

## Wolters Kluwer N.V.

### **TERMS OF REFERENCE AUDIT COMMITTEE**

Adopted by the Supervisory Board on July 28, 2009

#### **0. INTRODUCTION**

- 0.1 These Terms of Reference have been drawn up by the Supervisory Board pursuant to clause 5 of the By-Laws of the Supervisory Board.
- 0.2 The Audit Committee is a standing committee of the Supervisory Board.
- 0.3 Certain capitalized or non-capitalized terms used but not defined in these Terms of Reference have the meanings given to them in the By-Laws of the Supervisory Board.

#### **1. COMPOSITION**

- 1.1 The Audit Committee shall consist of at least three members. All members of the Audit Committee must also be members of the Supervisory Board. All members of the Audit Committee shall be independent within the meaning of clause 1.4 of the By-Laws of the Supervisory Board, with the exception of no more than one member.<sup>1</sup>
- 1.2 At least one member of the Audit Committee shall be a financial expert, in the sense that he has relevant knowledge and experience of financial administration and accounting for listed companies or other large legal entities.<sup>2</sup>
- 1.3 The members of the Audit Committee shall be appointed annually and may be replaced at any time by the Supervisory Board. The Supervisory Board shall appoint one of the members of the Audit Committee as Chairman of the Audit Committee. The Audit Committee shall not be chaired by the Chairman of the Supervisory Board or by a former member of the Executive Board of the Company.<sup>3</sup>
- 1.4 The Company Secretary shall act as Secretary to the Audit Committee. The Company Secretary may delegate his duties, or parts thereof, under these Terms of Reference, to a deputy appointed by him in consultation with the Chairman of the Audit Committee.

#### **2. DUTIES AND POWERS**

- 2.1 Working within the Supervisory Board, the Audit Committee is charged in particular with:
  - (a) the supervision of the Executive Board with respect to:<sup>4</sup>

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<sup>1</sup> Dutch Corporate Governance Code, best practice provision III.5.1.

<sup>2</sup> Dutch Corporate Governance Code, best practice provision III.5.7.

<sup>3</sup> Dutch Corporate Governance Code, best practice provision III.5.6.

<sup>4</sup> Dutch Corporate Governance Code, best practice provision III.5.4.

- (i) the operation of the internal risk management and control systems, including supervision of the enforcement of the relevant legislation and regulations, and supervising the operation of codes of conduct;
  - (ii) the provision of financial information by the Company (including but not limited to the choice of accounting policies, application and assessment of the effects of new rules, information about the treatment of estimated items in the Financial Statements, forecasts, work of internal and external auditors, etc.);
  - (iii) compliance with recommendations and observations of internal and external auditors;
  - (iv) the role and functioning of the internal audit function;
  - (v) the policy of the Company on tax planning;
  - (vi) relations with the External Auditor, including, in particular, his independence, remuneration and any non-audit services carried out by him for the Company (see also clause 3 below);
  - (vii) the financing of the Company; and
  - (viii) the application of information and communication technology (ICT);
- (b) to give advice to the Supervisory Board on the nomination by the Supervisory Board to the General Meeting of Shareholders for the appointment of the External Auditor<sup>5</sup>;
- (c) where necessary, to make proposals to the Supervisory Board on the policy applied in respect of the independence of the External Auditor and possible (potential) conflicts of interest between the External Auditor and the Company; and
- (d) to prepare meetings of the Supervisory Board with the Executive Board where the annual report, the Annual Accounts, the half-yearly and the quarterly figures of the Company are discussed.

2.2 The following Annexes to these Terms of Reference contain further details on some of the duties of the Audit Committee described in clause 2.1:

**Annex 1** – Supervision of external and internal auditors;

**Annex 2** – Supervision of financial reporting and publications;

**Annex 3** – Supervision of compliance with legislation and regulations;

**Annex 4** – Financing and finance-related strategies; and

**Annex 5** – List of information to be included in the report of the External Auditor.

2.3 Each member of the Audit Committee has access to all relevant books, records and offices of the Company and the authority to interview officers and employees of the Company to the extent necessary or useful for the proper performance of his duties. Members of the Audit

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<sup>5</sup> Dutch Corporate Governance Code, Principle V.2.

Committee shall exercise this right in consultation with the Chairman of the Audit Committee and the Company Secretary.

- 2.4 When performing its duties the Audit Committee may seek assistance or information from one or more experts appointed by it at a price agreed upon with the Audit Committee, which will be paid by the Company.
- 2.5 The Audit Committee may only exercise such powers as are explicitly attributed or delegated to it by the Supervisory Board and may never exercise powers beyond those exercisable by the Supervisory Board as a whole.

### **3. DUTIES REGARDING THE EXTERNAL AUDITOR**

- 3.1 The Audit Committee shall act as the principal contact for the External Auditor if he discovers irregularities in the content of financial reporting.<sup>6</sup>
- 3.2 The remuneration of the External Auditor and instructions to the External Auditor to provide non-audit services shall be approved by the Supervisory Board on the recommendation of the Audit Committee and after consultation with the Executive Board.<sup>7</sup> The approval for the performance of non-audit work is given with due observance of the policy of the Supervisory Board regarding the independence of the External Auditor.
- 3.3 The Audit Committee shall determine how the External Auditor should be involved in the content and publication of financial reports of the Company other than the Financial Statements.<sup>8</sup>
- 3.4 The Audit Committee shall request that the External Auditor include in his report the matters which the External Auditor wishes to bring to the attention of the Executive Board and the Supervisory Board in relation to his audit of the Financial Statements and the related audits, which in any event will include the matters listed in Annex 5.<sup>9</sup>
- 3.5 Supplementary to the Executive Board's assessment thereof, once every four years the Audit Committee shall conduct a thorough assessment of the functioning of the External Auditor in the different capacities in which he acts. The main conclusions of this assessment shall be communicated to the General Meeting of Shareholders for the purposes of assessing the nomination for the appointment of the External Auditor.<sup>10</sup>
- 3.6 The internal auditor shall operate under the responsibility of the Executive Board.<sup>11</sup>
- 3.7 The Audit Committee and the External Auditor shall be involved in drawing up the work schedule of the internal auditor. They shall also take cognizance of the findings of the internal auditor.<sup>12</sup>
- 3.8 The internal auditor shall have access to the external auditor and to the Chairman of the Audit Committee.<sup>13</sup>

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<sup>6</sup> Dutch Corporate Governance Code, best practice provision III.5.5.

<sup>7</sup> Dutch Corporate Governance Code, Principle V.2.

<sup>8</sup> Dutch Corporate Governance Code, best practice provision V.1.2.

<sup>9</sup> This obligation could also be included in the Executive Board By-Laws. The obligation should in any case be included in the engagement letter to the auditor.

<sup>10</sup> Dutch Corporate Governance Code, best practice provision V.2.3.

<sup>11</sup> Dutch Corporate Governance Code, Principle V.3.

<sup>12</sup> Dutch Corporate Governance Code, best practice provision V.3.1.

#### **4. MEETINGS**

- 4.1 The Audit Committee shall meet as often as required for a proper functioning of the Audit Committee. The Audit Committee shall meet at least four times a year. The Audit Committee shall meet at least once a year with the External Auditor without the Executive Board being present.<sup>14</sup> The meetings are as much as possible scheduled annually in advance and are held as far as possible shortly before the meetings of the Supervisory Board. The Audit Committee shall meet earlier if this is deemed necessary by the Chairman of the Audit Committee or by two other members of the Audit Committee.
- 4.2 Meetings of the Audit Committee are in principle called by the Secretary of the Audit Committee in consultation with the Chairman of the Audit Committee. Save in urgent cases, to be determined by the Chairman of the Audit Committee, the agenda for the meeting shall be sent at least five days before the meeting to all members of the Audit Committee. To the extent possible, written explanations and/or other related documents will be enclosed for each item on the agenda.
- 4.3 The Audit Committee shall decide if and when the Chairman of the Executive Board, the CFO, the External Auditor and/or the head of the Internal Audit Department should attend its meetings.<sup>15</sup> In addition, independent experts may be invited to attend meetings of the Audit Committee. Each member of the Supervisory Board may attend meetings of the Audit Committee.
- 4.4 The Audit Committee may require any officer or employee of the Company, its external legal advisers or the External Auditor to attend a meeting of the Audit Committee or to consult with members or advisers of the Audit Committee.
- 4.5 When the need arises, the External Auditor may request the Chairman of the Audit Committee be allowed to attend a meeting of the Audit Committee.<sup>16</sup>
- 4.6 The Secretary of the Audit Committee or any other person designated for such purpose by the chairman of the meeting shall draw up minutes of the meeting of the Audit Committee.

#### **5. REPORTING TO THE SUPERVISORY BOARD**

- 5.1 The Audit Committee must inform the Supervisory Board in a clear and timely manner about the way it has used delegated powers and of major developments in the area of its responsibilities.
- 5.2 The Audit Committee shall report annually, and earlier if required, to the Supervisory Board on its dealings with the External Auditor, in particular on the Audit Committee's views of the External Auditor's independence (including the desirability of rotation of the responsible partners of the External Auditor and of whether the External Auditor who is charged with the audit should also carry out non-audit work for the Company).<sup>17</sup>
- 5.3 The Audit Committee shall provide the Supervisory Board with a report of its deliberations, findings and recommendations.<sup>18</sup> The minutes of meetings of the Audit Committee are

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<sup>13</sup> Dutch Corporate Governance Code, best practice provision V.3.2.

<sup>14</sup> Dutch Corporate Governance Code, best practice provision III.5.9.

<sup>15</sup> Dutch Corporate Governance Code, best practice provision III.5.8.

<sup>16</sup> Dutch Corporate Governance Code, best practice provision V.4.2.

<sup>17</sup> Dutch Corporate Governance Code, best practice provision V.2.2.

<sup>18</sup> Dutch Corporate Governance Code, best practice provision III.5.3.

distributed among all members of the Supervisory Board as soon as possible after the meeting concerned.

- 5.4 If requested, the Chairman of the Audit Committee shall at meetings of the Supervisory Board provide the Supervisory Board with further information on the outcome of the discussions of the Audit Committee.
- 5.5 Every Supervisory Board member has unrestricted access to all records of the Audit Committee. A member of the Audit Committee shall exercise this right in consultation with the Chairman of the Audit Committee and the Company Secretary.

## **6. MISCELLANEOUS**

- 6.1 The Supervisory Board may occasionally decide at its sole discretion not to comply with these Terms of Reference, subject to applicable law and regulations.
- 6.2 The Audit Committee shall review and re-assess the adequacy of these Terms of Reference annually, and recommend, where appropriate, any proposed changes to the Supervisory Board.
- 6.3 The Supervisory Board can at all times amend these Terms of Reference and/or revoke any powers granted by it to the Audit Committee.
- 6.4 Clauses 21.4 to 21.7 inclusive of the By-Laws of the Supervisory Board apply by analogy to the Audit Committee, while for the application of these Terms of Reference the power of the Supervisory Board or the Chairman of the Supervisory Board referred to in these Clauses is considered a power of the Supervisory Board or the Chairman of the Supervisory Board.
- 6.5 The annual report of the Supervisory Board as referred to in clause 7.2 of the By-Laws of the Supervisory Board shall state the composition of the Audit Committee, the number of meetings held by the Audit Committee and the main issues dealt with at these meetings.<sup>19</sup>
- 6.6 These Terms of Reference and the composition of the Audit Committee are posted on the Company's website.<sup>20</sup>

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<sup>19</sup> Dutch Corporate Governance Code, best practice provision III.5.2.

<sup>20</sup> Dutch Corporate Governance Code, best practice provision III.5.1.

## ANNEX 1

### SUPERVISION OF EXTERNAL AND INTERNAL AUDITORS

- (1) Assess and evaluate the External Auditor and the lead partner of the audit team of the External Auditor.
- (2) Obtain and review a report from the External Auditor (at least annually) regarding (i) the External Auditor's internal quality control procedures, (ii) any material issues raised by the most recent internal quality control review of the firm, or by any inquiry or investigation by governmental or professional authorities within the preceding five months with respect to one or more independent audits carried out by the firm, (iii) any steps taken to deal with any such issues and (iv) all relationships between the External Auditor and the Company. Evaluate the qualifications, performance and independence of the External Auditor, including considering whether the External Auditor's quality controls are adequate and whether the provision of permitted non-audit services is compatible with maintaining the External Auditor's independence, and taking into account the opinions of the Executive Board and internal auditors.
- (3) Ensure the rotation of the lead (or coordinating) audit partner having primary responsibility for the audit and the audit partner responsible for reviewing the audit as well as the other members of the External Auditor, as required by law, regulation or the Company's Auditor Independence Policy.
- (4) Review and discuss annually with the External Auditor, the internal auditor and the Executive Board the internal audit charter and the independence of the audit process (as prescribed by legislation or regulation and the Company's Auditor Independence Policy).
- (5) Meet with the External Auditor prior to the audit to discuss the planning, scope and staffing of the audit.
- (6) Review the appointment and replacement of the head of the internal audit department.
- (7) Review the reports most significant to the Executive Board prepared by internal audit services and the Executive Board's response.
- (8) Discuss with the External Auditor and the Executive Board the internal audit department's responsibilities, and any recommended changes in the planned scope of the internal audit.

## ANNEX 2

### SUPERVISION OF FINANCIAL REPORTING AND PUBLICATIONS

- (1) Review and discuss with the Executive Board and the External Auditor the annual audited Financial Statements, including disclosures made in management interviews, analyses and the like.
- (2) Review and discuss with the Executive Board and the External Auditor the interim financial statements prior to their release, including the results of any review by the External Auditors of the interim financial statements.
- (3) Discuss with the Executive Board and the External Auditor significant financial reporting issues and judgments made in connection with the preparation of the Company's financial statements, including the quality of earnings, significant deviations between planned and actual performance, any significant changes in the Company's selection or application of accounting principles, any issues as to the adequacy of the Company's internal controls and any special steps adopted in light of control deficiencies.
- (4) Review and discuss reports of the External Auditor on:
  - (i) all major elements of the accounting policies and the methods used;
  - (ii) all alternative treatments of financial information within generally accepted accounting principles that have been discussed with the Executive Board or any member thereof, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the External Auditor; and
  - (iii) other important written communications between the External Auditor and the Executive Board or one of its members, e.g. management letters.
- (5) Discuss with the Executive Board the Company's (i) earnings press releases, including the use of non-GAAP information and (ii) plans and policies of the Company with respect to comments on financial information and earnings guidance given by analysts and rating agencies.
- (6) Discuss with the Executive Board and the External Auditor the consequences of legislative or regulatory initiatives as well as of off-balance structures for the financial reporting by the Company.
- (7) Discuss with the Executive Board the Company's major financial risk exposures and the steps the Executive Board has taken to monitor and control such exposures, including the Company's risk assessment and risk management policies.

### **ANNEX 3**

#### **SUPERVISION OF COMPLIANCE WITH LEGISLATION AND REGULATIONS**

- (1) Obtain reports from the Executive Board, the head of the internal audit service of the Company and the External Auditor to the effect that the Company and its Subsidiaries comply with the applicable legislation and regulations and the internal rules of the Company. Review reports on and intended disclosures on insider and affiliated party transactions. Advise the Supervisory Board on policy and procedures of the Company for compliance with applicable legislation and regulations.
- (2) Discuss with the Executive Board and the External Auditor any correspondence with regulators or governmental agencies and any published reports which raise material issues regarding the Company's financial statements or accounting policies.
- (3) Discuss with the relevant persons in the legal department of the Company the legal issues that may materially affect the financial reports or the policy of the Company regarding its compliance with legislation and regulations.

## **ANNEX 4**

### **FINANCING AND FINANCE-RELATED STRATEGIES**

- (1) Review and discuss with the Executive Board at least once a year the general financial strategy of the Company.
- (2) Review and discuss with the Executive Board the financial policy and financial procedures of the Company, including its currency, hedging, policies and procedures.

The discussions between the Audit Committee and the Executive Board on the above issues shall take place prior to the discussions on these issues between the Supervisory Board and the Executive Board.

## ANNEX 5

### LIST OF INFORMATION TO BE INCLUDED IN THE REPORT OF THE EXTERNAL AUDITOR<sup>21</sup>

Pursuant to Section 2:393, subsection 4 of the Dutch Civil Code, the report of the External Auditor shall contain the matters which the External Auditor wishes to bring to the attention of the Executive Board and the Supervisory Board in relation to its audit of the Annual Accounts and the related audits.

The following examples can be given:

**(A) With regard to the audit:**

- information about matters of importance to the assessment of the independence of the External Auditor;
- information about the course of events during the audit and co-operation with internal auditors and/or any other external auditors, matters for discussion with the Executive Board, a list of corrections that have not been made, etc.

**(B) With regard to the financial figures:**

- analyses of changes in shareholders' equity and results which do not appear in the information to be published and which, in the view of the External Auditor, contribute to an understanding of the financial position and results of the Company;
- comments regarding the processing of one-off items, the effects of estimates and the manner in which they have been arrived at, the choice of accounting policies when other choices were possible, and particular effects of such policies;
- comments on the quality of forecasts and budgets.

**(C) With regard to the operation of the internal risk management and control systems (including the reliability and continuity of automated data processing) and the quality of the internal provision of information:**

- points for improvement, gaps and quality assessments;
- comments about threats and risks to the Company and the manner in which they should be reported in the particulars to be published;
- compliance with articles of association, instructions, regulations, loan covenants, requirements of external supervisors, etc.

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<sup>21</sup> Dutch Corporate Governance Code, best practice provision V.4.3.