

AUDIT COMMITTEE
TERMS OF REFERENCE

REED ELSEVIER NV

1. Introduction

In pursuance of a resolution of the Supervisory Board, a Committee of the Supervisory Board to be known as the Audit Committee be and is hereby established.

2. Purpose

The Audit Committee shall provide assistance to the Supervisory Board, the Executive Board and the Combined Board in fulfilling their respective responsibilities with respect to:

- a) the quality and integrity of the financial statements and reporting of the Company and its subsidiaries and of the Reed Elsevier combined businesses;
- b) risk management and internal controls;
- c) the qualifications and independence of the external auditors of the Company and its subsidiaries; and
- d) the performance of the internal audit function of Reed Elsevier Group plc and of the external auditors the Company and its subsidiaries.

3. Duties

The duties of the Audit Committee shall be:

Financial Statements and Reporting Process

- a) to review and to discuss with the management of the Company, Reed Elsevier Group plc and/or Elsevier Reed Finance BV and the external auditors the interim and annual financial statements, results announcements and related formal statements including:
 - the quality and integrity of the financial statements;
 - the clarity and completeness of disclosures in the financial statements and whether the disclosures made are set properly in context;
 - the disclosures in any accompanying narrative commenting on the financial statements, including any operating and financial review;
 - the appropriateness of accounting policies and practices of the Company, Reed Elsevier Group plc and/or Elsevier Reed Finance BV and any proposed changes;
 - the appropriateness of the going concern assumption;
 - any significant financial reporting issues;
 - any unusual items;
 - the appropriateness of decisions requiring a major element of judgment;
 - significant adjustments resulting from the audit;

- compliance with applicable accounting standards, legal and Stock Exchange requirements;
 - the adoption of current “best accounting and auditing practice”; and
 - the corporate governance statement.
- b) to oversee the work of the external auditors and relations between the Company, Reed Elsevier Group plc and/or Elsevier Reed Finance BV and the external auditors;
- c) to obtain and discuss with management and the external auditor reports from management and the external auditor regarding:
- all critical accounting policies and practices to be used by the Company, Reed Elsevier Group plc and/or Elsevier Reed Finance BV;
 - analyses prepared by management and/or the external auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, the ramifications of the use of the alternative disclosures and treatments, and the treatment preferred by the external auditor;
 - major issues regarding accounting principles and financial statement presentations, including any major significant changes in the selection or application of accounting principles;
 - major issues as to the adequacy and effectiveness of internal controls and any specific audit steps adopted in light of any material control deficiencies; and
 - any other material written communications between the external auditor and management.
- d) to review statements containing financial information where Board approval is required, including circulars issued in connection with a proposed merger or take-over or other major transactions of a non-routine nature;
- e) to report its views to the Combined Board if the Audit Committee is not satisfied with any aspect of proposed financial reporting by the Company, Reed Elsevier Group plc and/or Elsevier Reed Finance BV; and
- f) to produce an annual report to the Company’s shareholders describing, inter alia, the role and responsibilities of the Audit Committee and the actions taken by the Audit Committee to discharge those responsibilities and explaining to the Company’s shareholders how the Committee’s policy on the engagement of the external auditors to supply non-audit services provides adequate protection of auditor objectivity and independence.

Risk Management and Internal Controls

- g) to review and monitor the integrity of the internal control system (encompassing all controls, including financial, operational and compliance controls, and in the application of information and communication technology) and risk management systems and assess the scope and effectiveness of the systems established by management to identify, assess, manage and monitor financial and non-financial risks;

- h) to discuss the guidelines and policies with respect to risk assessment, risk management and internal control, including with respect to tax policies, and to make recommendations to the Combined Board concerning such policies;
- i) to review and recommend for approval to the Combined Board the statements to be included in the annual financial statements concerning internal controls and risk management;
- j) to set clear hiring policies for employees or former employees of the external auditors;
- k) to review the systems and controls for the prevention of bribery by the Company, Reed Elsevier Group plc and/or Elsevier Reed Finance BV and to receive reports on non-compliance; and
- l) to establish “whistleblower” procedures for: (i) the receipt, retention and treatment of complaints received by the Company, Reed Elsevier Group plc and/or Elsevier Reed Finance BV regarding accounting, internal accounting controls, auditing matters and the Reed Elsevier code of ethics; and (ii) the confidential, anonymous submission by employees of the Company, Reed Elsevier Group plc and/or Elsevier Reed Finance BV of concerns regarding questionable accounting, auditing or ethical matters;

Auditor Qualifications , Independence and Effectiveness

- m) to consider, and to make recommendations to the Combined Board concerning the appointment, reappointment, removal, remuneration and terms of engagement of the external auditors of the Company and its subsidiaries. This recommendation shall be made through the Supervisory Board to the Company’s shareholders for their approval at a general meeting;
- n) to establish procedures for the rotation of the lead, review and other significant partners of the external auditor in accordance with applicable U.K., Dutch and U.S. laws, rules and regulations;
- o) to develop and implement policy on the engagement of the external auditors to supply permitted non-audit services, and excluding those prohibited non-audit services as defined under applicable U.K., Dutch and U.S. laws, rules and regulations. In determining the policy, the Audit Committee should take into account relevant ethical guidance and applicable law and regulations regarding the provision of non-audit services by the external auditors, and in principle should not agree to the external auditor providing a service if the result is that:
 - (i) the external auditor audits its own firm’s work;
 - (ii) the external auditor makes management decisions for the Company, Reed Elsevier Group plc or Elsevier Reed Finance BV;
 - (iii) a mutuality of interest is created; or
 - (iv) the external auditor is put in the role of advocate for the Company, Reed Elsevier Group plc or Elsevier Reed Finance BV;

- p) to recommend the audit fee to the Combined Board and to approve in advance any significant audit or permitted non-audit engagement or relationship between the Company, Reed Elsevier Group plc and/or Elsevier Reed Finance BV and the external auditors in accordance with applicable U.K., Dutch and U.S. laws, rules and regulations and procedures adopted by the Audit Committee;
- q) In relation to the external audit of the financial statements of the Company and its subsidiaries and of the Reed Elsevier combined businesses:
 - i.) to review with the external auditors before the audit commences the scope and nature of the audit of the Company, and of Reed Elsevier Group plc and/or Elsevier Reed Finance BV and subsequently the results of the audit;
 - ii.) at the end of the annual audit cycle, to assess the effectiveness of the audit process; and
 - iii.) to review with the external auditors and senior management the external auditors' management letter and the Company's response thereto;
 - iv.) to review any representation letter(s) requested by the external auditors before they are signed by management;
 - v.) to seek to ensure co-ordination of the activities of the external auditors with the activities of the internal audit function: and
 - vi.) to monitor and assess annually the qualification, performance, expertise, resources, objectivity and independence of the external auditors and the effectiveness of the audit process. In conducting its assessment, the Audit Committee should obtain and review a report by the external auditor describing: (a) the auditing firm's internal quality-control procedures; (b) any material issues raised by the most recent internal quality-control review, or peer review, of the auditing firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the auditing firm, and any steps taken to deal with any such issues; and (c) to assess the auditor's independence, all relationships between the external auditor and the Company, Reed Elsevier Group plc and/or Elsevier Reed Finance BV.
- r) at least once every four years to conduct, together with the Supervisory Board, a thorough assessment of the functioning of the external auditor within the various entities and in the different capacities in which the external auditor acts. The main conclusions of this assessment shall be communicated to the general meeting of shareholders for the purposes of assessing the nomination for the appointment of the external auditor.

Performance of Internal Auditors

- s) to monitor and review the activities, effectiveness, responsibilities, budget and staffing of the internal audit function of Reed Elsevier Group plc, and to report the results of the review to the Combined Board. This shall include review and approval of the annual internal audit plan of Reed Elsevier Group plc and/or Elsevier Reed Finance BV and any significant findings from internal investigations and to monitor the appropriate management's response to findings and recommendations of the internal auditor;

- t) to meet the head of internal audit, either in committee or through the Chairman, at least once a year without management being present, to discuss the remit of internal audit and any issues of the internal audits carried out. In addition, the head of internal audit shall have the right of direct access to the Chairman of the Audit Committee; and;
- u) to approve the appointment or termination of appointment of the head of internal audit of Reed Elsevier Group plc;

Other

- v) to take such other action as may be appropriate to carry out the duties delegated to the Committee by the Combined Board or the Supervisory Board of the Company from time to time.
- w) to conduct an annual review of the work and effectiveness of the Audit Committee and these terms of reference and make recommendations to the Combined Board.

4. Authorities

The Audit Committee shall have explicit authority to investigate any matters within its terms of reference, and all resources and full access to information which it requires for that purpose. The Committee shall also be entitled to obtain legal or other independent professional advice, including the authority to approve the fees payable to such advisors, and to invite persons not connected with the Company, Reed Elsevier Group plc and/or Elsevier Reed Finance BV with relevant experience to attend its meetings, where appropriate.

5. Meetings

The Audit Committee shall meet at least three times a year, before the commencement of the annual audit, before the approval of the interim results and before the approval of the annual financial statements and the statement relating to internal control contained therein. The Committee shall also meet periodically to discuss the work of the internal auditors of Reed Elsevier Group plc and other compliance personnel and as circumstances dictate.

There should be at least one meeting a year, or part thereof, where the external and internal auditors attend without management present.

The external auditors or internal auditors may request a meeting with the Audit Committee if they consider one is necessary.

The Chairman of the Audit Committee shall attend the Annual General Meeting of the Company to answer questions, through the Chairman of the Supervisory Board, on the Audit Committee's activities and their responsibilities.

6. Reports; Minutes

The Chairman of the Audit Committee shall report formally to the Combined Board after each meeting on all material matters within its duties and responsibilities. In addition, the Chairman of the Audit Committee shall report regularly to the Combined Board on the proceedings of the Audit Committee, identifying any matters in respect of which it was

considered that action or improvement was needed and make recommendations as to the steps to be taken. The Secretary shall make available the minutes of meetings of the Committee to all members of the Combined Board.

7. Membership

The Audit Committee shall comprise at least three members of the Supervisory Board, each of whom is determined by the Supervisory Board to be “independent” under applicable U.K., Dutch and U.S. rules and regulations. The Supervisory Board appoints The Chairman of the Audit Committee. The Chairman of the Supervisory Board may not be a member of the Audit Committee.

All members of the Committee shall have a working familiarity with basic finance and accounting practices (or acquire such familiarity within a reasonable period after their appointment) and at least one member should have significant, recent and relevant financial experience.

The Secretary of the Audit Committee of the Company shall be the Secretary of the Company and/or, if the Committee meets jointly with the Audit Committee of Reed Elsevier PLC, the Secretary of Reed Elsevier PLC. In addition, the Chairman of the Supervisory Board, the Chairman of the Executive Board (Chief Executive Officer), Chief Financial Officer, head of internal audit of Reed Elsevier Group plc, other members of management and representatives of the firm or firms of external auditors or other external professional advisors may attend meetings, at the invitation of the Audit Committee.

Appointments to the Audit Committee shall be for a period of up to three years, extendable by no more than two additional three-year periods, so long as the member continues to be independent.

8. Quorum

Any two members.

Adopted 14 February 2012