

CORPORATE GOVERNANCE STATEMENT REED ELSEVIER NV 2010

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 publishes a statement relating to corporate governance annually as part of its annual report. As permitted under the regulations, Reed Elsevier has opted to publish its corporate governance statement by posting it on its website, www.reedelsevier.com. This Corporate Governance Statement is incorporated by reference in the Reed Elsevier Annual Reports and Financial Statements 2010 and as such cannot be amended.

The Combined Board of Reed Elsevier believes that Reed Elsevier's corporate governance as described herein is the most appropriate at this point in time.

Corporate structure

Reed Elsevier was created in January 1993, when Reed Elsevier PLC and Reed Elsevier NV contributed their business to two jointly owned companies, Reed Elsevier Group plc, a UK registered company which owns the publishing and information businesses, and Elsevier Reed Finance BV, a Dutch registered company which owns the financing activities. Reed Elsevier PLC and Reed Elsevier NV have retained their separate legal and national identities and are 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 those of Reed Elsevier Group plc and of Elsevier Reed Finance BV as further referred to below.

Equalisation arrangements

Reed Elsevier PLC and Reed Elsevier NV each hold a 50% interest in Reed Elsevier Group plc. Reed Elsevier PLC holds a 39% interest in Elsevier Reed Finance BV, with Reed Elsevier NV holding a 61% interest. Reed Elsevier PLC additionally holds a 5.8% indirect equity interest in Reed Elsevier NV, reflecting the arrangements entered into between the two companies at the time of the merger, which determined the equalisation ratio whereby one Reed Elsevier NV ordinary share is, in broad terms, intended to confer equivalent economic interests to 1.538 Reed Elsevier PLC ordinary shares. The equalisation ratio is subject to change to reflect share splits and similar events that affect the number of outstanding ordinary shares of either Reed Elsevier PLC or Reed Elsevier NV.

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

The boards of both Reed Elsevier PLC and Reed Elsevier NV have agreed, other than in special circumstances, to recommend equivalent gross dividends (including, with respect to the dividend on Reed Elsevier PLC ordinary shares, the associated UK tax credit) based on the equalisation ratio. A Reed Elsevier PLC ordinary share pays dividends in sterling and is subject to UK tax law with respect to dividend and capital rights. A Reed Elsevier NV ordinary share pays dividends in euros and is subject to Dutch tax law with respect to dividend and capital rights. The exchange rate used for each dividend calculation is the spot euro/sterling exchange rate, averaged over a period of five consecutive business days commencing with the tenth business day before the announcement of the proposed dividend.

The Boards

Reed Elsevier NV has a two-tier board system, comprising an Executive Board and a Supervisory Board. The members of the Executive Board and the members of the Supervisory Board together form the Combined Board. It is established board practice at Reed Elsevier NV that the members of both boards meet together as the Combined Board. The Boards of Reed Elsevier PLC and Reed Elsevier Group plc are one-tier Boards. In anticipation of the proposal to enact legislation to formalise the one-tier board model in the Netherlands Civil Code, the Combined Board of Reed Elsevier NV is assessing whether to restructure

the governance of Reed Elsevier NV to establish a one-tier board governance structure.

The board of Reed Elsevier PLC, the Combined Board of Reed Elsevier NV and the board of Reed Elsevier Group plc are harmonised. All of the directors of Reed Elsevier Group plc are also members of the board of directors of Reed Elsevier PLC and are a member of either the Executive Board or the Supervisory Board of Reed Elsevier NV. Reed Elsevier NV may nominate for appointment two directors who are not appointed to the boards of either Reed Elsevier PLC or Reed Elsevier Group plc. In this regard, Marike van Lier Lels was appointed to the Reed Elsevier NV Supervisory Board in January 2010. Dien de Boer-Kruyt retired at the conclusion of the Reed Elsevier NV Annual General Meeting in April 2010.

Executive Board

The Executive Board is entrusted with the management of the company. The Executive Board functions as a collective body with shared responsibility. The number of members of the Executive Board is determined by the Combined Board, but shall at all times be less than the number of members of the Supervisory Board.

Members of the Executive Board shall be appointed by the General Shareholders' Meeting on the basis of a proposal of the Combined Board. 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 Executive Board other than in accordance with the proposal of the Combined Board 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 boards believe that this qualified majority requirement is appropriate for this purpose.

Under the articles of association of Reed Elsevier NV, members of the Executive Board are appointed for a three-year term, with the possibility of re-appointment. Notwithstanding these provisions in the articles of association, all members of the Executive Board will seek annual re-appointment at the Annual General Meeting commencing from the meetings to be held in April 2011 in accordance with the provisions of the UK Corporate Governance Code issued in May 2010 (the **New UK Code**), to align the arrangements regarding appointment for the boards of both Reed Elsevier NV and Reed Elsevier PLC.

Each member of the Executive Board can at any time be suspended or dismissed by the General Shareholders' Meeting.

The Combined Board has established rules regarding the decision-making process and working methods of the Executive Board in accordance with article 16.4 of the articles of association of Reed Elsevier NV. These Rules for the Boards of Reed Elsevier NV have been revised to align them with the Dutch Code and are published on the Reed Elsevier website, www.reedelsevier.com.

Members of the Executive Board may not be a member of the supervisory board of more than two listed companies or chairman of the supervisory board of a listed company. Membership of the supervisory board or the board of any other Reed Elsevier company does not count for this purpose. Acceptance of external supervisory board memberships or non-executive directorships is subject to approval by the Supervisory Board. This is in line with provision II.1.8 of the Dutch Code.

The handling of any (apparent) conflict of interest between a member of the Executive Board and the company is governed by the Rules for the Boards of Reed Elsevier NV that are published on the Reed Elsevier website, www.reedelsevier.com. In 2010, no (potential) conflicts of interest were reported that are of material significance to the company.

In line with the remuneration policy adopted by the General Shareholders' Meeting in April 2005 as amended per April 2008 and April 2010, the remuneration of the members of the Executive Board is determined by the Supervisory Board at the recommendation of the Remuneration Committee of Reed Elsevier Group plc.

For further information on remuneration of the Executive Board, see the Director's Remuneration Report in the Reed Elsevier Annual Reports 2010.

The retirement of Andrew Prozes as member of the Executive Board effective per 31 December 2010 was announced on 23 November 2010. After his retirement, the Executive Board will have two members.

Supervisory Board

The duties of the Supervisory Board are to supervise the management of the Executive Board, to supervise the policies of the Executive Board and the general affairs in the company and the business connected with

it, and to assist the Executive Board by providing advice.

The number of members of the Supervisory Board is determined by the Combined Board. The number of members of the Supervisory Board must always exceed the number of members of the Executive Board.

Members of the Supervisory Board shall be appointed by the General Shareholders' Meeting on the basis of a proposal of the Combined Board. 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 Supervisory Board other than in accordance with the proposal of the Combined Board 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 boards believe that this qualified majority requirement is appropriate for this purpose.

Under the articles of association of Reed Elsevier NV, members of the Supervisory Board are appointed for a three-year term, with the possibility of re-appointment and shall retire periodically in accordance with a rotation plan drawn up by the Combined Board. They shall retire no later than three years after appointment. As a general rule, members of the Supervisory Board serve for two three-year terms. The Nominations Committee may recommend that individual directors serve up to one additional three-year term. This is within the maximum stipulated in best practice provision III.3.5 of the Dutch Code. The overview with the anticipated dates of retirement of the members of the Supervisory Board is published on the Reed Elsevier website, www.reedelsevier.com. Notwithstanding these provisions in the articles of association, all members of the Supervisory Board will seek annual re-appointment at the Annual General Meeting commencing from the meetings to be held in April 2011 in accordance with the provisions of the New UK Code, to align the arrangements regarding appointment for the boards of both Reed Elsevier NV and Reed Elsevier PLC. Annual re-appointment will not affect the term of their three year appointment.

The profile for the Supervisory Board shall be taken into account for a proposal for appointment to the Supervisory Board. The profile for the Supervisory Board has been posted on the Reed Elsevier website, www.reedelsevier.com. All members of the Supervisory Board are independent within the meaning of best practice provision III.2.2 of the Dutch Code.

Each member of the Supervisory Board can at any time be suspended or dismissed by the General Shareholders' Meeting.

The Supervisory Board has established rules regarding the decision-making process and working methods of the Supervisory Board in accordance with article 22.5 of the articles of association of Reed Elsevier NV. These Rules for the Boards of Reed Elsevier NV are published on the Reed Elsevier website, www.reedelsevier.com.

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

Members of the Supervisory Board may hold executive or non-executive directorships and other offices with companies or organisations not related to Reed Elsevier, provided these have been disclosed to the company and do not interfere with their functioning as a member of the Supervisory Board or the Combined Board. Such will be determined by the Chairman of the Supervisory Board. A member of the Supervisory Board 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 of Dutch listed companies is five, for which purpose the chairmanship of a supervisory board counts double. Membership of the supervisory board or the board of any other Reed Elsevier company does not count for this purpose. This is in line with provision III.3.4 of the Dutch Code.

The handling of any (apparent) conflict of interest between a member of the Supervisory Board and the company is governed by the Rules for the Boards of Reed Elsevier NV that are published on the Reed Elsevier website, www.reedelsevier.com. In 2010, no (potential) conflicts of interest were reported that are of material significance to the company.

The Chairman of the Supervisory Board is responsible for the proper functioning of the Supervisory Board and of the Combined Board and acts on behalf of the Supervisory Board as the main contact for the Executive Board and for shareholders regarding the Executive and Supervisory Board members. The Chairman determines the agenda of the Supervisory Board and of the Combined Board, chairs the

meetings of the Supervisory Board and of the Combined Board, monitors the proper functioning of the Supervisory Board and of the Combined Board and of the Committees. The Chairman ensures that the Supervisory Board has proper contact with the Executive Board. 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 Reed Elsevier website, www.reedelsevier.com.

The senior independent director or vice-Chairman, who is a member of the Supervisory Board, shall deputise for the Chairman when the occasion arises and shall act as contact for individual members of the Supervisory Board concerning the functioning of the Chairman of the Supervisory Board. 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 of the Supervisory Board. David Reid has been appointed to act as senior independent director.

The Chairman is assisted in his role by the Company Secretary. All members of the Combined Board have access to the advice and services of the Company Secretary, who is responsible for ensuring that the procedures for the Boards of Reed Elsevier and the arrangements under the Governing Agreement are followed and that the Boards act in accordance with their statutory obligations under the Articles of Association.

The Supervisory Board discusses at least once a year without the presence of the members of the Executive Board, the functioning of the Supervisory Board, the Executive Board, the individual members of each of the Boards, the functioning of its Committees and, led by the senior independent director, also assesses the performance of the Chairman of the Supervisory Board. This assessment was performed during the year. Using questionnaires completed by all members of the Boards, the Corporate Governance Committee reviewed the functioning and constitution of the Boards and their Committees. The results were subsequently discussed in a meeting of the Combined Board and in a meeting of the Supervisory Board, partly without the Chairman attending that meeting. Based on these assessments and on the board effectiveness review, the Committee believes that the performance of each member of the Boards continues to be effective and that they demonstrate commitment to their respective roles in Reed Elsevier.

It is established board practice that the Combined Board discusses the corporate strategy and the main risks of the business, the result of the assessment by the Executive Board 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 September 2010, the assessment of the risks of the business and the internal risk management and control systems were discussed in February 2010 and again in February 2011.

Reed Elsevier 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 Supervisory Board of Reed Elsevier NV, members of the Supervisory Board of Reed Elsevier NV are also appointed as non-executive directors of the Boards of Reed Elsevier PLC and Reed Elsevier Group plc. Non-executive directors, including the Chairman, serve under letters of appointment. For further information, see the Director's Remuneration Report in the Reed Elsevier Annual Reports 2010.

The Supervisory Board currently has eight members and the age and gender diversity in the composition of the Supervisory Board is deemed to be appropriate. The ages of the members of the Supervisory Board vary from just 50 to late 60's. Six members of the Supervisory Board are men and two women serve on the Supervisory Board. The Rules for the Boards of Reed Elsevier NV comprise rules relating to ownership of securities other than in Reed Elsevier. 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.

Combined Board

The Combined Board comprises all members of the Executive Board and all members of the Supervisory Board. The Chairman and senior independent director of the Supervisory Board shall also act as Chairman and senior independent director of the Combined Board. The Combined Board has the duties and powers conferred upon it under the Governing Agreement and the Articles of Association of Reed Elsevier NV.

The Combined Board has established rules regarding the decision-making process and working methods of

the Combined Board in accordance with article 27.2 of the articles of association of Reed Elsevier NV. These Rules for the Boards of Reed Elsevier NV are published on the Reed Elsevier website, www.reedelsevier.com.

The Combined Board may only pass valid resolutions in a meeting if the majority of the members of the Supervisory Board in office at the time of the resolution are present or represented. Attendance by means of a video or telephone link is permitted.

In article 29A of the Articles of Association, all members and former members of the Executive Board and the Supervisory 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

On appointment and as required, members of the Boards receive training appropriate to their level of previous experience. This includes the provision of a tailored induction programme so as to provide newly appointed Board members with information about the Reed Elsevier businesses and other relevant information to assist them in performing their duties. Members of the Supervisory Board are encouraged to visit the Reed Elsevier businesses to meet management and senior staff.

All members of the Supervisory Board 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 Reed Elsevier's management and staff, and external advisors.

Members of the Supervisory Board 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, members of the Boards attend many other meetings and site visits. Where a member of the Board is unable to attend a Board or Board 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 Board members.

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 Reed Elsevier website, www.reedelsevier.com.

Audit Committees: Reed Elsevier PLC, Reed Elsevier NV and Reed Elsevier Group plc have established Audit Committees. The Committees comprise only members of the Supervisory Board and are chaired by Ben van der Veer, having previously being chaired by Lord Sharman until 31 July 2010. A report of the Audit Committees, setting out the role of the Committees and their main activities during the year, appears on pages 6 and 7 of the Reed Elsevier Annual Reports 2010.

Remuneration Committee: Reed Elsevier Group plc has established a Remuneration Committee, which is responsible for recommending to the boards the remuneration for the executive directors of Reed Elsevier Group plc, Reed Elsevier PLC and Reed Elsevier NV. The Committee comprised only members of the Supervisory Board during 2010 and is chaired by Mark Elliott. Anthony Habgood was appointed a member of the Committee in January 2010. A Directors' Remuneration Report, which has been approved by the boards of Reed Elsevier Group plc, Reed Elsevier PLC and the Supervisory Board of Reed Elsevier NV, is included on pages 6 to 7 of the Reed Elsevier Annual Report 2010. 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 members of the Supervisory Board and is chaired by Anthony Habgood. The Committee's terms of reference include assuring board succession and making recommendations to the Boards of Reed Elsevier NV, Reed Elsevier PLC and Reed Elsevier Group plc concerning the appointment or re-appointment of directors to, and the retirement of directors from, those Boards. In conjunction with the Chairman of the Reed Elsevier Group plc Remuneration Committee and external consultants, the Committee is also responsible for developing proposals for the remuneration and fees for new directors. In recommending appointments to the Reed Elsevier NV Supervisory Board, the Committee considers the knowledge, experience and background of individual directors and the Supervisory Board as a whole, having regard to the profile adopted for the constitution of the Supervisory Board (see www.reedelsevier.com).

Corporate Governance Committee: Reed Elsevier NV and Reed Elsevier 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 members of the Boards. The Committee comprises only members of the Supervisory Board and is chaired by Anthony Habgood.

Information pursuant to Decree Article 10 Take-over Directive

In accordance with article 9.3 of the Articles of Association, at the 2010 General Shareholders' Meeting a resolution was passed to extend the authority given to the Executive Board to purchase up to 10% of shares by market purchase for a period of 18 months from the date of the Annual General Shareholders' Meeting and therefore up to and including 19 October 2011. A resolution to further extend the authority is to be put to the 2011 General Shareholders' Meeting.

In accordance with articles 6.2 and 7.4 of the Articles of Association, at the 2010 Annual General Shareholders' Meeting the Combined Board was authorised, until 19 October 2011, 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 2011 Annual General Shareholders' Meeting.

Shares may be issued pursuant to a resolution of the Annual General Shareholders' Meeting or by the Combined Board insofar as that Board has been designated by the General Shareholders' Meeting as the authorised body to issue shares. The resolution to designate the Combined 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 Combined 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 Combined Board supports the principles and provisions of corporate governance contained in the Combined Code on Corporate Governance issued by the Financial Reporting Council in June 2008 (the UK Code). The Combined 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 year with the UK Code and, subject to limited exceptions as explained below, have applied the Dutch Code.

New UK Corporate Governance Code

In May 2010 the Financial Reporting Council issued The UK Corporate Governance Code (the **New UK Code**), which replaces the UK Code for financial years beginning on or after 29 June 2010, see <http://www.frc.org.uk/corporate/ukcgcode.cfm>. The New UK Code will, therefore, apply to Reed Elsevier in respect of the financial year beginning 1 January 2011.

The corporate governance principles and best practices are set out in this Corporate Governance Statement which is published on the Reed Elsevier website. The Combined Board of Reed Elsevier NV has adopted rules governing the functioning of the Boards and the relationship with shareholders, reflecting the requirements of the Dutch Code, which are published on the Reed Elsevier website, www.reedelsevier.com.

Reed Elsevier NV and Reed Elsevier PLC are subject to various corporate governance principles and best practice codes, in particular the Dutch Code (www.commissiecorporategovernance.nl) and the UK Code. Reed Elsevier NV may not apply fully the verbatim language of all principles and best practice provisions these codes, but does fully support and apply the best practice provisions of the

Combined 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 Reed Elsevier uses long term incentive arrangements in the form of awards of shares which may vest after three years. 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 free shares in this context.

> **Best practice provision II.2.8:** Reed Elsevier has arrangements that are commensurate with local and legal requirements to ensure a competitive employment offer to its board members. Executive directors have employment agreements under English law or New York 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 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 employment agreements 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 Reed Elsevier Annual Reports and Financial Statements.

> **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 Supervisory Board members is determined by the Combined Board in the context of the board harmonisation with Reed Elsevier PLC and Reed Elsevier Group plc, having regard for the maximum approved by the general meeting of shareholders.

> **Best practice provision IV.1.1:** Appointments, suspensions or removal procedures of members of the Executive Board or Supervisory Board 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 Executive or Supervisory Board other than in accordance with the proposal of the Combined Board can only 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 Boards believe 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.

General Shareholders' Meeting

In accordance with Article 44 of the Articles of Association of Reed Elsevier NV, the provisions in the Articles of Association governing appointments and dismissals of members of the Executive and Supervisory Boards can be amended by a simple majority of shareholders in a General Meeting upon a proposal of the Combined Board. 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 Combined Board.

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 Combined 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 28th 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.

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 members of the Executive Board and the Supervisory Board from liability as separate agenda items in the Annual General Shareholders' Meeting.

Shareholder Relations

Reed Elsevier attaches great value to shareholder relations. Reed Elsevier is member of the Foundation Communication Shareholders' Channel (*Stichting Communicatie Aandeelhouders Kanaal*). Further, Reed Elsevier uses the e-voting system offered by The Royal Bank of Scotland 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 provides 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 Reed Elsevier Disclosure Policy.

The Executive Board participates in regular dialogue with institutional shareholders, and presentations on the Reed Elsevier combined businesses are made after the announcement of the interim and full year results. Periodic reports on the views of the company's institutional shareholders are commissioned and the results are the subject of formal presentations to the Combined Board. The Combined 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 Reed Elsevier, are published on the Reed Elsevier website (www.reedelsevier.com).

Reed Elsevier has formulated an outline policy on bilateral contacts with shareholders that is posted on the Reed Elsevier website (www.reedelsevier.com).

Existing or potential anti-takeover measures

Reed Elsevier NV has no specific anti-takeover measures. Reference is made to page • of the Reed Elsevier Annual Reports and Financial Statements 2010 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

Reed Elsevier 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, Reed Elsevier also reports on its corporate responsibility achievements in the Corporate Responsibility Report that is available at (www.reedelsevier.com).

Code of Ethics and Business Conduct

The Combined 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 Reed Elsevier 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 Reed Elsevier 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 Combined Board at which the financial statements are determined.

The Executive Board and the Audit Committee report annually to the Supervisory 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 Reed Elsevier.

A thorough assessment of the functioning of the external auditor is conducted by the Supervisory Board 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.

Reed Elsevier has an internal audit function that operates under the responsibility of the Board of Reed Elsevier Group plc and has direct access to the chairman of the Audit Committee of Reed Elsevier 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.

Reed Elsevier NV, 16 February 2011