

# 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 Queen Elizabeth II Conference Centre, Broad Sanctuary, Westminster, London SW1P 3EE at 12 noon on Friday, 25 April 2008 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 2007;
2. To declare a final dividend on the ordinary shares, as recommended by the directors;
3. To re-elect Terry Burns as a director;
4. To re-elect Ken Hydon as a director;
5. To re-elect Glen Moreno as a director;
6. To re-elect Marjorie Scardino as a director;
7. To receive and approve the report on directors' remuneration;
8. To reappoint PricewaterhouseCoopers LLP as auditors for the ensuing year;
9. To authorise the directors to determine the remuneration of the auditors; and
10. To consider and, if thought fit, to pass the following resolution which will be proposed as an ordinary resolution:

THAT, subject to the passing of resolution 11 as set out in the Notice of AGM dated 20 March 2008, the directors be and are hereby generally and unconditionally authorised to exercise all the powers of the company to allot relevant securities (within the meaning of section 80 of the Companies Act 1985 (the Act)) up to an aggregate nominal amount of £67,360,000, such authority to expire at the end of the next AGM of the company after the date of the passing of this resolution (unless previously renewed, varied or revoked by the company in general meeting), provided that the company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired.

## Special business

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

THAT, the authorised ordinary share capital of the company of £298,500,000 be and is hereby increased by £1,000,000 to £299,500,000 by the creation of 4,000,000 ordinary shares of 25p each.

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

THAT, subject to the passing of resolution 10, the board of directors of the company (the board) be and is hereby empowered pursuant to section 95 of the Act to allot equity securities (within the meaning of section 94 of the Act) for cash pursuant to the authority conferred by resolution 10 in the Notice of AGM dated 20 March 2008 as if sub-section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited: (i) to the allotment of equity securities in connection with an offer or rights issue in favour of ordinary shareholders where the equity securities for which ordinary shareholders are respectively entitled to subscribe are proportionate (as nearly as may be) to the respective numbers of ordinary shares held by them, but subject to such exclusions or other arrangements as the board may deem necessary or expedient in relation to fractional entitlements or any legal or practical problems under the laws of any overseas territory or the requirements of any regulatory body or stock exchange; and (ii) to the allotment (otherwise than pursuant to sub-paragraph (i) above) of equity securities for cash up to an aggregate nominal value of £10,080,000; and further, that this power shall expire at the end of the next AGM of the company after the date of the passing of this resolution (unless previously renewed, varied or revoked by the company in general meeting), save that the company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the board may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.

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

THAT, pursuant to article 9 of the company's Articles, the company is hereby generally and unconditionally authorised to make market purchases (within the meaning of section 163(3) 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 80,000,000; (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 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 (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 end of the next AGM; and (v) the company may make a contract to purchase ordinary shares under the authority hereby conferred 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 hereby conferred had not expired.

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

THAT, the company adopt the new articles of association in the form produced to the meeting and initialled by the chairman for identification purposes.

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

THAT, the Annual Bonus Share Matching Plan (the Plan), the principal terms of which are summarised in the Appendix to the circular to shareholders dated 20 March 2008, 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*  
20 March 2008

# Notice of Annual General Meeting *continued*

## Notes

1. Ordinary shareholders and/or nominee shareholders only are entitled to attend and vote at this 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 6TH, not less than 48 hours before the time appointed for the meeting or any adjourned meeting. 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 Reference Number, Card I.D. and Account 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 form of proxy. 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.

2. In order to facilitate voting by corporate representatives at the meeting, arrangements will be put in place at the meeting so that (i) if a corporate shareholder has appointed the chairman of the meeting as its corporate representative with instructions to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the meeting, then on a poll those corporate representatives will give voting directions to the chairman and the chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (ii) if more than one corporate representative for the same corporate shareholder attends the meeting but the corporate shareholder has not appointed the chairman of the meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives – [www.icsa.org.uk](http://www.icsa.org.uk) – for further details of this procedure. The guidance includes a sample form of representation letter if the chairman is being appointed as described in (i) above.
3. Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a Nominated Person) may have a right, under an agreement between him/her and the shareholder by whom he/she was nominated, to be appointed (or to have someone else appointed) as a proxy for the 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 paragraph 1 above does not apply to Nominated Persons. The rights described in that paragraph can only be exercised by shareholders of the company.

4. As at 29 February 2008 (being the latest practicable date prior to the publication of this Notice) the company's issued share capital consists of 808,334,316 ordinary shares, carrying one vote each. Therefore, the total voting rights in the company as at 29 February 2008 are 808,334,316.
5. The following documents are available for inspection at the company's registered office during normal business hours on any business day 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;
  - the proposed new Articles; and
  - the rules of the Pearson Annual Bonus Share Matching Plan.

The register of directors' interests will also be available for inspection from the commencement of the AGM until its conclusion.

6. 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 Wednesday, 23 April 2008 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 Wednesday, 23 April 2008 shall be disregarded in determining the rights of any person to attend or vote at the meeting.

# Appendix

## Renewal of the Pearson Annual Bonus Share Matching Plan (the Plan)

### Overview

The personnel committee of the Pearson board (the Committee) will supervise the Plan and will have responsibility for agreeing all awards under the Plan. It will also have responsibility for setting the policy for the operation of the Plan.

The Plan is intended to facilitate the retention of executives and managers of the Group and to align the interests of such employees with those of shareholders generally. It enables participants to invest an amount equal to 50% of their annual bonus (on an after-tax basis) in the acquisition of existing Pearson shares bought in the market which must be retained for a period of three years under the terms of the Plan.

Provided the participant has remained an employee of the Group and retained the invested shares for the three-year period and a performance condition has been satisfied, the invested shares will be released to the participant together with a number of additional matching and 'dividend' shares.

### Matching shares and performance condition

If the participant's invested shares are held, they will be matched subject to earnings per share growth over the three-year performance period on a gross basis up to a maximum of one matching share for every one held i.e. the number of matching shares will be equal to the number of shares that could have been acquired with the amount of the pre-tax annual bonus taken in invested shares.

One matching share for every two invested shares held i.e. 50% of the maximum matching award, will be released if the company's adjusted earnings per share increase in real terms by 3% per annum compound over the three-year performance period. One matching share for every one invested share held i.e. 100% of the maximum matching award, will be released if the company's adjusted earnings per share increase in real terms by 5% per annum compound over the same period.

For real growth in adjusted earnings per share of between 3% and 5% per annum compound, the rate at which the participant's invested shares will be matched will be calculated according to a straight-line sliding scale.

Real earnings per share growth per annum	Proportion of maximum matching award released
Less than 3%	0%
3%	50%
Between 3% and 5%	Sliding scale between 50% and 100%
5% or more	100%

Earnings per share growth is calculated using the point-to-point method. This method compares the adjusted earnings per share in the company's accounts for the financial year ended prior to the grant date with the adjusted earnings per share for the financial year ending three years later and calculates the implicit compound annual growth rate over the period.

Real growth is calculated by reference to the UK Government's Retail Prices Index (All Items).

Where matching shares vest in accordance with the Plan, a participant will also receive 'dividend' shares representing the gross value of dividends that would have been paid on the matching shares during the holding period and reinvested.

Both the matching and dividend shares will be subject to tax on receipt.

### Retention period and grant date

The participant's invested shares will be retained for a period of three years from the date that the shares are acquired.

The matching award will be granted on the date that the participant's invested shares are acquired and will be released to the extent that the performance condition has been met, together with any 'dividend' shares, on the third anniversary of the date of grant.

# Appendix

## Renewal of the Pearson Annual Bonus Share Matching Plan (the Plan) *continued*

### **Cessation of employment**

If a participant leaves Pearson before the end of the retention period by reason of death, injury, disability, ill-health or redundancy (as determined by the Committee), his or her employing company or business ceasing to be part of the Group, or any reason which the Committee so decides in its absolute discretion, the participant's invested shares and the related matching award shall continue to be subject to the provisions of the Plan (as though the participant had remained in employment) until the end of the retention period.

In these circumstances, the matching shares would normally remain subject to the satisfaction of the performance condition and the number of these shares that vest would normally be reduced pro rata for service from the start of the performance period to the participant's cessation of employment.

If the Committee determines, in its absolute discretion, that exceptional circumstances apply, then it may exercise its discretion to release such number of matching shares as it considers appropriate prior to the end of the retention period. The Committee may also, in its absolute discretion, disapply or alter the amount of pro rating for service to release a greater number of matching shares if it considers that the participant's contribution to the business of the Group would not otherwise be fully recognised.

### **Change of control of the company**

In the case of a change of control of Pearson, participants' matching shares will normally be treated in line with the normal provisions for other 'good leavers' i.e. subject to the performance condition and pro rated for service.

The Committee may, in its absolute discretion, modify the number of matching shares if it considers that the performance condition would have been met to a greater or lesser extent at the end of the performance period. The Committee may also, in its absolute discretion, in appropriate circumstances (but not so as to result in an unjustifiably large vesting level) disapply or alter the amount of pro rating for service to release a greater number of shares if it considers that the contribution of the participant to the creation of shareholder value during the performance period would not otherwise be properly recognised.

### **Rights of participants during the retention period**

During the retention period, participants will be the beneficial owners of their invested shares and will enjoy all the benefits that other shareholders enjoy, including the receipt of dividends.

### **Source of Shares**

Matching and 'dividend' share awards under the Plan may be satisfied using existing shares bought in the market, treasury shares or newly-issued shares. The company would normally expect to use existing shares to satisfy awards under the Plan.

Where existing shares are used, these will be purchased by an employee trust established by the company. The trust will not in any event 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, 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 and transfers of such treasury shares will count towards these percentage limits.

### **General provisions**

Awards may be made at any time, but not during a close period of the company. For 2008, the company will operate the Plan in respect of annual bonuses for 2007 following its renewal by shareholders at the AGM. Thereafter, the company would normally operate the Plan after the announcement of the company's results each year.

No consideration is payable by participants for the grant of awards.

Awards 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 awards 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 awards may be granted after ten years from the date of the renewal of the Plan by shareholders.