DEED OF RECORD (*proces-verbaal*)

On the twenty fourth day of April two thousand and thirteen as of thirteen hours in the afternoon, I, Dirk-Jan Jeroen Smit, civil law notary, officiating in Amsterdam, the Netherlands, attended the annual general meeting of shareholders of **Reed Elsevier N.V.**, a public company with limited liability (*naamloze vennootschap*) incorporated under the laws of the Netherlands, having its official seat in Amsterdam, the Netherlands, and its office address at Radarweg 29, 1043 NX Amsterdam, the Netherlands (the ***Company***), held in Hotel Okura, Amsterdam, the Netherlands (both the annual general meeting of shareholders and the corporate body consisting of the shareholders present at that meeting are hereinafter referred to as: the ***Meeting***), with the purpose of taking notarial minutes of the Meeting.
I, Dirk-Jan Jeroen Smit, aforementioned, have recorded the following:

1. Opening.

Mr **Anthony Habgood**, the Chairman of the Supervisory Board, opened the Meeting at thirteen hours post meridiem and welcomed all present. He stated that he would chair the Meeting and announced:

- that the external auditor was present at the Meeting and available to answer any questions relating to his report on the fairness of the financial statements, tabled under agenda item 3;
- that Mrs Jans van der Woude was appointed as secretary of the Meeting;
- that Messrs Elliott and Reid had sent their apologies, as they were not able to attend the Meeting due to other prior commitments;
- that the Company's civil law notary, Mr Dirk-Jan Smit of Freshfields Bruckhaus Deringer LLP, Amsterdam office, was present at the Meeting to

take notarial minutes of the Meeting, just like the annual general meeting of shareholders of two thousand and twelve;

- that the Meeting was held in the English language and that a simultaneous translation from English into Dutch was available through headphones;
- that the convocation for the Meeting had been published on the Reed Elsevier website on the twelfth day of March two thousand and thirteen and on the securitiesinfo.nl website of NYSE Euronext Amsterdam;
- that a notice announcing that the convocation for the Meeting had been published on the Reed Elsevier website was published in Het Financieele Dagblad on the twelfth day of March two thousand and thirteen;
- that the Meeting had been convened in accordance with the legal and statutory requirements.

The **Chairman** explained that voting would take place electronically and that if technology would fail, voting would take place by show of hands or, if required, with the voting cards that were handed out at the start of the Meeting. In case of doubt, the number of votes against had to be announced by the secretary of the meeting. The voting instructions received in writing prior to the Meeting would be taken into account when doing this.
The results of the voting for each agenda item would be deferred until the end of the formal part of the meeting. In line with best practice, the voting results would be announced to the NYSE Euronext Stock Exchange and published on the website of Reed Elsevier.
Having informed the shareholders that the information relating to the attendance register and the information regarding the number of votes that might be cast at the Meeting were not yet available, the **Chairman** proposed to proceed with the agenda whilst this information was being prepared.
In particular for the benefit of the notarial deed of record for which purpose a recording of the Meeting would be made, the **Chairman** suggested those who wished to address the Meeting to use one of the microphones in the meeting room and to introduce themselves by mentioning their name and the name of the person or company represented by them.
The **Chairman** noted that questions could be posed in either English or Dutch; the response would be in English. In addition, the **Chairman** noted that he, as Chairman of the Meeting, reserved the right to limit the time that a shareholder addressed the Meeting in order to ensure that everyone would have the right to participate in the Meeting and could be given the chance to participate in the discussions.
After everyone was kindly requested to switch off mobile phones and similar equipment for the course of the Meeting, the **Chairman** handed over to **Mrs Jans van der Woude**, Company Secretary, who gave a brief explanation on the use of the electronic voting system in Dutch.

Since no shareholder had any questions on the use of the electronic voting system, **Mrs Jans van der Woude**, aforementioned, handed back to the Chairman.
The **Chairman** informed the Meeting that in case of any problems, assistance would be available in the room.
Before discussing the annual report two thousand and twelve, the **Chairman** informed the Meeting that a trading update had been released to the market this morning, and that Erik Engstrom would provide an update on recent developments in more detail later on at the Meeting. Reed Elsevier continued to build on the progress made during two thousand and eleven and executed well on its strategic and financial objectives during two thousand and twelve. Positive revenue momentum and focus on operating efficiency combined to lift the underlying operating profits and earnings. The **Chairman** added that Reed Elsevier had continued to strengthen its balance sheet while maintaining organic investment and sharpening the focus of the business. During the year Reed Elsevier had disposed of a number of businesses which no longer fitted the strategy of Reed Elsevier. In order to mitigate the earnings per share dilution associated with disposals, the gross proceeds were used to buy back two hundred and fifty million pound sterling (£ 250,000,000) of shares in the capital of the Company in two thousand and twelve and a further one hundred million pound sterling (£100,000,000) worth of shares in the capital of the Company in early two thousand thirteen. It was intended to buy back a further three hundred million pound sterling (£ 300,000,000) worth of shares in the capital of the Company during two thousand and thirteen, of which eighty one million pound sterling (£ 81,000,000) worth of shares had already been purchased.
The **Chairman** concluded that based on this positive financial performance, the Board recommended a seven per cent. (7 %) increase in the final dividend for two thousand and twelve.
The **Chairman** continued that there had been a number of changes to the Board during the year. Duncan Palmer had joined Reed Elsevier in August and had been appointed Chief Financial Officer in November two thousand and twelve and Linda Sandford had been appointed as a member of the Supervisory Board in December two thousand and twelve. The Combined Board had recommended that Dr. Wolfhart Hauser should join the Supervisory Board with effect from the conclusion of this Meeting, subject to shareholder approval. The **Chairman** continued and summarised the experience of Dr. Wolfhart Hauser in executive and non-executive positions in international technology and service businesses, and concluded that he would be an excellent addition to the Supervisory Board.
The **Chairman** then took the opportunity to thank David Reed, the Senior Independent Director, and Mark Elliott, the Chairman of the remuneration committee, for their dedicated and valuable contributions to Reed Elsevier and he wished them well.

The **Chairman** continued that it had been announced in the morning of the Meeting that the Combined Board had appointed Lisa Hook as Senior Independent Director and that Dr. Hauser would take over as Chairman of the remuneration committee, subject to his election at the Meeting and at the annual general meeting in London.
The **Chairman** went on to explain that the Reed Elsevier PLC annual general meeting of shareholders would be held in London the day after the Meeting, as was also done the year before, and that the agendas of the two meetings were broadly the same.
The **Chairman** reported that the holders of the following number of shares were present and represented at this meeting:

- four hundred twenty nine million five hundred ninety-seven thousand six hundred and sixty-seven (429,597,667) ordinary shares, having a nominal value of seven eurocents (€ 0.07) each; and
- four million two hundred forty thousand eight hundred and thirty-eight (4,240,838) R-shares, having a nominal value of seventy eurocents (€ 0.70) each,

as a result of which four hundred seventy two million six thousand and forty-seven (472,006,047) votes could be cast. The actual nominal share capital represented at the meeting was fractionally lower because not all shareholders who registered for the meeting were able to attend in person. The exact amount of the share capital represented would be published together with the voting results. The total issued and outstanding nominal share capital excluding treasury stock at the moment of the Meeting was nearly fifty-one million (51,000,000) euro, comprised of approximately six hundred and eighty-five million (685,000,000) ordinary shares and four million and two hundred thousand (4,200,000) R-shares. A quick calculation indicated that approximately sixty-five per cent. (65 %) of the share capital was represented at the Meeting.
Some registrations had been granted a proxy to the Company Secretary. These voting instructions had been processed by entering the voting instructions for each individual agenda item into the electronic voting system. These proxies given to the Company Secretary would therefore be included in the voting result.
The **Chairman** indicated that he had now come to the formal business of the Meeting where the Meeting would discuss and vote on the resolutions set out on the agenda of the Meeting.

2. Annual report 2012.

The **Chairman** proceeded to the discussion of the annual report for two thousand and twelve. The **Chairman** gave the floor to Mr Erik Engstrom, Chief Executive Officer, to provide a summary of developments during two thousand and twelve on behalf of the Executive Board and to comment on current trading. The **Chairman** noted that copies of the slides would be available on the website after the Meeting.

Mr Erik Engstrom gave a presentation (a copy of which is attached to these minutes as *Annex I*) in which he discussed the two thousand and twelve results and gave an update on the progress so far in two thousand and thirteen. In summary, Reed Elsevier had improved its financial performance and continued transformation of its asset base and earnings quality, primarily through organic development, but also through portfolio reshaping towards more predictable revenues, a higher growth profile and improving returns. Adjusted earnings per share grew fourteen per cent. (14%) and the proposed total dividend would increase seven per cent. (7%) for the full year.

The company showed a positive underlying revenue growth trajectory, both including and excluding biennial exhibition cycling. Underlying adjusted operating profit growth had improved, the return on invested capital had increased and there was a gradual reduction in net debt/EBITDA on a pension and lease adjusted basis. **Mr Erik Engstrom** elaborated that in two thousand and twelve Reed Elsevier had continued to make progress in the strategic direction laid out the previous year towards becoming a true professional information solutions provider, which meant a company that delivered improved outcomes to professional customers across industries, to help them make better decisions, get better results and be more productive. Reed Elsevier aimed to do this by leveraging deep customer understanding, combining content and data with analytics and technology in global platforms and by building solutions for customers that often cost about one per cent. (1%) of their total cost base, which can have a significant positive impact on the remaining ninety-nine per cent. (99%). **Mr Erik Engstrom** explained that Reed Elsevier sought to build leading positions in long term global growth markets by leveraging its institutional skills, assets and resources across the company, both to build solutions for its customers and to pursue cost efficiencies. Reed Elsevier was now continuing to systematically migrate towards this type of business across the company, primarily through organic investment, supplemented by selective acquisitions, and through continued selective divestments. **Mr Erik Engstrom** continued that progress was made both on the company’s organic transformation and on reshaping Reed Elsevier’s portfolio. Almost eighty per cent. (80%) of the company’s revenue was now in the preferred formats of electronic and face-to-face. As a result of the investment in product development and new launches, the company’s electronic and face-to-face revenue streams were growing organically on a like-for-like basis at or slightly above mid-single digits, while the company’s print revenue streams were still declining mid-single digits. **Mr Erik Engstrom** explained that this meant for the company that the quality of earnings had improved. Reed Elsevier’s business would continue to be influenced by the macro-economic environment and its impact on the company’s customer markets. However since there was a focus on evolving the fundamentals of the company’s business, the company believed that over time it would improve its business profile throughout economic cycles and deliver more predictable revenues through better revenue mix and better geographic balance, a higher growth profile by expanding in higher growth markets, exiting structurally challenged business, gradually reducing the drag from the print format declines, improving returns by focussing on organic development with strong cash generation and by limiting Reed Elsevier's acquisition to assets where the company is the natural owner. Overall, **Mr Erik Engstrom** believed that Reed Elsevier had a better business profile today than it had three years ago, and it was the company's objective to make sure that it would have a better business profile three years from now than it had today. **Mr Erik Engstrom** concluded that in two thousand and twelve good progress was made on the company's strategy to systematically transform the business, the positive momentum with which the year had been entered had been maintained and that the company continued to expect two thousand and thirteen to be another year of underlying revenue, profit and earnings growth.

The **Chairman** thanked **Mr Erik Engstrom** and offered the Meeting the opportunity to ask questions and share observations. The **Chairman** noted that questions which specifically related to the financial statements could be raised under the next item on the agenda.

Mr Keyner, representing the Dutch Investors' Association VEB, also speaking on behalf of a number of retail investors who collectively owned about two hundred and sixty-three thousand (263,000) shares, indicated that he had two questions, which both related to the strategy of Reed Elsevier. First, it seemed to **Mr Keyner** that, looking at the company's portfolio, Reed Exhibitions was a strange part and could be considered a non-core division. Considering that the performance of Reed Exhibitions had been very good during the past year, **Mr Keyner** suggested that this could be the right moment to dispose of this division, since it was conceivable that the cycle would be going downhill in three or four years, which could be the worst time to sell it. The second question **Mr Keyner** posed was of a more strategic nature. He queried whether the Chairman could elaborate on what open access could mean to Reed Elsevier's risk profile, since in the annual report it was considered to be just an alternative business model in which the company was participating in, whereas others could consider it to be a serious threat. **Mr Keyner** wondered whether there was a possible contingency plan if the worst scenario became true, which was that open access would become mainstream and a large part of the way the company earned its money would disappear or would become more difficult.

The **Chairman** answered that with regard to the first question, the Board was very satisfied with the overall portfolio of the business. He asked Mr Erik Engstrom to address the specifics of the questions of Mr Keyner.

Mr Erik Engstrom responded that the reaction of Mr Keyner in respect of Reed Exhibitions was a fairly common reaction for people who had not been inside the business to see how it actually operated and he understood why Mr Keyner asked this question. **Mr Erik Engstrom** explained that Reed Exhibitions was a part of the core business of Reed Elsevier, it was a part of the strategy of Reed Elsevier and it was a business that Reed Elsevier would continue to hold on. Reed Elsevier was not planning to exit it now or at some other point in the cycle. Reed Exhibitions was a good business, with a higher than average organic growth for professional information services businesses and it was an early stage business in emerging markets and therefore acted as a leading entry point for Reed Elsevier in many markets. He continued that Reed Exhibitions earned very good returns on the invested capital, because Reed Elsevier had been a good owner of this business for many years, taking it from a small entrepreneurial local business to a global platform driven business. **Mr Erik Engstrom** mentioned that Reed Elsevier was the clear global leader with twice the size of the number two in this industry and Reed Elsevier was the only company that really thought of this as a professional information business that leveraged global sales processes of global industry groups, global databases, global software tools and electronic platforms to drive growth. Reed Elsevier could run this business with higher launch rates, often over thirty exhibitions and new exhibitions per year, and get higher incremental returns than other parties in this industry. **Mr Erik Engstrom** indicated that Reed Elsevier did not want to give up this leading position or want its shareholders to give up this leading position. He said that it contributed significantly to shareholders' value over time. Answering the second question Mr Keyner posed, **Mr Erik Engstrom** said that open access was an umbrella term, which had been around for many years and it composed several different practices policies or business models. He said that most people referred to the alternative payment model when they talked about open access, pursuant to which, instead of the subscriber or the subscriber institution paying for the use of information, the author or author's institution pays for the use of information. It was then free for the user. The payment model was consequently switched from one side to the other. **Mr Erik Engstrom** continued that over many years, Reed Elsevier's perspective was and would continue to be that the company was open to serving the scientific community under any payment model that could sustain or provide researchers with the information tools that they needed. The business model where the author pays had now been around and fully commercially available for well over a decade. The company was now at a point where it offered this payment model in about one thousand five hundred (1,500) of Reed Elsevier's scientific journals and the company had several dozens of stand-alone journals that were exclusively paid for as an author-pays model. So far in the industry and in the world, this had only been taken up toward a magnitude of less than five per cent. (5%) of the world article volume since its existence for more than a decade. **Mr Erik Engstrom** noted that if this payment model continued to grow, or any other payment model continued to grow, the company would continue to scale up its involvement as had been done in other types of information services, and the

company would scale up its investments to grow in the payment model that customers request. **Mr Erik Engstrom** believed that with the company's global reach and its leading technology platform, it can offer services in the alternative payment model world that were at least as valuable to the customers as the offer of anybody else. With the company's scale and reach, it could do so at significantly lower cost than anybody else and therefore would continue to adjust and grow in line with customers' demand.
Mr Keyner asked if his understanding was correct that Reed Elsevier did not care whether the user or the reader was paying or whether the author was paying, since there was no difference in return.
Mr Erik Engstrom replied that there was no reason to believe that one payment side versus the other payment side should over time earn a higher return or a lower return. There was no reason to believe that one should be better or worse than the other. The way Reed Elsevier saw its role was that it knew what services it provided and that those services were important to the scientific world and that it could provide them as well as anybody else, with costs that were the same or lower than others, and therefore Reed Elsevier believed that it could continue to operate and do well in alternative payment models and alternative business models. **Mr Keyner** asked if he could conclude that the shareholders should not be concerned if open access gets to a magnitude of far over five per cent. (5%), since it did not make much difference. **Mr Erik Engstrom** replied that the way he looked at it was that there had been many different changes over the last several years. He said that over the last decade, the actual effective unit price to a customer for one article accessed had dropped seventy per cent. (70%) and the average unit price for an article downloaded to our customers had dropped seventy per cent. (70%). Reed Elsevier had figured out a way to operate around that, to leverage its platform, to increase volumes and to redefine its processes so that it continued to operate this business with continued organic revenue growth in the year two thousand and twelve and the last few years and with margins that were very similar to what they were ten years ago. This was an indication of how Reed Elsevier ran its business and how Reed Elsevier continued to evolve and adopt new technologies, operate differently and run with new business models. As the world evolved, Reed Elsevier had to continue to evolve as well and so far evidence could be seen that the company had been able to do so. **Mr Erik Engstrom** did not see any reason not to believe that the managers who were here today and the managers who would be here in the future would have a similar ability to continue to adjust and adapt to the environment that they lived in.
Mr Keyner thanked Mr Erik Engstrom and said his response was very clear.
The next question came from **Ms Hanekroot** representing the VBDO, the association of investors for sustainable development. **Ms Hanekroot** complimented Reed Elsevier with the position of one of the best runner-ups of the Sustainability Leaders two thousand and thirteen in the Robeco Sustainability Year Book two

thousand and thirteen. The **Chairman** thanked Ms Hanekroot and said Reed Elsevier was very proud that on these measures it was at a good level and that it had sustained the sustainability increments over some years now. The **Chairman** felt Reed Elsevier had come a long way in the last three or four years. **Ms Hanekroot** had observed this and complimented Reed Elsevier again in this respect. **Ms Hanekroot** then said that Reed Elsevier had been actively developing its policies in the area of human rights, which was good to see, and progress had been made in the levels of detail on the number of internal and external audits. **Ms Hanekroot** indicated that Reed Elsevier had taken action on situations of non-compliance and on the objectives for the year two thousand and thirteen and she was proud to read about these objectives. Part of the ILO Conventions also referred to a the living wage or basic wage, which meant the wage for employees and people in the supply chain to ensure an existence worthy of human dignity, **Ms Hanekroot** noted that often national minimum remuneration was not sufficient in this respect. She asked to what extent Reed Elsevier guaranteed in its supply chain a living wage for people working in the supply chain, especially in the countries Reed Elsevier dealt with, for example South-Africa, Russia, Poland and Brazil, which were well-known countries to have issues with human rights. **Ms Hanekroot** posed a second question in respect of socially responsible tax policies. She referred to the news of companies seeking favourable tax rates which had led to general discussions with companies such as Google and Starbucks. Especially VBDO members thought and believed that paying fair taxes to countries where companies do business was important for further development of economic and social practices for human rights, education, and so on. **Ms Hanekroot** was pleased to read on page sixty (60) of the annual report that Reed Elsevier had tax policies in place. VBDO would like to learn more about those tax policies and she wondered if more insight could be provided on the contents of such tax policies. Another part of managing this reputation risk was to provide more insight in tax policies on a country basis, **Mr Hanekroot** noted, and asked if such insight could be provided.

The **Chairman** thanked Ms Hanekroot and asked **Mr Duncan Palmer** to address both questions.

Mr Duncan Palmer thanked Ms Hanekroot for her questions. He said that as new CFO in the company he was very impressed with Reed Elsevier's commitment to corporate responsibility. He pointed out that Reed Elsevier had made a lot of progress and always did very well against its targets. **Mr Duncan Palmer** said that it was nice to be recognised, but that there was always more to be done. He said Reed Elsevier took it very seriously and that he would address the questions of Ms Hanekroot shortly. Pointing out to the audience that Márcia Balisciano, head of corporate responsibility, was at the Meeting, **Mr Duncan Palmer** acknowledged her and her achievements over two thousand and twelve as well as her continued achievements in this area. **Mr Duncan Palmer** said that if there were very detailed questions which needed to be addressed after the Meeting, Márcia Balisciano was available to talk further. In answer to the questions of Ms Hanekroot in respect of human rights and tax policy, **Mr Duncan Palmer** started by indicating that Reed Elsevier had a supplier code of conduct, which was published. **Mr Duncan Palmer** quoted from this supplier code of conduct that Reed Elsevier expected suppliers to recognise that wages were essential to meeting employees' basic needs. At a minimum, suppliers should comply with all applicable wage and hour laws and regulations, including those relating to minimum wages over time, maximum hours, piece rates and other elements of compensation and provide legally mandated benefits. The supplier code of conduct also stated that if local standards were higher than legal requirements, Reed Elsevier expected the supplier to meet the higher standard. **Mr Duncan Palmer** assured that Reed Elsevier took the supplier code of conduct very seriously and that Reed Elsevier wanted to get as many of its suppliers, particularly its core suppliers, to sign up, too. Reed Elsevier also conducted supplier audits to ensure that its suppliers were living up to the code of conduct and if necessary, in case of a lack of compliance, Reed Elsevier helped the suppliers to comply. Reed Elsevier had terminated suppliers at times if they refused to comply, as done in two thousand and eleven and two thousand and twelve. **Mr Duncan Palmer** said that this matter was very important to Reed Elsevier and very important to its suppliers, and was something that was thought about very much. Addressing Ms Hanekroot's tax policy question, **Mr Duncan Palmer** indicated that Reed Elsevier's annual report indeed contained a reference thereto and that, as one of the themes addressed in the tax policy and discussed with the audit committee, Reed Elsevier provided relevant financial information in full to all tax authorities in the jurisdictions in which Reed Elsevier operated, with whom Reed Elsevier had a very transparent relationship. **Mr Duncan Palmer** explained as an example that Reed Elsevier did not engage in artificial use of tax havens or engage in artificial tax avoidance schemes. He said that Reed Elsevier had adopted a reasonable approach to tax matters in accordance with its tax policy, which was reviewed and agreed with the audit committee of Reed Elsevier. Detailed information on taxation was published in Reed Elsevier's annual report and the financial statements, which were also available on the company's website. He continued that Reed Elsevier also commented on taxation in the corporate responsibility report, which was also available on the company's website. Indicating what Reed Elsevier paid in some of its core markets, **Mr Duncan Palmer** said that typically between twenty per cent. (20%) and twenty-five per cent. (25%) of trading profits was paid in corporate income taxes by Reed Elsevier in the United Kingdom and in the Netherlands. **Mr Duncan Palmer** went on that Reed Elsevier had relationships with all tax authorities in both developing markets as well as developed markets and had very transparent relationships with them. Reed Elsevier was however not planning on reporting individual tax rates by country, because of the administrative burden this would cause and since there was currently no standard to do so. **Mr Duncan Palmer** continued that Reed Elsevier worked with tax authorities and would continue to work with organisations such as the OECD to receive guidance in respect of regulations and how they would best be implemented, but that the company did not plan to report all tax rates by country.

Ms Hanekroot thanked Mr Duncan Palmer for his extensive response and asked if this meant that it was guaranteed that in the supply chain living wage was a common standard.

Mr Duncan Palmer responded that it was not possible to guarantee this, since the suppliers were the ones who fundamentally did it, but that it was part of Reed Elsevier's code of conduct and that the company audited and strived to make the terms of the supplier code of conduct important to its suppliers, and also many other items, and made sure that they comply with it. **Mr Duncan Palmer** however indicated that it was not something which could be guaranteed, since the company did not control all of its suppliers and also because the supplier base changed over time. **Mr Hanekroot** thanked Mr Duncan Palmer and had another observation on tax policies. She mentioned Mr Duncan Palmer said it was not intended to publish all details per country, but it could over time be an interesting part to take into account, managing the company's reputation risk with tax policies. She then thanked Mr Duncan Palmer again.

The next question came from **Mr Rennen**, representing Triodos Investment Management, and also speaking on behalf of Robeco and the Pensioenfonds van de Grafische Bedrijven. **Mr Rennen** first complimented Reed Elsevier on the annual report and corporate responsibility report and indicated that, although he preferred integrating both reports, he was very positive on the scope and the quality of the information Reed Elsevier had provided. **Mr Rennen** complimented Reed Elsevier on the financial figures and said that the figures were good, also compared to peers, and contrary to last year an impressive growth of the share price could be seen, nearly forty per cent. (40%) over the last twelve months in the Netherlands and forty-five per cent. (45%) in the United Kingdom. He also complimented Reed Elsevier on the major progress made in the field of sustainability, in respect of the higher level of suppliers that met Reed Elsevier's code of conduct and also with regard to the higher number of external audits of suppliers. He noted that it remained important to keep auditing suppliers. He also mentioned the use of renewable electricity, which had gone up from twenty-three per cent. (23%) to thirty-three per cent. (33%), and he said this was a major step. **Mr Rennen** furthermore mentioned the decrease of paper use with ten per cent. (10%) and the decrease of energy used by data centres, which decrease was only one point six per cent. (1.6%), but was a good performance in view of the increase of electronic information. He was very happy with this. **Mr Rennen** was also satisfied with the targets that were set for the sustainability issues for the next period and that he was confident in reaching further progress. In respect of this agenda item, **Mr Rennen** wanted to elaborate on the company's lack of transparency on its bank covenants. Having raised it last year as well, **Mr Rennen** noted that Reed Elsevier did not publish details on the ratios or the impact of the bank covenants while, as **Mr Rennen** thought Reed Elsevier would know, lack of liquidity was an important cause of bankruptcy of companies. **Mr Rennen** pointed out that a large proportion of Reed Elsevier's liquidity came from its credit facility, which was a large credit facility of about two billion United States dollars (US$ 2,000,000,000). He said that for investors it was important to make an assessment of the availability of such a facility and to check if it was available when needed and what the experiences were in this respect. Indicating that reporting on the results and the ratios used was therefore crucial, **Mr Rennen** noted that Reed Elsevier, contrary to all nine (9) AEX companies that make use of bank covenants, did not provide any information on this. He called upon Reed Elsevier for more transparency in this respect and asked if Reed Elsevier was willing to consider this for future reporting. Furthermore, **Mr Rennen** commented on the tax issue. He agreed with the previous speaker that this was becoming an important topic internationally, specifically in Western-Europe. He appreciated that Reed Elsevier had a policy in place and published such policy, but challenged the company to be more transparent, for instance on reporting tax payments in different countries.

The **Chairman** thanked Mr Rennen, in particular with regard to his compliments on the reports. He noted that Mr Rennen asked some years ago why the reports were late and that Reed Elsevier had tried to arrange for everything in a way that all stakeholders could see the complete picture well in advance of the AGM. Reed Elsevier was very pleased with the way that the sustainability agenda had become embedded in the company and that the company was pleased that the share price had gone up as well. The **Chairman** then asked Mr Duncan Palmer to address the issue of the covenants.

Mr Duncan Palmer thanked the Chairman and thanked Mr Rennen for his question and his compliments with regard to the reporting of Reed Elsevier. He said he thought Reed Elsevier did very well and that the sustainability reporting was very integrated into Reed Elsevier's financial reporting in terms of timeline, but also in terms of how it was done. **Mr Duncan Palmer** indicated that, as this was under his responsibility, he hoped to continue to do well and would look for improvement areas in this respect. **Mr Duncan Palmer** then addressed the question with regard to bank covenants. He explained that most of the company's indebtedness overall was in public bonds which did not have any covenants and that from that point of view there was nothing to disclose. The revolving credit facility was a back-up line to the commercial paper facility of Reed Elsevier, which meant there was no debt under the revolving credit facility at this moment. He went on that it was not fair to say that the company did not say anything about its revolving credit facility and that

what Reed Elsevier reported was that it was in compliance with any of the ratios of the covenants, with a significant head room, if they were drawn. To actually understand the overall indebtedness of Reed Elsevier it was not necessarily material to know what such covenants were. **Mr Duncan Palmer** explained that the covenants were a material commercial arrangement between the company and the bank group and it would be commercially sensitive to disclose such arrangements. Reed Elsevier did therefore not disclose them nor had it plans to disclose them. **Mr Rennen** responded that he acknowledged that the bank covenants were mentioned by Reed Elsevier, but that Reed Elsevier only said it was in compliance with those covenants. **Mr Rennen** asked Mr Duncan Palmer to explain what the covenants were and what the ratios were he considered to be important.
Mr Duncan Palmer replied that the specific ratios were typical for a company of Reed Elsevier's size and rating and that Reed Elsevier was amply in compliance with them. The **Chairman** added that Reed Elsevier was not borrowing any money under any credit facility which had covenants. **Mr Rennen** preferred to come back to this point in detail at a later stage.
The **Chairman** asked Mr Duncan Palmer to respond in respect of the tax question Mr Rennen had posed. **Mr Duncan Palmer** said there were no plans to report by country, but that Reed Elsevier maintained an open dialogue with tax authorities and with organisations, such as the OECD and that the company was very involved in ensuring transparency, which was something that companies, the OECD and governments were working on together to ensure sustainable long-term solutions in respect of transparency and paying an appropriate rate of tax.
The next question came from **Mr Ekker**, who first complimented the Board for their excellent results for the shareholders, also caused by a substantial purchase of shares and through dividend, which gave a very good result and share price increase, which had not been seen for a long time. He also complimented on the extensive and very detailed annual report. He then read out loud the following text on page sixty (60), in the chapter 'Principal risks' under 'pensions': "We operate a number of pension schemes around the world. Historically, the largest schemes have been of the defined benefit type in the United Kingdom, the United States and the Netherlands". **Mr Ekker** assumed that this notion was in accordance with English terminology and therefore quoted the definition of 'defined benefit schemes' as formulated by the United Kingdom Pensions Regulator, a copy of which document he would give to the secretary after the Meeting: "A defined benefit scheme is a scheme in which the benefits are defined and accrue independently of the contributions and investment returns. You will need to work with the scheme trustees to make sure there is enough money in the scheme to pay the members' pensions as and when they become due." **Mr Ekker** thought this was a clear text which, in conjunction with the wording of the annual report, indicated to shareholders, employees and pensioners the nature of Reed Elsevier's three principal pension plans and the associated

financial liabilities. **Mr Ekker** continued by quoting from page sixty (60) of the annual report: “We will ensure that the funding plans are sufficient to meet future liabilities”. He paraphrased page one hundred and seven (107) up to and including page one hundred and nine (109) of the annual report, saying that information was given on the charges incurred by the company as a result of the defined benefit schemes in England and in the Netherlands being in deficit. These deficits of four hundred and sixty-six million pound sterling (£ 466,000,000) had already been reflected in the balance sheet and therefore English deficits were appropriately funded. **Mr Ekker** wondered how it was possible that a rich company with such great results and a free cash flow post dividend of five hundred and fifty-four million pound sterling (£ 554,000,000) in two thousand and twelve allowed for pension entitlements under the Dutch scheme to be curtailed by three point three per cent. (3.3%) and possibly the following year by four point three per cent. (4.3%). He thought it was surprising that such important post balance sheet event was not explicitly mentioned in the annual report with a proper motivation, in spite of various formal letters of objection, a petition of over half of the staff members and litigation announcements. **Mr Ekker** continued that Dutch people who had worked all their lives for the company and were instrumental to today’s success now often see their modest income reduced, contrary to their English colleagues, after years without inflation adjustment. He said that this had led to the situation that a former staff member of the science staff, who had worked for Elsevier in Amsterdam, the Netherlands, as well as for Pergamon in the United Kingdom, had recently received two letters. In the Dutch letter he was notified of the three point three per cent. (3.3%) pension curtailment, whereas the English letter announced a four point three per cent. (4.3%) increase to compensate the inflation. **Mr Ekker** suggested that the Board should put the Dutch pension curtailment next to the seventeen pages in the annual report regarding the remuneration report of the directors. He said that this was very different in nineteen hundred and ninety when Pergamon was acquired and it appeared that Maxwell had stolen money from the pension fund. The Dutch company had said it would make up the difference. **Mr Ekker** thought it striking that Reed Elsevier was the only company quoted on the Euronext AEX list that allowed a curtailment of the pension entitlement of the members and previous members of its staff in spite of reservations made on the balance sheet, which Mr Ekker thought was bewildering and shamefull. **Mr Ekker** did not wish to discuss the legal aspects at this Meeting. The competent court would have to decide upon that in due time. He said it was about decency and ethical considerations by a Board which, as stated by the Chairman, said it endeavoured the highest level of ethical management. **Mr Ekker** then mentioned the quote “no words, only actions” of the Dutch football club Feyenoord in Rotterdam, the Netherlands, of which Reed Elsevier’s former chairman Morris Tabaksblat was a fan, and Mr Ekker said that for Morris Tabaksblat such pension curtailment would be out of the question.

The **Chairman** thanked Mr Ekker for his question and said that he was going to let Mr Duncan Palmer talk about the details of the complexity of the different pension schemes in the different parts of the world and how each of those of the defined benefits schemes have been impacted by the structural problems which have gone on in defined benefits pension schemes everywhere in the world and have had a (different) impact everywhere under different legislation. The **Chairman** said that it was true that Reed Elsevier had an excellent result for shareholders and that he thought, as various speakers had mentioned, that Reed Elsevier had an excellent result for stakeholders more generally. He thought that corporate social responsibility was in far better shape compared to four or five years ago. The **Chairman** said he thought Reed Elsevier had come a long way across a very broad spectrum of stakeholders. The **Chairman** then asked Mr Duncan Palmer to address the specific questions in respect of the pensions.

Mr Duncan Palmer replied that with regard to the pensions, the company had three large funded pension schemes around the world in different jurisdictions. He explained that pensions were always regulated on a local basis and different regulations in different countries were quite different from each other. Three large pension schemes were in the United States, the United Kingdom and the Netherlands and in the cases of the United Kingdom and the United States, the pension scheme around final salary pension schemes had closed to new employees. **Mr Duncan Palmer** gave the example that he himself joined last year, but would not get a final salary United Kingdom pension. Therefore a large number of employees, both in the United Kingdom and in the United States, were in what was called defined contribution schemes, where there was no protection against, for example, inflation and there was no attachment to final salary, which made the schemes quite different. Only in the Netherlands there had been a continuation of a defined benefit scheme, which was for new joiners as well as for existing employees, and therefore the pension schemes were quite different. In terms of what had happened in the different countries over time, there had been changes, for example in the United Kingdom, employees had been required to contribute more every year. Contributions had gone from around five per cent. (5%) to maybe seven per cent. (7%) and that Reed Elsevier had recently been in communication with the United Kingdom employees and that the contributions possibly would have to rise even further in the future years. **Mr Duncan Palmer** concluded that there was definitely an impact on the United Kingdom employees in that respect. He continued that in the United States, benefits had been impacted on employees in the defined benefit scheme as well and that these things were therefore affecting employees around the world and pensions around the world. He indicated that interest rates were very low, which meant that the overall liability stream for the pension had risen. Reed Elsevier's fund status continued to be quite healthy, was in the range of ninety per cent. (90%) and it had improved in the first quarter of two thousand and thirteen. **Mr Duncan Palmer** said that, although there was a deficit, this was not very large in the context of what many other companies had seen. He then turned to the issue of the Dutch pensions. He thought that there had been over sixty (60) companies which had announced, or more specifically their pension funds had announced, benefit cuts and benefits of an average of about three per cent. (3%) in two thousand and twelve. **Mr Duncan Palmer** indicated that in two thousand and nine Reed Elsevier had agreed with Stichting Pensioenfonds Elsevier Ondernemingen (SPEO) that it would put fifty-four million euros (€ 54,000,000) into the pension fund over the following five years from two thousand and nine, and that the company was still making payments under that contribution plan. He continued that Reed Elsevier was not legally required to make such contribution. The company had entered into such agreement with SPEO to put money in and was still in the process of executing that plan. **Mr Duncan Palmer** said that at the end of two thousand and twelve, SPEO was not yet at a level where it had reached the funding ratio level necessary for SPEO to maintain benefits. Therefore SPEO had announced that there would be a three point three per cent. (3.3%) cut in benefits. Looking towards this year, **Mr Duncan Palmer** said that what the company would continue to do was to monitor the situation. The company was continuing to contribute the money as agreed upon in two thousand and nine. Reed Elsevier was working with SPEO on an overall sustainable solution for pension arrangements in the Netherlands going forward. The company would continue to monitor the situation in terms of the funding ratio level of the pension fund which, as **Mr Duncan** thought Mr Ekker might know, had risen over the first quarter of the year and now stood at about one hundred per cent. (100%). **Mr Duncan Palmer** said that this was still short of where it needed to be at one hundred and four per cent. (104%), but that there was quite a lot of sensitivity to market moves, interest rates, assets returns etcetera, and that therefore Reed Elsevier would continue to monitor this through the year, would work with SPEO and would continue to contribute the money as agreed upon in two thousand and nine.

Mr Ekker thanked Mr Duncan Palmer for his answer. He replied that there was indeed a new defined contribution scheme in the United Kingdom as of two thousand and ten, but the staff who were in the previous scheme continued to benefit from the defined benefit scheme as it was. **Mr Ekker** said that the company paid a substantially higher contribution to the English defined benefit scheme than to the Dutch scheme. He believed that the payment into the Dutch scheme was limited to seventeen per cent. (17%), while in the United Kingdom a payment of approximately twenty-five per cent. (25%) was made, of which the employees paid six per cent. (6%), which could have increased slightly. **Mr Ekker** noted that this was still very beneficial compared to the Dutch scheme. He continued that the Dutch scheme should receive a contribution of twenty-five per cent. (25%) if the liabilities were to be covered. **Mr Ekker** said that the seventeen per cent. (17%) as agreed in

two thousand and nine was in view of the situation of the fund by far not covering liabilities as it should. He stated that there was a continuing defined benefit scheme in the United Kingdom with inflation adjustment, which was fully covered by the company, and that there was a scheme in the Netherlands that was unfunded or insufficiently funded. It should not be considered as a defined benefit scheme but as a defined contribution scheme, although the annual report said differently. The contribution of forty-five million euros (€ 45,000,000), was not a gift, because it would have to be repaid as soon as the pension fund would be in a better situation financially. He therefore thought that there were certain remarks that went against what Mr Duncan Palmer responded. **Mr Ekker** said that he simply believed that a company that spent so much on shareholder repayments and was going to pay so much on shareholder repayments, with a free cash flow of more than six hundred million euros (€ 600,000,000), such company should reconsider its position with regard to the existing scheme in the Netherlands and at the same time should work towards a scheme which would be sustainable for the future. Fifteen hundred (1,500) to sixteen hundred (1,600) people saw their income cut while at the same time they read in the newspaper and saw in Reed Elsevier's report what a magnificent success the Board has made with this company. **Mr Ekker** complimented the Board for such results, but noted that such results and such success was also very much due to what those people had done in the past.
The **Chairman** said Mr Ekker had made his point very clearly. The **Chairman** reiterated what he had said in the beginning of the Meeting that the defined benefit schemes generally were not sustainable and if indeed the scheme would be redefined as a defined contribution scheme, there would be a far worse position than today. The **Chairman** continued that defined benefit schemes were generally not sustainable, almost every company in the world had had to make major modifications, some of which had been between generations. Different companies and different countries had different ways of dealing with it. The **Chairman** indicated that defined benefit schemes were not sustainable in the form in which they were before the recession, for which reason they had been stopped and cut, and there were no new people going into these schemes. The **Chairman** emphasized that he heard very loud and clear what Mr Ekker was saying and that he understood this, however, he reiterated again that these schemes were not sustainable and fundamentally flawed and had to change virtually everywhere, in one form or another, and that different countries have different approaches to how to tackle that.
The next question came from **Mr Vreeken**, representing We Connect You, Public Affairs and Investor Relations. He first complimented Reed Elsevier with its excellent results. **Mr Vreeken** said that many issues had already been expressed and that he had a number of concrete additions to them. In the field of sustainability, **Mr Vreeken** noted that Reed Elsevier could be an example and that this particularly applied to Mr Habgood and Mr Engstrom. He suggested that, with regard to the car

fleet of Reed Elsevier for example, the Executive Board and the Supervisory Board could switch to hybrid cars this year or next year. **Mr Vreeken** recommended the new Mercedes S-class which was coming up, the hydrogen BMW and also the very fast electric Porsche which would come on the market next year. **Mr Vreeken** then discussed the use of solar panels. He said such solar panels could be installed horizontally or vertically to the offices of Reed Elsevier worldwide and by doing so Reed Elsevier would make a very important statement, because although the Netherlands had green energy, this was run by a kind of Maffia-like paper trade organisation and instead of getting real green energy from the Netherlands, people were muddling in Finland. **Mr Vreeken** continued that by installing solar panels in the offices of Reed Elsevier, for instance three hundred panels to start with this year at the head offices at Radarweg, would only cost one hundred thousand euro (€ 100,000), but would lead to a benefit of fifty thousand euro (€ 50,000) in the long run, and Reed Elsevier would be an example. Noting the air plane by Ovalon in the annual report, **Mr Vreeken** suggested that it might be an idea, since the business travel had to be good, to use the most sustainable airline in the world, KLM. He continued that the use of cole in the United Sates was on the decline, while at the same time the United States exported cole, particularly to the United Kingdom, and if the wind came from the wrong direction all related pollution was blown to the Netherlands. This made the Netherlands one of the most polluted countries in the world. **Mr Vreeken** suggested that Reed Elsevier could exercise its influence to change such things in the United Kingdom.
The **Chairman** thanked Mr Vreeken and thought he had some very interesting ideas and suggested he could talk to Márcia Balisciano about this after the General Meeting. The **Chairman** said that with regard to the subject of the cars of Mr Engstrom and the Chairman, he himself did not have a company car of any sort and therefore thought he was well ahead of a hybrid car, but the other ideas were interesting and the Chairman requested Mr Vreeken to feed them into Márcia. **Mr Vreeken** thanked the Chairman.

3. Adoption of the 2012 annual financial statements.

The **Chairman** proceeded to the adoption of the annual financial statements for two thousand and twelve as contained in the Reed Elsevier annual reports and financial statements for two thousand and twelve. The **Chairman** informed the Meeting that the financial statements were drawn up by the Executive Board and audited by Reed Elsevier's external auditors Deloitte Accountants B.V. Amsterdam, who had issued an unqualified opinion. The **Chairman**, on behalf of the Executive Board, proposed to the Meeting to adopt the annual financial statements for two thousand and twelve and the proposed allocation of the net results. On the Chairman's question whether there were any questions or remarks on the financial statements, **Mr Keyner** indicated that he had a number of questions on pensions, but, referring to one of the previous speakers he said he was surprised about potential liabilities, which existed for the shareholders as well. **Mr Keyner** said he was not sure where in the annual report he could find such potential dispute between Reed Elsevier and its former employees. He queried whether this had just occurred in the last two months or if the chances that Reed Elsevier had to pay extra money to the pension fund were so low that it was not necessary to mention this at great length. **Mr Keyner** said that he should not have been surprised about such comment, but that he was in fact surprised, and he wondered if he had missed something in the past.

The **Chairman** responded that he did not feel Reed Elsevier was in dispute with anybody but asked Mr Duncan Palmer to specifically address this issue. **Mr Duncan Palmer** replied that he did not believe Reed Elsevier was in dispute. He indicated that SPEO, who was responsible for the overall pension in the Netherlands, had announced a benefit cut in response to the regulatory environment in the Netherlands, which had caused them to do so. **Mr Duncan Palmer** indicated that, as previously mentioned, Reed Elsevier had agreed to put an extra amount into the pension fund in two thousand and nine on top of the contribution which would be paid as a normal part of the company's operations and Reed Elsevier was still in the process of discussing with SPEO about how it would look going forward and how to put a sustainable long-term scheme in place. **Mr Duncan** however assured that there was no dispute to be disclosed.

Mr Keyner replied that he thought the previous speaker told a different story with possibilities of going to court, and normally such things were at least mentioned in the annual report if there was any chance that the company might lose a case. **Mr Duncan Palmer** reassured that at this stage there was nothing to provide or disclose.

Mr Keyner concluded from Mr Duncan Palmer's response that there was no extra liability beyond what had already been mentioned in the annual report. **Mr Keyner** then proceeded with a question on the pensions. **Mr Keyner** said that there were several elements which were very relevant to calculate whether the liabilities of the company matched the amount which was being set aside, and he mentioned the discount rate and the expected rate of returns on the assets in the company's pension scheme as such elements. **Mr Keyner** noted that these numbers were not yet available for two thousand and twelve and queried whether there was any indication on what kind of returns the company had made or what was assumed to have been made.

Mr Duncan Palmer explained that in terms of expected return on assets there had been a change in accounting standard. He indicated that the company had adopted IAS 19, which provided that going forward the overall finance charge to be calculated against pensions should be used both on the assets side as well as on the liability side as the discount rate on long-term corporate bonds. **Mr Duncan Palmer** explained that this essentially meant that the question of assumed rating had sort of gone away in the accounts from two thousand and thirteen onwards. He continued that the company had adopted IAS 19, which, if it had been adopted in two thousand

and twelve, would have an impact of actually reducing the company's overall profit before tax by approximately twenty-five million (25,000,000) in two thousand and twelve. **Mr Duncan Palmer** concluded that the question of what the expected return on the assets was going to be had kind of gone away from estimating what the overall funding of the scheme was and the charge etcetera. It did not make any cash difference to the overall accounts as it was a non-cash item.

Mr Keyner replied that the impact of the discount rate however had not gone away. He said that the company had decreased its assumed discount rate from five point two per cent. (5.2%) to four point four per cent. (4.4%), which was a large decrease. He wondered whether a percentage of over five per cent. (5%) was not too high in view of the decrease of interest rates, which also meant that the liabilities from a far distant future became more expensive now. He wondered whether the discount rate of four point four per cent. (4.4%) was still too high in these days and if it should not have been decreased even further.

Mr Duncan Palmer answered that there was relatively little judgement around the company's discount rates. The discount rates were typically calculated in different jurisdictions as the interest rate on high grade corporate bonds in those jurisdictions. **Mr Duncan Palmer** continued that it varied by jurisdiction because of the different bonds that were available to benchmark. He said that the percentage was based on the interest rates as they were as opposed to what the company thought they might be. He elaborated that interest rates generally across the world had been quite low and going lower in terms of long-term bonds for quite a while, and that therefore those discount rates in those parts of the world had been going down and the discount rate therefore that had been applied to future liabilities had been going down. **Mr Duncan Palmer** indicated that in the past there were more possibilities to use a discount rate based on own expectations in this respect, but such discretion had somewhat gone away in terms of picking what the discount rates would be. **Mr Keyner** concluded from Mr Duncan Palmer's response that his question in respect of the discount rate therefore was not relevant anymore because there was not much room for the company to manoeuvre, but rather the rate was a given and the company was following the rules. **Mr Duncan Palmer** responded that the company for example could not assume that interest rates would go up in the future and use a different discount rate. **Mr Keyner** indicated that he had had this kind of discussion with several companies and in the past it was possible for companies to be over-optimistic in respect of their balance sheet, as **Mr Keyner** thought Mr Duncan Palmer would understand even better than he did, being CFO.

Mr Keyner wanted to ask some questions to the external accountant in respect of goodwill and intangible assets. **Mr Keyner** said that it had been explained in the past very clearly why the company thought the valuation was right. He noted that in the end shareholders look at the balance sheet of the company and saw included therein seven billion pound sterling (£ 7,000,000,000) or eight billion pound sterling

(£ 8,000,000,000) in intangible assets and goodwill, and around two point three billion pound sterling (£ 2,300,000,000) in equity. **Mr Keyner** said this ratio understandably frightened people a little bit and it meant such valuation was to be scrutinized clearly. He said that he would like to ask the external accountant how he had been verifying whether such valuation was reasonable and that he would like to ask whether the external accountant had had outside help from people who understand the business of Reed Elsevier – which was typically not an accountant's job – and have a good sense about whether the assumptions taken for valuing such business is right or not. The **Chairman** referred Mr Keyner's question to Mr Ben van der Veer, chairman of Reed Elsevier's audit committee.

Mr Ben van der Veer thanked the Chairman and said he would first speak about how the audit committee communicated regularly with Deloitte, the external auditor of the company. He said that Mr Anton Sandler of Deloitte was present and would address Mr Keyner's question as well. **Mr Ben van der Veer** said that the audit committee had extensive discussions with the external auditors. He explained that the external auditors attended all meetings of the audit committee during the year. At least once a year a meeting was held without management present, which meant that confidential discussions could be held. **Mr Ben van der Veer** indicated that one of the starting points was the audit plan produced by the external accountants at the beginning of their audit process. The audit committee then discussed the focus areas and the risk areas for the coming year with the external accountant, one of which was the intangible assets. He said that he would however always first turn to the CFO to discuss, since it was first a management job to make such calculations. The audit committee would subsequently challenge management, and would then turn to the accountant. **Mr Ben van der Veer** asked Mr Duncan Palmer to also respond to Mr Keyner's question.

Mr Duncan Palmer replied that impairment testing was an important aspect of the company's overall accounting judgments because of the nature of the balance sheet and the nature of the assets that had come onto the balance sheet in the past. **Mr Duncan Palmer** said that as new CFO he had taken a long look at this and had looked at Reed Elsevier's practices. He had been impressed with the rigour with which Reed Elsevier approached this and every asset which was tested by the company was looked at at least on an annual basis. **Mr Duncan Palmer** elaborated that the company looked at the future cash flows for those businesses, market comparables, appropriate risk weighting and therefore discount rate for those businesses, different growth rates for the cash flows in those businesses, and that these were assessed at a very detailed level and this was done very carefully. **Mr Duncan Palmer** said that, as Mr Keyner alluded to, it was necessary to understand the business to make those judgements. Explaining that growth assumptions of business people were involved in making such judgments and assessments, he also said that not just a single point estimate was taken, but some sensitivity was done in

the analysis to check whether the company still would have no impairments if for example certain rates were different, certain things were different than previously thought, or if the discount rate was different. Therefore it was a rigorous process, **Mr Duncan Palmer** concluded, in which management participated. It was reviewed with the audit committee and also the external auditor took a close look at it. The company was very active in this regard, took a long look at it every year and took it very seriously. He therefore believed the assumptions were appropriate and in two thousand and twelve there were no impairments to report.
Mr Ben van der Veer then asked Mr Anton Sandler to respond to the questions of Mr Keyner.
Mr Anton Sandler, representing Deloitte Accountants B.V. and responsible partner of Deloitte in the Netherlands together with his United Kingdom colleague who represented the English side of the audit, replied that the external auditor approached the annual audit as follows. At the outset the external auditor was updated on the developments to get a good understanding of the business, and subsequently a risk assessment was performed to look at any potential tension areas for the coming year and what could be important to the various stakeholders who rely on the financial statements. One of those attention areas was the capitalisation of intangible assets and the related impairment testing, which would also be brought to the attention of management and the audit committee. He indicated that throughout the audit process, the external auditor would update with management and the audit committee on developments, new attention areas, as well as considerations relating to how the business was progressing and potential risks for impairment. **Mr Anton Sandler** indicated that this took place throughout the year and towards the second half of the year, when it became more evident how the businesses were performing, and the external auditor would also challenge management on the assumptions that they were taking. The external auditor’s independent view would also be used on some of the variables included. The independent auditor would also look at the specific performance of the individual businesses that were subject to the impairment testing, which process took place in the second half of the year. **Mr Anton Sandler** said that this was also reviewed at the end of the audit when final conclusions would be reached, which meant that an update was also given on the periodic work done throughout the year. With regard to intangibles, **Mr Anton Sandler** explained that, also with the external auditor’s independent testing of the assumptions and the results thereof, there were no specific attention areas that brought into question the outcome of the work done by management or by the independent auditor himself. **Mr Anton Sandler** concluded that it was ultimately reflected in the overall report of the external auditor that the financial statements gave a fair view of the financial position of the company.
Mr Keyner responded that the question he wanted to ask the external accountant was not necessarily whether he had been challenging the assumptions of

management, or verifying whether in the last few quarters these kinds of assumptions were not going to turn around. Very often the assumptions were meaningful for the next five, ten or maybe fifteen years as far as businesses were concerned. **Mr Keyner** said there were billions of pound sterling on Reed Elsevier's balance sheet and he was sure such billions would not be materializing within one or two years. This meant that it would not help to only look at a few quarters during the year two thousand and twelve or two thousand and thirteen. The question he wanted to ask the external accountant was whether he felt that he had enough knowledge, not how to calculate such things since Mr Keyner was sure the external accountant could do that, but whether he had enough business knowledge about the entire market in order to sufficiently challenge the assumptions. **Mr Keyner** stated that this was more than only calculating, but rather seeing whether a structural growth rate of five per cent. (5%) for the next ten or twenty years was real or not. **Mr Keyner** wondered whether Deloitte asked for any outside help or if there were specialists within Deloitte who could support the external accountant in challenging the management of Reed Elsevier.
Mr Anton Sandler responded that this was a combination of things. First, periodic meetings were held with the CEOs and CFOs of the respective businesses to understand the developments in the business and to look at strategic plans, not only for two thousand and thirteen, but the plans in place for years beyond that. In combination therewith, experts were used to do additional benchmark checks and reflect on the assumptions made by management, also outside the market place, to complement the work of the external auditor. In combination with the work done by the auditors, there were also valuation experts within Deloitte who supplemented and complemented the work of the external auditor. **Mr Keyner** asked if he understood correctly that such valuation experts were not only experts in calculating things, but that they had knowledge of the business. **Mr Anton Sandler** confirmed this. **Mr Keyner** thanked Mr Anton Sandler for his response.
The next question came from **Mr Ekker**. He noted that the curtailment of the Dutch pension must have had an impact on Reed Elsevier's balance sheet. **Mr Ekker** said that the Dutch pension fund already had to account for the curtailment as of the thirty-first day of December two thousand and twelve, as could be seen from the accounts of the pension fund. **Mr Ekker** wondered whether there had been any impact on the Reed Elsevier accounts already. He had not been able to find it on pages one hundred and seven through one hundred and nine of the report, but he assumed there had been a benefit, a release of deferred liabilities or provisions. **Mr Ekker** continued that Mr Duncan Palmer had mentioned an amount of twenty-five million (25,000,000), which was probably not the entire amount for the Dutch release. He asked whether more information could be provided in this respect and what the impact would be of the four point three per cent. (4.3%) curtailment that had been conditionally announced for two thousand and fourteen.

Mr Duncan Palmer responded that the twenty-five million (25,000,000) previously discussed was in reference to the adoption of IAS 19 and would have been the impact in two thousand and twelve if the company had applied IAS 19. This meant that the company would have to apply a lower expected return on assets, equal to the corporate bond rate, as opposed to the expected return on assets that the company used. It had nothing to do with the curtailment in the Netherlands. **Mr Ekker** noticed that the amount was approximately similar to the amount which went into the Dutch pension fund. **Mr Duncan Palmer** replied this was a coincidence and that they were not connected as an item. In accordance with IFRS, the company was accounted for at year end for all its pensions, liabilities and asset streams associated with the conditions as of the year end. This would be something which would be factored in as appropriate at the year end. In terms of estimating what the changes would be, **Mr Duncan Palmer** elaborated that in the balance sheet going forward those assessments would be made as the appropriate accounting periods for the balance year came closer, as would be disclosed later. **Mr Ekker** wondered whether the amount was not already contained in the accounts for two thousand and twelve and if he was correct that the balance sheet reflected the deficits in the scheme. Based on IAS 19, **Mr Duncan Palmer** confirmed this. **Mr Ekker** said that as a result of the curtailments such deficits would reduce, which would result in a release of liabilities and/or provisions etcetera. **Mr Duncan Palmer** replied that this was not necessarily the case. He gave the example that the funded rate on the Dutch pension scheme as SPEO had disclosed to the employees was at year end approximately in the ninety-six per cent. (96%) range and was now about one hundred per cent. (100%) after curtailment. Those numbers were however not the same numbers that would typically be used in IFRS, which would be used in the company's accounts. They were therefore different in that nature. **Mr Ekker** asked if Mr Duncan Palmer agreed that there would be a benefit to the accounts as a result of the curtailment. **Mr Duncan Palmer** responded that there would be many factors which would be taken into account in assessing the overall impact on the accounts. He indicated that at this stage it would be too early to say what the net effect of all those factors would be. In fact interest rates and all kind of things would make a difference.

The **Chairman** asked if there were any other questions. Since there were no further questions, the **Chairman** kindly asked the Meeting to vote on the proposal to adopt the two thousand and twelve annual financial statements. The **Chairman** reminded the Meeting that number one was 'yes', number two was 'no' and number three was 'abstain'. The **Chairman** closed the voting and reminded the Meeting that, as indicated before, the voting results would be shown at the end of the Meeting with the other results.

4. Release from liability of members of the Executive Board and Supervisory Board.

After that the annual financial statements had been adopted, the **Chairman** requested that the Meeting to release the members of the Executive Board from liability for their management during the two thousand and twelve financial year and should release the members of the Supervisory Board from liability for their performance and in particular their supervision on the management. The **Chairman** said that first he would put item 4A on the agenda to vote, which was the release from liability of members of the Executive Board. After having asked whether anyone wanted to address the Meeting on that subject, the **Chairman** invited everyone to vote. He then declared the voting to be closed. Next the **Chairman** put item 4B on the agenda to vote, which was the release from liability of members of the Supervisory Board, and the **Chairman** kindly asked everyone to vote. He then closed the voting.

5. Determination and distribution of dividend.

The **Chairman** moved on to the next item on the agenda, which was the determination and the distribution of the dividend. The equalised final dividends proposed by the Combined Board of Reed Elsevier N.V. and by the board of Reed Elsevier PLC were thirty-three point seven euro cent (€ 0.337) for Reed Elsevier N.V. and seventeen pence (£ 0.17) for Reed Elsevier PLC. Together with the interim dividend of thirteen eurocents (€ 0.13) paid by Reed Elsevier N.V. on the thirty-first day of August two thousand and twelve, this equalled a total dividend in two thousand and twelve of forty-six point seven eurocents (€ 0.467). Compared to the prior year, this represented an increase of seven per cent. (7%). The **Chairman** noted that the dividend proposal was in accordance with the dividend policy approved by the Meeting in two thousand and five, whereby dividends normally would in the longer term be covered at least twice by adjusted earnings. The **Chairman** asked whether there were any observations in this regard. Since there were no observations, the **Chairman** asked the Meeting to vote on the dividend proposal. The **Chairman** subsequently closed the voting.

6. Appointment of external auditors.

Next, the **Chairman** informed the Meeting that the audit committee had conducted a formal review of the performance of the external auditors during the audit for the financial year that ended on the thirty-first day of December two thousand and twelve, the effectiveness of the audit process and of the independence of the external auditor in respect of the Board. Based on these reviews and after discussion with the audit committee, it was considered that Deloitte was performing satisfactorily as external auditor. On the basis of this review and the subsequent observations on Deloitte’s planning and execution of the audit work, the audit committee had recommended the re-appointment of Deloitte Accountants B.V. as external auditors for the company for the audit for the financial statements and results for two thousand and thirteen. The **Chairman** noted that in accordance with the audit committee’s recommendation the Supervisory Board proposed that Deloitte

Accountants B.V. would be re-appointed as the company's external accountant for the period that would cease at the annual general meeting in two thousand and fourteen. The **Chairman** explained that for their audit of the results and the financial statements of the Reed Elsevier combined businesses, the external auditors would co-operate with Deloitte LLP London, who were proposed to be re-appointed by the annual general meeting of Reed Elsevier PLC. The conditions of this appointment including the fixing of the remuneration for the auditors would be determined by the Supervisory Board in accordance with the proposals from the audit committee. The **Chairman** asked if anyone wished to address the Meeting.

Mr Rennen, representing Triodos Investment Management, and also speaking on behalf of Robeco and the Pensioenfonds Grafische Bedrijven, noted that the non-audit fees of Deloitte Accountants were approximately thirty-eight per cent. (38%) of the audit fees and over a period of three years these fees amounted to approximately thirty per cent. (30%). **Mr Rennen** considered this level of non-audit fees to be a serious concern as it could create a potential conflict with the interests and independency of the external auditor. He noted that as of the first day of January two thousand and thirteen such non-audit services were no longer permitted for the company's auditor unless advisory contracts had already been set out before that date. **Mr Rennen** asked the Chairman if he could confirm that from now on the level of the non-audit fees by Reed Elsevier's auditor would quickly decrease to zero. The **Chairman** thanked Mr Rennen for his question and asked Mr Duncan Palmer to address this issue.

Mr Duncan Palmer said he would make some comments and would also ask Mr Ben van der Veer to make a couple of comments afterwards. **Mr Duncan Palmer** said that very firm principles had been adopted with regard to the advisory non-audit work done by Deloitte, one of which was that the work would not compromise the independence of Deloitte. Secondly, he indicated that Deloitte needed to be well-placed to be the best person to do the work vis-à-vis anyone else who could do that work. The audit committee had reviewed this on a regular basis to make sure that this policy was being adhered to. He continued that due to recent regulatory developments in the Netherlands from two thousand and thirteen onwards, non-audit work done by the Dutch auditor for Dutch companies would be limited to audit related services and Reed Elsevier would certainly comply with those regulatory changes. However, it did not necessarily apply to non-audit work done outside the Netherlands. The company would continue to apply its policy thereto. Noting that the company was very comfortable that Deloitte maintained its independence, which was very important to Reed Elsevier and was also important to the shareholders, **Mr Duncan Palmer** stressed that Reed Elsevier took a very strong look at this. He assured Mr Rennen that the company had not entered into any special advisory relationships at the end of two thousand and twelve to get ahead of the adoption of the law in two thousand and thirteen. **Mr Duncan Palmer** concluded that the company would continue to adopt its policy if required and comply with regulations in the Netherlands.

Mr Ben van der Veer added that a big part of the two thousand and twelve non-audit fees was caused by services in relation to the issue of tax returns in two thousand and twelve, which work was quite efficient to give to Deloitte especially, and that the audit committee would closely monitor the new legislation in the Netherlands, which was already in operation. **Mr Ben van der Veer** indicated, however, that there was some discussion in the Netherlands on what kind of services were permitted and what kind of services were not permitted. He said that the company would indeed follow this closely and then consider policy amendments for Reed Elsevier if necessary.

Mr Rennen asked if, more concrete, a major decrease in the ratio was expected. **Mr Duncan Palmer** responded that this would certainly be the case in respect of work done in the Netherlands, since the regulatory changes in the Netherlands. He indicated that advisory fees were not put in place in two thousand and twelve, as discussed, and from time to time there might be work appropriate for Deloitte to do outside of the Netherlands, such as helping with the issuing of new bonds for example. **Mr Duncan Palmer** said that he could not indicate what this would be for the future years. It would depend on the level of that kind of activity, but he assured Mr Rennen that the company would strive very hard to maintain the independence of its auditor and would firmly adopt its policy and of the oversights of the audit committee. **Mr Duncan Palmer** indicated that Reed Elsevier would continue to review its policy over time to ensure that it was appropriate and in line with regulations and best practice.

The **Chairman** asked the Meeting to approve the proposal to appoint Deloitte Accountants B.V., Amsterdam, and kindly requested the Meeting to vote. The **Chairman** then closed the voting.

7. Composition of the Supervisory Board.

The **Chairman** turned to the next item on the agenda, which dealt with the composition of and changes in the Supervisory Board. In that respect the **Chairman** referred to the explanatory notes of the agenda and the detailed biographical information concerning each candidate for appointment and re-appointment contained therein. Before dealing with the resolution, the **Chairman** pointed out that Reed Elsevier had announced on the twenty-eighth day of February two thousand and thirteen that it was the intention of the Combined Board to have Dr Wolfhart Hauser appointed to the Supervisory Board with effect from the conclusion of the Meeting. The **Chairman** noted that, in accordance with the recommendation of the nominations committee, his appointment was recommended by the Combined Board. Unfortunately, due to prior commitments, Dr Hauser was not able to be present at the annual general meeting.

The **Chairman** continued that during two thousand and twelve, the corporate governance committee had conducted an internal review of the functioning and the constitution of the Reed Elsevier Boards and their committees and also undertook a Board effectiveness review. Based on these assessments, the nominations committee believed that the contribution and performance of each Board member seeking re-appointment continued to be valuable and effective, and that they each demonstrated commitment to their respective roles in Reed Elsevier. The **Chairman** indicated that accordingly, the nominations committee recommended the re-appointment of all Supervisory Board members with the exception of Messrs Elliott and Reid, who were retiring at the conclusion of this annual general meeting. In accordance with the recommendation of the nominations committee, the re-appointment of these members of the Supervisory Board was recommended by the Combined Board. The **Chairman** continued that, as included in the agenda, the Combined Board had resolved to take the necessary steps to establish a one-tier board government structure of the company. The proposal for this purpose would be discussed later at this Meeting. The **Chairman** continued that if the one-tier board structure would be adopted and implemented, the members of the Supervisory Board would then be designated as Non-Executive Directors with effect from the implementation of that new structure. The **Chairman** asked if anyone wanted to address the Meeting.
Mr Ekker made the remark that, as a result of their reported very passive attitude when the curtailment and the funding of the Dutch pension scheme was discussed, he was extremely critical. Indicating this also was the case for the Association of Dutch Pensioners, who had been hit, and probably for a lot of employees as well, **Mr Ekker** stated that he had considered whether the re-appointment of the Dutch Supervisory Board members should be an issue. He recognised their other undisputed qualities and would therefore not vote against the re-appointments, but would abstain from voting.
The **Chairman** thanked Mr Ekker and, after having observed that there were no other comments, he proceeded to voting under agenda item 7A, which was the appointment of Dr Wolfhart Hauser. The **Chairman** then closed the voting.
Since agenda item 7B related to his own re-appointment, the **Chairman** passed over to the company’s new senior independent director, Ms Lisa Hook, to deal with this agenda item. **Ms Lisa Hook** thanked the Chairman, and invited the Meeting to vote under agenda item 7B on the re-appointment of the Chairman. Ms Lisa Hook then closed the voting and passed back to the Chairman to deal with the remaining items on the agenda.
The **Chairman** thanked Ms Lisa Hook, proceeded to voting under agenda item 7C and invited the Meeting to vote on the re-appointment of Mr Adrian Hennah. The **Chairman** then closed the voting.
The **Chairman** proceeded to agenda item 7D and invited the Meeting to vote on the re-appointment of Ms Lisa Hook. The **Chairman** then closed the voting.

The **Chairman** proceeded to agenda item 7E and invited the Meeting to vote on the re-appointment of Ms Marike van Lier Lels. The **Chairman** then closed the voting.
The **Chairman** proceeded to agenda item 7F and invited the Meeting to vote on the re-appointment of Mr Robert Polet. The **Chairman** then closed the voting.
The **Chairman** proceeded to agenda item 7G and invited the Meeting to vote on the re-appointment of Ms Linda Sanford. The **Chairman** then closed the voting.
The **Chairman** proceeded to agenda item 7H and invited the Meeting to vote on the re-appointment of Mr Ben van der Veer. The **Chairman** then closed the voting.

8. Composition of the Executive Board.

The **Chairman** continued with the following item on the agenda, which was the composition of and the changes in the Executive Board. The **Chairman** referred to the explanatory notes, the agenda and the biographical information concerning the candidates for the re-appointment contained therein. The **Chairman** explained that based on the review of the corporate governance committee and the Board Effectiveness Review, the nominations committee recommended re-appointment of each board member and accordingly the re-appointment of these members of the Executive Board was recommended by the Combined Board. The **Chairman** indicated that if the one-tier board government structure would be adopted and implemented, the re-appointed members of the Executive Board would be designated as Executive Directors from the moment the structure was implemented. Having said that, the **Chairman** asked whether anyone wished to speak on the supposed re-appointments. The **Chairman** observed that there were no questions and proceeded with the proposed re-appointment under agenda item 8A and invited the Meeting to vote on the re-appointment of Erik Engstrom.
The **Chairman** closed the voting, proceeded to agenda item 8B and invited the Meeting to vote on the re-appointment of Duncan Palmer. The **Chairman** thanked the Meeting and closed the voting.

9. Implementation of the one-tier board structure at the company.

The **Chairman** continued with agenda item 9, relating to the amendment of the articles of association of the company, primarily to establish a one-tier board government structure at the company. The **Chairman** explained that a one-tier board would be introduced, which would comprise of both Executive and Non-Executive members and as a result all references to the Combined Board and the Supervisory Board would be removed from the articles of association. The **Chairman** indicated that in addition a number of provisions would be updated to reflect the recent changes in law. Adoption of the proposal implied that each member of the Executive Board and the Company Secretary would be authorised to implement the proposed amendment of the articles of association and to represent the company before the civil law notary. The **Chairman** continued that, following the implementation of the one-tier board structure after the adoption of this proposal, the members of the Executive Board at the time of the implementation would be designated as Executive Directors and the members of the Supervisory Board at the time of the implementation would be designated as Non-Executive Directors. The **Chairman** noted that this change in determination would also impact agenda items 11 and 12. The **Chairman** asked if anyone wanted to address the Meeting on this issue.

Mr Ekker queried whether, in view of the current constitution of the Board, which was quite different from what it used to be since there was only one CEO and one CFO as members of the Executive Board, this was going to be the structure going forward, which he thought was very defendable. He said that there were even companies which only have the CFO on board. **Mr Ekker** enquired whether the Chairman envisaged to have other members in the Executive Board in the future.

The **Chairman** thought one of the clear trends that had taken place over the last twenty-five years in unitary boards, was that there had been a reduction in the number of executive directors. It was true to say that the mean, the mode and the medium with the top two-hundred and fifty (250) British companies was to have between two to three executive members of the board. The **Chairman** continued that fashions change and sometimes there were swings one way or the other. For example in the United States it was very common in a unitary board structure to only have a chief executive, who often was the chairman as well as a member of the board. His personal view was that the current structure worked quite well this way, but that he did not have any fixed ideas about it. The **Chairman** thought times changed, circumstances changed and that sometimes one would want an extra executive member or two extra executive members. He continued that it would be very unlikely that Reed Elsevier would go back to the structure as perhaps Mr Ekker knew it, where the heads of each of the major businesses sat on the Board. It was possible, but that he thought all trends were away from that.

Mr Ekker responded that in his experience the current structure worked very well and that in the previous system there were a lot of members in the Executive Board, where usually the CEO and CFO spoke and the other members were mainly there for information purposes. **Mr Ekker** thought that if the Chairman did not have a fixed idea about the constitution of the Board, people could wonder whether they were in consideration to be a member of the Executive Board. The Chairman could possibly avoid this if there was a system in place which, for the time being, made clear what the company wanted in this respect. The **Chairman** agreed and said he had expressed his own personal views in this regard, but that other people could have other views. He noted that such constitutions change and management of expectations in this matter, as any other matter in a big company, was very important. The **Chairman** then thanked Mr Ekker for his observation. After having confirmed that there were no other questions, the **Chairman** invited the Meeting to vote under agenda item 9 on the proposed implementation of a one-tier board structure of the company. The **Chairman** closed the voting.

10. Amendments to the remuneration policy and proposals for new long-term incentive arrangements.

The **Chairman** moved on to agenda item 10 relating to amendments to remuneration policy and proposals for new long-term incentive arrangements. The **Chairman** reminded the Meeting that extensive information about these plans had been provided as part of the explanatory notes to the agenda in order to ensure a high level of transparency. In terms of quantum, the remuneration committee had ensured that the overall incentive opportunity for Executive Directors under the new plans remained within the parameters previously approved by shareholders. The **Chairman** asked whether there were any questions on these items.

The first question came from **Mr Rennen**, representing Triodos Investment Management, and also speaking on behalf of Robeco and the Pensioenfonds Grafische Bedrijven. He would like to comment on three aspects of Reed Elsevier's remuneration policies and practices, namely communication with shareholders, potential excessiveness of executive remuneration, and linkage between remuneration and sustainability targets. With regard to the communication with shareholders, **Mr Rennen** first complimented the remuneration committee and specifically Mr Elliott. **Mr Rennen** thought it was a pity Mr Elliott could not be present at the Meeting, but that he wanted to compliment on his efforts, the energy spent and the transparency which was applied with regard to involving shareholders in the discussion of the composition of the new proposed long-term incentive plan (the ***LTIP***). The **Chairman** thanked Mr Rennen for his comment and said he would certainly pass Mr Rennen's compliments on to Mr Elliott. The **Chairman** noted that Mr Elliott had put in a great deal of effort into this and that during the Chairman's time, which was now four years, this was the second time that Mr Elliott had gone on a major consultation effort with the shareholders. Being chairman of the remuneration committee was not a job for which you get many thanks.

Mr Rennen understood this and said it was a road show which was not seen very often and that he was very positive about it. **Mr Rennen** went on discussing communication with shareholders and stated that annual general meetings were the platform to discuss and vote on remuneration policies and practices. **Mr Rennen** said he would come back to the proposal for this agenda item in the second and third item he would discuss, but that he would like to stress again the fact that in the Netherlands there was no right to vote on the remuneration practices, which meant there was no say on pay. There was a right to vote on the remuneration policies, but not on the practices. **Mr Rennen** noted that in the United Kingdom it was the other way around, but that it was expected that also in the United Kingdom shareholders would have a vote on the remuneration policy as of two thousand and fourteen. **Mr Rennen** had been informed that this would be decided on in June and he was very positive about this. He thought that, given the implementation of the one-tier board structure company-wide, it was a very good opportunity to align the treatment of the

N.V. and the PLC shareholders in this respect. Therefore, **Mr Rennen** called upon Reed Elsevier to bring the remuneration report to an annual vote, also for the Dutch shareholders. He asked whether Reed Elsevier could commit to this as of two thousand and fourteen. On the second item **Mr Rennen** wanted to discuss, he acknowledged that looking at the newly proposed policy for the LTIP, improvements had been made, such as on the targets used, the lower pay-out at threshold performance and also there was more transparency. However, the concerns with regard to the former policy were still valid in respect of the new proposal. He commented that the remuneration scheme of Reed Elsevier was by far the most complex known in the Netherlands, at least for the AEX companies, which made it very difficult to understand and to assess it. **Mr Rennen** said that the fact that the annual report spent seventeen pages on this subject indicated a lot. He continued that, more fundamentally, he was concerned about the potential excessiveness of the remuneration levels. He noted that the theoretical remuneration maximum for the CEO and the COO had slightly been reduced to a basis salary of around six hundred and fifty (650) and six hundred (600) euro respectively, for both executives, but he thought such levels were too high and were not only theoretical levels. He had tried to calculate the payment for the CEO on the basis of the figures in the annual report and according to his calculations the total reward for the CEO in two thousand and twelve amounted to over seven million euro (€ 7,000,000). **Mr Rennen** moved on to the subject of sustainability related targets. He said that an LTIP typically included sustainability targets, because such targets also ought to be achieved in the long term. He regretted that this opportunity of adjusting the LTIP had not been used to introduce such linkage. **Mr Rennen** said that in previous contacts, Reed Elsevier had mentioned that the use of short term related sustainability targets had worked out well for the annual remuneration. At least one of the six key performance objectives was related to sustainability. When he had asked for more information, Reed Elsevier had said it would elaborate more on describing such performance measures in the annual report. **Mr Rennen** said he had not been able to find such information, which left the readers of the annual report without a basic explanation on why the short term sustainability targets had worked out well for annual remuneration. Even though the Chairman had said that such information was included in the annual report, **Mr Rennen** mentioned that he was not able to assess this himself. He continued that he had gotten the strong impression that Reed Elsevier thought that sustainability was important, but not important enough to reflect in the remuneration. **Mr Rennen** therefore asked if Reed Elsevier was willing to provide an explanation in the next annual report on how sustainability performances were reflected in the remuneration of the management.

The **Chairman** thanked Mr Rennen and first responded to Mr Rennen's point on communication. The **Chairman** remained of the view that he did not want any more votes on remuneration in the annual general meetings. The **Chairman** indicated that

this year for example there had been three votes on remuneration in the annual general meeting and three votes on remuneration in the annual general meeting of the PLC. The **Chairman** said one could argue that a binding vote on policy versus a non-binding vote on a report was more important or extensive, or vice versa, but that this was hard to judge. Both however were moving feasts and the Chairman mentioned that the United Kingdom was changing and the Netherlands as well. He indicated that he was not going to commit to doing everything the same in the Netherlands as in Britain and vice versa, since the company would end up only breeding more resolutions. There was no merit in that. Within the context of the Netherlands there was a very fair opportunity to vote on remuneration issues and in the United Kingdom as well. It did not make sense to him to put additional policy vote into the one system and putting an additional report vote into the other system. The **Chairman** therefore was not going to commit to align the two, but he would commit to keep it all under observation as the rules of the London Stock Exchange would change and the rules of the Amsterdam Stock Exchange would change.
In respect of Mr Rennen's remark on the excessiveness of the remuneration of the Executive Directors, the **Chairman** responded that as a starting point a management change had been made about three and a half years ago. The current salary of both the Chief Executive Director and the Chief Financial Officer were lower than the salaries five years ago of people in the same positions and the total remuneration package, whether in respect of the targets, the top or anywhere else, were also lower than they were before. The **Chairman** said one could still think it was too high of course, but that Reed Elsevier was a truly international company, hiring a lot from the United States. He continued that the company was in an international market. He said that the company had gone through a very extensive consultation process with shareholders three years ago, because the system which was in place before was broken. Of course at the time there was a different fashion in terms of what was considered to be a good thing to have and people wanted Reed Elsevier to introduce more measures. The **Chairman** said that the system the company came up with was more complex than the previous system and he indicated that the first payments out of that system for people below board level were occurring at this moment. He desperately did not want to push the company back into instability, because there had been a period of quite severe instability in the two years before that. The company had settled down with massive shareholder approval on a plan and that the company had to consult again this year because of its one-off nature. The company did not want to continue with a three plus two year plan, but wanted to go back to a three year plan. That three year plan however had only just been rolled out across the organisation around the world and the last thing the Chairman wanted to do was to destabilize the organisation, since it would mean that, taking into account that a lot people were changed in a lot of jobs, employees who were hired on certain terms would see such terms changed again, due to the fact that the fashion in certain

elements of the shareholder community had changed. The **Chairman** understood Mr Rennen's concern about the levels of pay, but he thought it had been laid out very clearly in the annual report what the levels of remuneration were. Reed Elsevier was extremely transparent and Mr Elliott had been through two very extensive rounds of consultation to come up with something which always had to be a compromise, since the opinion of all shareholders differed in respect of what was fair. The **Chairman** concluded that Reed Elsevier had tried to do this in the context of restraint relative to where the company was before and competitiveness relative to other companies in similar situations around the world. The **Chairman** went on discussing Mr Rennen's sustainability question. He noted that a choice had been made some time ago that the right place to put this in was in the annual incremental objectives, which was in line with the company's objectives in the CSR report. This had been laid out very clearly. This was an area where the science was changing, the aims were changing and there was new information all the time. Therefore the company took the view that the steps should be incremental, mostly annual. Sometimes longer term goals were put out, but most of the more specific ones were annual. The part of the annual bonus was linked to that and the company had chosen to believe that was the right place to do this. Mr Rennen had said the company was not specific about it, but the **Chairman** could not think how to be more specific than in the annual report on pages forty through forty-eight, in terms of what the goals were for next year and it was those goals on which that part of the extra bonus depended. **Mr Rennen** believed the Chairman when he said that these were the goals which were being looked at, but that there was no linkage to see how it was reflected, which meant that there were targets and that there were long-term targets. **Mr Rennen** acknowledged that there were changes over time, but said that specifically in respect of sustainability these were fit for long-term targets. There were targets for two thousand and fifteen and even for two thousand and twenty, which meant they fit for long-term remuneration plans. He confirmed that the company was very transparent, which he thought to be very positive, but that no linkage was seen.

The **Chairman** responded that when looking at the targets, for example with regard to the bonus of Mr Engstrom, the part of his bonus on the achievements of the targets were listed in the annual report, around pages forty to forty-eight. The **Chairman** did not know how to be clearer than that. **Mr Rennen** kept noting that, although there was a lot of information on the remuneration, on the targets and on the performance of the targets, there was no information on how this was reflected in the remuneration and that it was only one out of the six key performance objectives. The **Chairman** answered that the company was quite transparent about that as well. He said it was one out of five or six key performance objectives, and it was one key performance objective for each member of the management team until quite a long way down. **Mr Rennen** noted that the Chairman said there was at least one, but perhaps there were three. He asked what items were chosen. The **Chairman** responded that for the chief executive it was one, but that he had made that clear before. **Mr Rennen** asked how many there were for the CFO. The **Chairman** said there was one as well for the CFO.

The next question came from **Mr Keyner**. He said, which he thought would not be surprising for the Chairman since he had said it the last three years as well, that he concurred in a lot of the comments of the previous speaker about the size of the compensation package as well as the complexity. **Mr Keyner** did not agree with the comment that Reed Elsevier had the most complex remuneration policy, since this was Shell. He understood the Chairman's comment that the company had to work and operate and deal with the current situation in the world, but that he was also part of that world an not only virtually, like many others at the Meeting. He noted that things were changing in society. **Mr Keyner** said he was not a communist, by far not, and that he did believe that great performance should be rewarded in a great way, but that he differed in opinion in respect of what great pay meant. Great pay to **Mr Keyner** meant one million pound sterling (£ 1,000,000) base salary and if a fantastic job was done on the long term an extra one million pound sterling (£ 1,000,000) in addition. **Mr Keyner** did not see any reason why a top executive of a great company like Reed Elsevier should earn more than ten times as much as the president of the United States, who also had an important job. He concluded that he had a different opinion than the Chairman on what a great pay was. He thought that the Chairman would be surprised how people's opinions were changing, even in the United Kingdom, where more and more people were resisting the idea that top executives could be earning millions and millions of pounds, whereas at the same time performance was not always great. **Mr Keyner** therefore believed that a base pay of one million pound sterling (£ 1,000,000) and an extra million pound sterling (£ 1,000,000) in case of a great performance, was more than enough. He was not sure whether Mr Engstrom would run away immediately to the competition, but if he would and there was nobody within Reed Elsevier who could fill his place, the Chairman would have a duty as well together with the remuneration committee to make sure that there was enough talent within the company to fill his shoes. He therefore again concluded that his opinion differed from the Chairman's opinion. The **Chairman** said that they differed last year and the year before and would probably differ the next year. The **Chairman** said that the point he made clear last year on the same topic was that in his experience, underpaying and getting an under-qualified person was the worst thing for the stakeholders of a company. **Mr Keyner** agreed with the Chairman and added that this was also true for overpaying and getting an underperformance. **Mr Keyner** explained that what he looked for was paying a reasonable salary and a reasonable bonus, while getting a good performance. He thought this was possible and that there were lots of examples where this had been demonstrated. Since **Mr Keyner** thought they would not agree on this topic, he then went on discussing a topic which he hoped they could reach agreement on. Since there was more pressure in respect of how Reed Elsevier earned its money, **Mr Keyner** wondered whether the Chairman saw any kind of issues in this regard in the near future. A lot of scientists were saying that they did all the complex work, while a company like Reed Elsevier was benefiting in an extreme way by distributing their work. He said that an extensive discussion could be had on this topic, but he indicated that the current business model of the company made sense and that they all benefited from it. **Mr Keyner** however wondered if the Chairman would agree that the fact that the Executives were highly paid would further fuel this debate, since they benefited in an extreme way from the hard work top scientists did all around the world, and that it would make Reed Elsevier more vulnerable.

The **Chairman** did not share Mr Keyner's view on the remuneration side and did not think Reed Elsevier fitted in the excessive and various other extreme words and superlatives used by Mr Keyner, also not relative to other companies who were doing the same sort of thing Reed Elsevier was doing. **Mr Keyner** concluded that they agreed to disagree, as every year.

The next question came from **Ms Hanekroot**, who referred to one of the previous speakers in respect of the sustainability criteria in the remuneration. **Ms Hanekroot** said that the Chairman referred to criteria in the remuneration for both the CEO and the CFO. **Ms Hanekroot** queried if the Chairman could shed some light on these criteria, since she was eager to learn more about them The **Chairman** responded that what Mr Engstrom received as bonus in that respect were the objectives listed on page forty to forty-eight of the annual report, which were the sustainability objectives. The **Chairman** thought these were quite clear and he said they were not broken. Steps were being achieved towards these goals in a fairly systematic way and, what he had been arguing throughout this debate on the next round of remuneration, was the importance of continuity. There had been a horrible period of instability during which all sorts of things went wrong and there were lots of things which needed to be addressed, some of which had already been talked about and disagreed or agreed about with various members of the audience. The **Chairman** said there were a lot of things which were unstable and that it was necessary to settle down with a system which was achieving what you wanted to achieve. It can never be quite known if things would work out, but the company was very much where they had hoped to be in terms of the objectives that had been set four years ago. The **Chairman** thanked Ms Hanekroot for her question. He then moved on to the voting. The **Chairman** kindly invited the Meeting to vote under agenda item 10A on the amendments to the remuneration policy. The **Chairman** closed the voting and moved on to agenda item 10B, which was the proposal for a new long-term incentive plan**.** The **Chairman** asked if there were any questions about this proposal. After having confirmed there were no questions, the **Chairman** kindly requested the

Meeting to vote. The **Chairman** then closed the voting and moved on to agenda item 10C, which was the renewal of the executive share option scheme. Since there were no questions, the **Chairman** asked the Meeting to vote. The **Chairman** then closed the voting.

11. Delegation to the (Executive) Board of the authority to acquire shares in the Company.

The **Chairman** then proceeded to item 11 on the agenda, which related to the renewal of the delegation to the Executive Board of the authority to acquire shares of the company, which was an annual recurring business. The general meeting of shareholders had granted the Executive Board the authority to acquire shares of the company on the twenty-fourth day of April two thousand and twelve for a period up to and including the twenty-third day of October two thousand and thirteen. The **Chairman** said it was now proposed to renew the authorisation of the Executive Board to acquire shares in the company through stock exchange trading or otherwise for a period of eighteen months from the date of the annual general meeting of shareholders and therefore up to and including the twenty-third day of October two thousand and fourteen, for the maximum amount of ten per cent. (10%) of the issued share capital as stated in the articles of association. The **Chairman** said that prices applicable would be within the margin stated in the explanatory notes to the agenda. He noted that this item was put on the agenda every year and for the avoidance of doubt and misunderstanding, if approved, this proposal to delegate the authority to acquire shares in the company would replace the existing delegation that was granted at last year’s shareholders’ meeting. The **Chairman** continued that subject to the implementation of the one-tier board structure which had been voted on earlier in the Meeting, the delegation of the authority to acquire shares in the company would accrue to the Board with effect from implementation in accordance with article 9 of the amended articles of association. The **Chairman** asked if there were any questions on this proposal. Since there were no questions, the **Chairman** asked the Meeting to vote on the proposal. The **Chairman** closed the voting.

12. Delegation of the (Combined) Board as authorised body to issue shares, grant options and to restrict pre-emptive rights.

The **Chairman** proceeded to agenda item 12, which was also an annually recurring business. Both resolutions renewed authorities approved by the shareholders at the two thousand and twelve annual general meeting. The **Chairman** explained that pursuant to a resolution passed by the general meeting of shareholders on the twenty-fourth day of April two thousand and twelve, the designation of the Combined Board as the authorised body to issue shares and to grant rights to subscribe for shares as referred to in article 6 of the articles of association was extended for a period expiring on the twenty-third day of October two thousand and thirteen. The **Chairman** continued that under agenda item 12A, the Combined Board recommended and proposed to the general meeting of shareholders, for a period of eighteen months from the date of this annual general meeting of shareholders and therefore up to and including the twenty-third day of October two thousand and fourteen, in accordance with and within the limits of article 6.2 of the articles of association, to designate the Combined Board as the authorised body to issue shares and grant rights to acquire shares in the company, provided this authority shall be limited to ten per cent. (10%) of the issued capital of the company at the close of trading on NYSE Euronext Amsterdam on the day of the Meeting, plus an additional ten per cent. (10%) of the issued capital of the company as per the same date in relation to mergers and acquisitions. The **Chairman** said that in addition, the shares could be issued on exercises of share options that had been granted under authorities granted by the general meeting in prior years, since this was the implementation of existing commitments of the company that had been entered into before.

The **Chairman** continued that agenda item 12B was necessary to complement the authority to issue shares and concerned a proposal to authorise the Combined Board as the corporate body entitled to restrict or cancel the pre-emptive rights of existing shareholders on an issue of shares or a grant of share options for a period of eighteen months from the date of the Meeting. It concerned issues of shares and grants of share options pursuant to resolutions of the Combined Board and the authority to restrict or cancel pre-emptive rights therefore would also end on the twenty-third day of October two thousand and fourteen. The **Chairman** noted that, subject to implementation of the one-tier board structure which had been voted on earlier in this Meeting, the designation of the Combined Board as the authorised body to issue shares, grant options in the capital of the company and to restrict pre-emptive rights would accrue to the Board with effect from implementation in accordance with article 6 and 7 of the amended articles of association. The **Chairman** asked if anyone wanted to address the Meeting. After having confirmed that no one wanted to address the Meeting, the **Chairman** kindly requested the Meeting to vote on the proposal under agenda item 12A to authorise the Combined Board to issue shares and to grant options. The **Chairman** closed the voting and subsequently invited the Meeting to vote on the proposal under agenda item 12B to authorise the Combined Board to restrict or cancel pre-emptive rights. The **Chairman** thanked the Meeting and closed the voting.

The **Chairman** said that the results of all resolutions would now appear on the screens.

The **Chairman** thanked the Meeting and was pleased to confirm that all resolutions had been adopted. The **Chairman** thanked the Meeting for its support of the company and thanked everyone for coming to the Meeting.

13. Any other business.

Reaching the end of the Meeting, the **Chairman** gave the Meeting the opportunity to ask questions on any other business. **Mr Anink** from Amsterdam, the

Netherlands, said that a few years ago he had stood at the very same place in a time when the company was extremely unstable. The Chairman had previously referred to this. **Mr Anink** said there had been many questions on which direction the company should take, but that an important decision was taken, which was to acquire Risk Solution. This was a gamble, but he was very glad to conclude that the integration of Risk Solution had been quite successful, at least that was what it looked like from the figures. He stated that Reed Elsevier was once again a profitable company with opportunities and that those opportunities had been discussed at the Meeting. **Mr Anink** said that unfortunately he was unable to attend the Meeting since Wolters Kluwer, which was a competitor of Reed Elsevier, had a meeting at eleven o'clock on the day of the Meeting. He therefore missed part of Reed Elsevier's annual general meeting and had lost his voting rights, since he had to be registered at Reed Elsevier's meeting by one o'clock and failed to do so. He continued that at the Meeting a number of resolutions had been adopted with a vast majority of votes. He thought the Meeting had been in contrast to the annual general meeting of Wolters Kluwer, who had its act together and where the atmosphere in the meeting was completely different. There had been a higher degree of cooperation between the audience and those sitting on the podium. **Mr Anink** said this was his conclusion, although he had not been able to hear all of the deliberations in the Reed Elsevier annual general meeting. He asked whether next year Reed Elsevier and Wolters Kluwer could agree on the date and the time of the meeting, allowing investors to attend both shareholders' meetings. **Mr Anink** went on discussing that changes were at last happening in terms of the composition of the Board, things he had spoken about many years ago when he had mentioned the lack of clarity of the composition of the Board. This had made it nearly impossible to check management, which could also be seen from the various managers that had appeared before the shareholders. In order to come to an agreement on the composition of the Board, which was more than simply following the letter of the law, as was heard today, he noted this was also about the redistribution of tasks and responsibilities. In **Mr Anink**'s view particularly the Supervisory Directors would have completely different tasks for the years to come than they had now. At the Meeting all Non-Executive Directors had been kindly re-appointed, but he expressed his hope and his wish that some of them would tell the Board that they would not carry out certain specific instructions.

The **Chairman** thanked Mr Anink. He said he was not quite sure how the timing of the Reed Elsevier meeting and the Wolters Kluwer meeting came to be like that. He indicated that there was a rather short window during which the company could do its annual general meeting, given that there was also the annual general meeting in London, but that it was obviously unfortunate and to be avoided, and one should not be forced to run from one meeting to the other. The **Chairman** apologised for this and said it was certainly not the company's intention for this to happen. The

Chairman said he could only agree with Mr Anink that the roles of boards were evolving and changing all the time, but he did think that there was now a good, well-functioning board.
Since there were no other questions or comments, the **Chairman** indicated that they had come to the conclusion of the Meeting. On behalf of the Combined Board, he thanked all shareholders for attending and participating in the meeting. There were some light refreshments available for those who wanted to stay for a while. He kindly asked the shareholders to make their way to the foyer and to hand in the headphones and handsets to the hostess when leaving the Meeting. Once more, the **Chairman** thanked everyone for attending.

14. Close of meeting.

The **Chairman** declared the Meeting closed at fifteen hours and twenty-three minutes post meridiem.

Voting results.

The exact results of the voting have been set out in a document that was provided to me, civil law notary, by the company after the Meeting, a copy of which is attached to this deed (*Annex 2*).

Final.

In witness of the proceedings in the meeting the original of this deed, which shall be retained by me, civil law notary, was executed in Amsterdam, the Netherlands, on the ninth day of January two thousand and fourteen.
This deed was executed by Marrigje Elisabeth de Wilde, deputy civil law notary, for the purposes hereof acting as attorney authorised in writing of the Chairman, which authorisation is attached to this deed, and which person is known to me, civil law notary, and by myself, civil law notary.
(was signed) M.E. de Wilde; D.J. Smit.