the Act to publish on a website.
9. Any member, proxy or corporate representative attending the meeting on behalf of a member, has the right to ask questions. 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.
10. A copy of this Notice and certain other information (as required by section 311A of the Act) can be found at [www.pearson.com/investors](http://www.pearson.com/investors).  
The following documents are available for inspection during normal business hours on any business day at the company's registered office and also during the AGM and for 15 minutes beforehand:
  - › copies of the directors' service contracts with, or letters of appointment by, the company;
  - › the company's Articles of Association; and
  - › the rules of the Pearson Long-Term Incentive Plan.
 The register of directors' interests will also be available for inspection during the AGM.
11. 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.

## APPENDIX

### PEARSON LONG-TERM INCENTIVE PLAN: 2011 RENEWAL

#### Introduction

The remuneration committee is seeking the approval of shareholders for the renewal of the Pearson Long-Term Incentive Plan (the Plan) for a ten-year period.

The Plan comprises two elements and can deliver restricted stock, which involves conditional awards of shares, and/or stock options. These elements offer the committee the flexibility with which to construct managers' long-term incentive packages and the ability to link corporate performance and reward.

All employees of Pearson and its subsidiaries (including executive directors of the company) are eligible to participate in the Plan at the discretion of the committee.

The committee will supervise the Plan and will have responsibility for agreeing all grants of restricted stock and stock options under the Plan. It will also have responsibility for setting the policy for the operation of the Plan – for example, by agreeing performance measures and targets that are consistent with the company's strategic objectives and by establishing the level of individual awards.

Restricted stock awards and stock options to acquire ordinary shares in the capital of Pearson or American Depositary Shares (Shares) may be awarded at any time, but not during a close period of the company. It is anticipated that grants will be made annually other than for new employees or following an acquisition.

It is not the committee's intention to grant stock options in 2011 or in the foreseeable future.

#### Principal terms of restricted stock

Restricted stock granted to executive directors will vest only if stretching corporate performance targets over a specified period have been met. Awards will vest on a sliding scale based on performance over the period. There will be no re-testing. The committee will determine the performance measures and targets governing an award of restricted stock prior to grant.

The performance measures that will apply for the executive directors for awards in 2011 and subsequent years will continue to be focused on delivering and improving returns to shareholders. These measures, which have applied since 2004, are relative total shareholder return, return on invested capital, and earnings per share growth.

For the 2011 awards for the executive directors, the award will continue to be split equally across all three measures. The 2011 targets will be no less stretching than in previous years.

Full details of the performance measures and targets will be set out in the report on directors' remuneration for 2011.

One-third of the award will be based on Pearson's total shareholder return relative to the constituents of the FTSE World Media Index. Total shareholder return will be measured over the three-year period from 2011 to 2014 based on the period immediately following the 2010 results announcement to the period immediately following the 2013 results announcement.

Subject to the committee satisfying itself that the recorded total shareholder return is a genuine reflection of the underlying financial performance of the business, this part of the award will vest in full if Pearson's total shareholder return relative to this group of companies is ranked at the upper quartile or better. 30% of the award will vest at the median. No part of the award will vest for performance below the median.

Companies that drop out of the index (e.g. through acquisition, merger, cessation of trading) will be excluded i.e. only companies operating for the entire period are counted. Where a constituent of the FTSE World Media Index is listed outside the UK, there will be no adjustment to the total shareholder return calculations for currency or local market movements. The share price will be averaged over 20 trading days at the start and the end of the performance period and dividends will be treated as having been re-invested in additional shares on the ex-dividend date.

One-third of the 2011 award will be based on return on invested capital, defined as operating profit net of cash tax divided by net operating assets plus gross goodwill (pre-amortisation). The threshold for return on invested capital in 2013, at which 25% of the award will vest, is 9.0%. This is above the company's weighted average cost of capital and an increase in the threshold of 8.5% that applied to the 2007 to 2010 awards. The award will vest in full for return on invested capital of 10.5%, significantly above the weighted average cost of capital.

For the final third of the 2011 award based on earnings per share growth, the threshold for payout, at which 30% of this part of the award will vest, is growth in earnings per share of 6% per annum. This part of the award pays out in full for growth in earnings per share of at least 12% per annum.

Earnings per share growth will be calculated using the 'point-to-point' method which compares earnings per share for the final year of the performance period with those for the year ended prior to the grant date and calculates the implicit compound annual growth rate over the period.

Pearson wishes to encourage executives and managers to build up a long-term holding of Shares so as to demonstrate their commitment to the company. To achieve this, a percentage of a participant's performance-related restricted stock award (normally 75%) will vest, subject to satisfaction of the performance conditions, at the end of the three-year period. The remainder of the award (normally 25%) will only vest if the participant retains the after-tax number of Shares that vest at year three for a further two years.

Restricted stock awards may be granted without performance conditions to satisfy recruitment and retention objectives. In such circumstances awards will vest after a specified period of service with Pearson. The vesting period will be specified by the committee when an award is granted (and will not normally be less than 12 months). Restricted stock awards that are not subject to performance conditions will not be granted to any of the current executive directors.

In addition, the committee would have the ability to grant phantom stock awards in place of restricted stock if the committee considers that a phantom stock award would be a better form of incentive. This might apply in those territories where for securities or other reasons it was not possible to deliver Shares on the vesting of a restricted stock award. Unless otherwise stated, references in this Appendix to restricted stock awards shall be deemed to include phantom stock awards.

A participant has no rights in relation to an award or to the Shares which are the subject of an award until it has vested. Where Shares vest under awards, a participant will receive additional Shares representing the gross value of dividends that would have been paid on these Shares during the performance period and reinvested. The expected value of awards made on this basis will take into account a reasonable expectation of the value of dividends over the vesting period.

Appendices to the rules can be incorporated to operate the Plan outside the UK. These appendices can vary the rules of the Plan to take account of any securities, exchange control or taxation laws or regulations.

Under one such appendix (which is self-standing), the committee may grant awards to senior managers who are resident in France for tax purposes. Any awards granted under this French appendix will be governed by the terms of the appendix in order to enable the awards to attract favourable tax and social security treatment for French resident participants. Any awards granted under this appendix will vest on the third anniversary of the date of grant provided the participant is still an employee of the Group at that time. Following vesting the Shares must be held by the participant for a further two years. The awards are also treated differently in the event of a good leaver circumstance in order to take account of the requirements of French legislation.

#### Principal terms of stock options

Whilst it is not the committee's intention to grant stock options in 2011 or the foreseeable future, the committee believes that the Plan should retain the flexibility of granting stock options in addition to, or instead of, restricted stock awards in the right circumstances. Any decision by the committee to grant stock options in the future would take account of best practice prevailing at the time. The committee would consult with shareholders before granting stock options to executive directors.

An option granted under the stock option element may not generally be exercised until a time specified when the option is granted. The date on which options would become exercisable would be set by the committee. Options may not be exercised later than the tenth anniversary of grant.

Any options granted to executive directors would vest only if stretching performance conditions are achieved over a three-year minimum vesting period. Any options would vest on a sliding scale based on performance over the period. There will be no re-testing. The committee will determine the performance conditions prior to grant.

The option price per Share will not be less than the market value of a Share at the date of grant, and may be stated in sterling or US dollars. A participant has no rights in relation to an option nor to the Shares which are the subject of the option until the option has been exercised.

In addition, the committee would have the ability to grant stock appreciation rights in place of options if the committee considers that a stock appreciation right would be a better form of incentive. As with restricted stock units, this might apply in those territories where for securities or other reasons it was not possible to deliver Shares on the vesting of stock options. Unless otherwise stated, references in this Appendix to options shall be deemed to include stock appreciation rights.

An appendix to the stock option element, which will be capable of approval by UK HM Revenue and Customs (HMRC) under Schedule 4 to the Income Tax (Earnings and Pensions) Act 2003, would permit the grant of HMRC approved options up to the HMRC £30,000 limit.

Further appendices to the Plan permit the grant of stock options to US resident and French resident employees respectively. The terms under which options are granted to employees in the US are essentially subject to the same provisions as summarised above. The options may be granted as incentive stock options (ISOs) or non-qualified stock options. ISOs are intended to qualify for favourable tax treatment under section 422 of the US Internal Revenue Code of 1986, as amended.

Options granted to French resident employees are also subject to essentially the same provisions although the treatment of options in the event of a good leaver circumstance is modified to take account of the requirements of French legislation.

### Level of individual awards

Our policy is that the remuneration of the executive directors should be competitive with those of executive directors in similar positions elsewhere. The committee looks at the competitive position both of each element of remuneration (i.e. base salary and other fixed remuneration such as pension, annual and long-term incentives) and of total remuneration. This takes account of assessments by the committee's independent advisers of market practice for comparable companies.

Our approach to the level of individual awards takes into account a number of factors.

First, we take into account the face value of individual awards at the time of grant assuming that the performance targets are met in full. Secondly, we take into account the assessments by our independent advisers of market practice for comparable companies and of directors' total remuneration relative to the market. And thirdly, we take into account individual roles and responsibilities, and company and individual performance.

Although the rules of the Plan will continue to give the committee the flexibility to vary award levels, we do not intend to move significantly outside the ranges established by awards in recent years unless justified on the grounds of market practice, competitiveness or performance.

For 2011, the individual awards for the executive directors will be consistent with the awards made in 2010. Full details of awards will be set out in the report on directors' remuneration for 2011 and future years.

### Future awards

For awards beyond 2011, the rules will continue to allow the committee to use the same performance measures and targets, or to apply different ones that are consistent with the company's strategic objectives and which it considers to be similarly demanding. The rules will also continue to allow the committee the flexibility to vary individual award levels.

The committee would consult with shareholders before making any significant changes to its approach to, or policy on, performance measures and targets or the range of award levels established by awards in recent years.

### Cessation of employment

If a participant ceases employment with the Group before awards have vested, all restricted stock awards and stock options will generally lapse. However, if the reason for leaving is ill-health, injury, disability, the employing company or business ceasing to be part of the Group or redundancy (with appropriate meanings being given to these terms in all territories in which the company operates), or any other reason which the committee so decides in its absolute discretion, a participant's restricted stock awards and stock options will remain in force.

In the case of performance-related restricted stock awards, the awards will normally continue until the original vesting date and will be released to the extent any applicable performance target has been met on the original vesting date.

In the case of restricted stock awards that are not subject to a performance condition, the awards will be released as soon as practicable after the participant leaves.

In the case of options that are subject to a performance condition, the options will normally continue until the original vesting date and will be exercisable to the extent any applicable performance target has been met for a period of six months from the original vesting date.

In the case of options that are not subject to a performance condition, the options will normally be exercisable for a period of six months from the date the participant leaves.

The number of Shares that vest under restricted stock awards will be scaled down pro-rata to the participant's actual service during the vesting period, unless the committee determines that the leaver's entitlement should not be scaled down or should only be scaled down in part.

In the event of a participant's death or other exceptional circumstances on leaving employment, the committee may permit the release of restricted stock awards or the exercise of stock options on an accelerated basis.

### Change of control of the company

In the event of a change of control of Pearson as a result of a takeover offer or scheme of arrangement under section 895 of the Companies Act 2006 (other than for the purpose of creating a new holding company for Pearson) restricted stock awards will vest and stock options will become exercisable.

In the case of restricted stock awards and stock options that are subject to a performance condition, they will vest or be exercisable to the extent that the performance condition has been met at the date of the relevant event. The number of Shares over which the restricted stock award vests will then be scaled down pro-rata to the participant's actual service during the performance period, unless the committee determines that the performance conditions would have been met to a greater or lesser extent at the end of the full performance period. The committee will, however, retain the discretion to modify any pro-rating if it considers that the contribution of the senior executive team to the creation of shareholder value during the performance period would not otherwise be recognised properly. The committee will not exercise its discretion in such a way that results in unjustifiably large rewards.

In the case of restricted stock awards and stock options that are not subject to a performance condition, these shall vest or become exercisable. The number of Shares over which the restricted stock award vests will be scaled down pro-rata to the participant's actual service from the date of grant up to the date of the relevant event, unless the committee determines otherwise.

### Source of Shares

Awards under the Plan may be satisfied using either existing Shares bought in the market, treasury Shares or newly-issued Shares.

Where restricted stock awards and stock options are granted over existing Shares, these will be purchased by an employee trust established by the company. The trust will not hold more than 5% of the company's issued share capital. Group companies will provide funds, by way of loan or gift, to the trust to enable it to purchase Shares.

All Shares allotted under the Plan will carry the same rights as all other issued ordinary shares in the company.

To the extent that newly-issued Shares are used under the Plan (or any appendices), the company will ensure that the number of Shares which may be issued under the Plan, when aggregated with the number of Shares which may be issued under all of Pearson's share plans pursuant to grants made under such plans in any rolling ten-year period, will not be more than 10% of Pearson's issued share capital.

The company will also ensure that the number of Shares which may be issued under the Plan, when aggregated with the number of Shares which may be issued under Pearson's executive or discretionary plans pursuant to grants made under such plans in any rolling ten-year period, will not be more than 5% of Pearson's issued share capital.

The committee may use treasury Shares for the purposes of the Plan, and transfers of such treasury Shares will count towards these percentage limits.

#### General provisions

No consideration is payable by participants for the grant of restricted stock or stock options.

Restricted stock awards and stock options may not be assigned or transferred, except on a participant's death, when they may be assigned to the participant's personal representatives. Benefits under the Plan are not pensionable.

If there is a variation in the share capital of the company (including a demerger or payment of a super dividend) the terms of restricted stock awards or stock options may be adjusted to reflect that variation.

The directors will have authority to amend the rules of the Plan, provided that no amendment to the advantage of participants or eligible employees may be made to provisions relating to eligibility requirements, equity dilution, share utilisation and individual participation limits and the adjustments that may be made in the event of a variation in the company's share capital without the prior approval of shareholders in general meeting. However, shareholder approval will not be required if the amendment is minor and made to benefit the administration of the Plan, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment.

No restricted stock award or stock option may be granted after ten years from the date of renewal of the Plan by shareholders.



