DEED OF RECORD (*proces-verbaal*)

On the twenty-third day of April two thousand and fourteen as of ten hours and thirty minutes in the morning, 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 Board, opened the Meeting at ten hours and thirty minutes ante 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 4;
- that Mrs Jans van der Woude was appointed as secretary of the Meeting;
- that Mr Polet had sent his apologies, as he was 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 thirteen;

- 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 eleventh day of March two thousand and fourteen 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 eleventh day of March two thousand and fourteen;
- 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 de 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 de 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 thirteen, the **Chairman** informed the Meeting that a trading update had been released to the market this morning, and that Mr Erik Engstrom would provide an update on recent developments in more detail later on at the Meeting. He said that Reed Elsevier had continued to deliver on its long term strategic and financial priorities and had continued to achieve underlying revenue and profit growth across all five major business units with improved profitability, driven by process innovation and portfolio development. Reed Elsevier's strong cash flow, together with proceeds from the disposal of businesses, enabled Reed Elsevier to step up its share buy-back program while maintaining balance sheet strength. In two thousand and thirteen, Reed Elsevier deployed a total of six hundred million pound sterling (£ 600,000,000) on share buy-backs. Although it is expected that the disposal of proceeds will be lower in two thousand and fourteen, it is intended to deploy a further six hundred million pound sterling (£ 600,000,000) on share buy-backs during two thousand and fourteen, based on Reed Elsevier's strong balance sheet and cash flow. So far, two hundred and fifty million pound sterling (£ 250,000,000) worth of shares in the capital of the Company had been bought back. The **Chairman** concluded that based on this positive financial performance, the Board recommended an eleven per cent. (11%) increase in the final dividend for two thousand and thirteen.

The **Chairman** continued that there had been a number of changes to the Board during the year. In September, Reed Elseviers' Chief Financial Officer, Mr Duncan Palmer, had resigned as a result of family circumstances, which required him to return to the United States of America. In January it was announced that Mr Nick Luff would take over from Mr Duncan Palmer. Mr Nick Luff had been Chief Financial Officer of Centrica Plc. since two thousand and seven and prior to that at P&O. His long-established skills in running the finances of approximately one hundred companies, made Nick Luff very well placed for the role of Chief Financial Officer at Reed Elsevier. Subject to shareholder approval, Mr Nick Luff would join the Company in two thousand and fourteen at a date to be determined by the Board.

The **Chairman** said that following the annual general meeting of two thousand and thirteen, Dr Wolfhart Hauser had joined the Board as a non-executive director. The **Chairman** took the opportunity to welcome Dr Wolfhart Hauser to the Board and to wish Mr Duncan Palmer all the best for the future.

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** explained that they had now come to the formal business of the Meeting where they would discuss and vote on the resolutions set out in the agenda for the Meeting. He reported that the holders of the following number of shares were present and represented at this meeting:

- approximately four hundred forty-four million (444,000,000) ordinary shares, having a nominal value of seven eurocents (€ 0.07) each; and
- approximately four million one hundred thousand (4,100,000) R-shares, having a nominal value of seventy eurocents (€ 0.70) each,

as a result of which approximately four hundred and eighty-five million (485,000,000) 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 million euros (€ 50,000,000), comprised of approximately six hundred and sixty-six million (666,000,000) ordinary shares and four million and one hundred thousand (4,100,000) R-shares. A quick calculation indicated that approximately sixty-eight per cent. (68 %) of the share capital was represented at the Meeting.

Some registrations had 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.

2. Annual report 2013.

The **Chairman** proceeded to the discussion of the annual report for two thousand and thirteen. The **Chairman** gave the floor to Mr Erik Engstrom, Chief Executive Officer, to provide a summary of developments during two thousand and thirteen on behalf of the 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 thirteen results and gave an update on the progress so far in two thousand and fourteen. In summary, Reed Elsevier had made good progress in two thousand and thirteen. The Company’s positive operating and financial momentum continued throughout the year, with underlying revenue growth trends sustained, with improved profitability through process innovation and with strong cash generation. The Company’s business profile had been further transformed and the earnings quality had been improved, primarily through organic development of technology platforms and supported by continued portfolio reshaping.

Underlying revenue growth, excluding biennial exhibition cycling, held up at three per cent. (3%) and underlying adjusted operating profit grew five per cent. (5%). The earnings per share at constant currencies grew seven per cent. (7%) in a cycling-out year for exhibitions business, and return on invested capital increased by forty (40) basis points to twelve point one per cent. (12.1%).

Mr Erik Engstrom said that during the year, Reed Elsevier had continued to make good progress in its strategic direction by delivering improved outcomes to professional customers across industries. This was done primarily through organic development. It was supplemented by portfolio reshaping through selective acquisitions and divestments, driving an evolution of the Company's business profile and improving the quality of the Company's earnings. The number one priority was to continue to invest in the organic transformation of Reed Elsevier's business. Reed Elsevier was investing in new technology platforms and was launching new products and services. This process often started with a reformatting of traditional print reference into electronic reference, and the Company was already very far down the format migration path towards the preferred formats of electronic and face-to-face. Most of the efforts were already focused on driving the ongoing transformation from electronic reference to electronic decision tools. This was achieved by adding broader data sets, embedding more sophisticated analytics and leveraging more powerful technology to track, measure and improve the results that came from using the Company's information based decision tools, in order to continuingly make such tools more valuable to the customers.

Mr Erik Engstrom continued that after organic transformation, the second priority was to reshape the Company's portfolio. Reed Elsevier was continuing to limit its acquisitions to targeted data, content and analytics assets, and assets in high growth segments and geographies that support organic growth strategies. In two thousand and thirteen, such assets were acquired across all major business areas. The Company also continued to dispose of assets across business areas, closing twenty-six (26) transactions during the year for a total consideration of three hundred and thirty-one million pounds sterling (£ 331,000,000). With a year-end net debt to EBITDA at two point one (2.1) times on a pension lease adjusted basis and one point six (1.6) times on an unadjusted basis, the Company had spent the past four years in a leverage range that it was very comfortable with, given the current economic environment.

With a strong balance sheet and strong cash flow characteristics and with the average acquisitions spend comfortably covered by free cash flow after dividends, Reed Elsevier would continue to take a pragmatic approach to ensuring that the value compounding in its business translated into shareholder value. It was planned to keep long term dividend growth broadly in line with earnings per share growth at constant currencies, and to keep the leverage in a similar range as to where it had been over the past four years. Therefore, for two thousand and fourteen it was intended to deploy a total amount of six hundred million pounds sterling (£600,000,000) on share buy-backs, based on the Company's strong balance sheet and strong cash flow, although the disposal proceeds were expected to be lower than in two thousand and thirteen. For the full year, a total dividend of zero point five hundred and six euros (€ 0.506) was proposed for Reed Elsevier, which was an increase of eight per cent. (8%) over the full year dividend for two thousand and twelve.

Mr Erik Engstrom summarised that for two thousand and thirteen, the positive operating and financial momentum had continued throughout the year and further transformation of the Company’s business profile and improvement of the earnings quality could be seen. In two thousand and fourteen, the first quarter underlying revenue growth rates across Reed Elsevier, excluding biennial exhibition cycling, had remained broadly consistent with the full year of two thousand and thirteen, with a few minor variations by market and geography. **Mr Erik Engstrom** was confident that by continuing to execute the Company’s strategy, another year of underlying revenue, profit and earnings growth would be delivered in two thousand and fourteen.

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 item 4. on the agenda.

The first question came from **Mr Ekker**. He noted that, together with all other shareholders, Reed Elsevier had again achieved great results, with a rate increase of forty-two per cent. (42%) to a price of over fifteen euros (€ 15), which had not been seen in the last ten years. A tremendous cash dividend and seven hundred and twenty-six million euros (€ 726,000,000) worth of share buy-backs had led to a significant increase in earnings per share. **Mr Ekker** congratulated the Board with this result, but also the workforce and former members of the workforce, who had done all the groundwork in the past to achieve this success. This performance had been reflected in the remuneration report, which showed that in two thousand and thirteen, the Chief Executive Officer’s assets had increased with nine point three million euros (€ 9,300,000) based on his a base salary, the annual incentive, the employer’s pension contribution, the exercise of options and the issue of shares. **Mr Ekker** thought it was a very handsome sum which was undoubtedly deserved. **Mr Ekker** however noted that it so happened that this sum was almost the same amount as would have been required in order for the Company to avoid curtailment of the pension rights of the Dutch pension fund as per April two thousand and fourteen. This would have benefitted around nineteen hundred (1,900) members of the workforce, sixteen hundred (1,600) pensioners and five thousand (5,000) deferred pensioners.

Mr Ekker said that he was not suggesting that Mr Engstrom should pay this shortfall, but that it was a noticeable fact. Together with the three point three per cent. (3.3%) curtailment of pension entitlements in two thousand and thirteen and the absence of any inflation correction over recent years, the Company’s Dutch pensioners have now already suffered a loss of income of approximately ten per cent. (10%). **Mr Ekker** thought this was remarkable and embarrassing when compared to the Chief Executive Officer's remuneration and the shareholder value increase in the same period, where one person would benefit millions, thanks to the efforts of others, another person would lose two thousand euros (€ 2,000) of his meagre twenty thousand euros (€ 20,000) income. **Mr Ekker** wondered if there was no member of the Board who would draw a line and would say that he would not participate in this.

Mr Ekker continued that there had been signification reservations for curtailments in the Dutch pension scheme, but apparently those were to be released in favour of shareholders' value and potential profits of related options. He mentioned that last year, Mr Duncan Palmer had responded by saying that the Company was not yet willing to make funds available, but that he would monitor the developments in the future to see whether any action might be appropriate. **Mr Ekker** said that action was necessary, but that the Company did not take any action. It therefore seemed as if the Board did not care.

Mr Ekker then discussed the corporate responsibility report in the annual report. He mentioned that it used to be named the corporate social responsibility report, abbreviated the CSR report. However, Reed Elsevier had dropped the word 'social' in the title. **Mr Ekker** thought this could explain why the Company was so untroubled by pension curtailments for former members of its workforce. Reed Elsevier stood out in a negative way compared to other Dutch listed companies who had issues with their pension fund. **Mr Ekker** named Philips, Aegon and Shell as examples of companies who had made large contributions to their Dutch pension schemes in order to bear part of the costs for their former employees, as they realised that former employees were stakeholders of the company, and this was often reflected in their annual reports. Reed Elsevier was one the strongest companies in the Netherlands, but its pension fund was one of the weakest ones and also one of the most vulnerable. **Mr Ekker** thought that this could not be right, particularly since the financial situation of the fund had worsened since the turn of the century, when Reed Elsevier had failed to arrange for qualified, professional management for the fund, and the managers of the pension fund were too dependent on the Company.

Mr Ekker called, on behalf of the Association of Pensioners of the Company, once again on the Board to no longer turn its back on the Dutch pension fund. He asked the Board to do something and show their social responsibility. He then thanked the Board for their attention.

The **Chairman** replied that he would first make a general statement regarding the problems of defined benefit pension schemes that international companies as Reed Elsevier were faced with. The **Chairman** said that he was quite shocked when he came to Reed Elsevier around five years ago, and discovered that it was one of the very few companies that had failed to address defined benefit pension schemes properly in the various jurisdictions in which it existed. Senior members of the Company were benefitting from the continuation of these rich schemes, bringing people into these rich schemes when most companies had already closed such schemes for new employees, or were taking measures to do that. The **Chairman** said that he felt that this was irresponsible. Schemes had now been closed to new members and benefits had been curtailed everywhere. Each pension scheme in each jurisdiction took a different form in view of the different legislations, but all new employees in the United Kingdom and the United States of America for example, which were the other two countries where there were major pension schemes, had been on defined contribution schemes and not on defined benefit schemes for some years now. The **Chairman** thought that the Netherlands was the only place where defined benefit schemes were still open for new employees. It was therefore completely wrong to think that the retirement schemes in the Netherlands had been impacted worse than the retirement schemes elsewhere. The pension schemes had taken different forms, but the **Chairman** was almost certain that, although he had not worked it out, the reductions that had taken place in benefits were lower in the Netherlands than reductions which had taken place elsewhere for anyone with a defined contribution scheme over that period of time. There were other issues associated with this, but there was not an issue of equity between the way in which this issue was being treated in different places under the umbrella of different legislative regimes. The **Chairman** then asked Mr Duncan Palmer to address the question in more detail, but noted that it was out of the question to reinstitute defined benefit schemes for everyone in all parts of the world, which was what would have to be done to make the treatment in other countries equal to the treatment in the Netherlands. He said that that would be an extraordinary thing to do.

Mr Ekker responded and agreed that Reed Elsevier wished to institute different pension schemes where possible. Reed Elsevier had done this in the United Kingdom and was trying to do this in the Netherlands as well. However, the existing scheme in the United Kingdom was still being compensated for all its deficits, while the Dutch scheme was not. If the Dutch scheme continued on this basis, it would be in trouble if a defined contribution scheme was introduced without any additional funds contributed to the Dutch fund. Therefore, he did not ask for the continuation of the defined benefit scheme in the Netherlands, as this would not be achievable, but rather asked the Company to take into account that the people who were already in the defined benefit scheme had to rely on the Company to be forthcoming as regards the existing deficits, just like was being done in the United Kingdom.

The **Chairman** apologised and said that another person wished to address the Meeting.

Ms Van ‘t Spijker, representing the Association of Pensioners (VGEO) of the Company, said, in respect of the cultural differences, that on page number 66 of the annual report of the Company, there were no longer any top managers of the

Company mentioned with the Dutch nationality. She noted that there had not been anyone with the Dutch nationality on the management team of the Company since Gerard van de Aast and Herman van Campenhout left. She wondered if this had a specific reason. She also asked if the Chairman could tell more about which top positions within Reed Elsevier were currently filled by persons with the Dutch nationality.

The **Chairman** asked **Mr Erik Engstrom** to answer these questions. **Mr Erik Engstrom** said that the approach of Reed Elsevier was to be a completely global business with users in around one hundred and eighty-five (185) countries around the world. The Company's global footprint almost looked like a global GDP map, with employees in almost all nationalities. The top management team on the list to which Ms Van 't Spijker referred, consisted of people with nationalities from Sweden, Korea, Turkey, as well as the United Kingdom and the United States. The Netherlands represented, in terms of revenue, three per cent. (3%) of the Company's global revenues. Reed Elsevier would like to have senior leaders from all nationalities, including the Netherlands. A few years back, several persons on the senior team had a Dutch nationality. This could easily happen again in the future. The leader of the Company's Dutch business is Rob Kolkman, who is a Dutch citizen and had been running large parts of Reed Elsevier's business in a lot of other locations. Most recently he spent several years in Australia running the Australian Elsevier business, which is not a local Dutch business. There were a lot of talented people and very successful managers who were moving up, but the Company did not select any of its senior managers based on nationality, ethnicity, gender or personal background. It was done purely on meritocracy and suitability for each role.

The next question came from **Ms Hanekroot**, representing the VBDO (the Dutch association of investors for sustainable development). She visited the Meeting every year and discussed a theme that should be, and seemed to be, core to Reed Elsevier's business, which is long-term sustainability. **Ms Hanekroot** congratulated Reed Elsevier with its great achievement within the responsible supply chain benchmark. Reed Elsevier had reached the second position amongst forty (40) multinationals, which was a very good achievement, and had improved its scores in that ranking. **Ms Hanekroot** was very positive about this.

Ms Hanekroot had a few questions in respect of two themes, being human rights and circular economy. First, she addressed the human rights theme. She said that, as would be well known, human rights was an important theme for any business to address. This had ethical reasons, but also risk management reasons. Reed Elsevier was paying strong attention to human rights. The Company addressed this in the code of ethics and in the supplier code of conduct, and consistently referred to the United Nations Global Compact, which was an important reference and addressed ten (10) key principles of human rights. However, **Ms Hanekroot** said that, although the United Nations Global Compact was important, more could be addressed in the human rights area. She mentioned the United Nations Declaration of Human Rights, which was a very broad declaration, but would be interesting to mention in the Company's corporate responsibility report, and the same applied for the OECD Guidelines for Businesses and Human Rights and the International Labour Organisation Guidelines. **Ms Hanekroot** wondered if the Company intended to also mention these three additional references in the human rights area.

Ms Hanekroot mentioned another aspect of human rights which Reed Elsevier had started to address, which was social audits or due diligence. She was very positive that Reed Elsevier had started having social audits, going back in the supply chain and doing audits on human rights. This was an important activity in the Company's corporate responsibility policy. **Ms Hanekroot** said that Reed Elsevier had made a statement that it was doing these audits, but that she could not find any report or details on the outcomes or the action taken by the Company on the basis thereof. She asked if she could be provided with some insight on the details of the audits.

Ms Hanekroot then discussed the second theme, being circular economy. This was a new item she wanted to bring to the Company's attention. Circular economy was quite a new phenomenon for many companies. It regards recycling, re-using, ensuring that there is no waste, as waste should be food for new products and for new services. This could not only help the planet but also other companies in making savings in their operations. **Ms Hanekroot** asked if Reed Elsevier was familiar with the concept of circular economy and the role it could play for Reed Elsevier. Although Reed Elsevier was not really a production company, there could still be opportunities there.

Ms Hanekroot furthermore mentioned, going deeper into re-use, that Reed Elsevier was one of the founding members of the Publishers Database for Responsible Environmental Paper Sourcing, which referred to paper re-use. She was very supportive of this initiative, however, she wondered how the Company worked with water, which was a very fundamental item on the planet, and if this was also being re-used. She queried to what extent Reed Elsevier went back into the supply chain and identified opportunities to improve the use of water.

Ms Hanekroot went on discussing CO2 emissions, which Reed Elsevier had identified as one of its key impacts. She asked whether Reed Elsevier aimed to produce products and services which were CO2 neutral or had zero impact.

The **Chairman** thanked Ms Hanekroot for her positive comments on the supply chain management, of which Reed Elsevier was very proud and which was developed over a long period of time, and also on the involvement of the Global Compact, which was going on for more than ten years, or so the **Chairman** thought. The **Chairman** said again that the Company was very proud of the fact that it had taken a leading role in both areas, however, it could of course always go further, as Ms Hanekroot rightly stated. The **Chairman** thought that the reason for concentrating on Global Compact was because it was a practical business interpretation of some of the human rights declarations. A trade-off would always have to be made on whether to make an impact in a practical respect, or to be more inclusive. So far, the Company had chosen the first. With regard to the circular economy, the **Chairman** mentioned that from the Company's perspective the focus would be on the digital side of the business and its implications, although the printing side was also to be considered. The **Chairman** asked if **Mr Duncan Palmer** could address Ms Hanekroot's questions in further detail.

Mr Duncan Palmer replied that he would first make one or two remarks. As indicated by the Chairman, the Company was very proud of its record. It was nice that it was acknowledged that Reed Elsevier had a good record on sustainability. He personally took a role as an environmental champion and helped some of the environmental initiatives the Company was on and he knew a lot of great progress was being made in many areas, although more could always be done.

Mr Duncan Palmer first addressed the human rights theme. As said, the Company was proud to be a signatory to the Global Compact since two thousand and three. It was expressly designed for business and therefore provides the most applicable framework for the Company to explicitly include in its overall policies. Having said that, **Mr Duncan Palmer** mentioned that the frameworks were being looked at and it was being made sure that the Company was keeping up to date, and also challenging itself to do everything that could be done. The code of ethics and business conduct was regularly reviewed and targets for improvement were set. One of the objectives for two thousand and fourteen was to sign up on the United Nations Women's Empowerment Principles and to review practice relative to these principles. This was an example of an area in which the Company pushed itself to do more. By supporting the United Nations Global Compact's ten principles, Reed Elsevier had made a commitment to report annually, which was being done in the sustainability report on the implementation through the communication on progress. The Company also participated in various working groups, including the advisory group to the United Kingdom Network of the UNGC Supply Chain Advisory Group and the CEO Water Mandate. **Mr Duncan Palmer** therefore thought Reed Elsevier was very active on the human rights area, of which he was very proud.

Mr Duncan Palmer then addressed the circular economy theme. He confessed that until a few months ago, he was not very familiar with circular economy, but that he had read more about it and understood some of the principles on which it was based. As the Chairman indicated, Reed Elsevier was a business in which not a great deal of heavy manufacturing is done. It therefore did not have to face some of the challenges other industries had to face, and over time the traditional print business had declined, such as direct paper use, therefore the challenge would be to look at the digital businesses the Company was now in, and see what kind of impact this had. **Mr Duncan Palmer** gave the example of data centres which consume electricity. Therefore, from an economic and environmental point of view, the focus was on making sure electricity was being used as efficiently as it could be, particularly in the data centres. This was being achieved by looking at the use of renewable energy and those kind of things as part of the Company's overall energy mix, and it was disclosed and reported on every year. **Mr Duncan Palmer** said that Ms Hanekroot's point was well taken, and that Reed Elsevier continues to look at it and the impact it has on its business, and how to be a responsible corporate citizen.

Mr Duncan Palmer then addressed Ms Hanekroot's question on the Company's water use. He said that, over time, the Company had continued to focus on the impact it had on those areas. Water use had continued to decline for example in two thousand and thirteen, with an absolute reduction of twelve per cent. (12%) between two thousand and twelve and two thousand and thirteen. This was something the Company did focus on and the Company would continue to drive initiatives in those areas and would report on it annually. **Mr Duncan Palmer** was proud of the progress made in all those areas and it was something which would be continued to be driven forward in the future. **Mr Duncan Palmer** thanked Ms Hanekroot for her acknowledgement and asked if he had missed anything.

Ms Hanekroot thanked Mr Duncan Palmer for his extensive response, and replied that Mr Duncan Palmer had mentioned that the Global Compact was very dedicated to and relevant for companies, but that the OECD Guidelines for Businesses and Human Rights was evenly dedicated to companies, so she thought there would probably be an opportunity for Reed Elsevier to address. She also asked if Mr Duncan Palmer could respond to her question on social audits.

Mr Duncan Palmer responded that Reed Elsevier's audits included questions that explicitly dealt with the adherence to human rights and a few sample remediation reports and a table summary of non-compliance issues could be seen in the sustainability report, therefore **Mr Duncan Palmer** kindly referred Ms Hanekroot to that. **Ms Hanekroot** asked if Mr Duncan Palmer could give some highlights in the Meeting, and wondered what the main conclusions were. **Mr Duncan Palmer** said that generally speaking, it was an overall scope of the audit. The focus was on labour, wages and hours, health and safety, management systems and environmental business practices. There were a lot of aspects where the social impact and the human rights were part of. The suppliers were held to similar standards as Reed Elsevier's own businesses were held to.

Ms Hanekroot then asked in respect of the circular economy, if the whole server part of the equipment would be considered. She said there was a lot to be won in this area. Instead of buying the servers based on boxes, it could be considered to rent or lease them based on performance requirements. This could be a great opportunity for the data centres of Reed Elsevier. She also asked if Mr Duncan Palmer could address her question on CO2 emissions. **Mr Duncan Palmer** reiterated that, as part of the overall environmental impact, the Company considered water, paper, waste, CO2 and the impact on energy. All these aspects were included in the sustainability report, and were part of an overall program in which the business was being looked at. Reed Elsevier was not a traditional manufacturing business, but a digitally focused business. Reed Elsevier continued to look at its locations, at the impact it had on the environment, the impact the data centres had, to make sure that, across all the aspects the Company could have an impact on, sensible and appropriate targets were in place and the Company was driving forward along all those avenues, also through the supply base. **Ms Hanekroot** queried if there was no specific aim of setting an example for a zero-waste product or service. **Mr Duncan Palmer** replied that there was no such specific goal. The **Chairman** mentioned that there had been a twenty-five per cent. (25%) reduction in CO2 over the last five years. **Mr Duncan Palmer** confirmed that and said that that had been specifically achieved over the last five years. **Ms Hanekroot** thanked both the Chairman and Mr Duncan Palmer for their response.

The next person to address the Meeting was **Mr Schuurmans**, representative of the VBDO (the Dutch association of investors for sustainable development). He thanked the Board for their answers so far, and said he would like to ask a few brief questions on the tax aspects in the corporate social responsibility report. He mentioned that the VBDO thought that tax was a very important part of doing business, and that it should be part of corporate social responsibility. **Mr Schuurmans** first complimented the fact that the Company mentioned tax as such in its report. He said that the VBDO was of the opinion that the way tax should be treated was not by merely focusing on the letter of the law, but also by focussing on the spirit of the law. The VBDO had published a report on this subject called “Good Tax Governance”, which **Mr Schuurmans** suggested the Board to read.

In two thousand and thirteen, the VBDO had approached Reed Elsevier in respect of Reed Elsevier’s tax policy. The Board had said at the time that the administrative burden for country-by-country reporting would be too high. **Mr Schuurmans** however was of the opinion that country-by-country reporting was very important, and that there was a growing awareness with investors as well, and a growing need of investors for companies to report in such way. **Mr Schuurmans**’ first question was what Reed Elsevier’s perception was of country-by-country reporting now and if there had been any change in Reed Elsevier’s position towards the matter. He queried if it could be confirmed that in the tax policy of Reed Elsevier a clear reference was made to corporate social responsibility as well. He explained that he saw that a policy was available, but only on request.

Mr Schuurmans went on to his second subject, which was about the OECD and the statement of tax principles for international business. He wondered to which extent Reed Elsevier will implement such guidelines. He thanked the Board for their attention.

The **Chairman** thanked Mr Schuurmans and said he would make a few general comments and would then ask Mr Duncan Palmer to address Mr Schuurmans' questions more specifically.

As a first general point, the **Chairman** said that Reed Elsevier actually pays tax. He did not remember the exact amount of corporate taxes paid, but it was over three hundred million pounds sterling (£ 300,000,000) of corporate taxes, which, relative to the size of the Company, was in the level of tax band of both the Netherlands and the United Kingdom (both of which were in a twenty per cent. (20%) to twenty-five per cent. (25%) band) and that amount paid represents that level of tax. Overall as a company, Reed Elsevier did not pay less tax than one would expect, looking at the size of the company. The **Chairman** continued that the Company did not try to utilise extreme tax schemes to try to lower the overall tax base. The **Chairman** asked Mr Duncan Palmer to address Mr Schuurmans' more specific questions.

Mr Duncan Palmer replied that, as Mr Schuurmans knew, on page 24 of the corporate responsibility report the Company encapsulates the key aspects of the tax policy and the attitude towards tax. He said that, as the Chairman mentioned, in both the United Kingdom and the Netherlands, Reed Elsevier paid corporate income taxes on its trading profits in a twenty per cent. (20%) to twenty-five per cent. (25%) range, which was in line with the statutory rates. Overall in two thousand and thirteen, Reed Elsevier's combined business paid three hundred and sixty-two million pounds sterling (£ 362,000,000) in corporate taxes. The Company therefore was a large and responsible corporate tax payer. The Company's policy was mentioned in the corporate responsibility report. Reed Elsevier maintained an open and positive working relationship with fiscal authorities and tax policy makers, and actively engaged with policy makers, tax administrators, industry bodies and international institutions. The Company's head of group tax was a member of the business tax forum, a joint business and HMRC customs committee in the United Kingdom on the operational aspects of the tax system. Reed Elsevier also participated in consultations with the OECD and supported the OECD business and industry advisory sub-committee on the statement of tax principles for international businesses. The Company was therefore fully aligned with the BIAC Statement of Tax Principles for International Business and was also fully aligned with the Statement of Best Practices for Engaging with Tax Authorities in Developing Countries, and acted in accordance with those principles, and, over time, had continued to be in all those areas in which we operate a very responsible tax payer.

Mr Duncan Palmer asked Mr Schuurmans whether he had addressed all his questions.

Mr Schuurmans replied that his last query on the Statement of Tax Principles for International Business and to what extent Reed Elsevier had implemented those guidelines had not yet been clarified.

Mr Duncan Palmer replied that he had mentioned that the Company was fully aligned with those guidelines and was able to support those guidelines for that reason. **Mr Schuurmans** asked if this meant that the answer was yes. **Mr Duncan Palmer** confirmed this. He thought that, generally speaking, Mr Schuurmans asked about country-by-country reporting. **Mr Duncan Palmer** thought that the OECD was developing guidelines around that. The Company would implement those guidelines as much as possible, when it would be more clear what companies would be asked to do. Given that those guidelines were being developed, it would be a little premature for the Company to already decide exactly how to do it, because it could turn out that the guidelines would be different in the end. **Mr Schuurmans** thanked Mr Duncan Palmer for his response.

The next question came from **Mrs De Wilde**. She mentioned that she also represented the employees of the Company, since they had said to her that they were afraid to do anything because they were frightened to lose their jobs. She said that she spoke on behalf of the pensioners of the Company and she herself was a pensioner of the Company. **Mrs De Wilde** said that she and her colleagues were delighted to have worked for Reed Elsevier. She had worked for Reed Elsevier for thirty-six (36) years. She said that Mr Engstrom had mentioned, among other things, that Amsterdam was fairly underrepresented. When **Mrs De Wilde** had started working for Reed Elsevier, it was the largest scientific company was in Amsterdam. It was still very small, but Amsterdam further developed it, and it became a wonderful scientific company. Amsterdam, or rather the Netherlands, acquired a number of other scientific publishers, who benefited from the knowledge and skills that built up in the Netherlands, since the company in Amsterdam was doing so well. This also regarded conferences, which were first started in the Netherlands and were then spread out, since they had been very profitable from the start. For that reason these activities had been expanded to other countries, and these other countries had profited from the knowledge and know-how of Amsterdam and the Netherlands, that had provided the groundwork for these activities. The first digital products were also developed in Amsterdam. **Mrs De Wilde** said that if everything was then transferred to the United Kingdom and there were no longer any Dutch top managers, the three per cent. (3%) figure as previously mentioned by management would indeed be quickly achieved. But, Mr Engstrom had also said that new products were being developed by different parts of the company and that there was a great cash flow. **Mrs De Wilde** thought that this was wonderful news and was very proud of being associated with a company which was doing so well. She had also made contributions to Reed Elsevier and had done so with a lot of joy. **Mrs De Wilde** continued that the Board then discussed the Company's pragmatic approach. She felt that a pragmatic approach should also be applied to the workforce and the former members of the workforce. She mentioned that the commercial companies in the Netherlands had all made contributions. It was harder for the non-commercial companies – the civil servants, but the commercial companied had all contributed. It would probably be important for Reed Elsevier to have a good corporate image. **Mrs De Wilde** asked the Board to give attention to this issue.

Mrs De Wilde continued that she had sent a personal letter to Mr Engstrom regarding a particular lady who had served coffee in her department and who had come to see her. It was very difficult for this woman to see her pay decrease so much. **Mrs De Wilde** asked how the Board could allow pay rates for former employees, who had taken care of everyone so well, to decrease in such way.

Mr Engstrom replied that he was happy to address a few points Mrs De Wilde had made. First, Mrs De Wilde had mentioned that a lot of things had been transferred to the United Kingdom recently. **Mr Engstrom** said that he was not aware of any of those things. As a matter of fact, **Mr Engstrom** said that he was aware of a few things having been transferred into the Netherlands. A full management in the ownership of the science global platform had just been moved into the Netherlands, which had never been the case before. He also pointed out that Reed Elsevier still operated its largest and most profitable division here, Elsevier, from the Netherlands and the Chief Executive Officer of Elsevier, the Company's STM business, was here today. He happened not to be a Dutch citizen, but the Company located and ran large businesses from the Netherlands and operated here. If a company serves customers in one hundred and eighty-five (185) countries, it would have to have a global workforce. Such workforce had to come from all over the world, understand all its customer groups and all its technologies, and could be of any nationality. The fact that the Netherlands was a very important place to run the Company's business from, operate the business, run the major assets from, meant that the Company was also to recruit in the Netherlands, which had been done. French people had been recruited, who operate with technology companies in America, Brits had been recruited, Greeks, Swedes, Indians and so on. This was not because Reed Elsevier had any ethnic bias or national bias, it was because Reed Elsevier wanted to be a global centre for information and for technology development, and wanted to continue to be so in the future. Recruitment was therefore not based on nationality or personal background. Reed Elsevier wanted to be an international company, a global hub, and wanted to continue to be so in the future.

Mr Engstrom continued to address the second question Mrs De Wilde posed. He apologised and said that he had not received the letter Mrs De Wilde wrote. He would remember if he had received such letter. He said that he would have a look to see if he could find it, or asked if Mrs De Wilde could perhaps re-send it to him, or to the Company Secretary, who would make sure that he would receive the letter. **Mr Engstrom** said that he was not aware of the situation Mrs De Wilde mentioned, namely that the salary increases within Reed Elsevier were not holding up to market comparisons or to inflation, as the Company looked at this closely. Reed Elsevier had serious efforts across the entire company and all its locations in this respect. It was done country-by-country and job-by-job, and there were outside advisors engaged for this. It was also reviewed with the Remuneration Committee. All people at all levels were aligned with those numbers, including the most senior people within the Company and the most junior ones. Therefore, if there was a discrepancy in terms of what was being perceived as market rates versus what Mrs De Wilde perceived, this was not something **Mr Engstrom** was personally aware of. The Company did its best to ensure that it played competitively in its different markets, and tracked recruitment rates, success rates as well as the attrition rates very closely. From what can be seen, the Company did not have a market differential in any of those measures.

Mrs De Wilde replied that she had not been talking about the rates of pay, but about pensions. There were people who had worked for the Company in the past and, as was mentioned earlier, pensions were lagging behind and were going to continue to decline for the years to come, also because the Dutch National Bank had imposed more requirements on pension funds. The ten per cent. (10%) decrease that Mr Ekker had mentioned would become a lot more. **Mrs De Wilde** said that for this reason, she had mentioned that the Dutch employees had been so important in the Netherlands in respect of constructing the Company. The Company was still benefiting from their tremendous work and the skills and know-how that the Netherlands had contributed. This was the reason that she asked that something would be done about the pensions of the Dutch workforce.

The next question came from **Mr Verwer**, representing the VEB (the Dutch Investors Association). He said that he would first of all like to discuss the boycott that took place about two years ago, when around nine thousand (9,000) scientists said that they would no longer be publishing through Reed Elsevier. At the time it seemed like Reed Elsevier did not consider this to be a very big issue. It was said to be only around one per cent. (1%) of the scientific community. However, **Mr Verwer** said that he would like to know what the current status of this matter was. He wondered how many of those scientists were publishing through Reed Elsevier again, and if there were any other interesting developments that the Board would like to share. **Mr Verwer** explained that this was a situation which worried him very much, and he thought it might worry other shareholders as well.

Mr Engstrom said that he was very happy to answer this question. He explained that unfortunately, there had been a situation a few years ago where there had been a recommendation or an invitation to boycott Reed Elsevier in terms of submission of manuscripts, in view of what was perceived to be unfair pricing practices in the mathematics segment. Reed Elsevier had taken this very seriously and **Mr Engstrom** apologized if Mr Verwer felt that Reed Elsevier had not done so. Any complaint from a customer was taken very seriously, as the Company's role was to serve the scientific community in the Company's business area and to do so over a longer period of time. Reed Elsevier therefore immediately engaged with the individuals that had created this petition and the different stakeholders around the petition. An internal committee was formed that met on a daily basis. The head of Elsevier was at the Meeting, and he had been part of leading that committee personally at the time and was involved in the discussions daily. It was immediately tracked with researchers, editors, reviewers, users and authors, to understand exactly what the concern was about, and also to ensure that plans would be developed over time to address every single one of those concerns. The team continued to work it through, day by day, week by week, month by month in all those communities. As a result, changes had been made, some small and initial, some were quick and some took a longer period of time, and some had changed over a period of time. Therefore, **Mr Engstrom** believed that the Company was in a better place with those communities today than it had been before. But, if anything similar came up again, Reed Elsevier would have the same approach. Reed Elsevier was here to serve the scientific community, and would work with them again.

Mr Engstrom continued that as shareholder, Mr Verwer might wonder what had happened to these people, which amount they had received and what the impact had been on the business. He said that there were about ten million (10,000,000) scientists in the world. The number of researchers signing the petition was therefore just over zero point one per cent. (0.1%) of all researchers that could potentially submit manuscripts. It was hard to identify specifically who each individual was who was involved in the boycott, but it would be important and reassuring to know that since the start of that petition, the Company has had an average increase in the number of submissions coming into the Company of almost ten per cent. (10%) each year for the last two years. The number of submissions coming in is roughly one million (1,000,000) scientific discoveries per year. Therefore, if this kept increasing at around ten per cent. (10%) each year, it would be very hard for the Company to find if zero point one per cent. (0.1%) of that one million no longer submitted its manuscripts because of a reason relating to that boycott. This would be hard to identify specifically. It was not something which could be identified in the Company's business volumes, it was something which was taken very seriously in terms of relationships and in terms of reputation with that customer group.

Mr Verwer thanked Mr Engstrom and said that this was somewhat reassuring. Since the boycott had caused a lot of media attention in the Netherlands, he would appreciate if a more specific clarification could be given as to whether the opinion leaders of the boycott, so to speak, had changed their opinion on Reed Elsevier in a positive manner.

Mr Engstrom responded that there would always be people with very firm opinions. At the end of the day, those people would most likely not change, no matter what the Company does. It was to be accepted that people have different opinions, just like people having different political beliefs or religious beliefs. This was how the scientific dialogue worked. People could have different opinions, they could express them and debate them. Reed Elsevier had certainly interacted with the people in that community and shared its point of view. A lot of time was spent listening to what was being said and to try to understand if there were things which could be done differently to help them and hopefully change their views, even this was not accomplished immediately.

Mr Verwer thanked Mr Engstrom for his response, and said that it seemed that this specific boycott did not pose a very big threat anymore. He however thought that something like this occurring on a wider scale would be a significant risk for Reed Elsevier, but when looking at the list of principal risks in the annual report, he did not see it mentioned specifically. He saw a lot of generic risks that could apply to almost any company, but in terms of specific risks for Reed Elsevier, he would expect among the list of reputational risks that something like this could happen on a grander scale and seriously impact the business. In **Mr Verwer's** opinion, scientific journals published by Reed Elsevier had a very good reputation, which was perhaps their biggest asset. It took a long time to build such good reputation, and could be lost very quickly. He said that, if he was involved in a business like Reed Elsevier's, it would have worried him significantly, and it would be something he would consider to be a major risk. That was the reason it surprised him that it was not mentioned under the principal risks. He did see reputational risks that were related to ethical issues, but he did not see the specific business model of the scientific business being mentioned as a reputational risk. His question therefore was if Reed Elsevier considered it to be a significant risk for the future.

Mr Engstrom replied that alternative business models were mentioned in Reed Elsevier's specific risks. It was also looked at separately as the question of the content acquisition and it was therefore considered to be a very important part. However, how big the risk was in the end, that would be a question of measurement and judgment. The Company considered it to be an extremely important part of the business, both for the Company as a whole and for each individual scientific journal, which was what Mr Verwer was talking about, as well as for the products and publications in other disciplines, not just on the science side, since Reed Elsevier operates in many different areas and segments, but it was considered to be an important topic and an important risk. **Mr Engstrom** thought, based on the way he described the Company's reaction to this specific issue, which started in one specific sub-community, a sub-discipline of science, of how engaged the top management team of Reed Elsevier were, very on a daily basis and continued to be engaged with this. It was an important part of what the Company stood for, and the Company wanted to listen and understand what the scientific community said, and adjust to that.

Mr Verwer replied that he would explain further. He essentially saw two different risks in relation to this movement. One risk was the changing of business models, where open access meant that there were different sources of income for Reed

Elsevier, which could mean that in the future the income levels would drop. This would be the generic risk for the entire industry that applied to Reed Elsevier as well. However, the more specific risk that **Mr Verwer** referred to was the more traditional business model of which Reed Elsevier was apparently considered to be a prime representative, which could be considered as something people would want to get rid of. This was a potential source of reputational damage. **Mr Verwer** therefore thought he might not have explained himself clearly enough. What he meant to say was that if this movement towards open access resulted in certain people blaming Reed Elsevier for the present practices and high profit margins, this might cause damage to the reputation of the scientific journals of Reed Elsevier. This could be a risk in itself. This was the point that **Mr Verwer** tried to make. From Mr Engstrom's answers, **Mr Verwer** believed that he shared his view that this was a significant risk and that the high reputation of the journals should be maintained. He thought this was a sufficient answer on this specific point.

Mr Verwer continued and asked a question on corporate governance. From what he could find in the minutes of the Company, this had not been a major topic of discussion recently. When **Mr Verwer** looked at the corporate governance structure of Reed Elsevier, he considered it to be quite complicated compared to other Dutch companies. It was the kind of structure that was more common for companies that had two nations to which they belonged, such as Unilever. Reed Elsevier was in **Mr Verwer's** view slightly more complex even, due to the cross-shareholding between Reed Elsevier PLC and Reed Elsevier N.V. He mentioned that Royal Dutch Shell had simplified its governance structure around ten years ago, and that this was well received by its shareholders. His question therefore was if Reed Elsevier would consider to simplify its corporate governance structure.

The **Chairman** replied that this was something that was reviewed from time to time. It had not been decided to take any action with respect to the corporate governance structure and the Company was not in the process of reviewing it now, but it would be reviewed again, and be kept under review. The last time it had been reviewed, it was decided to leave it where it was for the time being for a series of reasons. It would be reviewed again some time fairly soon and decisions would be made as to whether or not it would make sense to continue, and if so, in what form. The Unilever structure was slightly simpler than the Reed Elsevier structure, but in terms of practical management, it made very little difference. Both Reed Elsevier and Unilever were run as truly international companies.

Mr Verwer understood the Chairman's point. He was not suggesting that Reed Elsevier moved into the Unilever corporate governance structure, since that was still complicated. He suggested that Royal Dutch Shell could be looked at for a possible new corporate governance structure. Royal Dutch Shell modernized its structure relatively recently. He did not say it should be copied exactly, but rather looked at for inspiration.

The **Chairman** said he thought that the ‘governance’, as Mr Verwer put it, should be left aside, where he believed that the governance at the Company was not in need of modernization and that it was as good as any other. The ownership structure was a little unusual, due to the R-shares and the ordinary shares. The benefits of simplifying this seemed to be rather minor, as they did not interfere with the running of Reed Elsevier as a properly governed international company, but it could be looked at, as was done from time to time.

Mr Verwer replied that he understood the Chairman’s point in the sense that it did not impact the operational management of the business, but that it could be an advantage in terms of access to capital markets and in being easy to understand for investors. However, **Mr Verwer** believed that he had made his point, and thanked the Chairman.

The **Chairman** thanked Mr Verwer and concluding that there were no further questions, he noted that the discussion on the annual report for two thousand and thirteen had now been concluded.

3. Implementation of the remuneration policy in 2013.

In accordance with the newly enacted amendment to the Dutch Civil Code, the Chairman mentioned that the agenda of this meeting now included the implementation for the remuneration policy as a discussion item, without voting, prior to the adoption of the annual accounts. The director’s remuneration report was contained in the Reed Elsevier annual report and financial statements, pages 78 to 94. It gave details of the remuneration of the Company’s directors. The **Chairman** asked if there were any other questions or observations. He mentioned that any questions that specifically relate to the financial statements could be raised under the next item on the agenda.

The next question came from **Ms Rosl Veltmeijer**, representing Triodos Investment Management, also speaking on behalf of Stichting Bewaarder Belegging Menzis. She said that in two thousand and thirteen, fifteen per cent. (15%) of the shareholders of Reed Elsevier PLC voted against the remuneration report. The executive shareholder option scheme that was brought to the vote in two thousand and thirteen, both in the Netherlands and in the United Kingdom, also received a significant number of votes against the proposal. In the United Kingdom, this was ten per cent. (10%), and in the Netherlands it was seven per cent. (7%). **Ms Rosl Veltmeijer** heard from Reed Elsevier that shareholder discussions had taken place to learn about the concerns that had been brought forward. The concerns around the remuneration report were related to specific elements in the recruitment arrangements of Mr Duncan Palmer. Those element were now not included in the arrangements of Mr Nick Luff. **Ms Rosl Veltmeijer** thanked the Board for listening to the concerns of the shareholders.

On the new ESOS, the shareholder feedback had also been taken into account, and this year the Company had introduced a claw-back for the annual incentive and a post-vesting holding period for the long term investment plan. She complimented the Company for also taking into account such aspects in the new plan. **Ms Rosl Veltmeijer** however also wanted to point out that there was still some concern with the potential excessiveness of the remuneration plan and the over-complexity of the plan. She would like to call on Reed Elsevier to take those concerns into account during the next review of the remuneration policy.

The **Chairman** thanked Ms Rosl Veltmeijer for acknowledging that action had been taken after those votes, particularly the fifteen per cent. (15%) votes. The **Chairman** said that, having found out that it regarded the recruitment of Mr Duncan Palmer, he had talked to the major shareholders who had voted against the remuneration policy on those grounds when Reed Elsevier was going to be recruiting for a new Chief Financial Officer rather quickly after the last one and rather more quickly than planned. The same mistakes were therefore not made again. The **Chairman** thought that the Triodos concern with the level of remuneration was one that had been expressed in past meetings. The **Chairman** thought that the Company was competing in a thin global market for talent to run the Company. The Company tried very hard to benchmark carefully what sort of packages it provided and the **Chairman** did not feel that the Company was at the high end of comparable groups. Reed Elsevier looked very carefully at companies which are similar, companies that are of similar size and scope and similar to what Reed Elsevier does, which were in the United Stated, in the Netherlands, in the United Kingdom and elsewhere. This was difficult, because in the world there are levels of remuneration which are higher than one might feel comfortable with. In respect of complexity, this was again very hard. The **Chairman** said that when he joined the Company after a period of considerable turmoil, a scheme was introduced which had widespread support, although it was quite controversial at the time, but it served the Company well. This was a five year scheme, and the scheme had been renewed since then. The Company tried to stay consistent with what had been done in the past. The **Chairman** was not sure the he and Ms Rosl Veltmeijer would ever agree on such things, but he was happy to enter into the dialogue. He asked whether Ms Rosl Veltmeijer wanted to follow up on this.

Ms Rosl Veltmeijer said that she had just one comment regarding the argument that it was a highly competitive market, where everyone looked at everyone. She said that this was just a race to the top. She was not saying it should be a race to the bottom, but that someone had to break down that spiral.

The **Chairman** thought Ms Rosl Veltmeijer was quite correct in saying this. In respect of the salary progression, the **Chairman** said he had been with the Company for five (5) years, and that there had been a salary freeze for directors for the first two years. After that, the salaries had gone up at two point five per cent. (2.5%) each year, although the **Chairman** said that he could perhaps be not exactly right about that, but it was around that number, which was also the level of the general workforce increases. One could have a look at a certain country and say that the salaries are a bit higher there than somewhere else, but on average the directors' salaries had gone up at the same level as the others. The **Chairman** said that it was quite correct to say that the scheme which was introduced when he arrived paid out quite heavily four years later. However, that scheme was, in the context of being a multi-year scheme, not paying out at all to the directors in the three or four years before that. The **Chairman** had to say that he would have been mortified if the scheme had not paid out, since that would mean that the Board would have done very badly and that everyone would have suffered as a result thereof. The scheme was designed to do what it did. He was very pleased with the way the scheme had worked, and felt it was a competitive scheme, and it did what he had hoped.

Mr Verwer replied that in his opinion the remuneration policy had essentially remained the same. He still thought it was too complex. The maximum pay-out was too high and he still felt that it was insufficiently transparent. However, rather than repeating a detailed explanation, he wanted to ask a few questions. His first question was if the Chairman could explain how many man-hours it took Reed Elsevier to calculate the remuneration for the Board in a specific year.

The **Chairman** said that he did not know, but that it did not take many man-hours, as it was very easy to calculate. It was known how much profit was made, how much sales were made, how much cash flow was made, and there was a limited number of personal objectives. Those were quite specific and it was pretty easy to see whether or not they had been achieved, or the degree to which they had been achieved. He therefore did not feel this was a relevant consideration.

Mr Verwer thought it would be interesting to hear the number, as it seemed quite clear that he and the Chairman disagreed on how complex the remuneration policy was. He believed it to be very complex. **Mr Verwer** asked if there was no number available, or even a global figure.

The **Chairman** asked why he would remember a relatively trivial number of how many hours it took to calculate the remuneration for the Board. He thought this would be a waste of time.

Mr Verwer thought that this may not be the case. If scientific methods were applied, then an objective criterion would be looked for. This was what he was trying to do. If the Chairman could not give a number, that was fine. **Mr Verwer** said that they would then have to agree to disagree. He was just interested in hearing how much time it takes, as he could imagine that it would take a lot of time, and a considerable amount of time for the external auditor.

The **Chairman** asked **Dr Wolfhart Hauser**, the new chairman of the Remuneration Committee, if he would like to comment on this. **Dr Wolfhart Hauser** replied that, as the Chairman had already mentioned, all numbers needed for remuneration and the implementation of the policy had to be provided to the shareholders and the external auditor anyway. Those were applied in relation to the criteria which have been set. The criteria and the multi-year incentives could be seen in the report, and it was not a very complicated procedure. It took a lot of time to calculate the numbers at the beginning of the year, but that was to be done independently from the remuneration. There was clearly a long discussion on the individual key performance objectives of the executive directors. There were five (5) or six (6) criteria, as could be seen in the report, including sustainability. The discussion on those principles took the Remuneration Committee for each of the directors nearly one hour, as it was the discussion of the past year and the goals that were set for the coming year. It was not very difficult if it then came to a discussion in the Remuneration Committee relating to the numbers, as these were audited. They were aligned with the tables which probably took the Committee another hour. In respect of the hours for preparing the numbers for those criteria, **Dr Wolfhart Hauser** did not have the numbers. He said he could ask the human resources director to give the numbers. He thought it would not be more than three (3) days work. He said that he could be wrong, but that he would try to give a more precise answer next year.

Mr Verwer thanked Dr Wolfhart Hauser and thought it was a satisfactory explanation. He furthermore would like to discuss the key performance objectives, since these were currently not being disclosed. **Mr Verwer** said that he obviously thought that Reed Elsevier should disclose such objectives, but thought there could perhaps be a compromise, where the objectives were not released ahead of time, but for the past year or maybe the year before. He asked if that would be possible.

Dr Wolfhart Hauser answered that they had had a discussion on that, and that he thought that the key performance objectives were very strategic, apart from the sustainability objective, which was in the end also the overall strategy of the Company. He thought they were sensitive to the market and were therefore not published in advance, however, maybe a better description could be given on what had happened in the past, as had also been discussed. He was not saying that they would be published exactly, but maybe they could be described a bit more. **Dr Wolfhart Hauser** thought that this might help Mr Verwer to see what had been relevant in the Board’s judgment.

Mr Verwer replied that that sounded encouraging and that he would like to hear more about that in the future. He thanked **Dr Wolfhart Hauser**.

The next question came from **Ms Hanekroot**. With reference to the response to the question of the former speaker that key performance objectives were not disclosed, it was mentioned that the sustainability items were an exception in that respect. She would like to learn more about that, and wondered if more could be disclosed on the key performance objectives regarding sustainability in the future.

Dr Wolhart Hauser said, to express himself clearly, that he thought that the key performance objectives regarding sustainability were, in a way, also strategic. As to the other key performance objectives, he thought an indication could be given in respect of the past.

The **Chairman** added that the overall objectives of the corporate social responsibility were set out in the sustainability part of the annual report. What was being discussed at the Meeting was how these were focused for an individual director, which was slightly different, but the overall objectives, which he thought Ms Hanekroot would be most interested in, were in the report.

Ms Hanekroot thanked the Chairman and said that this had indeed been mentioned, but that she was very much in favour of the key performance objectives regarding sustainability and in her opinion it would be interesting to see the link directly in the remuneration policy, which was the reason she posed the question. She thanked the Chairman.

Mr Ekker responded that, speaking of key performance objectives, earnings per share was also a key performance objective. The amount involved in the curtailment of pensions could be quite substantial and the exact amounts for two thousand and thirteen and two thousand and fourteen were not entirely clear from the report. Mr Ekker thought the Board understood where he was coming from, it would be considered quite a perverse incentive if the impact on earnings per share of the curtailment of pensions would be taken into account. He thought this was something which needed to be considered as it was not something that, in his opinion, related to the performance of the business.

The **Chairman** said that, first of all, and he knew that Mr Ekker did not mean this, technically the earnings per share were not a key performance objective, but part of the annual incentive scheme which he thought to be the spirit of what Mr Ekker was saying. He asked Mr Duncan Palmer if he had the specific number at hand, which he thought to be quite small.

Mr Duncan Palmer replied that those numbers were specifically disclosed in the annual report, they could be found under the pension section, the curtailment credit. In two thousand and thirteen it was eight million pounds sterling (£ 8,000,000) for the Netherlands. As two thousand and fourteen had not been accounted for yet, the numbers for two thousand and fourteen were not yet available.

Mr Ekker said that he had gotten the impression from the report that the figures for two thousand and twelve had been restated and that likely the amount of the curtailment that related to the thirty-first day December two thousand and twelve had not been included.

Mr Duncan Palmer responded that this was not the case. The curtailment credit was taken in two thousand and thirteen, it was eight million pounds sterling (£ 8,000,000) and it was explicitly included in the report. Mr Ekker had asked a question of the impact on the earnings per share over time, which was relatively small. In fact, the fifty-four million euros (€ 54,000,000) which was put in by the Company over the period of two thousand and nine through two thousand and thirteen had a much more significant impact than the eight million pounds sterling (£ 8,000,000) credit that had been booked in two thousand and thirteen.

Mr Ekker had the impression that for the pension fund, the curtailment of three point three per cent. (3.3%) in April two thousand and thirteen was around forty million euros (€ 40,000,000), but he was not entirely sure.
Mr Duncan Palmer replied that this was factually incorrect. The amount was eight million pounds sterling (£ 8,000,000) and was booked in two thousand and thirteen.
Mr Ekker responded that eight million euros (€ 8,000,000) had indeed been booked for the Company, and that the forty million euros (€ 40,000,000) had been booked for the pension fund, but that he could not relate the two.
Mr Duncan Palmer said that the numbers were in the Company's audited accounts.
Mr Ekker said that he thought that because of the restatement, it may have already been included.
Mr Duncan Palmer responded that the recast for two thousand and twelve related to the application of IAS19, which did not have anything to do with the curtailment situation.
Mr Ekker asked whether this restatement was explained in the report.
Mr Duncan Palmer confirmed this. There was nothing in two thousand and twelve relating to curtailment credits in the Netherlands, only in two thousand and thirteen.
As there were no further questions, the **Chairman** noted that the discussion on the implementation of the remuneration policy for two thousand and thirteen had been concluded.

4. Adoption of the 2013 Annual Financial Statements.

The **Chairman** moved on to the following item on the agenda, which was the adoption of the annual financial statements for two thousand and thirteen as contained in the Reed Elsevier annual report and financial statements two thousand and thirteen. The financial statements had been drawn up by the Board and audited by the external auditor, Deloitte's Accountants B.V. Amsterdam, who had issued an unqualified opinion. The Board proposed that the shareholders' meeting adopts the annual financial statements for two thousand and thirteen and the proposed allocation of the net results. The **Chairman** asked if there were any questions or remarks.
Mr Verwer said that, when reading the report of the external auditor, he was happy to see that it was not the standard meaningless report which could be read in five (5) seconds, but that it actually had meaningful information for shareholders. He was very happy about this. One thing that he did not see mentioned were the accounts receivable and the accounts payable. This was not something that seemed to get a lot of attention in the financial statements, but it appeared that the days that the accounts receivable were outstanding were quite high within Reed Elsevier, and **Mr Verwer** thought that this situation was mitigated by a similar situation on the side of the accounts payable. He asked if more information could be given on this and in what way this was an important matter of discussion with the external auditor.

The **Chairman** thanked Mr Verwer and was glad that he was happy about the auditor's report. The **Chairman** asked **Mr Duncan Palmer** to address the specific question on accounts receivable and on accounts payable.

Mr Duncan Palmer said that the accounts receivable and the accounts payable were not particularly material in the context of the overall financial risks of the Company and he was not aware of it being a particular matter of any deep discussions with the auditor in two thousand and thirteen. It was not a matter of great risk. The Company actually had a pretty good performance in terms of collections and on time payments and such. It was actually, compared to other situations **Mr Duncan Palmer** had seen, in very good shape. **Mr Duncan Palmer** thought the Company had done a pretty good job managing the accounts payable quite efficiently as well. From an investor point of view, **Mr Duncan Palmer** was sure that Mr Verwer would have noticed that Reed Elsevier had negative working capital, which **Mr Duncan Palmer** thought to be a thing of beauty. Many companies did not have that luxury. It made the balance sheet of the Company quite healthy. Having negative working capital was generally considered to be a good thing. From that point of view, the Company's working capital was something which was continued to be driven efficiently, but was not a matter of any specific conversation with the auditor in two thousand and thirteen.

Mr Verwer thanked Mr Duncan Palmer for his response, and had a few more questions on this agenda item. He wondered in what way the discussions on the other items mentioned by the external auditor had lead to new views of the Board, and if it had changed the way in the Company's does business for the future.

The Chairman replied that generally, the Board felt that the way the business had been running the last few years, had been pretty good. He thought that on a whole, the auditors would agree with this. However, something can always be learned if someone from the outside has a look, and it would be foolish not to take advantage of this.

Mr Verwer queried if an example could be given.

Mr Ben van der Veer, Chairman of the Audit Committees, said that at the beginning of the year, the Audit Committee usually began by discussing the audit plan with the external auditor, and in those discussions the external auditor would already highlight the issues they found to be important for the year to come. There would be a discussion on whether the auditor's risk profile of the Company was the same as the Company's. The Audit Committee had a good discussion on that with the external auditor. He looked forward to their report on those specific issues. At the end of the year, the external auditor would also raise a couple of issues they found very important from their audit. Most of the issues, or at least three of them, were also in the Report of the Audit Committees, which was not really a coincidence. The external auditor looks at intangibles, and the Audit Committee looks at intangibles as well. There was a little debate on revenue recognition for instance. The external auditor felt this was a risk that warranted careful review, but the Audit Committee had a different view. There had been a good, strong debate on this between the Audit Committee and the auditor and this was very helpful. **Mr Ben van der Veer** was enthusiastic about this new approach for the auditor's opinion and looked forward to those critical comments.

Mr Verwer thanked Mr Ben van der Veer for his reply. He said that specifically the matter of intangibles was something that also had his attention. He had mentioned this in earlier meetings as well, so he was happy that it got the attention it deserved.

Mr Verwer posed another question, namely whether Mr Ben van der Veer would be willing now, or perhaps in the future, to disclose important items that had been mentioned in the management letter and the follow-up it had gotten from management. This was not something **Mr Verwer** required to be disclosed this year, but perhaps for last year or the year before, so that shareholders would get an idea of what was going on between the external auditor, the Audit Committee and management, and how this was followed up.

The **Chairman** replied that one of the advantages of a management letter was that it was confidential, and open and free. This would be different if it would have to be published. Transparency was a good thing, but transparency at the expense of substance was very dangerous in the **Chairman's** view. However he would be happy if one of his colleagues would comment on this.

Mr Duncan Palmer agreed with the Chairman and the Chairman of the Audit Committees as well. He said that the dialogue the Company had with the external auditor was a very healthy one. Some of the issues that the external auditor talked about were set out in their report and some of the issues the Audit Committee talked about were set out in the Audit Committee's report. The dialogue was a good one and was facilitated by aspects such as the management letter. **Mr Duncan Palmer** thought that, from the point of view of the overall financial operations, the Company's control was in a very healthy state, and the Company continued to work to improve those and worked in good collaboration with the auditor. He did not feel there was any need nor would it be productive to make the management letter public.

Mr Verwer replied that they obviously disagreed, but that they could leave it at that. He had one final question for this agenda item, which was of a more technical nature. He would like to know what dividend was paid on the R shares, because if he looked at the number mentioned in the financial report, this was not very clear to him, although it had a hyphen so he assumed the dividend would be either zero or very low. But, if he looked at the description of the R shares, it appeared that a certain dividend of one per cent. (1%) of the nominal value was to be paid. It was not entirely clear to **Mr Verwer** how the dividend was declared.

Mr Duncan Palmer did not completely understand Mr Verwer's question. Generally, the R-share maintained the overall shareholding within the group, in line with the merger agreement which was put in place when the two companies merged in the early nineteen hundred and nineties. It was there to maintain the overall holding. **Mr Duncan Palmer's** understanding was that when a dividend was declared on the ordinary shares, a dividend was also paid on the R-shares to maintain this. But it was generally dictated by the overall terms of the original merger agreement specifically. **Mr Duncan Palmer** asked if Mr Verwer could exactly clarify what his question was, so he would be better able to answer. **Mr Verwer** responded that his exact question was what the dividend was that was being paid on the R-shares and if it was the same as the amount which was paid on the ordinary shares, or of it was less, or zero. He wondered if Mr Duncan Palmer could give him a number. **Mr Duncan Palmer** replied that he could do better than that, and read out article 32.2 of the articles of association of the Company: "Distribution of dividends on the ordinary shares and the class R shares shall be in proportion to the nominal value of each share. In contravention of the provision of the preceding sentence, the Board may resolve that the dividend to be paid on each class R share shall be lower than the dividend to be paid on each ordinary share, resolving at such time what amount of dividend shall be paid on each ordinary share and each class R share, respectively, subject to the proviso that the dividend to be paid out of the annual profits on each class R share shall, in that case, not be less than one per cent. (1%) of the nominal value of each class R share. The **Chairman** asked if this was helpful. **Mr Verwer** had figured this, but wondered if Mr Duncan Palmer could confirm that the actual dividend is one per cent. (1%) of the nominal value, or if it was higher. **Mr Duncan Palmer** replied that the dividend could not be lower than one per cent. (1%). **Mr Verwer** asked if it was one per cent. (1%) or if it was higher in practice. **Mr Duncan Palmer** said it was not higher than one per cent. (1%). **Mr Verwer** concluded that is was one per cent. (1%) which was being paid, and that it was such a low number that it got rounded down.

The **Chairman** said that one can tell that this had been a transfer between the companies and was not something which got a huge amount of management attention, but was one of many simple flows between the two companies. **Mr Verwer** understood, but said that it related to the complex corporate governance structure of Reed Elsevier which he was personally trying to understand. **Mr Verwer** said that this was the reason he asked the question.

The next question came from **Mrs De Wilde**. On page 111, note 5, it was said that if there was a shortfall in the United Kingdom pension fund, there would be talks between Reed Elsevier and the trustees of the fund. **Mrs De Wilde** asked what came out of those discussions. She continued that when it came to the Dutch pension fund, the only thing which was mentioned was the submission of a short term recovery plan with the Dutch National Bank. She asked why it had not been included as in the United Kingdom, in accordance with the agreement between Reed Elsevier and the fund, it was required to have talks to find a way of recovery of the shortfall. **Mrs De**

Wilde asked how those talks had proceeded and what the outcome was. **Mrs De Wilde** then mentioned that there was another discrepancy which she would like to have the Board's view on. **Mrs De Wilde** would like to hear why in the United Kingdom the Company hired its own investment experts, as a result of which the costs for this were borne by the Company itself, while in the Netherlands such costs were paid by the fund, which meant that they were being paid by the pensioners. This was something **Mrs De Wilde** felt had to change. As a final comment, **Mrs De Wilde** said that the financial statements did not include the necessary, additional contributions to the Dutch pension fund in order to remedy the shortfall in two thousand and thirteen and two thousand and fourteen, and to ensure that there would be additional funding for the planned introduction of the defined contribution schemes during two thousand and fourteen. **Mrs De Wilde** therefore felt that the financial statements were incomplete, and gave inadequate information to the shareholders. For this reason, **Mrs De Wilde** was of the opinion that these could not be adopted. The compensation by means of a contribution was not mentioned in the financial statements at all. She thanked the Board for their attention.

The **Chairman** thanked Mrs De Wilde and asked if Mr Duncan Palmer could address the issues.

Mr Duncan Palmer said that a recovery plan had been put in place, as Mrs De Wilde probably knew, in two thousand and nine, and fifty-four million euros (€ 54,000,000) had been put in over a period of five (5) years. There had been no legal obligation to do so. The Company had come to an arrangement with the SPEO, who, as Mrs De Wilde probably knew, was running the pension plan. In fact, if the funding rate of the plan is looked at as of the end of March of this year, it stood at one hundred and five per cent. (105%), which meant that it had recovered. **Mr Duncan Palmer** therefore thought there had been a combination of market returns, interest rate returns and actuarial assumption returns, as well as the fifty-four million euros (€ 54,000,000) that had been put in. The plan had therefore recovered, which was something **Mr Duncan Palmer** felt that everyone, working together, felt good about. One point five per cent. (1.5%) of the overall salary sum was in fact paid to the SPEO to cover the costs of the SPEO. **Mr Duncan Palmer** was therefore not specifically sure what Mrs De Wilde's question was about the costs of the trust, but it felt to him that the Company did in fact cover those costs. The Company continued to work with the SPEO and talked to the SPEO about the overall plan design and how long-term sustainable plan design can be put in place, as discussed earlier on in the meeting, and continued to have those dialogues. The Company continued to watch the returns on the levels of the funding of the plan. As said, at the end of the year, it was over one hundred per cent. (100%) and it now stood at over one hundred and five per cent. (105%). From that point of view, the recovery plan had met its objective, and **Mr Duncan Palmer** believed the financial statements to be correct.

Mrs De Wilde was aware that the Company compensated the pension fund, but that her comment regarded the investment costs themselves. The costs that were being compensated, as she understood it, were for the people who were employed, not the actual investments costs themselves. As **Mrs De Wilde** understood it, in the United Kingdom the investment costs were being paid by the Company as these were people who were hired by the Company. In the Netherlands, this work was contracted out, which meant that the investment costs in the Netherlands were borne by the pension fund itself. This is what the pension fund told **Mrs De Wilde.** If this is not correct, **Mrs De Wilde** would be very grateful if the matter could be taken up with them. **Mrs De Wilde** added that the one hundred and five per cent. (105%) mentioned only meant that at this moment, there were no plans for further curtailment for the coming year, if the level remained above one hundred and five per cent. (105%). However, compensating the deficits which had already occurred, could only happen if around one hundred and twenty-five per cent. (125%) were to be reached, and indexation will also only take place at one hundred and twenty-five per cent. (125%). Therefore, the pensioners were losing income each year, as living costs would go up, but this would not be compensated in their pension. She therefore asked not to focus too much on the one hundred and five per cent. (105%). It was only important if one hundred and twenty-five per cent. (125%) was reached. This was the percentage where people would catch their breath.

According to **Mrs Jans van der Woude's** information, the Company paid the pension fund a certain percentage of the salaries in order to pay all costs, including administration costs and costs of investment experts. This did not include investments costs, but did include costs for advice on investments.

The next question came from **Mr Niekamp,** who used to be the head of the internal auditing service of Reed Elsevier. He said that the Company still published combined financial statements and not consolidated financial statements. The difference in most cases was that the internal transactions and accounts would generally be deleted in consolidated accounts, and not in combined accounts. **Mr Niekamp** therefore wondered what the difference would be for the assets and results of the Company if pro forma consolidated accounts would be used.

The **Chairman** did not know and doubted there was any difference, but asked if Mr Duncan Palmer of Mr Ben van der Veer could reply.

Mr Duncan Palmer responded that he did not believe there was any material difference between the two.

Mr Niekamp said that combined accounts meant 'not eliminated' and consolidated accounts meant 'eliminated'. He felt that the Company should publish consolidated accounts, as this was normal and Reed was considered to be the dominant partner. Elsevier Netherlands was no longer thought of as a Dutch company. Therefore, consolidated accounts should be published, so there would be no confusion as to whether or not internal accounts and transactions had been eliminated.

The **Chairman** said he was well out of his depth, but that there were a lot of experts present who could follow this question up and see whether or not that was sensible. **Mr Duncan Palmer** added that he did not think that there was any difference, but that he would check.

Mr Niekamp said that in that case, the name could be changed. He also had a specific question about pension obligations. He wondered whether the Company's pension obligations on the balance sheet were sufficient to enable the Company to make up for the curtailments, which **Mr Niekamp** believed to be unjust curtailments, in the past. In nineteen hundred and seventy-nine, he had been appointed as head of the internal accountants service, with a clear promise of a pension. Reed Elsevier had made this promise, and **Mr Niekamp** would hold Reed Elsevier to its promise. **Mr Niekamp** had initiated a legal procedure in the meantime to hold Reed Elsevier to its word. As previously mentioned in the Meeting, all large companies had contributed to their pension funds, and **Mr Niekamp** felt supported by the legal procedure against Océ, in which the acquiring company was forced to make contributions to the pension fund following the legal procedures. **Mr Niekamp** therefore hoped that the legal proceedings would bring the desired result. **Mr Niekamp** thought the whole issue was harmful to the Company's reputation. Reed Elsevier people should not be worrying about difficult discussions on pensions. **Mr Niekamp** asked the Board to do what it could to reassure the workforce, who were concerned about their pension. This could cost a bit of money, but the investment would be worth it. **Mr Niekamp** would like to hear what the Dutch non-executive directors thought of this matter. He was under the impression that these directors had no connection with Elsevier as it used to be, and thought that the financial way in which the Elsevier workforce had been treated had been quite appalling. **Mr Niekamp** thought this was a way of kicking a person when he was down. When playing football, the referee would give a red card for this, and such red card was now also justified, given the attitude of Reed Elsevier's top management towards the workforce.

On a different note, **Mr Niekamp** also had a specific question on auditing, and asked whether he should ask his question now, or during the agenda item of the re-appointment of the auditor. The **Chairman** responded that he could ask his question now. **Mr Niekamp** stated that an external auditor's statement was not as reassuring as it used to be. Big mistakes had been made and the auditor's reliability had questioned. It seemed to **Mr Niekamp** that it was important to ensure that the Company had a well-functioning and useful internal auditing service and he thought that the internal auditing service should not only be looking at the operational matters, but also at the financial audit. The current trend was for the internal auditors to look at the integrated audit, operational as well as financial. Heineken was a good example. Heineken had a global internal audit whose sole purpose was to reassure top management that financially and operationally the whole organisation was under control. An external auditor cannot give this kind of assurance, nor can an internal auditor who only does an operational audit. Compliance with internal guidelines, guidelines on giving and receiving kick-backs, on expense claims etcetera were to be looked at very carefully. This had to be done by a global, internal auditor. An external auditor could not do this.

The **Chairman** replied that he was not sure what Mr Niekamp's question was, but that he would ask Mr Duncan Palmer to reply.

Mr Niekamp replied that his question was whether the Company was audited by an external auditor and an internal auditor who only looked at operational audits, which would be insufficient. He wanted to know how the Company made sure that it was fully under control.

Mr Duncan Palmer replied that, as Mr Niekamp probably knew, the Company had quite a significant internal audit function. The head of internal risk and audit reported to him from the executive capacity, and also had direct access to the Audit Committee, and was certainly very involved with the management of that department. It looked at both financial matters as well as operational matters and the integration of those two. Broader than that, the Company also had an overall risk and control framework, which was not just related to the audit, but also related to the management testing, for example of our key control framework, and also relating to the overall way in which the Company's key risks both at a business level and at an overall Reed Elsevier level were discussed, managed and mitigated, and discussed up to and including the Audit Committee of the Board and the Board itself. It was therefore a very robust risk and internal control framework, reinforced by a broad assurance framework and resources applied to that, including an internal audit function that was both financially and operationally focused, and was also helped and assisted by the external auditor. **Mr Duncan Palmer** therefore felt that the Company's control framework was very robust and well resourced.

Mr Ben van der Veer added that in every Audit Committee meeting, there were five (5) or six (6) during the year, the head of internal audit would be present, and reported on recent audits. Apart from that, **Mr Ben van der Veer** had personal one-on-one meetings with the head of internal audit to know whether there was anything specific to report. Furthermore, the Audit Committee also had a special private session with the head of internal audit. Therefore, the reporting was good and sharp, and there was a robust and good number of people for the global Reed Elsevier organisation.

Mr Niekamp replied that he still did not have is answer on his question on integrated internal audit. **Mr Duncan Palmer** replied that it was both financial and operational in terms of its scope. **Mr Niekamp** continued that he had understood that the chief internal auditor reports to the chief financial officer. **Mr Niekamp** said that this was not how it should be. The chief internal auditor should monitor the chief financial officer, and should report to the chief executive officer.

Mr Duncan Palmer said that his point of view would be slightly different. **Mr Niekamp** responded that that was not internationally accepted.

Mr Ben van der Veer added that there were two ‘schools’ in this respect. One ‘school’ was that the internal auditor reported to the chief executive officer. However, there were also a lot of companies where the internal auditor reported to the chief financial officer for practical and efficiency reasons. **Mr Ben van der Veer** thought that what was important in this context was that the internal auditor reported to the Audit Committee, and specifically also attended all Audit Committee meetings. On top of that, **Mr Ben van der Veer** said that the chief executive officer would attend all Audit Committee meetings, so although he was not a member of the committee, he was very much aware of everything that went on. There was always an open door, and Mr Erik Engstrom was personally also by culture very open to receiving any kind of message like that. **Mr Niekamp** felt it was not a good construction.

The **Chairman** kindly asked the Meeting to vote on the proposal to adopt the two thousand and thirteen annual financial statements. The **Chairman** reminded the Meeting that votes were cast by pressing the button on the handset corresponding to the way one wants to vote: 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.

5. Release from liability of the directors

After the annual financial statements had been adopted, the **Chairman** requested the Meeting to release the executive directors from liability for their management during two thousand and thirteen, and to release the non-executive directors from liability for their performance and in particular for their supervision of management.

5.a. Release from liability of the executive directors

The **Chairman** first brought agenda item 5.a. to the vote, being the release from liability of the executive directors. The **Chairman** kindly requested the Meeting to vote. The **Chairman** closed the voting.

5.b. Release from liability of the non-executive directors

The **Chairman** moved on to the next item on the agenda, which related to the release from liability of the non-executive directors. As no one wanted to add anything in respect of this subject, he asked the Meeting to vote. The **Chairman** closed the voting.

6. Determination and distribution of dividend

The **Chairman** proceeded to agenda item 6, regarding the determination and distribution of dividend. He said that the equalized final dividend as proposed by the boards of Reed Elsevier N.V. and Reed Elsevier Plc. was thirty-seven point four eurocents (€ 0.374) for Reed Elsevier N.V. and seventeen point ninety-five pence (£ 0.1795) for Reed Elsevier Plc. Together with the interim dividend of thirteen point

two eurocents (€ 0.132) paid by Reed Elsevier N.V. on the thirty-first day of August of last year, this equalled a total two thousand and thirteen dividend of fifty point six eurocents (€ 0.506). Compared to the year before, this was an increase of eight per cent. (8%). The dividend proposal was in accordance with the dividend policy approved by the Meeting in two thousand and five, whereby dividends shall normally in the longer term be covered at least twice by adjusted earnings.
Mrs De Wilde stated that she had shares in the capital of the Company and would like to contribute her dividend to the recovery plan for the Dutch pension fund. She thought that if a lot of people did this, or contributed part of their dividend, this would get help very much. This was her proposal, and she thanked the Chairman.
The **Chairman** thanked Mrs De Wilde. He said that, of course, everyone was welcome to give their dividend to whichever cause he or she wished. Everyone would make such choice themselves. The **Chairman** then kindly asked the Meeting to vote on the dividend proposal. The **Chairman** closed the voting.

7. Appointment of the external auditor

The **Chairman** proceeded to agenda item 7, the appointment of the external auditor. He mentioned that the Audit Committee had conducted a formal review of the performance of the external auditor during the audit of the financial year ending on the thirty-first day of December two thousand and thirteen, the effectiveness of the audit process and the independence of the external auditor in respect of the Board. Based on these reviews, which included gaining feedback from key stakeholders across Reed Elsevier, and after discussions within the Audit Committee, it was considered that Deloitte was performing satisfactorily as an 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 reappointment of Deloitte Accountants B.V. as external auditor of the Company for the audit of the financial statements and results for two thousand and fourteen. In accordance with the Audit Commitee's recommendation, the Board proposed that Deloitte Accountants B.V. of Amsterdam be reappointed as the Company's external accountant for a period that would cease at the annual general meeting in two thousand and fifteen. For their audit of the results and financial statements of Reed Elsevier combined businesses, the external auditor would cooperate with Deloitte's LLP of London, who are proposed to be reappointed tomorrow by the annual general meeting of Reed Elsevier Plc. The conditions of this reappointment, including the fixing of the remuneration for the auditors, would be determined by the non-executive directors in accordance with the proposals from the Audit Committee. The **Chairman** asked if anyone wanted to address the Meeting.
The first question came from **Ms Rosl Veltmeijer**, who had two (2) comments she would like to bring forward. First of all, she mentioned the height of the non-audit fees. In two thousand and thirteen, the non-audit fees of Deloitte Accountants were approximately thirty-six per cent. (36%) of the audit fees, and over a three (3) year

period they accounted to thirty-two per cent. (32%). This level of non-audit fees posed a concern, as it could potentially conflict with the interests and the independence of the auditor. Last year, **Ms Rosl Veltmeijer**'s colleague Ton Rennen also brought this concern forward and she had noticed that the amount of the non-audit fees had remained the same, namely one point eight million pounds sterling (£ 1,800,000). In the Netherlands, non-audit fees were no longer permitted as per the beginning of last year. She therefore expected the non-audit fees to go down, but they did not. She had taken notice of Reed Elsevier's policy on audit effectiveness and independence, but at the same time she called upon Reed Elsevier to decrease the non-audit related fees to overcome any concern about the independence of the external auditor, also in light of the fact that Deloitte or its predecessors had acted as an auditor for the Company for the last twenty (20) years. **Ms Rosl Veltmeijer** therefore asked if Reed Elsevier was committed to lower the non-audit fees for the years to come. She suggested a maximum percentage of twenty-five (25%). The second point **Ms Rosl Veltmeijer** raised, was that she read in the annual report that the non-audit fees of two thousand and thirteen were exclusively related to tax services. Paying tax in a responsible way by companies was an emerging topic and it was also high on the agenda of regulatory bodies. She was keen to learn more about the nature of these services, since such specific reference was made to tax services in the annual report. She thanked the Chairman.

The **Chairman** thanked Ms Rosl Veltmeijer. He said that he as Chairman and the non-executive directors on the Audit Committee were extremely anxious that the auditors remained independent. He asked if Mr Duncan Palmer or Mr Ben van der Veer would like to address the Meeting.

Mr Ben van der Veer said that first of all, the Company would of course abide by the recent Dutch laws and regulation. It had been specifically addressed that the external auditor, more specifically the Dutch Deloitte firm, does not perform advisory, non-audit work for the Dutch operations of Reed Elsevier. Non-Dutch companies could still perform non-audit services to non-Dutch Reed Elsevier operations. For instance, Deloitte United States can do advisory work for Reed Elsevier in the United States. This was of course considered and there was a good policy in place in order to safeguard the independence of the auditor, which was on Reed Elsevier's webpage. Especially for a large engagement, this was also always looked at at the level of the Audit Committee, but on the other hand, Reed Elsevier was a business, and Deloitte was the best qualified, most effective and most efficient firm for some services. It was done in a tender process, therefore the non-audit fees were slightly higher than usual, but it was the most efficient way to do this. **Mr Ben van der Veer** could not guarantee that in the future the Company would stay under the limit of twenty-five per cent. (25%) Ms Rosl Veltmeijer had suggested. It remained to be seen how Dutch law would develop. There were now also European regulations which stipulated a maximum of seventy-five per cent. (75%). Being an international company, Reed Elsevier would evaluate both, but would be prudent, as the Company had always been, in respect of advisory work given to the external auditor. The tax services related to a big project and it had been evaluated beforehand with the Audit Committee as well by the management, and it was given to Deloitte. **Mr Ben van der Veer** had no further comments on the content of that work.

Mr Niekamp responded that tax consultancy was a field in which external auditors could cross the line, as was seen with KPMG, who were now facing charges in court. One therefore had to tread very carefully in entrusting such tasks with auditors who were also responsible for auditing the financial statements. **Mr Niekamp** felt it was better to engage a consultant of a different firm, because of the risks. In addition, in the Netherlands it was legally required to change auditors every eight (8) years. **Mr Niekamp** wondered when the Company would have to engage a different auditor.

The **Chairman** first addressed Mr Niekamp's last point. He said that Reed Elsevier was currently in the process of changing their chief financial officer. It was therefore more sensible to change auditors at a time when a financial executive would be in position. He added that the Company was very much aware of the rules in the Netherlands, and that it would of course comply with them. Mr Niekamp could rest assured about that. As regards the other point on tax advisory work, the **Chairman** thought that it was very important that directors had their own view as to what the legitimate position was to take in respect of tax advice performed by the external auditor. He felt that most directors were of the opinion that this was currently within the limits of the law. This did not mean that there should not be excellent advice, but rather that one was obligated these days to have his of her own view as to what was acceptable in terms of tax arrangements.

Mr Ben van der Veer added to this that he knew Mr Niekamp's background as internal auditor of Reed Elsevier and that he was right that also in the Dutch environment one had to be very careful, especially when strategic tax work was given to the Company's audit firm. That was not what is being done, because it was very sensitive. **Mr Ben van der Veer** did not want to go into the details of the engagement itself, but he said that the work of the auditor did not have anything to do with the strategic framework of tax, but it was more 'compliance' tax work.

Mr Niekamp said that the important question was whether Reed Elsevier and the external auditor would cross the line of what was acceptable from a tax perspective, or whether a margin would be kept. He also asked again in what year a new external auditor would be engaged.

Mr Ben van der Veer replied that Dutch law stipulated that the external auditor had to be changed ultimately in two thousand and sixteen. The Company would of course comply with Dutch law, and therefore in two thousand and sixteen Deloitte would no longer be the external auditor of Reed Elsevier. For two thousand and

fourteen a proposal was on the agenda, and for two thousand and fifteen it remained to be seen, also in view of the change of the chief financial officer, as the Chairman mentioned earlier. That issue would be solved when time came, but at least in two thousand and sixteen there would be a proposal for a new external auditor.
Mr Niekamp thanked Mr Ben van der Veer for his response. He said that he had been an internal auditor of Reed Elsevier for fifteen years, and repeatedly had to call consultants to order as they often went too far, which ultimately had to be set right with second opinions.
The **Chairman** replied that he was glad that Mr Niekamp had done so, otherwise the Company would probably be suffering from the consequences. The **Chairman** then kindly asked the Meeting to vote on the proposal to re-appoint Deloitte Accountants B.V. The **Chairman** closed the voting.

8. Appointment of Mr Nick Luff as an executive director and an award of shares in the Company

The **Chairman** moved on to the next agenda item, which was the appointment of Mr Nick Luff as an executive director and an award of shares in the Company. It had been announced in January that the Board proposed to appoint Mr Nick Luff as an executive director. The effective date of his appointment remained to be confirmed, but it was expected to be no later than the fifteenth day of December of this year. Following his appointment as executive director, Mr Nick Luff would be appointed as chief financial officer. The Nominations Committee had recommended to the Board the appointment of Mr Nick Luff as an executive director, also on the boards of both Reed Elsevier Plc. and Reed Elsevier Group Plc. In accordance with this recommendation, his appointment was recommended by the Board at the Meeting. Mr Nick Luff was present at the Meeting, and the **Chairman** asked if he could perhaps stand. The **Chairman** thanked Mr Nick Luff. The appointment would be for a period of three (3) years, starting at the conclusion of the Meeting and ending at the conclusion of the annual general meeting in two thousand and seventeen. The Board further proposed that the Meeting approved that fifty per cent. (50%) of the value of each of the two one-off share awards to be granted to Mr Luff as compensation for the forfeiture of awards from his former employer, each such award having an aggregate face value on the date of grant of two hundred per cent. (200%) of base salary, all as been set out in the explanatory notes to the agenda, be granted over shares in the Company. The **Chairman** asked if anyone wanted to address the Meeting.
The first question came from **Mr Groen**. He wondered whether the Company would be without a chief financial officer in the period of September to December of two thousand and fourteen, since the current chief financial officer would leave no later than September two thousand and fourteen, and Mr Luff would be joining in December at the latest.

The **Chairman** thanked Mr Groen for his question. He said that it was the hope that the Company would not be in this position. It would depend on when Mr Nick Luff was released from his current employment, and it was very much hoped that this would be before Mr Duncan Palmer left. If there was a gap, it would have to be considered how to cover that.

Mr Verwer said that the main thing he had noticed about the remuneration of Mr Luff, was that he forfeits certain rights to remuneration at his current employer, and that he will be compensated for this by being assigned free shares for a value of four (4) base salaries, which was quite a significant amount. **Mr Verwer** wondered if the Chairman could quantify how much the forfeiture of awards was at his current employer, and how that related to four (4) base salaries.

The **Chairman** said that he would first reply to Mr Verwer's question and would then ask someone else to go into it in more detail. He said that more and more awards were made in long term plans, and those long term plans had become longer. If the Company wanted to hire someone who is currently employed somewhere else, that person was leaving a lot of money on the table. It was therefore agreed, also with the major shareholders as mentioned earlier, that it would be on a more or les equal value basis. Compensation was lost because the person leaves the company. It was not more than the amount that he was currently entitled to, but it was broadly the same amount, and more or less on the same timing as he would have gotten it. The **Chairman** said that this could be discussed in more detail.

Mr Verwer said that he understood this. In respect of the implications for the entire financial system, he was not very happy with this development, but he understood why individual companies acted in this manner. **Mr Verwer** said that, if the Chairman says that it was broadly equal to the amount of money he would not receive, he reluctantly agreed with it.

The **Chairman** thanked Mr Verwer. The **Chairman** kindly asked the Meeting to vote under agenda item 8. The **Chairman** asked if the Meeting could first vote on the appointment of Mr Nick Luff, effective at a date in two thousand and fourteen to be determined by the Board. The **Chairman** closed the voting.

The **Chairman** then asked if the Meeting could vote on the recommended award of shares in the Company to Mr Nick Luff. The **Chairman** closed the voting.

9. Re-appointment of the non-executive directors

The **Chairman** moved on to agenda item 9, the re-appointment of the non-executive directors. He referred to the explanatory notes to the agenda and the detailed biographical information concerning each candidate for re-appointment contained therein. During two thousand and thirteen, the Governance Committee had conducted an internal review of the functioning and the constitution of the Reed Elsevier Board and its 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 had each demonstrated commitment to their respective roles in Reed Elsevier. Accordingly, the Nominations Committee recommended the re-appointment of all the non-executive directors, and, in accordance with the recommendation of the Nominations Committee, the re-appointment of these non-executive directors was also recommended by the Board. The **Chairman** asked if anyone would like to address the Meeting on these re-appointments.

Ms Hanekroot said she was very pleased to see that the number of women the Company wanted to appoint made up thirty per cent. (30%) of the non-executive directors of the Board. She thought this was a very good thing, and that it fit within the policy commitment of Reed Elsevier to promote employee diversity. **Ms Hanekroot** thought the next step would be to appoint a female chair of one of the Committees of the Board. She wanted to learn more about why this had not yet taken place, and if there were any plans to do so in the future.

The **Chairman** replied that there were five (5) important roles in this respect. There were four (4) Committee chairs and there was a senior independent director. Ms Lisa Hook was now the senior independent director. The **Chairman** regarded this role to be equivalent to the Committee chairs. In respect of the Committees themselves, it was practice in two (2) of those Committees for the Chairman of the Company to be the Chairman of two (2) of those Committees. This was the Nominations Committee and the Governance Committee. An exception could be made, however this was the practice. The other two Committees were quite specialized. The **Chairman** thought that none of the women on the Board was qualified to chair the Audit Committee. He did not think they had recent and relevant financial qualifications. The Remuneration Committee would be another possibility, but again, the **Chairman** said that the three (3) women of the Board were currently not involved in any of the remuneration debates or the structures on a day-to-day business in the United Kingdom or the Netherlands. Also, Ms Marike van Lier Lels is not on the board of Reed Elsevier PLC, although she attends all meetings of the PLC. She can therefore not sit on those Committees. The **Chairman** apologised for his answer being rather convoluted. What Ms Hanekroot had mentioned could be a potential next step, but the **Chairman** thought that having a senior independent director who was female, showed. She had been around the longest and was a high performing director.

Ms Hanekroot thanked the Chairman.

The next question came from **Mrs De Wilde.** She said that she had understood from the Reed Elsevier Pensioners' Association that they had sent a letter to the non-executive directors of the Board, but did not receive a reply. She wondered if the non-executive directors were not allowed to communicate with the Pensioners Association. After all, Reed Elsevier was a communication company, so **Mrs De Wilde** thought this would be a little peculiar. **Mrs De Wilde** continued that many years ago, when Reed Elsevier's management was still entirely in the Netherlands, the works council and the management of the Pension Fund could nominate one member of the supervisory board, in order to ensure that specific input was given. There were specialists in all areas on the Board, but in order to have specific input and specific influence on particular issues that were of importance to the workforce and the pensioners, this was important. She asked if this was something the Chairman would consider to resume in the future, and how the Chairman felt about this idea.

The **Chairman** replied that there were two (2) questions, the first being the letter to the non-executive directors of the Board. The **Chairman** said that he had not received such letter, so it must have not found its way.

Mrs Jans van de Woude said that the Elsevier Pensioners' Association had sent a letter to the supervisory board of Reed Elsevier Nederland B.V., not Reed Elsevier N.V. This letter had been received, and had been answered by the management board of Reed Elsevier Nederland B.V., also on behalf of the non-executive directors of the Board. **Mrs De Wilde** replied that this had not been included in the answer. **Mrs Jans van de Woude** thought that it had been included. She said that there had also been a discussion with the management, and that there was furthermore a supervisory director of the works council at the level of Reed Elsevier Nederland B.V. This was Ms Marike van Lier Lels.

The **Chairman** thought that this would also answer Mrs De Wilde's second question, or would at least be a partial answer to that question. The **Chairman** proceeded to agenda item 9a. As this related to his own re-appointment, the **Chairman** passed over to the Company's 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 9a on the re-appointment of Mr Anthony Habgood. **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, and proceeded to voting under agenda item 9b and invited the Meeting to vote on the re-appointment of Dr Wolfhart Hauser. The **Chairman** then closed the voting.

The **Chairman** proceeded to voting under agenda item 9b and invited the Meeting to vote on the re-appointment of Dr Wolfhart Hauser. The **Chairman** then closed the voting.

The **Chairman** proceeded to voting under agenda item 9c and invited the Meeting to vote on the re-appointment of Mr Adrian Hennah. The **Chairman** then closed the voting.

The **Chairman** proceeded to voting under agenda item 9d and invited the Meeting to vote on the re-appointment of Ms Lisa Hook. The **Chairman** then closed the voting.

The **Chairman** proceeded to voting under agenda item 9e 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 voting under agenda item 9f and invited the Meeting to vote on the re-appointment of Mr Robert Polet. The **Chairman** then closed the voting.
The **Chairman** proceeded to voting under agenda item 9g and invited the Meeting to vote on the re-appointment of Ms Linda Sanford. The **Chairman** then closed the voting.
The **Chairman** then proceeded to agenda item 9h, regarding the re-appointment of Mr Ben van der Veer.
Ms Rosl Veltmeijer made a remark in respect of agenda item 9h. She said that she had taken note of the previous employment of Mr Ben van der Veer, as the chairman of the executive board of KPMG in the Netherlands during nineteen hundred and ninety-nine until two thousand and eight. During that period, KPMG was involved in a serious controversy related to Ballast Nedam. According to the Dutch public prosecutor's office, in the period of two thousand until two thousand and three, three (3) audit partners of KPMG had conducted audits in such way that enabled payments made by Ballast Nedam to foreign agents to remain concealed and insufficient attention was given to the compliance of ethics and integrity requirements. As a result, on 30 December 2013 KPMG and the public prosecutor's office reached a settlement in which KPMG agreed to pay an amount of seven million euros (€ 7,000,000). As agreed under the settlement with the public prosecutor's office, KPMG was currently conducting an internal review of a number of audits in specific sectors. The controversies related to Ballast Nedam happened at a time during which Mr Ben van der Veer was chairman of the executive board of KPMG and was ultimately responsible for the well-functioning and the culture within the organisation. **Ms Rosl Veltmeijer** believed it to be an omission of Reed Elsevier not to refer to such concerns in the proposed re-appointment of Mr Ben van der Veer as a non-executive board member and chairman of the Audit Committee. As a shareholder of Reed Elsevier, **Ms Rosl Veltmeijer** would have liked to have received assurance and comfort from Reed Elsevier that these concerns had been noted by the Company and that it had been discussed with Mr Ben van der Veer. She said she would also have considered it to be a strength if Reed Elsevier would have informed the shareholders of the considerations that had been made regarding the proposed re-appointment of Mr Ben van der Veer. Ultimately, she would of course have welcomed a well-substantiated statement of Reed Elsevier that the Company was fully convinced that the past responsibility of Mr Ben van der Veer was not in any way interfering with his current responsibilities at Reed Elsevier as a non-executive director and as chairman of the Audit Committee. **Ms Rosl**

Veltmeijer felt it was also important to state that Triodos Investment Management would therefore vote against the re-appointment of Mr Ben van der Veer.

The **Chairman** thanked Ms Rosl Veltmeijer for her comments, and said that this was something for Triodos Investments Management to decide. The **Chairman** had learned of the KPMG position on this as well between Christmas and New Year of last year. The Board immediately considered the matter in the Nominations Committee of the Company and of course the situation was also discussed with Mr Ben van der Veer. Mr Ben van der Veer's position at KPMG was indeed a very senior one at the time that this was going on. However, the Board considered fifteen (15) years had passed since the matter occurred, which was the period which was being talked about, and there was no indication whatsoever of Mr Ben van der Veer being involved in this situation, and therefore decided to recommend Mr Ben van der Veer's re-appointment. It did also come up during the evaluation process of the members of the Board, but these sort of things are far too important to be dependent on a board evaluation process happening to be going on at the time. The **Chairman** said that if he became aware that someone on the Board was involved in some criminal activity today, or if someone became aware that he was involved in such activity, he would expect them to deal with it now, and not put it into a board evaluation process which might start in October of this year for example. The **Chairman** thought that this was something that, if it was serious, was worthy of the immediate attention of the Company, and that was what had been done. There happened to be an evaluation of the Board at the time, so of course it was fed in, along with other considerations. A serious concern about the integrity or capability of a director is something the **Chairman** believed should be addressed immediately.

Ms Rosl Veltmeijer fully agreed with the Chairman. She was only wondering if it would not have done more justice to the functioning of Mr Ben van der Veer if the Company would have expressed or confirmed its confidence in the performance of Mr Ben van der Veer, instead of not talking about it at all.

The **Chairman** said that this was done to themselves, but that it could maybe have been done more public. He thanked Ms Rosl Veltmeijer for her comments.

The **Chairman** proceeded to voting on the re-appointment of Mr Ben van der Veer.

The **Chairman** then closed the voting.

10. Re-appointment of the non-executive directors

The **Chairman** continued with the following item on the agenda, which was the re-appointment of the executive directors. He mentioned that Mr Duncan Palmer had announced his resignation in September two thousand and thirteen with twelve months' notice. Assuming his re-appointment at the shareholder's meeting as an executive director, Mr Duncan Palmer will step down later in two thousand and fourteen in connection with this resignation. The **Chairman** referred to the explanatory notes to the agenda and the detailed paragraph with information concerning candidates for re-appointment contained therein. Based on the review of the Corporate Governance Committee and the Board effectiveness review, the Nominations Committee had recommended the re-appointment of each executive director of the Board, and accordingly the re-appointment of these executive directors was recommended to the Meeting by the Board. As no one wanted to address the Meeting, the **Chairman** proceeded to voting under agenda item 10a regarding the re-appointment of Mr Erik Engstrom. The **Chairman** then closed the voting.

The **Chairman** moved on to voting under agenda item 10b regarding the re-appointment of Mr Duncan Palmer. The **Chairman** closed the voting.

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

The **Chairman** continued with the following agenda item, which related to the renewal of the delegation to the Board of the authority to acquire shares in the Company. This was an annually recurring business. The general meeting of shareholders had granted the Board the authority to acquire shares in the Company on the twenty-fourth day of April two thousand and thirteen for a period up to and including the twenty-third day of October two thousand and fourteen. It was proposed to renew the authorisation of the Board to acquire shares in the Company through stock exchange trading or otherwise for the period of eighteen (18) months from the day of the annual general meeting of shareholders, and therefore up to and including the twenty-second day of October two thousand and fifteen, for the maximum amount of ten per cent. (10%) of the issued capital, as stated in the articles of association of the Company. Prices applicable should be within the margin and stated in the explanatory notes to the agenda. This item was put on the agenda every year and for the avoidance of misunderstanding, if approved, this proposal to delegate the authority to acquire shares in the Company will replace the existing delegation granted at last year's shareholders' meeting. As there were no questions, the **Chairman** kindly asked the Meeting to vote. The **Chairman** closed the voting.

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

The **Chairman** proceeded to discuss agenda item 12, which was also an annually recurring business, and both resolutions were new authorities approved by the shareholders at the two thousand and thirteen annual general meeting. Pursuant to a resolution passed by the general meeting of shareholders on the twenty-fourth day of April two thousand and thirteen, the designation of the 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 of the Company, had been extended for a period expiring on the twenty-third day of October two thousand and fourteen. Under agenda item 12a, the Board recommended and proposed the general meeting of shareholders for a period of eighteen (18) months from the date of this annual general meeting and therefore up to and including the twenty-second day of October two thousand and fifteen, in accordance with and within the limits of article 6 clause 2 of the articles of association of the Company, to designate the Board as the authorised body to issue shares and grant rights to acquire shares in the capital of the Company at the close of trading on NYSC Euronext Amsterdam today, 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. In addition, shares may be issued on exercises of share options that had been granted under authorities granted by the general meeting in prior years, since this implemented existing commitments of the Company that had been entered into already. Item 12b was necessary to complement the authority to issue shares and concerned a proposal to authorise the Board as a corporate body that was entitled to restrict or cancel pre-emptive rights of existing shareholders on an issue of shares, or grant of share options for a period of eighteen (18) months from the date of the Meeting. It concerned issues of shares and grants of share options pursuant to resolutions of the Board and the authority to restrict or cancel pre-emptive rights therefore also ended on the twenty-second day of October two thousand and fifteen.

Confirming that there were no questions, the **Chairman** invited the Meeting to vote on the proposal under agenda item 12a to authorise the Board to issue shares and grant share options. The **Chairman** closed the voting.

The **Chairman** then invited the Meeting to vote on the proposal under agenda item 12b to authorise the Board to limit or exclude pre-emptive rights. The **Chairman** 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. An applause followed for the appointment of Mr Nick Luff.

13. Any other business

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

A final request from **Ms Hanekroot** was whether the Board could provide the answers to certain questions she had submitted on the theme of assisting ability in writing to her after the Meeting. The **Chairman** confirmed this, and **Ms Hanekroot** thanked the **Chairman.**

Mr Verwer said that, looking at the voting results, he noticed that there had been, in his opinion, a significant number of votes against the two sub-items under agenda item 12, but that there had been no questions asked during those agenda items. He was therefore surprised that this had happened, and wondered why it had happened. He asked if anyone who had voted against those items would be willing to give an explanation on their vote.

The **Chairman** thought this to be an unusual request, but said that if anyone would like to explain why they voted against agenda items 12a and/or 12b, they were very welcome to do so, but no one should feel obligated. The **Chairman** concluded that no one wished to respond to Mr Verwer's request.

The next comment came from **Mr Leeflang.** He said he was a former director of Elsevier Science, and a pensioner these days. He thought the latter was the most unpleasant. He said he had had a very good time at Elsevier Science and at Elsevier, and that he was very glad that the results were still very good. He thought it would be good however to consider that the change from paper to electronics had actually been made by persons who were now pensioners. He thought it would be good to keep this in mind. **Mr Leeflang** thought that currently the Board, including the non-executive members of the Board, did not really keep in mind that there was a social part to the whole deal as well. He felt that the pensioners were not screaming and yelling to get an answer. He did not want to do that. **Mr Leeflang** said that an answer was not given easily, and if an answer was given, it was difficult to understand, as it went from the N.V. to the B.V. to a Plc., or whichever it was. **Mr Leeflang** thought that the pensioners deserved a clear answer and an understanding ear, people who were on the other side of the table at this moment who would say: "Yes, the pensioners have done a good job. We should at least be listening to them, listening in a positive way." What **Mr Leeflang** was very worried about was the situation about the defined contribution. The Chairman had mentioned that this was a situation which was worldwide. **Mr Leeflang** thought this was understandable, as he was not completely unfamiliar with the situation. However, he felt that the consequences of the new system were very severe for the Pension Fund. He said that if that change were to happen it was very important, in view of the moral obligation, which obligation could also be seen in many other companies in the Netherlands, that those who were already in the pension scheme and those who will be in the pension scheme according to the old system were taken good care of. If this did not happen, **Mr Leeflang** said that he and the Chairman would have a problem. **Mr Leeflang** thanked the Chairman for the good performance, which helped to be proud of Reed Elsevier, but asked the Chairman to please ensure that the Company's other obligations were fulfilled as well. In his opinion, this was being a good social partner as well. **Mr Leeflang** thanked the Chairman.

The **Chairman** thanked Mr Leeflang.

Mrs De Wilde responded that she was very pleased to hear what Mr Leeflang had just said, as this were the feelings the pensioners had. She mentioned that years ago, when Mr Robert Maxwell in Pergamon had stolen pension money from the Pergamon pension fund in the United Kingdom, the Netherlands reimbursed the pension money to the British. **Mrs De Wilde** said that back then, the Company was one company, and that it still was. She asked the Chairman to consider this, and thanked the Chairman.

The **Chairman** thanked **Mrs De Wilde.** He said that Reed Elsevier was indeed very much one company, and it was run very much as one company. He was trying very hard to be fair across the different parts of the Company. Of course the Board considered things, but as mentioned, they tried very hard to be fair across the Company. There was not a distinction of one group of people against another group of people, which was an implication of some of the things that were said. The **Chairman** assured that this was not the case at all. He said that the Board would continue to try to be fair across the Company.

Since there were no other questions or comments, the **Chairman** indicated that they had come to the conclusion of the formal business of the Meeting. On behalf of the Board, he thanked all shareholders for attending and participating in the meeting. There was lunch 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 thirteen 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 third day of February two thousand and fifteen.

This deed was executed by Machteld Elisabeth Numan, 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. Numan; D.J. Smit.