

Long-Term Incentive Plan (LTIP)

Performance targets for the 2020 awards to Executive Directors

At the time the annual report was signed off for publication, the strategic goals for the company over the next three years were still under development by the Board. The targets for the 2020 LTIP grant are therefore disclosed below and will be disclosed again in the RNS announcement accompanying the grant, which is expected to be made in May as normal.

The award will vest on 1 May 2023 subject to the following performance conditions:

- 1/3 of the award will be based on Pearson's earnings per share (EPS) in 2022;
- 1/3 of the award will be based on Pearson's net return on invested capital (Net ROIC) in 2022; and
- 1/3 of the award will be based on Pearson's total shareholder return (TSR) performance relative to the constituents of the FTSE 100 index over the three-year period 1 January 2020 to 31 December 2022

Details of the performance targets for each of the performance conditions are set out in the table below:

EPS (1/3)		Net ROIC (1/3)		Relative TSR (1/3)	
Vesting schedule (% max)	Adjusted EPS for FY22	Vesting schedule (% max)	Adjusted net ROIC for FY22	Vesting schedule (% max)	Ranked position vs FTSE 100
15%	45.5p	15%	5.2%	25%	Median
65%	52.5p	65%	6.2%	-	-
100%	60p	100%	7.5%	100%	Upper quartile

Note: straight line vesting between points shown, with no vesting for performance below threshold

Any shares which vest on 1 May 2023 will be subject to an additional two-year holding period to 1 May 2025.

Further details regarding the remuneration arrangements for the executive directors, including additional details on the 2020 LTIP award, will be contained in the Directors' Remuneration Report for the year ending 31 December 2020.