

## CORPORATE GOVERNANCE STATEMENT REED ELSEVIER NV 2014

In accordance with best practice provision I.1 of the Dutch Corporate Governance Code 2008 (the **Dutch Code**), Reed Elsevier NV explains the broad outline of the corporate governance structure of the company in a separate chapter of the annual report, partly by reference to the principles mentioned in the Dutch Code, indicating expressly to what extent it applies the best practice provisions in the Dutch Code and to explain to what extent it does not.

In addition, in accordance with the *Vaststellingsbesluit nadere voorschriften omtrent de inhoud van het jaarverslag*, Reed Elsevier NV publishes a statement relating to corporate governance annually as part of its annual report. As permitted under the regulations, Reed Elsevier NV has opted to publish its corporate governance statement by posting it on its website, [www.relxgroup.com](http://www.relxgroup.com). This Corporate Governance Statement is incorporated by reference in the RELX Group Annual Reports and Financial Statements 2014 and as such cannot be amended.

The boards of Reed Elsevier believe that the corporate structure has served the Group well to date, but as the businesses have evolved under the Group strategy to become an information solutions provider, the boards considered it appropriate to undertake a review of the corporate structure to ensure it remains appropriate for the modern operating environment. The proposed changes to the structure are further described below.

### Corporate structure

Reed Elsevier PLC and Reed Elsevier NV are separate publicly held companies. Reed Elsevier PLC's securities are listed in London and New York, and Reed Elsevier NV's securities are listed in Amsterdam and New York. Reed Elsevier PLC and Reed Elsevier NV entered into a Governing Agreement to regulate their relationship following the merger of their respective businesses. The agreement regulates the economic interests of the parties and the composition of their boards and the board of RELX Group plc as further referred to below.

### Proposals to 2015 AGM: Simplified and Modernised Corporate Structure, Equalisation Arrangements and Corporate Entity Names

During 2014, the Boards of Reed Elsevier NV and Reed Elsevier PLC carried out a review of the corporate structure and equalisation arrangements and corporate entity names of Reed Elsevier to explore ways in which it might be simplified and modernised. Effective 25 February 2015, Reed Elsevier NV and Reed Elsevier PLC transferred their ownership interests in Elsevier Reed Finance B.V. to their jointly owned company Reed Elsevier Group plc and renamed this newly combined single group entity RELX Group plc. Further changes are proposed that, through an issue of additional bonus ordinary shares in Reed Elsevier NV, will result in one ordinary share in Reed Elsevier NV conferring equivalent economic rights to one ordinary share in Reed Elsevier PLC, and, to eliminate Reed Elsevier PLC's shareholding in Reed Elsevier NV through the cancellation of the R shares. In addition, a change of the corporate names of Reed Elsevier NV and Reed Elsevier PLC is proposed. Importantly, none of these changes impact the economic or voting interests of any shareholder. In particular, dividend and capital distribution rights are unaffected.

A full description is set out on pages 66 and 67 of the RELX Group Annual Reports and Financial Statements 2014.

Reed Elsevier PLC shareholders have a 52.9% economic interest in the combined businesses and Reed Elsevier NV shareholders (other than Reed Elsevier PLC) have a 47.1% economic interest in the combined businesses. Holders of ordinary shares in Reed Elsevier PLC and Reed Elsevier NV enjoy equivalent capital rights and substantially equivalent dividend rights with respect to their ordinary shares.

### Shareholder Approval

Certain of the structural changes – such as the cancellation of the R shares and the issue of bonus shares - and the change of the corporate name of the two parent companies, Reed Elsevier NV and Reed Elsevier PLC, will require the approval of shareholders. A more detailed description of the resolutions to be put to the Annual General Meetings of Reed Elsevier NV will be set out in the agenda and explanatory notes for the Annual General Shareholders' Meeting to be held on 22 April 2015.

## **The Board**

Since May 2013 Reed Elsevier NV has a unitary board comprising both executive and non-executive board members. The boards of Reed Elsevier PLC and RELX Group plc are also unitary boards.

The boards of Reed Elsevier PLC, Reed Elsevier NV and RELX Group plc are harmonised. All of the directors of RELX Group plc are also directors of Reed Elsevier NV and Reed Elsevier PLC. Reed Elsevier NV may nominate for appointment up to two non-executive directors who are not appointed to the boards of either Reed Elsevier PLC or RELX Group plc. Currently, one such director has been appointed to the Board. The names, nationality and biographical details of each director at the date of this statement appear on pages 62 and 63 of the RELX Group Annual Reports and Financial Statements 2014.

Having given notice of his resignation in 2013, Duncan Palmer stepped down as Chief Financial Officer and as a director during September 2014. At the time of his resignation, the Nominations Committee retained an external search consultancy to conduct a rigorous search process in conjunction with the Boards to identify a suitable candidate to succeed Mr Palmer. Following the conclusion of the search process and on the recommendation of the Nominations Committee, the Boards selected Nick Luff. Mr Luff's appointment was approved by the shareholders at the Annual General Meeting in April 2014 and he joined the Boards and was appointed as Chief Financial Officer in September 2014.

The number of directors is determined by the Board. The number of non-executive directors must always exceed the number of executive directors.

Directors shall be appointed by the General Shareholders' Meeting on the basis of a proposal of the non-executive directors. In order to safeguard the agreed board harmonisation with the Board of Reed Elsevier PLC, the articles of association of Reed Elsevier NV provide that a resolution of the General Shareholders' Meeting to appoint a director other than in accordance with the proposal of the non-executive directors, can only be taken by a majority of at least two-thirds of the votes cast if less than one-half of the company's issued capital is represented at the meeting. Given the still generally low attendance rate at shareholders' meetings in the Netherlands, the board believes that this qualified majority requirement is appropriate for this purpose.

Under the articles of association of Reed Elsevier NV, directors are appointed for a three-year term, with the possibility of re-appointment. Notwithstanding these provisions in the articles of association, all directors seek annual re-appointment at the General Meeting of Shareholders in accordance with the provisions of the UK Corporate Governance Code to align the arrangements regarding appointment for the boards of both Reed Elsevier NV and Reed Elsevier PLC.

As a general rule, non-executive directors serve for two three-year terms. The Nominations Committee may recommend that individual directors serve up to one additional three-year term. The overview with the anticipated dates of retirement of the non-executive directors is published on the website, [www.relxgroup.com](http://www.relxgroup.com).

Lisa Hook will have served on the Board for nine years in April 2015. After having determined that Ms Hook remains independent in character and judgement and that there were no circumstances likely to affect her independent judgement, the Nominations Committee has requested Ms Hook to be available for re-appointment for a period of one year. Ms Hook has stated her willingness to accept re-appointment and it was decided that she will stand for re-appointment at the 2015 Annual General Meeting of Shareholders to allow for an orderly transition to a newly appointed non-executive director.

Each director can at any time be suspended or dismissed by the General Shareholders' Meeting.

A director shall not participate in the discussions and decision making if he has a direct or indirect personal interest in the matter which is conflicting with the interests of the company and the business connected to it (articles 16 clause 6 and 20 clause 6 of the articles of association). In 2014, no (potential) conflicts of interest were reported that are of material significance to the company.

## **Executive directors**

The executive directors are entrusted with the management of the company. The Board functions as a collective body with shared responsibility.

The Board has established rules regarding the decision-making process and working methods of the executive directors in accordance with article 16 clause 3 of the articles of association of Reed Elsevier NV. These Rules for the Board of Reed Elsevier NV have been revised to align them with the Dutch Code and

are published on the website, [www.relxgroup.com](http://www.relxgroup.com).

Each executive director can at any time be suspended by the Board, which suspension can be discontinued by the General Meeting of Shareholders at any time.

Executive directors may not be a member of the supervisory board of more than two large companies or chairman of the supervisory board or one tier board of a large company. Membership of the supervisory board or the board of any other RELX Group company does not count for this purpose. Acceptance of external supervisory board memberships or non-executive directorships is subject to approval by the non-executive directors. This is in line with provision II.1.8 of the Dutch Code.

In line with the remuneration policy adopted by the General Shareholders' Meeting in April 2005 as amended in April 2008, April 2010 and April 2013, the remuneration of the executive directors is determined by the non-executive directors at the recommendation of the Remuneration Committee of RELX Group plc.

For further information on remuneration of the executive directors, see the Director's Remuneration Report on pages 75 to 88 in the RELX Group Annual Reports and Financial Statements 2014.

### **Non-executive directors**

The duties of the non-executive directors are to supervise the management of the executive directors, to supervise the policies of the executive directors and the general course of affairs in the company and the business connected with it, and to assist the executive directors by providing advice.

The non-executive directors have established rules regarding the decision-making process and working methods of the non-executive directors in accordance with article 20 clause 5 of the articles of association of Reed Elsevier NV. These Rules for the Board of Reed Elsevier NV have been revised to align them with the Dutch Code and are published on the website, [www.relxgroup.com](http://www.relxgroup.com).

The profile for the non-executive directors – see the website, [www.relxgroup.com](http://www.relxgroup.com) shall be taken into account for a proposal for appointment as non-executive director. All non-executive directors are independent within the meaning of best practice provision III.2.2 of the Dutch Code.

As per the provisions of the Governing Agreement, the non-executive directors will also hold office as a non-executive director of Reed Elsevier PLC and RELX Group plc, it being understood that a maximum of two directors may be excluded from holding such office.

Non-executive directors may hold executive or non-executive directorships and other offices with companies or organisations not related to the Group, provided these have been disclosed to the company and do not interfere with their functioning as a member of the Board. Such will be determined by the Chairman of the Board. A non-executive director shall restrict memberships of the supervisory boards of Dutch listed companies to such an extent that the proper performance of his duties is assured.

The maximum number of memberships of supervisory boards or non-executive positions in a unitary board of Dutch large companies is five, for which purpose the chairmanship of a supervisory board or unitary board counts double. Membership of the supervisory board or the board of any other RELX Group company does not count for this purpose. This is in line with provision III.3.4 of the Dutch Code.

The Chairman of the Board is responsible for the proper functioning of the Board and acts on behalf of the non-executive directors as the main contact for the executive directors and for shareholders regarding the Board members. The Chairman determines the agenda of the Board, chairs the meetings of the Board, monitors the proper functioning of the Board and of the Committees. The Chairman ensures that non-executive directors have proper contact with the executive directors. He ensures, as Chairman, the orderly and efficient conduct of the General Shareholders' Meeting. The Chairman has such further duties and authorities as are set out in the Rules for the Boards of Reed Elsevier NV, which are available on the website, [www.relxgroup.com](http://www.relxgroup.com).

The senior independent director or vice-Chairman, who is a non-executive director, shall deputise for the Chairman when the occasion arises and shall act as contact for individual non-executive directors concerning the functioning of the Chairman. The senior independent director is available to meet with institutional shareholders and to assist in resolving concerns in cases where alternative channels are inappropriate. The senior independent director also leads the annual assessment of the functioning and performance of the Chairman. Lisa Hook has been appointed to act as senior independent director.

The Chairman is assisted in his role by the Company Secretary. All directors have access to the advice and services of the Company Secretary, who is responsible for ensuring that the procedures for the Board of

Reed Elsevier NV and the arrangements under the Governing Agreement are followed and that the Board acts in accordance with their statutory obligations under the articles of association.

In 2014, the Corporate Governance Committee appointed an external facilitator to carry out an independent effectiveness review of the Board and its Committees. The facilitator was Lorna Parker, an independent practitioner with no other connection to Reed Elsevier NV, Reed Elsevier PLC or RELX Group plc and its combined businesses. Ms Parker's review took the form of structured interviews with Directors and the Company Secretary, supported by individual questionnaires completed by all participants. Access to Board and Committee papers for the prior 12 months was provided to Ms Parker.

The review explored key areas, including:

- Board performance and effectiveness of decision-making
- Board composition and succession planning
- Talent management and executive leadership succession
- Risk management, corporate governance and compliance
- Agenda planning and quality of information provided by management
- Committee effectiveness

The principal findings and recommendations from the review were discussed with the Chairman and senior independent director, following which they were presented to a meeting of the Board.

The review of the performance of the Chairman of the Board was led by the senior independent director. The Chairman of the Board was not present during a discussion by the non-executive directors as it related to him.

The review confirmed that overall, the Directors believe that the Board remains effective, is committed and engaged with a diverse mix of complementary and relevant skills and perspectives. Themes demonstrating the effectiveness of the Board included: alignment on strategy, objectives, risks and the role of the Board; well-structured meeting agendas with good allocation of Board time; efficient and thorough Board processes; and well-chaired Committees with good linkages to the Boards. All Directors commented on the Chairman's effective style, noting he continues to foster a supportive and cohesive yet disciplined culture that encourages open dialogue. Areas for Board focus in 2015 included further refining the Board's time allocation, increasing its involvement in talent management, and continuing its engagement with individual business areas and their strategies through senior management dialogue.

Based on the findings of the external effectiveness review, the Committee believes that the performance of each member of the Board continues to be effective and that they demonstrate commitment to their respective roles. The Committee believes based on the review, that the Board functions effectively and collaboratively and with an appropriate level of engagement with management and that the diverse membership provides a broad range of skills and perspectives. The effectiveness review confirmed that adequate steps had been taken in responses to the prior year's recommendations to ensure that the Board continues to monitor the level of detail provided to and balance of focus by the Board between financial data and strategic matters.

It is established board practice that the Board discusses the corporate strategy and the main risks of the business, the result of the assessment by the executive directors of the design and effectiveness of the internal risk management and control systems as well as any significant changes thereto at least once a year. The strategy discussions were held during a meeting in December 2014, the assessment of the risks of the business and the internal risk management and control systems were discussed in February 2015.

The Group seeks to recruit non-executive directors with the experience to contribute to the boards of a dual headed global business and with a balance of personal skills that will make a major contribution to the boards and their committee structures. With the exception of Marike van Lier Lels who serves only on the Board of Reed Elsevier NV, non-executive directors of Reed Elsevier NV are also appointed as non-executive directors of the Boards of Reed Elsevier PLC and RELX Group plc. Non-executive directors, including the Chairman, serve under letters of appointment. For further information, see the Director's Remuneration Report in the RELX Group Annual Reports and Financial Statements 2014.

The Rules for the Boards of Reed Elsevier NV comprise rules relating to ownership of securities other than in Reed Elsevier NV. Under these rules, directors are required to notify the Company Secretary annually of any interest which they hold in Dutch listed companies other than Reed Elsevier NV, unless the director has transferred the discretionary management of his securities portfolio to an independent third party.

In 2011, the General Meeting of the General Shareholders' Meeting determined a maximum amount of remuneration for the non-executive directors per annum which applies to the proportion of the fees borne by the company and not to the fees borne by Reed Elsevier PLC and RELX Group plc. Non-executive directors other than the Chairman receive an aggregate annual fee in respect of their membership of the Boards of the company, Reed Elsevier PLC and RELX Group plc, except for the non-executive directors that only serve on the Board of Reed Elsevier NV. Additional fees are payable to the senior independent director and Committee chairmen and for membership of certain board committees. The total fee paid to each non-executive director who also serves as a non-executive director of the boards of Reed Elsevier PLC and RELX Group plc is disclosed in the Director's Remuneration Report included in the RELX Group Annual Reports and Financial Statements 2014.

In article 28 of the articles of association, all current and former members of the Board are granted an indemnity from Reed Elsevier NV to the extent permitted by law in respect of liabilities incurred as a result of their office.

### **Board induction and information**

Following appointment and as required, directors receive training appropriate to their level of experience and knowledge. This includes the provision of a comprehensive briefing pack and a tailored induction programme so as to provide newly appointed Board members with information about the Group businesses and other relevant information to assist them in performing their duties. Non-executive directors are encouraged to visit the Group businesses to meet management and senior staff.

Since joining Reed Elsevier as Chief Financial Officer, Nick Luff has undertaken an extensive induction programme, designed to ensure familiarisation with the Group's businesses, people, and governance and control processes. This programme has included site visits to the Group's operating businesses, internal briefings from senior management and their teams, and external meetings with corporate advisors and major investors. Mr Luff's familiarisation programme will continue in the coming year with further site visits and meetings with senior management and advisers.

All non-executive directors have full and timely access to the information required to discharge their responsibilities fully and efficiently. They have access to the services of the respective company secretaries, other members of the Group's management and staff, and external advisors. Non-executive directors may take independent professional advice in the furtherance of their duties, at the company's expense.

In addition to scheduled Board and Board Committee meetings held during the year, directors attend many other meetings and site visits. Where a member of the Board is unable to attend a Board or Committee meeting he or she is provided with all relevant papers and information relating to that meeting and is able to discuss issues arising with the respective Chairman and other directors.

### **Committees**

In accordance with the principles of good corporate governance, the following Committees, all of which have written terms of reference, have been established by the respective Boards. The terms of reference of the Committees are published on the website, [www.relxgroup.com](http://www.relxgroup.com).

Audit Committees: Reed Elsevier PLC, Reed Elsevier NV and RELX Group plc have established Audit Committees. The Committees comprise only non-executive directors and are chaired by Ben van der Veer. A report of the Audit Committees, setting out the role of the Committees and their main activities during the year, appears on pages 89 and 90 of the RELX Group Annual Reports and Financial Statements 2014.

Remuneration Committee: RELX Group plc has established a Remuneration Committee, which is responsible for recommending to the Board the remuneration for the executive directors of Reed Elsevier NV and for determining the remuneration for the executive directors of RELX Group plc and Reed Elsevier PLC. The Committee comprised only non-executive directors during 2014 and is chaired by Dr Wolffhart Hauser. A Directors' Remuneration Report, which has been approved by the boards of RELX Group plc, Reed Elsevier PLC and the Board of Reed Elsevier NV, is included on pages 75 to 88 of the RELX Group Annual Report and Financial Statements 2014. This report also serves as disclosure of the directors' remuneration policy and the remuneration and interests of the directors in the shares of the two parent companies, Reed Elsevier NV and Reed Elsevier PLC.

Nominations Committee: Reed Elsevier PLC and Reed Elsevier NV have established a joint Nominations Committee, which provides a formal and transparent procedure for the selection and appointment of new directors to the Boards. The Committee comprises only non-executive directors and is chaired by Anthony

Habgood. A report of the Nominations Committee, setting out its role and main activities during the year, appears on page 74 of the RELX Group Annual Reports and Financial Statements 2014.

**Corporate Governance Committee:** Reed Elsevier NV and Reed Elsevier PLC have established a joint Corporate Governance Committee, which is responsible for reviewing ongoing developments and best practice in corporate governance. The Committee is also responsible for assessing the performance of the directors and recommending the structure and operation of the various committees of the Boards and the qualifications and criteria for membership of each Committee, including the independence of directors. The Committee comprises only non-executive directors and is chaired by Anthony Habgood.

### **Information pursuant to Decree Article 10 Take-over Directive**

In accordance with article 9 clause 3 of the articles of association, at the 2014 General Shareholders' Meeting a resolution was passed to extend the authority given to the Board to purchase up to 10% of shares by off or on-market purchase for a period of 18 months from the date of the Annual General Shareholders' Meeting and therefore up to and including 22 October 2015. A resolution to further extend the authority is to be put to the 2015 General Shareholders' Meeting, together with a proposal for approval of the reduction of Reed Elsevier NV's capital by cancellation of accumulated ordinary shares held in treasury.

At an extraordinary general meeting of shareholders of Reed Elsevier NV held in October 2014, the shareholders approved the reduction of the capital of the Reed Elsevier NV by the cancellation of up to 40,000,000 of its ordinary shares held in treasury. Following the shareholders' meeting, the Board filed a declaration about cancellation of 40 million ordinary shares with the Trade Register at the Chamber of Commerce on 22 October 2014. The 40 million ordinary shares in Reed Elsevier NV were subsequently cancelled with effect from 24 December 2014.

In accordance with articles 6 clause 2 and 7 clause 4 of the articles of association, at the 2014 General Shareholders' Meeting the Board was authorised, until 22 October 2015, to issue shares and to grant rights to subscribe for shares representing up to 10% of the issued capital of the company (other than to meet obligations resulting from the rights to acquire shares under share option schemes) and an additional 10% of the issued share capital of Reed Elsevier NV in relation with mergers or acquisitions and to restrict or cancel pre-emptive rights of existing shareholders in respect of any such issuance. A resolution to renew such authority will be put to the 2015 General Shareholders' Meeting.

Shares may be issued pursuant to a resolution of the Annual General Shareholders' Meeting or by the Board insofar as the Board has been designated by the General Shareholders' Meeting as the authorised body to issue shares. The resolution to designate the Board as the authorised body to issue shares must stipulate the aggregate nominal value up to which shares may be issued pursuant to a resolution of the Board. The same provisions are applicable to the granting of rights to subscribe for shares.

### **Compliance with codes of best practice**

The boards of Reed Elsevier NV and Reed Elsevier PLC have implemented standards of corporate governance and disclosure policies applicable to companies listed on the stock exchanges of the United Kingdom, the Netherlands and the United States. The effect of this is that a standard applying to one will, where not in conflict, also be observed by the other.

The Board supports the principles and provisions of corporate governance contained in the UK Corporate Governance Code issued by the Financial Reporting Council (FRC) in September 2012 (the UK Code). The FRC published a revised UK Corporate Governance Code in September 2014 (2014 Code) which applies to accounting periods beginning on or after 1 October 2014. The boards expect to comply in full with the 2014 Code during 2015. The Board also supports the principles and best practice provisions set out in the Dutch Corporate Governance Code issued in December 2008 (the Dutch Code), with due regard for the recommendations of the Monitoring Committee in its annual reports and subject to certain exceptions as explained below. Reed Elsevier PLC, which has its primary listing on the London Stock Exchange, and Reed Elsevier NV, which has its primary listing on Euronext Amsterdam, have complied throughout the financial year ending on 31 December 2014 with the UK Code and, subject to limited exceptions as explained below, have applied the Dutch Code.

Reed Elsevier NV may not apply fully the verbatim language of all principles and best practice provisions of the UK Code, but does fully support and apply the best practice provisions of the UK Code. The following recommendations of the Dutch Code are not fully applied for reasons explained below:

> **Best practice provision II.2.5:** Executive directors are required to build up a minimum shareholding and the Group uses long term incentive arrangements in the form of awards of shares which may vest after three years and meeting the relevant shareholding requirement is both a condition of the vesting of awards as well as a pre-requisite to maintain eligibility to receive a future award under the multi-year incentives. The intent of this shareholding policy is to align the interests of senior executives and shareholders. This intent is in compliance with the Dutch Code. Shares received on joining the company in compensation for vested benefits under incentive schemes from a previous employer are not to be considered as part of the minimum shareholding in this context.

> **Best practice provision II.2.8:** the Group has arrangements that are commensurate with local and legal requirements to ensure a competitive employment offering to its board members. Executive directors have service contracts under English law that provides for a notice period not exceeding one year. There are currently no executive directors with employment agreements under Dutch law. In the event of dismissal, notice is given in accordance with the agreed notice period. The notice period applicable to the service contracts to both executive members of the Board is 12 months. The payment during the notice period may be mitigated if the director finds other employment within this period. The application of this arrangement may fall within the best practice provision that remuneration in the event of dismissal may not exceed the fixed component of one year's salary. There are no other severance arrangements in place for the executive directors and none of the service contracts contain severance pay arrangements. Although the principle that severance pay should not exceed the fixed component of one year's salary is supported, there may be exceptional circumstances where this maximum would be manifestly unreasonable that could justify additional compensation on termination for loss of variable remuneration components. Full disclosure on remuneration in event of dismissal is provided in the Director's Remuneration Report in the RELX Annual Reports and Financial Statements 2014.

> **Best practice provisions II.2.13 and II.2.14:** In view of their detailed specificity and complexity and because of the confidential or potentially commercially sensitive nature of the information concerned, individual performance targets and achievements relevant for variable executive remuneration will only be disclosed in general terms.

> **Best practice provision II.3.4 and III.6.3:** The disclosure of transactions where directors have a conflict of interest, as required by these provisions, shall be qualified to the extent required under applicable rules and laws pertaining to the disclosure of price sensitive information, confidentiality and justified aspects of competition.

> **Principle III.7:** The remuneration of non-executive directors is determined by the Board in the context of the board harmonisation with Reed Elsevier PLC and RELX Group plc, having regard for the maximum per annum approved by the General Meeting of Shareholders.

> **Best practice provision IV.1.1:** Appointments, suspensions or removal procedures of directors are set out above. In order to safeguard the agreed board harmonisation with the Board of Reed Elsevier PLC, the articles of association of Reed Elsevier NV provide that a resolution of the General Shareholders' Meeting to appoint a member of the Board other than in accordance with the proposal of the non-executive directors can only be taken by a majority of at least two-thirds of the votes cast if less than one-half of the company's issued capital is represented at the meeting. Given the still generally low attendance rate at shareholders' meetings in the Netherlands, the Board believes that this qualified majority requirement is appropriate for this purpose.

> **Best practice provision IV.3.1:** It is considered impractical and unnecessary to provide access for shareholders to all meetings with analysts and all presentations to investors in real time. Price sensitive and other information relevant to shareholders is disclosed as required or as appropriate and made available on the website. Presentations made following the announcement of the interim and full year results are simultaneously webcast. Investor seminars are also webcast.

#### **Gender diversity – article 2:166 Dutch Civil Code**

The Board comprises a balance of executive and non-executive directors who bring a wide range of skills and experience to the deliberations of the Board. It is keen to aim for a diverse composition in terms of such factors as inter alia gender. In recommending appointments to the boards, the Nominations Committee considers the knowledge, experience and background of individual directors and has regard to diversity. The Board currently has ten members and the age and gender diversity in the composition of the Board is deemed to be balanced and appropriate. Seven directors are men and three women serve on the Board.

The composition of the Board meets the requirement of a balanced composition of the board in accordance with article 166 of Book 2 of the Dutch Civil Code.

### **General Shareholders' Meeting**

In accordance with article 43 of the articles of association of Reed Elsevier NV, certain provisions in the articles of association including those governing appointments and dismissals of directors can be amended by a simple majority of shareholders in a General Meeting and only upon a proposal of the Board. Otherwise, a resolution to amend the articles of association requires an absolute majority of the votes cast provided that the resolution is passed at the proposal of the Board (and otherwise requires a two-thirds majority of the votes cast).

At least once a year, a General Shareholders' Meeting is held. Notices of a General Meeting are posted on the Reed Elsevier website and are made in accordance with the relevant provisions of the law. This means that the meeting is called at no less than 42 calendar days' notice by an announcement on the Reed Elsevier website. The agenda and explanatory notes for the General Shareholders' Meeting are published in advance on the website and are available at the listing agent and at the offices of Reed Elsevier NV from the day of the notice.

The Board values major participation by shareholders in the decision making process at the General Shareholders' Meeting. The articles of association provide for a record date and this has been used at the recent General Shareholders' meetings. In accordance with Dutch law, the record date will be the 28<sup>th</sup> day before the date of the General Shareholders' Meeting and the holder of shares as per the record date will be entitled to vote, irrespective of any transfer of such shares between the record date and the date of the General Shareholders' Meeting.

Reed Elsevier NV has two types of shares: ordinary shares of 0.07 euro nominal value and R shares of 0.70 euro nominal value. At the General Shareholders' Meeting, each ordinary share is entitled to cast one vote. Each R share is convertible into 10 ordinary shares and is entitled to cast ten (10) votes. Otherwise it has the same rights as an ordinary share, except that Reed Elsevier may pay a lower dividend on an R share, but not less than 1% of the nominal value of an R share. The ordinary shares are listed at Euronext Amsterdam. A proposal to cancel all R shares will be submitted to the 2015 Annual General Meeting to be held on 22 April 2015 as part of the proposal to change the corporate structure.

The Annual General Shareholders' Meeting discusses the annual report, adopts the annual accounts, resolves on a proposal to pay a dividend and votes on release of the directors from liability as separate agenda items in the Annual General Shareholders' Meeting.

### **Shareholder Engagement**

Reed Elsevier NV and Reed Elsevier PLC attach great value to shareholder relations. Reed Elsevier NV uses the e-voting system offered by ABN AMRO Bank N.V. to enable shareholders to cast votes electronically at the General Shareholders' Meeting. Shareholders that use this system receive confirmation that the votes have been cast as per the instruction and receive an automatic alert for each next shareholder's meeting.

In conformity with relevant laws and regulations, Reed Elsevier NV and Reed Elsevier PLC provide all shareholders and other parties in the financial markets with equal and simultaneous information about matters that may influence the share price, taking into account possible exceptions permitted by those laws and regulations. Procedures for externally communicating inside information are set out in the Disclosure Policy.

Reed Elsevier NV and Reed Elsevier PLC participate in regular dialogue with institutional shareholders. Presentations on the combined businesses are made by the Chairman, the Chief Executive Officer and the Chief Financial Officer following the announcement of the interim and full year results and these are simultaneously webcast. A conference call with investors was also held following the third quarter Interim Management Statement. The Chief Executive Officer, the Chief Financial Officer and the investor relations team meet institutional shareholders on a regular basis and the Chairman also makes himself available to major institutions as appropriate. A trading update is provided ahead of the General Shareholders' Meeting and towards the end of the financial year through Interim Management Statements. Periodic reports on the attitudes and views of the company's institutional shareholders are commissioned and the results are presented to the Board. The Board shall procure that the General Shareholders' Meeting will receive all information that it reasonably requires for the exercise of its powers. The interim and annual results announcements and presentations, together with the Interim Management Statements and other important

announcements and corporate governance documents concerning the Group, are published on the website ([www.relxgroup.com](http://www.relxgroup.com)).

Reed Elsevier NV has formulated an outline policy on bilateral contacts with shareholders that is posted on the website ([www.relxgroup.com](http://www.relxgroup.com)).

### **Existing or potential anti-takeover measures**

Reed Elsevier NV has no specific anti-takeover measures. Reference is made to page 168 of the RELX Group Annual Reports and Financial Statements 2014 for information on the Governing Agreement, which contains provisions that govern a take-over of Reed Elsevier PLC and Reed Elsevier NV and may be regarded as having an anti-takeover effect in respect of either company standing alone.

### **Corporate Social Responsibility**

The Group has a Corporate Responsibility Forum that is chaired by the Chief Executive Officer, which sets objectives in respect of corporate responsibility encompassing governance, people, health and safety, customers, supply chain, environment and community. It also sets performance measures against these objectives. As part of its annual reporting process, the Group also reports on its corporate responsibility achievements in the Corporate Responsibility Report that is available at ([www.relxgroup.com](http://www.relxgroup.com)).

### **Code of Ethics and Business Conduct**

The Board, together with the board of directors of Reed Elsevier PLC, has adopted a Code on Ethics and Business Conduct that must be observed by the directors and employees of the company and of the combined businesses, which shall procure the observance by them of ethical behaviour in their functioning as directors or employees, both internally and externally, and observance of the rules and procedures laid down to protect the interests of the company, the combined businesses and their stakeholders and that will promote sustainable development.

### **Auditor/financial reporting**

The principles and best-practice provisions regarding the role, appointment, remuneration and assessment of the functioning of the external auditor (principle V.2) are supported. The external auditor shall attend the Annual General Shareholders' Meeting to address the meeting in case of any queries in relation to the report of the fairness of the financial statements from the auditor.

The external auditor attends the meeting of the Board at which the financial statements are determined.

The Audit Committee reports annually to the Board on the independence of the external auditor, including on the desirability of rotating the responsible partner of the external audit firm that provides audit services and on non-audit services provided by the external auditor to the Group.

A thorough assessment of the functioning of the external auditor is conducted by the executive directors and the Audit Committee on an annual basis. This assessment has been integrated into the processes of internal control of financial reporting. The main conclusions of this assessment are communicated to the Annual General Shareholders' Meeting.

The Group has an internal audit function that operates under the responsibility of the Board of RELX Group plc and has direct access to the chairman of the Audit Committee of RELX Group plc. The internal audit function also has access to the external auditor. Findings of the internal audit function are shared with the Audit Committee and the external auditor.

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