

**United Nations
Global Compact**
Communication on
Progress 2006



Reed Elsevier supports the United Nations Global Compact

Across our four divisions – Elsevier (science and medical), LexisNexis (legal), Harcourt Education and Reed Business – we are committed to making consistent improvements in how we conduct our business and manage our impact on stakeholders, including employees, customers, shareholders and governments. Each has influenced the steps we took in 2005 to become a better company. The United Nations Global Compact with its ten principles, encompassing human rights, labour and the environment, offers a framework for positive, ethical action for our own activities and those of our suppliers.

This Communication on Progress provides a review of how we are applying the ten principals. As one of the world's largest media companies, it reflects our interest in transparency and desire to be a market leader in all aspects of our operations.

Sir Crispin Davis, CEO

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Our Business

2005 Growth rates 12 months to 31 December

| Profit | Revenue | | Adjusted Operating | |
|--------------------|---------|-----|--------------------|-----|
| | £m | % | £m | % |
| Elsevier | 1,436 | +8 | 449 | +5 |
| LexisNexis | 1,466 | +13 | 338 | +17 |
| Harcourt Education | 901 | +3 | 161 | +2 |
| Reed Business | 1,363 | +5 | 214 | +9 |
| Unallocated costs | - | - | (20) | - |
| Reed Elsevier | 5,166 | +7 | 1,142 | +8 |

*Growth percentages at constant rates

↓ **Scopus**. The world's largest abstract and citation database of research literature. It indexes the bibliographic information of 15,000 titles from 4,000 different publishers and covers all scientific disciplines.



Elsevier

7,300 employees
Sales in 180 countries
www.elsevier.com

Elsevier is a world leading provider of scientific, technical and health information for professional users. These include scientists and researchers, doctors, nurses and health practitioners, academics and students. Elsevier's 20,000 products and services include print and online journals, books, CDs, databases and portals. Elsevier's innovative electronic products include its ScienceDirect platform, the Scopus database, the award winning scientific web search engine Scirus and MD Consult. Its world-renowned publications include Gray's Anatomy, The Lancet, Tetrahedron and Cell.

Products include:

TheLancet.com. Subscription driven online sister publication to the leading medical journal whose archive dates back to 1823.

Evolve. A portal site with more than 400,000 registered users providing access to vital texts, tools and resources for nursing students in the US.

Scopus. The world's largest abstract and citation database of research literature. It indexes the bibliographic information of 15,000 titles from 4,000 different publishers and covers all scientific disciplines.

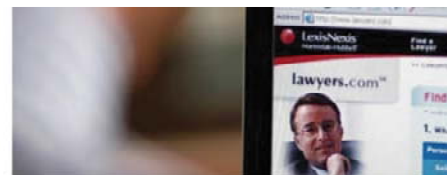
Our Business

Adjusted Profit and Loss 12 months to 31 December

| | 2005 | 2004 | % constant change |
|----------------------------|-------|-------|-------------------------|
| | £m | £m | |
| Revenue | 5,166 | 4,812 | +7% |
| Adjusted operating profit | 1,142 | 1,066 | +8% |
| Adjusted operating margin | 22% | 22% | |
| Net interest expense | (140) | (132) | |
| Adjusted profit before tax | 1,002 | 934 | +9% |

*Adjusted figures are stated before amortisation of acquired intangible assets and acquisition integrated costs

↓ **Lawyers.com**. Leading US online directory of legal services, provides information on more than 440,000 lawyers and their services.



LexisNexis

13,400 employees
Sales in 100 countries
www.lexisnexis.com

LexisNexis is a global provider of authoritative legal, tax, regulatory, public records, news and business information solutions, both online and in print. LexisNexis uses new advanced technology to allow law firms and businesses to customise products to the specific information needs and language of a country, jurisdiction or market, with seamless searching and linking. LexisNexis works with legal and business professionals across six continents, providing information solutions through some of the world's most respected and authoritative imprints, such as Martindale-Hubbell, Butterworths, Tolley, Juris Classeur, Matthew Bender, Abeledo-Perrot, Orac and LexisNexis.

Products include:

Applied Discovery. Leading electronic discovery services enable clients to search, organise, react and produce electronic documents.

Lawyers.com. Leading US online directory of legal services, provides information on more than 440,000 lawyers and their services.

Know Your Customer. Risk management tools provide important fraud detection and identity authentication services to law enforcement, homeland security, commercial and legal customers.

Our Business

↓ **TexasArts.** Recently adopted basal programme for Grades 1–5 in Texas schools, the programme will be used by over 400,000 students.



↓ **Holt Social Studies.** Leading basal programme for US Grades 6–12.



Harcourt Education

5,400 employees
Sales in 154 countries
www.harcourt.com

Harcourt Education is a leading publisher serving the pre-kindergarten to Grade 12 school, assessment and trade publishing markets in the US.

It also serves the primary and secondary school markets internationally. Its businesses provide a variety of books, print and electronic learning materials, as well as professional development and assessment programmes. In the US, Harcourt Education encompasses Harcourt School Publishers, Holt, Rinehart and Winston, and Harcourt Achieve, Professional and Trade Publishers. Its testing business, Harcourt Assessment, serves both the schools assessment and clinical testing markets.

Products include:

TexasArts. Recently adopted basal programme for Grades 1–5 in Texas schools, the programme will be used by over 400,000 students.

Versant. Telephone and internet delivered language skills tests provide evaluations of speaking and listening proficiency in minutes.

Holt Social Studies. Leading basal programme for US Grades 6–12.

Our Business

↓ **XpertHR**. Industry leading portal site providing data, legal information and news to HR professionals.



↓ **Variety**. The entertainment and media industry's premier source of business information celebrated its centenary in 2005.



Reed Business

10,200 employees
sales in 164 countries
www.reedbusiness.com

Reed Business is a leading global business-to-business publisher and exhibition organiser, providing magazines, exhibitions, conferences, online media, directories and marketing services to business customers across six continents. Reed Business Information has a portfolio including leading brands such as Variety, EDN and Interior Design in the US; Community Care, New Scientist, Estates Gazette, totaljobs.com and Kellysearch in the UK; Elsevier, Boerderij, and Distrifood in the Netherlands. Reed Exhibitions manages 460 events globally in 52 industries, bringing together 90,000 suppliers and 5.5 million buyers each year.

Products include:

Variety. The entertainment and media industry's premier source of business information celebrated its centenary in 2005.

XpertHR. Industry leading portal site providing data, legal information and news to HR professionals.

totaljobs.com. One of the UK's leading job boards, visited by one million job seekers every month.

Defining Our Corporate Responsibility Agenda



In 2005 we made progress in each of the five areas – corporate governance, marketplace, workplace, community and environment – that comprise our corporate responsibility (CR) agenda. We define that agenda in two ways: by reviewing the material issues that affect our company and by considering the views of employees, customers, shareholders, governments and civil society.

We review our CR agenda regularly. Twice each year our CR Forum meets to set goals and track our progress. The Forum is chaired by CEO Sir Crispin Davis who has Board responsibility for CR. The CR Director also makes a full presentation to the Board annually.

We play an active role in the Media Corporate Social Responsibility (CSR) Forum and serve on the steering group, working closely with sector peers including Pearson, BBC, BSkyB and EMI. Together we have been examining how joint action might improve media literacy, especially public access and understanding of media – for example, the differences between fact, opinion and reportage – which can be limited by technological, financial or other barriers.

Our CR agenda is bolstered by ongoing dialogue: with employees through such mechanisms as the Reed Elsevier Cares section of our corporate intranet and feedback from colleagues working in the field; internal working groups like our Socially Responsible Supplier network; and extensive external consultation. During the year, we completed over 31 CR-related surveys and held 42 meetings with members of the Socially Responsible Investment (SRI) community and government. We commented on the UK's Department for Environment, Food and Rural Affairs proposed environmental key performance indicators and contributed to a policy forum on competitive and sustainable business with European Commission Vice President Margot Wallström. We also engaged with Britain's All Parliamentary Group on Corporate Responsibility.

| Composition of the CR Forum | |
|-----------------------------|---|
| Chairman | CEO |
| Members: | CR Director General Counsel/Company Secretary Corporate Relations Director HR Director CEO of International Business Unit Global Head of Production/Purchasing Corporate Audit Services Director Corporate Finance Director Group Chief Accountant Global Supplier Management Director |

Promoting our Corporate Responsibility Agenda

During the year, Board members helped promote our CR commitment. Speaking at the fourth Annual International Corporate Counsel Conference in February 2005, outgoing Chairman, Morris Tabaksblat, noted, “Corporate governance is the systems and controls, or the checks and balances if you will, that an organisation puts in place to ensure the transparency, integrity, and accountability of its actions.”

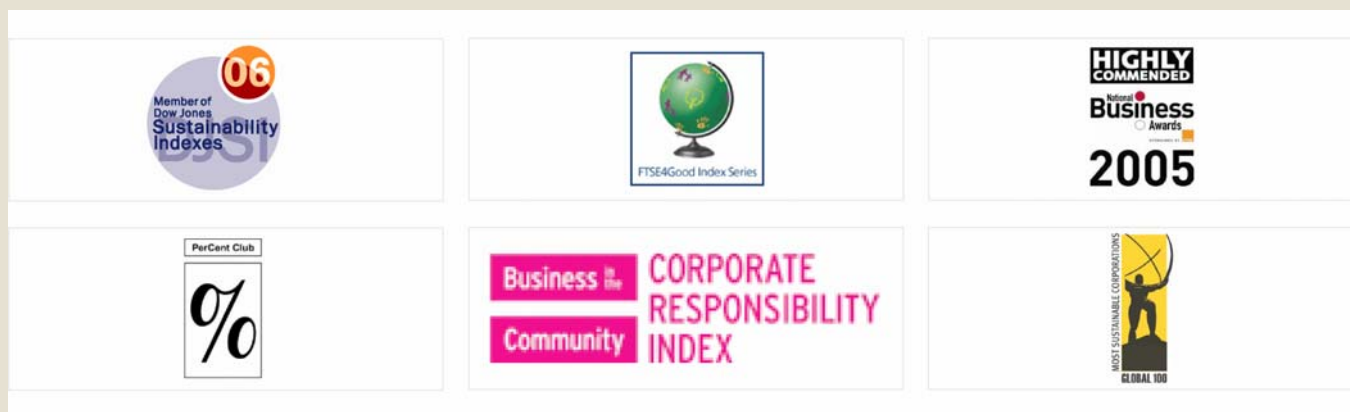
As CEO Sir Crispin Davis indicated to all staff, “Reed Elsevier maintains its global standing in publishing and other industries due to the excellence of its employees... Because of all they give, we believe we must give something back.”

CR issues are relevant to our investments. In some places in the developing world, for example, we make additional CR considerations to ensure a market’s social and economic stability and protection of our copyrights. Such evaluations are fundamental to the business case for our investments. One example is our investment in Siperian, which provides customer data integration solutions to help companies meet regulatory requirements, manage risk, and maintain privacy and information integrity.

Through the Reed Elsevier Pension Scheme statement of investment principles, investment managers use their discretion to incorporate social, environmental, and ethical considerations in their investment decisions. We also offer the Clerical Medical PP Evergreen fund for employees to make tax efficient donations to their pension fund. The fund aims “to achieve long-term capital growth by investing in shares of companies throughout the world whose products, processes, or services contribute to the restoration and renewal of the earth’s ecology or to a cleaner and healthier environment. The Reed Elsevier Pension Investment Board has made a decision not to invest in tobacco companies.

Our CR policy is also shaped by our membership in Business in the Community, Earthwatch, the London Benchmarking Group, the Corporate Responsibility Group, the Media CSR Forum, as well as involvement with the UK All Party Parliamentary Group on Corporate Responsibility, and Respect Table.

Third Party Recognition



Reed Elsevier is a member of FTSE4Good, the Per Cent Club, and the Dow Jones Sustainability Index. In 2005, we were highly commended for our CR activities in the UK National Business Awards, and we came first among commercial media companies in Business in the Community’s Corporate Responsibility Index for the second consecutive year. We currently hold a AAA rating with Innovest Strategic Value Advisors, and we were named one of the Global 100 Sustainable Companies at the 2005 World Economic Forum in Davos.

According to a 2005 assessment by Vigeo, an independent corporate social responsibility rating agency, our CR initiatives demonstrated, “remarkable community involvement best practice – in a sector with high performers in this domain – as well as elaborate policies and tools across most domains under review, and strong developments in the key area of responsible editorial policy.”

Corporate Governance – Background



“Excellence in corporate governance is not an add-on – it is fundamental to the way Reed Elsevier does business.”

Steve Cowden, General Counsel and Company Secretary

We believe good governance is essential for the success of our business.

We support and comply with the provisions and principles of governance set out in the UK Combined Code on Corporate Governance (the UK Code) and the Dutch Corporate Governance Code (the Dutch Code).

We maintain standards of corporate governance and disclosure as applicable to companies listed on the stock exchanges of the United Kingdom, the Netherlands and the United States.

In line with current best practice, information and documents which detail our governance procedures are available to stakeholders at www.reedelsevier.com. See Appendix 1.

The Boards

As former RE Chairman, Morris Tabaksblat, stated at the start of 2005, “Transparency, integrity and accountability is essential to ensure that the interests of the stakeholders in an enterprise – that is providers of capital, customers, employees, suppliers, and civil society and government – are properly considered by management in arriving at decisions that ensure the economic continuity of the enterprise. Only in this way can all stakeholders have confidence in our role within the economic system in which we operate.”



Corporate structure within Reed Elsevier

Reed Elsevier Values



↑ Innovation means we welcome and drive change



↑ Passion For Winning means we are determined to be the best in order to outperform our competition.

The Reed Elsevier values are the starting point for all we do. Customer Focus, Valuing our People, Passion for Winning, Innovation and Boundarylessness are the five guiding principles behind our activities. We monitor the progress of each division as it embeds the values in its processes. Senior executives are assessed on their values leadership and all employees are evaluated on how well they are living the RE values as part of the annual Personal Development Plan process. A key mechanism for training on the RE values is the REorientation site, part of our global intranet aREna. Here, prospective and existing employees can learn more about the five values and explore what it is really like to work in a Reed Elsevier company.

At the annual RE Management Conference for the top 200 managers, which is hosted by CEO Sir Crispin Davis, awards are given to individuals who best exemplify each of the five Reed Elsevier values. As Sir Crispin noted at the 2005 ceremony, "The quality of our management team at Reed Elsevier is better now than it has ever been and it is becoming increasingly hard each year to select just five people as our winners." Winners in 2005 included CEO of RBI UK, Keith Jones, for exceptional leadership in Valuing our People. As Jones stated in an interview on his division's internet site, "These aren't fair weather values. They have to make sense in tough times just as much as when markets are strong. I also think a company defines itself in the way it deals with making difficult decisions much more than the easy ones. Introducing RBI values wasn't a back-door route to cost control, it was part of planning our long-term future. We've made real progress as a company in that time, but we still have a lot to do – and the values will be a constant reminder of how we want to achieve our commercial ambitions."

Innovation means we welcome and drive change. In challenging the status quo, we encourage our people to be entrepreneurial and to learn from mistakes. We constantly look for new ideas and value 'out-of-the-box' thinking.

Customer Focus means we have a passion for understanding and exceeding our customers' expectations. Acting with integrity, we strive to be their indispensable partner.

Passion For Winning means we are determined to be the best in order to outperform our competition. We focus on being a high energy, fast moving, decisive organisation that executes and delivers well, and sets aggressive goals. We hold ourselves accountable for outstanding results.

Boundarylessness means we embrace the global nature of our business and encourage people to work collaboratively across business units, hierarchy, functions and geography. We seek to break down barriers between organisations and encourage our people to support one another, and develop positive partnerships with customers and suppliers.

Valuing Our People means we put the highest priority on recruiting, developing and retaining outstanding people. We recognise and reward achievement and empower staff at all levels to maximise their potential and contribution within a work environment based on respect and open and honest communication.

Furthering our Code of Ethics and Business Conduct

Our Code of Ethics and Business Conduct is a tangible manifestation of our values. It is disseminated to every employee. The Code is a guide to the way we go about achieving our business goals. It helps us behave in an open, honest, ethical and principled manner. It covers such key topics as acceptance of gifts and entertainment, company political involvement, safety, human rights, and protection against retaliation if a suspected violation of the Code or of law is confidentially reported. The Code stipulates that bribery is illegal. Any employee who engages in such activity will be subject to strict disciplinary action, up to and including termination of contract.

Our Code states that Reed Elsevier strictly prohibits employees from using corporate funds for any political contributions except in the United States, where such contributions and activities are permitted if they comply with stringent reporting and disclosure regulations. In the United States, Reed Elsevier requires employees to obtain prior approval from the US General Counsel and the Vice President of Government Affairs of Reed Elsevier Inc. for any and all proposed political contributions.

Along with the Reed Elsevier Values, compliance with the Code is part of the Personal Development Plan to which every employee is subject. This highlights any training on the Code (or the values) that might be required.

The RE CR Forum has annual responsibility for reviewing the Code to ensure this critical document follows current best practice and legislation. There are compliance committees for all four divisions and Reed Elsevier head office staff. In 2005, 1,025 employees attended live code training sessions, while an additional 2000 participated in an online training course developed with the technical assistance of our LexisNexis division. We aim to increase training on the Code to 10,000 employees in 2006. This is a key CR governance goal.

We are taking steps to improve the system through which code breaches can be anonymously reported and are rolling out toll-free lines and web-based reporting systems across the globe. The service provider for these systems will ensure materials are translated into all languages spoken by RE employees. They also provide guidance on worker relations and ensure global programmes comply with relevant privacy laws: for instance France's Commissions Nationale de l'informatique et des Libertés, or CNIL on whistleblowing procedures.

Action on the UN Global Compact - At a Glance

The United Nations Global Compact links businesses around the world with UN agencies, labour and civil society in support of ten principles in the areas of human rights, labour, the environment, and anti-corruption. "Through the power of collective action, the Global Compact seeks to advance responsible corporate citizenship so that business can be part of the solution to the challenges of globalisation...[and] a more sustainable and inclusive global economy."

Since becoming a signatory, Reed Elsevier has sought ways to advance the principles of the UN Global Compact (UNGC) within the company and beyond. In the last year, RE took part in the 2005 Leaders Summit in Shanghai, China; played an active role in the UK Network Steering Group; contributed to its annual Network Conference held in Barcelona; participated in a pilot peer review of the key UNGC monitoring document, the Communiation on Progress; and shared information on its involvement with members of the Media CSR Forum.

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights

> Incorporated in RE's Code of Ethics and Supplier Code of Conduct

Principle 2: make sure that they are not complicit in human rights abuses

> Review and auditing of compliance with RE's Code of Ethics and Supplier Code of Conduct

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining

> Incorporated in RE's Code of Ethics and Supplier Code of Conduct

Principle 4: the elimination of all forms of forced and compulsory labour

> Review and auditing of compliance with RE's Code of Ethics and Supplier Code of Conduct

Principle 5: the effective abolition of child labour

> Review and auditing of compliance with RE's Code of Ethics and Supplier Code of Conduct; financial and other support for community projects like the Karuna Trust which is fostering educational support for children in India, thereby permanently removing them from child labour.

Principle 6: the elimination of discrimination in respect of employment and occupation

> Review and auditing of compliance with RE's Code of Ethics and Supplier Code of Conduct; diversity programmes administered by our RE Human Resources Management Council

Principle 7: Businesses should support a precautionary approach to environmental challenges

> Incorporated in RE's Code of Ethics; Supplier Code of Conduct; the RE Environmental Management System; consultation with NGOs like Earthwatch and governments including the UK's Department for the Environment, Food and Rural Affairs

Principle 8: undertake initiatives to promote greater environmental responsibility

> Incorporated in RE's Code of Ethics and Supplier Code of Conduct and the RE Environmental Management System; promotion of environmental awareness through corporate intranet environmental section; employee environmental campaigns; local gREen teams; support for external organisations like the UK's Green Standards which promotes reuse of IT and electrical equipment

Principle 9: Encourage the development and diffusion of environmentally friendly technologies

> Incorporated in RE's Code of Ethics and Supplier Code of Conduct and the RE Environmental Management System; numerous RE publications that promote environmental awareness and understanding like the "Journal for Nature Conservation;" "The Management of Solid Waste in Europe;" "Macroeconomic Analysis of Environmental Policy;" and "Environmental Sustainability, a Virtual Journal"

Principle 10: Businesses should work against all forms of corruption, including extortion and bribery

> Incorporated in RE's Code of Ethics and Supplier Code of Conduct; review and auditing of compliance with RE's Code of Ethics and Supplier Code of Conduct; new developments like toll-free lines and web-based systems for confidential disclosure on Code violations, including corruption, by employees.

Action on the UN Global Compact

Human Rights

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights

Incorporated in RE's Code of Ethics and Business Conduct:

"Reed Elsevier supports and respects international human rights within the Company's sphere of influence. Reed Elsevier also seeks to ensure that the Company is not complicit in human rights abuses."

Incorporated in: RE's Supplier Code of Conduct:

"At Reed Elsevier we are committed to:

- A standard of excellence in every aspect of our business and in every corner of the world legal, ethical and responsible conduct in all of our operations*
- Respect for the rights of all individuals, including protection of human rights fair and non discriminatory labor practices."*

Principle in Action:

We seek in our giving of products, services and cash to advance global human rights. For example, we supported in 2006 the Bethesda Foundation's publication of a book on human rights in South Africa, bolstered by outreach workshops in secondary schools.

Principle 2: Make sure that they are not complicit in human rights abuses

Incorporated in RE's Code of Ethics and Business Conduct and Supplier Code of Conduct as above

Regular review and internal and external auditing of compliance with RE's Code of Ethics and Supplier Code of Conduct to ensure the Code's principles are met.

Principle in Action:

According to Mike Booth, Strategic Operations Director at LexisNexis South Africa, *"Ensuring that I am properly equipped to do what is required of me is central to being part of Reed Elsevier. Reed Elsevier believes that its people are its most important asset and for that reason they make sure I can perform at my best. I can be confident that I am always at the forefront of modern management and business practices. I really do feel that Reed Elsevier practices its corporate Value of "Valuing our People" by ensuring I have the confidence to be the best I can be."*

Action on the UN Global Compact continued

Labour standards

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining

Incorporated in Reed Elsevier Code of Ethics and Business Conduct:

"In each of the countries in which it operates, Reed Elsevier complies with applicable laws relating to employment and employment conditions. Reed Elsevier respects employees' rights of freedom of association and representation either through trade unions, works councils or any other appropriate forum."

Principle in Action:

Our staff/works councils in Europe, the United States and elsewhere help to engender positive labour/employee relations. Our legal teams, which report to the General Counsel and Corporate Secretary, keep abreast of statutory obligations that may be introduced or vary according to jurisdiction. Our CR Director makes presentations for the benefit of staff, and in 2005 addressed the Dutch Works Council, and employee groups in among other locations, Australia, China, France, the United Kingdom and the United States.

Our Human Resources Management Council is made up of the most senior members of the RE HR community. Every other month, the Council meets to discern, address, and benchmark the key workplace issues facing the company. The senior HR team, led by a new Group Director of Human Resources, undertakes an organisation talent review twice each year to identify advancement opportunities for current staff and develop the in-house bench strength that will help drive the business forward.

Principle 4: The elimination of all forms of forced and compulsory labour

Incorporated in RE's Code of Ethics and Business Conduct:

"Reed Elsevier's labour and employment policies and practices are consistent with and are intended to ensure compliance with the principles of the United Nations Global Compact regarding fair and non-discriminatory labour practices."

"Reed Elsevier prohibits any verbal or physical abuse, or the threat of it, and any other form of intimidation of or by employees in the course of their work. Among other types of abuse or intimidation, Reed Elsevier prohibits sexual harassment or harassment of any kind based upon any of the above mentioned protected characteristic. Sexual harassment refers to conduct of a sexual nature, either verbal or physical, that is unwelcome and that creates a hostile, offensive or coercive work environment. Reed Elsevier also will not tolerate retaliation of any kind against any employee who makes a good faith complaint of abuse, intimidation, discrimination or harassment or who assists in an investigation of such a complaint."

Incorporated in RE's Supplier Code of Conduct:

"Suppliers will not use any forced, compulsory or involuntary labor, whether prison, bonded, indentured or otherwise. Suppliers will not use child labor."

Principle in Action:

Internal and external audits by independent auditors ITS are performed on a rolling basis – high risk suppliers are audited every two years and facilities/suppliers where breaches have occurred are audited annually. Results are communicated to suppliers along with any remediation required. Remediation target dates are agreed and follow up audits ensure resolution of outstanding issues.

We work collaboratively with suppliers to review key sustainability issues through internal and external audits. We encourage our suppliers to drive socially responsible activities forward in their own supply chain and we seek ways to highlight their best practice activities.

Action on the UN Global Compact continued

Principle 5: The effective abolition of child labour

Incorporated in RE's Code of Ethics and Business Conduct:

"Reed Elsevier operates in many different countries with varying labour standards and conditions. Wherever we do business, we seek to ensure that Reed Elsevier and its vendors provide employees throughout the world with satisfactory working conditions and wages (taking into account local economies), specifically prohibiting the exploitation of employees and the illegal hiring of child labour."

Principle in Action:

Reed Elsevier supports community projects like Karuna Trust, which provides educational support to children in India in order to remove them from child labour. We provided funding for a project to provide educational support in slum communities in Pune, India. Our support helped provide study to nine pre-school kindergarten classes, and support 19 study classes for school-going children. We also supported awareness raising and vocational training sessions for the children's parents, to help them provide an ongoing supportive framework.

www.karuna.org

Principle 6: The elimination of discrimination in respect of employment and occupation

Incorporated in RE's Code of Ethics and Business Conduct:

"Reed Elsevier is an equal employment opportunity employer. It is committed to providing a work environment where employees and applicants for employment are treated with respect and dignity and without regard to race, colour, creed, religion, national origin, gender, sexual orientation, marital status, age, disability, membership or application for membership in uniformed services, veteran status, the seeking of workers' compensation benefits, or any other category protected by law. Consistent with this policy, Reed Elsevier prohibits discrimination or harassment of any kind based on any of these protected characteristics."

Incorporated in RE's Supplier Code of Conduct:

"Suppliers will not discriminate in hiring and employment practices, including salary, benefits, advancement, discipline, termination or retirement, on the basis of race, religion, age, nationality, social or ethnic origin, sexual orientation, gender, marital status, political opinion, disability, or any other category protected by law."

Principle in Action:

One of RE's core values is Valuing our People which encourages a work environment based on respect and open and honest communication.

Approximately every 18-24 months the REspond global employee opinion survey is conducted. It helps to continue effective workplace policies and address any weaknesses. All employees are asked to assess how they believe we are living up to our values. Despite our businesses having experienced tough market conditions, most employees felt in the last survey that Reed Elsevier performed better than in previous years. We used the information, particularly feedback on areas for improvement, to make effective changes. In order to increase participation in the 2006 survey, we donated \$0.50 to Save the Children for each survey completed within the first two weeks of its circulation.

Action on the UN Global Compact continued

Principle 7: Businesses should support a precautionary approach to environmental challenges

Incorporated in RE's Code of Ethics and Business Conduct:

"Reed Elsevier recognises that its businesses have an impact on the environment, principally through the use of energy and paper, the use of print and production technologies and the recycling of waste. Reed Elsevier is committed to ensuring that this impact is reduced where practicable and to abide by the three principles on the environment that are set out in the United Nations Global Compact: 1) to support a precautionary approach to environmental changes; 2) to undertake initiatives to promote greater environmental responsibility; and 3) to encourage the development and diffusion of environmentally friendly technologies.

"To satisfy this commitment, Reed Elsevier seeks to ensure that the resources and materials used by our businesses are sustainable, are capable of being recycled and are used effectively with the minimum of waste; that where practicable, we utilise technologies, materials and processes which do not have an adverse impact on the environment and, where such impact is unavoidable, it is minimised; and that our suppliers and contractors have the same objectives."

Incorporated in RE's Supplier Code of Conduct:

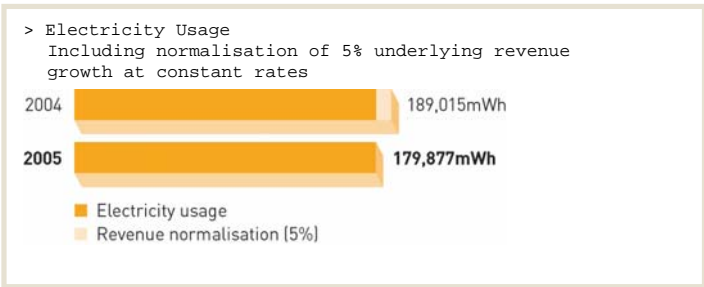
"Suppliers are to ensure that the resources and materials they use are sustainable, are capable of being recycled and are used effectively with a minimum of waste unless Reed Elsevier specifically requests Supplier to use a specific product or material. Where practicable, Suppliers also are to utilize technologies that do not adversely effect the environment; and, when such impact is unavoidable, to ensure that is it minimised."

Principle in action:

Energy Use

We achieved an overall reduction of 1% in absolute total energy usage with a drop from 231,367 mWh in 2004 to 229,461 mWh in 2005. We are continually working to make our reporting more transparent. Therefore, in 2005, we compared our energy consumption against the change in our underlying revenue at constant rates to provide a normalised picture in accordance with DEFRA/Trucost reporting guidelines. This allows us to gauge energy consumption relative to business development.

Underlying revenue growth figures are derived from the RE Annual Report and have been externally audited. Constant rates do not show company acquisitions and are comparable year on year. Between 2004 and 2005 we experienced a 5% increase in underlying revenue at constant rates and added this rate to 2004 figures. Therefore as our business has expanded, energy usage has decreased by 6% from 242,935 mWh in 2004 to 231,367 mWh in 2005 on a normalised basis.



Action on the UN Global Compact continued

Principle 8: Undertake initiatives to promote greater environmental responsibility

Incorporated in RE's Code of Ethics and Business Conduct and Supplier Code of Conduct as outlined in Principle 7

Environmental awareness is promoted through our corporate environmental intranet forum The gREen Room. This enables offices to share examples of best practice and guidelines for energy and waste management in the workplace. In 2005 local gREen Teams were established in 50% of key facilities to promote environmentally responsible practice. External organisations are supported by Reed Elsevier, such as UK's Green Standards which promotes reuse of IT and electrical equipment.

Principle in action:

In 2005, Elsevier's UK head office held a bike week. This included free breakfast for anyone who cycled in to work and a Dr Bike Clinic to help maintain bikes. RBI Norcross, Georgia is rewarding employees who carpool and use public transportation by teaming up on Cash for Commuters with the Atlanta Clean Air Campaign. Those who drive on their own are encouraged to try a commuting alternative such as carpooling, telecommuting, public transit, walking or bicycling to work. Staff can earn \$3 per day and up to \$180 over three months. The programme includes a guaranteed ride home covering the cost of a taxi in the event of an emergency.

As well as standard video conferencing, we have installed Nemo real-time collaborative meeting rooms in our Amsterdam, London, and New York offices. This new video, audio and data service has reduced the number of short and long haul trips colleagues would normally make. We held 418 meetings via Nemo in 2005 avoiding 3,588 hours of flying time and 266 CO₂/tonnes.

What We Saved Using Nemo Real-Time Collaborative Meeting Rooms

| | |
|-------------------------|-----------|
| Journeys | 721 |
| Kilometres travelled | 2,377,676 |
| Flight hours | 3,588 |
| CO ₂ /tonnes | 266 |

Action on the UN Global Compact continued

Principle 9: Encourage the development and diffusion of environmentally friendly technologies

Incorporated in RE's Code of Ethics and Business Conduct and Supplier Code of Conduct as outlined in Principle 7

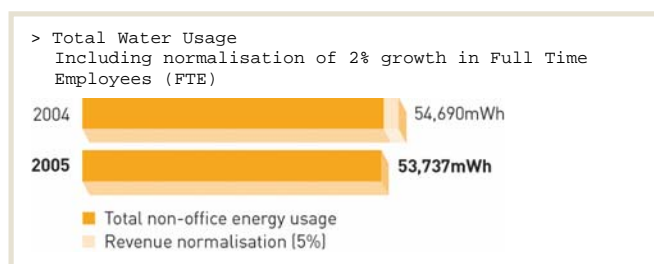
Numerous Reed Elsevier publications promote environmental awareness and understanding such as "Journal for Nature Conservation;" "The Management of Solid Waste in Europe;" "Macroeconomic Analysis of Environmental Policy;" and "Environmental Sustainability, a Virtual Journal".

Principle in action:

Water usage

Absolute total water usage rose 1% from 1,668,141 m3 in 2004 to 1,690,661 m3 in 2005. Water use is led by drinking and sanitation needs. Between 2004 and 2005, a 2% increase in full time employees had a direct impact on water use. On a normalised basis, comparing water usage against employee numbers, there was a 1% decrease over the period: 1,701,504 in 2004 vs 1,690,661 in 2005.

We are seeking ways to limit water use to reduce impact on the local environment. At Elsevier's Linn distribution facility in Missouri, 100% of wastewater is funneled to an on-site lagoon/reservoir and stored for fire protection. Harcourt Austin is using a device from firm Accuwater that uses local weather information to control irrigation and reduce water costs and consumption. LexisNexis Dayton is piloting waterless urinals in combination with a campaign that explains to employees why water conservation matters. Several facilities including RBI-UK Haywards Heath, have moved from bottled water to water machines. While this will increase water consumption, it has the environmental benefit of reducing plastic use and transportation emissions.



Action on the UN Global Compact continued

Principle 9 Case Study: Celebrating Good Partners: UPM Changsu

Reed Elsevier has an increasing presence in China, not only through our own direct operations but also through suppliers. Among them is paper mill UPM Changsu operating on the outskirts of Shanghai.

UPM, a Finish paper producer, maintain a state-of-the-art facility concentrating on fine and specialty papers. It was opened for inspection to RE staff during 2005. UPM has invested over \$1 billion to ensure that the 830 personnel are working under the best conditions while engaging in environmentally sound practices which have garnered ISO 14001 and 9001 certifications.

According to UPM's Chemical Pulp Purchasing Principles, "The use of certified wood as raw material is emphasised in the process of purchasing pulp and selecting pulp suppliers. UPM also expects that the supplier companies will have a certified chain-of-custody monitoring system, which can trace the wood all the way from the forest to the pulping process." Each pulp supplier provides a signed confirmation about the wood origin and its legality once a year.

They can certify that pulp from Finland and Canada comes from PEFC and CSA (CSA has been endorsed by PEFC) certified forests. Where pulp has come from Indonesian acacia plantations, where no national certifications exist, they have conducted internal and external audits to ensure that only accepted acacia fibre is used, certified according to the Indonesian national LEI standard. They also have regular third party fibre length inspection of the Indonesian chemical pulp to verify it originates from acacia plantations only.



Action on the UN Global Compact continued

Anti-corruption

Principle 10: Businesses should work against all forms of corruption, including extortion and bribery

Incorporated in RE's Supplier Code of Conduct:

"Suppliers must comply with all laws related to bribery, extortion and other forms of corruption, and will abide by the related principle adopted in the United Nations Global Compact, which provides that 'business should work against corruption in all its forms, including extortion and bribery.'"

Incorporated in RE's Code of Ethics and Business Conduct:

"Bribery occurs when anyone offers, solicits, gives, receives or accepts anything of value in exchange for favourable treatment by a company, government authority or official. It also occurs when a company secures an unfair advantage over its competitors through secret and corrupt dealings with prospective customers. Bribery is illegal, and any Reed Elsevier employee who elicits, participates in or condones a bribe, kickback, or other unlawful payment or attempts to participate in any such activity, will be subject to strict disciplinary action, up to and including termination. Reed Elsevier also reserves the right to refer such matters to public authorities for possible criminal prosecution."

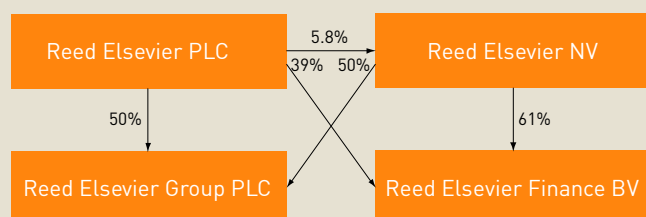
Principle in Action:

We actively promote training on the RE Code of Ethics and Business Conduct. Divisional sales managers complete the online course: "Competing Fairly" covering competition law regarding competitors and customers.

**For more information see the full Reed Elsevier
Corporate Responsibility Report at
<http://www.reedelsevier.com>**



Appendix 1 - Corporate structure



Reed Elsevier came into existence in January 1993, when Reed Elsevier PLC and Reed Elsevier NV contributed their businesses to two jointly owned companies. Reed Elsevier Group plc is a UK registered company which owns the publishing and information businesses, and Elsevier Reed Finance BV is 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.

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 an 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, 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 euro and is subject to Dutch tax law with respect to dividend and capital rights.

Corporate Governance

Compliance with codes of best practice: The Boards of Reed Elsevier PLC and Reed Elsevier NV 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 practicable and not in conflict, also be observed by the other.