

## Corporate governance

### STRUCTURE

#### *Name changes*

During the year Reed International P.L.C. changed its name to Reed Elsevier PLC, Elsevier NV changed its name to Reed Elsevier NV, and Reed Elsevier plc changed its name to Reed Elsevier Group plc.

#### *Equalisation arrangements*

Under the equalisation arrangements entered into on the merger of Reed Elsevier PLC's and Reed Elsevier NV's businesses in January 1993, 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. Shareholders in Reed Elsevier PLC and Reed Elsevier NV enjoy substantially equivalent dividend and capital rights with respect to their ordinary shares.

Reed Elsevier PLC and Reed Elsevier NV each holds 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 an indirect equity interest in Reed Elsevier NV, reflecting the arrangements entered into between Reed Elsevier PLC and Reed Elsevier NV 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 boards of both Reed Elsevier PLC and Reed Elsevier NV have agreed, except in exceptional 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.

### CORPORATE GOVERNANCE

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

Reed Elsevier PLC, which has its primary listing on the London Stock Exchange, has complied throughout the period under review with the provisions of Section 1 of the Combined Code – the Principles of Good Governance and Code of Best Practice, issued by the UK Financial Services Authority ("the Combined Code").

Reed Elsevier NV, which has its primary listing on Euronext in Amsterdam, has complied throughout the period under review with the listing rules of Euronext in Amsterdam, and best custom and practice appropriate to internationally focused Dutch companies, such as recommended by the Peters Committee.

### BOARDS

The boards of Reed Elsevier PLC, Reed Elsevier NV, Reed Elsevier Group plc and Elsevier Reed Finance BV each comprise a balance

of executive and non-executive directors who bring a wide range of skills and experience to the deliberations of the boards.

All of the directors of Reed Elsevier Group plc are also directors of Reed Elsevier PLC and Reed Elsevier NV.

The non-executive directors meet on an annual basis to review the performance of individual directors and the functioning and constitution of the boards as a whole.

Information in respect of the directors of Reed Elsevier appears on pages 10 and 11.

### COMMITTEES

In accordance with the principles of good corporate governance, the following committees have been established by the boards of Reed Elsevier PLC, Reed Elsevier NV or Reed Elsevier Group plc:

- Audit Committee
- Corporate Governance Committee
- Nominations Committee
- Remuneration Committee
- Strategy Committee

### INTERNAL CONTROL

The boards of Reed Elsevier PLC and Reed Elsevier NV exercise independent supervisory roles over the activities and systems of internal control of Reed Elsevier Group plc and Elsevier Reed Finance BV.

The board of Reed Elsevier Group plc is responsible for the system of internal control of the publishing and information businesses, while the boards of Elsevier Reed Finance BV are responsible for the system of internal control in respect of the finance group activities. The objective of these systems of internal control is to manage, rather than eliminate, the risk of failure to achieve business objectives. Accordingly, they can only provide reasonable, but not absolute, assurance against material misstatement or loss.

The boards of Reed Elsevier Group plc and Elsevier Reed Finance BV have implemented an ongoing process for identifying, evaluating and managing the significant risks faced by their respective businesses. This process has been in place throughout the year ended 31 December 2002 and up to the date of the approvals of the Annual Reports and Financial Statements.

As part of the year end procedures, the boards of Reed Elsevier PLC, Reed Elsevier NV, Reed Elsevier Group plc and Elsevier Reed Finance BV have reviewed the effectiveness of the systems of internal control during the last financial year.

### GOING CONCERN

The directors of Reed Elsevier PLC and Reed Elsevier NV, having made appropriate enquiries, consider that adequate resources exist for the combined businesses to continue in operational existence for the foreseeable future and that, therefore, it is appropriate to adopt the going concern basis in preparing the financial statements.