

PEARSON plc
EMPLOYEE STOCK PURCHASE PLAN

PLAN SUMMARY

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DESCRIPTION OF THE PLAN

The Board of Directors of Pearson plc. (“Pearson”) adopted, and on May 12, 2000 the stockholders of Pearson subsequently approved, the Pearson plc Employee Stock Purchase Plan (the “Plan”). The Plan gives eligible employees of U.S. Subsidiaries of Pearson the opportunity to purchase ordinary shares of Pearson in the form of American Depository Shares (“Shares”) at a discount. The Plan is not subject either to the U.S. Employee Retirement Income Security Act of 1974 (“ERISA”) or Section 401(a) of the U.S. Internal Revenue Code of 1986, as amended (the “Code”).

The following description of the Plan, in the form of questions and answers, is intended to outline for you and help you to better understand the provisions of the Plan. It does not purport to be a complete statement of the Plan or its operation and is qualified in its entirety by reference to the provisions of the official Plan document, which is available from your Human Resources department.

1. What is the purpose of the Plan?

The Plan, by offering eligible employees the opportunity to purchase Shares at a discount through payroll deductions, is intended to contribute to the success of Pearson by encouraging employees to become equity owners of Pearson.

2. Who is eligible to participate in the Plan?

Participation under the Plan is voluntary and, in general, is open to all individuals who are employed by a U.S. subsidiary of Pearson that has adopted the Plan. In order to be eligible for any “Offering Period” (defined below), you must be employed on the first day of that Offering Period and customarily work more than 20 hours per week and 5 months per year. If on the first day of an Offering Period you are on an approved leave of absence, you will be eligible to participate in that offering upon your return, provided that your leave has not exceeded 90 days or your right to reemployment is guaranteed by either contract or statute.

3. How do I enroll in the Plan?

You may enroll in the Plan for any Offering Period by completing an on-line enrollment form at such times as may be prescribed by Pearson. Offering Periods are predetermined periods of time in which your payroll deductions accumulate in order to purchase Shares under the Plan. Offering Periods generally will be six-month periods that commence on January 1 and July 1. You will be notified before the start of each Offering Period of your right to participate for that Offering Period, at which time you may complete an enrollment form and authorize your employer to deduct the amount elected by you from your regular paycheck.

4. How much may I contribute to the Plan?

You may contribute any fixed dollar amount from your regular paycheck that you wish, provided that your total contributions for any Offering Period cannot be less than \$120 or more than \$6,000. The amount you elect to contribute will be deducted from each regular paycheck on an after-tax basis.

5. May I later increase, decrease or suspend my payroll deductions?

No, your contribution election will remain in place for the entire Offering Period. However, you may at any time withdraw from the Plan in which case the amount credited to your Stock Purchase Account as of the date of your withdrawal will be used to purchase Shares on the next Purchase Date. If you take an unpaid leave of absence during an Offering Period, your contributions will be suspended and will recommence if you return to active employment within the same Offering Period.

6. May I contribute other than through payroll deduction?

No, participation in the Plan is permitted through payroll deduction only.

7. What happens to the money deducted from my paycheck?

Payroll deductions will be credited to a non-interest bearing "Stock Purchase Account" set up on your behalf. On the last day of each Offering Period (a "Purchase Date"), the amount then credited to your Stock Purchase Account will be applied to the purchase of Shares.

8. What will be the price of Shares purchased under the Plan?

The "Purchase Price" per Share will be at a 15% discount from the lower of the "Market Value" of the Shares at the beginning of the Offering Period, or the "Market Value" of the Shares on the Purchase Date. Market Value means the closing price for a Share on the New York Stock Exchange for the applicable day, or if unavailable, the average of the closing bid and asked prices per Share at the end of regular trading on such date.

9. How many Shares can I purchase?

The number of Shares that will be purchased on your behalf on each Purchase Date will equal the amount then credited to your Stock Purchase Account, divided by the applicable Purchase Price (rounded down to the nearest whole Share). However, in no event may you purchase more than 25,000 Shares on any Purchase Date.

Example

Assume an employee authorizes a payroll deduction of \$300 per month for a particular Offering Period. The amount accumulated in the employee's Stock Purchase Account on the Purchase Date will be \$3,600 ($\300×12). If the Market Value of a Share were \$30 at the beginning of the Offering Period and \$35 at the end of the Offering Period, the Purchase Price would be 15% less than \$30 ($\30 less $\$4.50$), or $\$25.50$ per Share. Therefore, the $\$3,600$ in the employee's Stock Purchase Account would be applied to purchase 141 whole Shares ($\$3,600/\25.50), rounded down to the nearest whole number). $\$6.50$ would remain in the employee's Stock Purchase Account after the maximum number of whole Shares are purchased. This amount will be carried over and applied to purchase Shares on subsequent Purchase Dates.

10. What happens if I terminate employment or otherwise become ineligible to participate?

Your participation in the Plan ceases automatically when your employment with all Pearson companies terminates for any reason (including death or retirement), in which case the entire amount in your Stock Purchase Account, if any, will be returned to you or your legal representative (without interest). If you remain employed but cease to be eligible to participate in the Plan, your payroll deductions may continue through the end of the Offering Period and any amounts then credited to your Stock Purchase Account will be applied to the purchase of Shares on the next Purchase Date.

11. When do I become the owner of the Shares?

You will become an owner of the Shares on or as soon as practicable after the applicable Purchase Date. Prior to that time you will not have any rights or privileges of a stockholder as to any Shares which may be purchased on that Purchase Date.

12. What happens to the Shares I purchase?

Your Shares will be held by Computershare Shareowner Services (the “Broker”) in a stockholder account maintained on your behalf.

13. Whose name will appear on the stockholder account and the stock certificate?

Your stockholder account will be in your name as it appears on Pearson’s employment records.

14. May I direct the Broker to transfer my Shares to another broker?

Yes, but only after two years have elapsed from the commencement of the Offering Period during which the Shares were purchased. During this two-year period, your Shares must be held with the Broker to ensure that Pearson will be able to satisfy applicable tax obligations.

15. What is an American Depository Share?

As mentioned above, Shares purchased under the Plan are in the form of American Depository Shares (“ADSs”). An ADS is a vehicle for a foreign corporation (like Pearson) to list its ordinary equity on a U.S. stock exchange. ADS facilities are implemented to make shareholding in foreign corporations by U.S. shareholders more convenient. Computershare (the “Depository”) is the depository bank for Pearson ADSs. Each ADS represents one underlying ordinary share of Pearson on deposit with the Depository. Additional information about Pearson ADSs may be found in Pearson’s Forms F-1 and F-6 registration statements filed with the Securities and Exchange Commission (see Additional Information Concerning Pearson and the Plan, below).

16. What happens to my dividend and voting rights?

As a shareholder, any dividends as are declared will be reinvested on your behalf in additional ADSs. There can be no assurances given as to whether Pearson will pay dividends in the future or, if so, as to the amount of any dividends. With respect to voting rights, Pearson has the right

to direct the Depository to ask for your voting instructions. Pearson generally intends to exercise this right, but may not do so in all cases. If Pearson asks for your instructions, the Depository will deliver voting materials to you.

17. Are there any foreign exchange risks that apply?

Pearson ADSs trade in the United States and have a U.S. dollar quoted price. The principal trading market for ordinary Pearson shares, however, is the London Stock Exchange, where the ordinary shares are quoted in English Pounds Sterling. The ADS price may be an approximate reflection, based on prevailing exchange rates, of the share price in English Pounds Sterling. Consequently, the ADS price may be affected by fluctuations in the exchange rate between the English Pound Sterling and the U.S. dollar. A similar risk applies to dividends which are reinvested in additional Shares while you are a shareholder. Although any dividends that Pearson declares will be paid in local currency (English Pounds Sterling), the U.S. dollar value will be influenced by the prevailing exchange rate.

18. Are my rights under the Plan transferable?

During your lifetime, your right to purchase Shares under the Plan is exercisable only by you. See Question 10 as to the purchase of Shares following your death.

19. Will my participation in the Plan automatically extend from one Offering Period to the next?

Yes, unless you file a new on-line enrollment form to change the rate of, or cease, your participation in the Plan, your participation will continue from one Offering Period to the next.

20. When may I sell my Shares?

The U.S. securities laws prohibit sales of Shares by persons who possess material, non-public, information about Pearson. Therefore, Shares acquired under the Plan should not be resold by a participant or other person who possesses such information. Sales are also subject to Pearson's Rules Governing Dealings in Pearson plc options and Shares.

The prospectus of which this document is a part will not be available for resale of Shares acquired by an affiliate of Pearson. Affiliates may resell such Shares to the public only pursuant to the delivery of a separate prospectus contained within a new registration statement (or an amendment to an existing registration statement) and after the registration statement has become effective, or, without registration under the Securities Act of 1933, if all applicable conditions of Rule 144 thereunder are met. Compliance with Rule 144 for an affiliate's resales requires, among other things, that, at the time of any offer or sale, certain information regarding Pearson be on file with the Securities and Exchange Commission ("SEC") and up to date; that the affiliate's Shares be sold only in unsolicited brokers' transactions or directly to a market maker; that the amount of sales by the affiliate in any three-month period under Rule 144 be limited as prescribed in the Rule; and that sales in excess of certain minimum amounts be reported through the filing of a Form 144 with the SEC. (Because Shares acquired under the Plan will generally not be considered to be "restricted securities" for purposes of Rule 144, the six-month holding period imposed by Rule 144(d) will not apply to resales of Shares

acquired under the Plan.) Pearson's transfer agent may in some cases require Pearson's counsel to give an opinion that all of the requirements of Rule 144 are being complied with by the affiliate selling the Shares.

21. How do I sell my Shares?

To sell some or all of your Shares credited to your stockholder account, you must contact the Broker. Bear in mind that you may only sell your Shares during applicable trading windows, and that you are subject to Pearson's approval process. Shares are traded on the New York Stock Exchange and price quotations are listed in the financial section of most newspapers under the trading symbol PSO.

22. What reports do I receive?

Payroll deductions made under the Plan will appear on your regular paycheck stub. You will also have access to periodic statements relating to activity in your stockholder account.

23. Who administers the Plan?

The Plan is administered by a committee appointed by Pearson. The Committee has the power and authority to administer the Plan and to make, adopt and construe rules and regulations not inconsistent with the provisions of the Plan. Its determination as to the interpretation of the provisions of the Plan and the operation of the Plan are final and conclusive. Pearson has engaged Computershare Shareowner Services to perform certain ministerial and recordkeeping functions related to the operation of the Plan. All costs and expenses in respect of the administration of the Plan will be paid by Pearson. However, the Broker may charge you a sales commission or service charge when you sell your Shares.

24. How many Shares are available under the Plan?

The maximum number of Shares that can be purchased under the Plan is 30 million. There is also an overall limit equal to 10% of outstanding shares that applies to all Pearson Share programs, including the Plan. If on any Purchase Date, the number of Shares remaining under the Plan is insufficient to cover purchases that could otherwise be made from all Stock Purchase Accounts, the number of Shares purchased for each participant may be limited.

25. What is the effect of a stock split, stock dividend, etc.?

Proportional changes in the number of Shares subject to the Plan and in the calculation of the Purchase Price per Share may be made in the event of a stock dividend or stock split or certain other increases or decreases of or changes to outstanding Shares during an Offering Period.

26. How may the Plan be changed?

The Board of Directors of Pearson, and under circumstances the Committee, may amend the Plan at any time and in any respect, subject in certain cases to the approval of Pearson's shareholders.

27. Should I participate in the Plan?

The decision is up to you. Company personnel are not authorized to suggest what your personal decision should be. Accordingly, you should consider your own personal financial goals to determine whether purchasing Shares fits in with your long range personal financial plans.

28. When does the Plan end?

The Plan will end:

- a) immediately after any Purchase Date on which all available Shares under the Plan have been purchased; or
- b) at any time at the discretion of the Pearson Board of Directors; or
- c) when the Shares cease to be listed on a nationally recognized stock exchange or quotation system.

If there are not sufficient Shares for purchase by participants on any Purchase Date, the Committee will allocate the available Shares pro rata among the participants. Upon termination of the Plan, any cash balance remaining in your Stock Purchase Account will be refunded (without interest) to you.

29. How may I obtain additional information about the Plan?

You may obtain additional information about the Plan (a) by contacting the plan administrator via the toll-free number, (844) 465-4455 (b) on the Internet at [Empower Retirement](#) or (c) by contacting the Committee at the address below:

The Administrative Committee for the Benefit Plans of Pearson Inc.
330 Hudson Street, 7th Floor
New York, NY 10013

FEDERAL INCOME TAX INFORMATION

The Plan is intended to qualify as an "employee stock purchase plan" within the meaning of Section 423 of the Code, and it is intended to comply also with the provisions of Sections 421 and 424 of the Code and the rules and regulations issued thereunder. Although the Purchase Price you pay for a Share purchased under the Plan is less than the Market Value for a Share on either the beginning of the Offering Period or the applicable Purchase Date, income need not be reported until the earlier of the following: (i) the year in which you make a sale or other disposition¹ of the Share, or (ii) the year of your death if you have not made a sale or other disposition of the Share. The rules for determining the amount of taxable ordinary income (as opposed to capital gain) to be reported on your federal income tax return for that year are summarized below. The amount of ordinary income that you must report on your federal income tax return is the same whether the Share is held by you in your name alone or jointly, with right of survivorship, in your name and the name of your spouse or another person.

Rule 1 If you sell or otherwise dispose of a Share within two years after the beginning of the Offering Period in which you acquired the Share, or you are permitted to purchase Shares under the Plan more than three months following your retirement, the ordinary income that you must report is the amount by which the Market Value of the Share on the Purchase Date on which such Share was purchased exceeds the Purchase Price of the Share. This amount must be reported as ordinary income even if you made no profit or realized a loss on the sale of the Share or gave it away free.

Rule 2 If you sell or otherwise dispose of the Share more than two years after the beginning of the Offering Period in which you acquired the Share, the ordinary income that you must report is the lesser of:

- (a) 15% of the Market Value of the Share at the beginning of the Offering Period in which you acquired the Share; or
- (b) If you sell the Share through a stock broker, the amount, if any, by which the proceeds of the sale exceed the Purchase Price of the Share, or, if you give away the Share free or sell it by means other than through a stock broker, the amount, if any, by which the Market Value at the time of disposition exceeds the Purchase Price of the Share. If the sale proceeds or the Market Value on the date of disposition, whichever is applicable, is equal to or less than the Purchase Price of the Share, then you will not be required to report any ordinary income.

¹ As a general rule, "disposition" includes a sale, exchange, gift or transfer of legal title. Even a gift to a member of your family is a "disposition." But putting a Share into joint ownership, with right of survivorship, with your spouse where you are one of the joint owners, or a transfer from such joint ownership back into your name alone, is not a "disposition". However, any termination of such joint ownership (other than one resulting from the death of one of the joint owners) is a "disposition," except to the extent you reacquire ownership of the Share.

Rule 3 If no sale or other disposition of the Share has occurred by the time of your death then, no matter how long you held the Share, the ordinary income which must be reported in your federal income tax return for the year of death is the lesser of:

- (a) 15% of the Market Value of the Share at the beginning of the Offering Period in which you acquired the Share; or
- (b) The amount, if any, by which the Market Value of the Share at the time of your death exceeds your Purchase Price for the Share.

Rule 4 When you report ordinary income under Rules 1 or 2 above, the amount so reported is added to the Purchase Price of the Share and this sum becomes your tax "cost" of the Share for the purpose of determining capital gain or loss on a sale or exchange of the Share by you, including any capital gain or loss on the sale or exchange that led to the application of Rule 1 or 2. At present, and in general, capital gain on the sale of property held over 12 months is taxable at a maximum rate of 15%, capital gain on the sale of property held for one year or less is taxed at ordinary income rates. There are special rules regarding the tax "cost" to a person who is given the Shares by you and the tax "cost" to your estate of Shares acquired by it as a result of your death about which a competent tax adviser should be consulted. There is no capital gain or loss on a disposition by gift or transfer of title at death.

Dividends

The taxation of any dividends paid by Pearson to holders of Shares (which are reinvested in additional Shares) who are citizens or residents of the United States for U.S. federal income tax purposes will be determined in part by tax treaties between the U.S. and the United Kingdom. Pearson's Form F-1 contains a description of the U.S. federal income tax consequences of dividends received by U.S. holders of ADSs, taking into account applicable treaties, and we refer you to this description (see Additional Information Concerning Pearson and the Plan, below). This description will be updated as appropriate in Pearson's Form 20-F for subsequent years.

Other Tax Matters

Pearson (or any of its subsidiaries) is authorized to satisfy any tax withholding obligation that may arise with respect to the purchase or disposition of any Shares under the Plan through any means it deems appropriate.

Your income tax liability is your responsibility. This description of the tax consequences of the Plan does not purport to be a full and complete description, but is merely to provide a general overview. Where necessary, you should seek competent professional advice.

ADDITIONAL INFORMATION CONCERNING PEARSON AND THE PLAN

Pearson is subject to the informational requirements of the Securities Exchange Act of 1934 (the "Exchange Act"), and in accordance therewith files reports and other information with the SEC. Such reports and other information may be inspected and copied at the public reference facilities maintained by the SEC at 100 F Street, N.E., Washington, DC 20549; at the Regional Office of the SEC at 200 Vesey Street, Suite 400, New York, NY 10281-1022; and at 175 W. Jackson Boulevard, Suite 900, Chicago, IL 60604. In addition, Pearson's reports and other information are filed with the SEC through the SEC's Electronic Data Gathering, Analysis and Retrieval system and are publicly available through the SEC's site on the Internet World Wide Web, at <http://www.sec.gov>. The Shares are traded on the New York Stock Exchange, and such reports and other information can also be inspected at the offices of the New York Stock Exchange, 11 Wall Street, New York, New York 10005.

Pearson filed a registration statement on Form S-8 (the "Registration Statement") with the SEC on August 25, 2000 registering under the Securities Act of 1933 the offer and sale of 5,000,000 Shares in connection with purchases under the Plan.

Certain documents filed by Pearson with the SEC under the Exchange Act before Pearson filed the Registration Statement with the SEC, as well as periodic reports, current reports that are filed after the date of the Registration Statement, are incorporated by reference into the Registration Statement. These documents are also incorporated by reference into this prospectus and form part of the prospectus for the Plan under the Registration Statement.

Pearson may from time to time update this summary to reflect material changes relating to the Plan. Such updated information, which will be delivered to participants, should be read in conjunction with this summary and the other documents that form part of the prospectus, except to the extent that statements in this summary and the other documents have been modified or superseded by statements in a subsequent document forming part of the prospectus.

Any statement contained in a document, all or a portion of which is incorporated or deemed to be incorporated by reference herein, shall be deemed to be modified or superseded for purposes of this summary to the extent that a statement contained herein or in any other subsequently filed document, which also is or is deemed to be incorporated by reference herein, modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of the prospectus.