

REED ELSEVIER GROUP plc
REMUNERATION COMMITTEE
TERMS OF REFERENCE

1. Introduction

In accordance with the Articles of Association of the Company, a Committee of the Board to be known as the Remuneration Committee (“the Committee”), be and is hereby established. These terms of reference replace any previous terms of reference for any remuneration committee of the Board.

2. Duties

2.1 The duties of the Committee shall be to determine the remuneration policy, subject to and in accordance with applicable law, for the executive directors of the Company and Reed Elsevier PLC (“PLC”) and in particular in relation to:

a) The Chief Executive Officer

On the recommendation of the Chairman of the Company and PLC and pursuant to the remuneration policy, to determine the remuneration in all its forms (including pensions and share scheme participation), and the terms of the service contracts and all other terms and conditions of employment of the Chief Executive Officer;

b) Other Executive Directors

On the recommendation of the Chief Executive Officer and pursuant to the remuneration policy, to determine the remuneration in all its forms (including pensions and share scheme participation), and the terms of the service contracts and all other terms and conditions of employment of the other executive directors of the Company and PLC;

c) Termination Payments to Executive Directors

To approve any compensation or termination payments made to executive directors of the Company and PLC;

d) Senior Management

On the advice of the Chief Executive Officer to approve the remuneration policy of members of the senior leadership team/Management Committee (other than executive directors) and of the Company Secretary and to monitor the level and structure of remuneration for this group of executives;

e) The Chairman of the Company

On the advice of the Senior Independent Director, to determine the remuneration of the Chairman of the Company and PLC;

2.2 **Reed Elsevier NV (“NV”)**

The Committee shall recommend to the Supervisory Board of NV:

- a) the remuneration policy in respect of the executive directors of NV;
- b) the remuneration in all its forms (including pensions and share scheme participation), and the terms of the service contracts and all other terms and conditions of employment in respect of the duties of the:
 - i. Chief Executive Officer of NV on advice of the Chairman of NV; and
 - ii. other executive directors of NV on advice of the Chief Executive Officer of NV.

The Committee shall recommend to the Combined Board of NV the remuneration of the Chairman in respect of his Chairmanship of NV on advice of the Senior Independent Director.

2.3 **General**

Other duties also include:

- a) to review the ongoing appropriateness and relevance of the remuneration policy and in particular the performance-related elements and their compatibility with risk policies and systems;
- b) to review and recommend amendments to the rules of all share based incentive plans and, where appropriate, to formulate suitable performance conditions for share based awards and options;
- c) to have due regard in the performance of its duties to any published corporate governance guidelines, codes or recommendations regarding the remuneration of directors of listed companies and formation and operation of share schemes which the Committee considers relevant or appropriate including but not limited to the UK and Dutch Corporate Governance Codes; and
- d) To assist in maintaining an open and ongoing dialogue with institutional investors on major remuneration policy issues.

3. **Advisers**

- a) The Committee shall appoint its own external independent professional advisers as necessary to provide it with advice on those matters within these terms of reference.
- b) In selecting a professional advisor the Committee shall take into consideration:
 - (i) any potential conflicts of interest; and
 - (ii) the advisors own Code of Conduct.
- c) The appointment of advisors shall be subject to review at least every three years

4. **Reporting Responsibilities**

- a) The Committee Chairman shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities; and

- b) The Committee shall have due regard that prevailing requirements and best practice regarding disclosure of all information are met and shall produce an annual report of the Company's remuneration policy and practices which will form part of the Company's annual report.

5. Procedure and Practice for attendance at meetings

- a) The Committee Chairman (who shall be an independent non-executive director) shall be appointed by the Board, on the recommendation of the joint Corporate Governance Committee of PLC and NV.
- b) Meetings will be attended, in addition to the members by:
 - (i) the Secretary to the meeting for the time being; and
 - (ii) the Chief Executive Officer, subject to c) and d) below
 - (iii) those invited to attend by the Committee Chairman to enable the Committee to consider properly and fully those matters within these terms of reference.
- c) No director or executive shall be present at, or be involved in, discussion about his/her own remuneration.
- d) The Committee shall be entitled to conclude its consideration of any agenda item in the presence of its members only.
- e) The secretary shall minute the proceedings and resolutions of all meetings of the Committee.
- f) Minutes of Committee meetings shall be circulated to all members of the Committee and, once agreed, to all members of the Board, unless a conflict of interest exists.

6. Self Evaluation

The Committee shall, at least once a year, review its own performance, composition and terms of reference and recommend any changes it considers necessary to the Board for approval.

7. Membership

The Committee shall be comprised of at least three independent non-executive directors, not counting the Chairman of the Company, who may additionally be a member of the Committee as permitted by the relevant Corporate Governance Codes.

The Secretary shall be the Company Secretary of the Company.

8. Quorum

The quorum necessary shall be two members.

Amended and approved by the Board 14 February 2012