

Report  
of the  
Supervisory  
Board

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# Report of the Supervisory Board

## Financial statements

The Executive Board has submitted the 2006 financial statements to the Supervisory Board. The Supervisory Board also took note of the reports and the statements by KPMG Accountants nv (as referred to in Article 27, paragraph 3 of the company's Articles of Association), which the Supervisory Board discussed with KPMG. Taking KPMG's reports into account, the members of the Supervisory Board signed the 2006 financial statements. The Supervisory Board proposes to shareholders that they adopt these financial statements ( see → Financial Statements in this report) at the Annual General Meeting of Shareholders on April 20, 2007. Resolutions to release the members of the Executive Board and of the Supervisory Board from liability for their respective duties will be voted on separately at the Annual General Meeting of Shareholders. In line with the announced dividend policy, it is proposed to distribute a dividend of €0.58 per share in cash, or, at the option of shareholders, in stock. Stock payments will be determined on April 27, 2007, after close of trading. Upon approval by the Annual General Meeting of Shareholders, the payments will be made as from May 3, 2007.

## Activities

The Supervisory Board held eight meetings in 2006. In addition, the Supervisory Board held four conference calls to discuss specific subjects. Two of the meetings started in the absence of the Executive Board. Five of the current Supervisory Board Members were present at all meetings, one member missed one meeting, and one member missed two meetings. One of the meetings was combined with a working visit to Kluwer in Alphen aan de Rijn (the Netherlands). During that meeting, management of the Dutch Kluwer operations gave several presentations.

In accordance with the Dutch Corporate Governance Code, the functioning of the Supervisory Board and the Executive Board and the performance of the individual members of both Boards were discussed in the absence of the Executive Board. In preparation of that meeting, the members of the Supervisory Board provided feedback through a written assessment. Furthermore, individual meetings were held with members of the Executive Board. The composition of the Supervisory Board, the Audit Committee, the Selection and Remuneration Committee, and the Executive Board also was discussed in the absence of the Executive Board. In addition to the scheduled meetings, the Chairman and other members of the Supervisory Board had regular contact with the Chairman and other members of the Executive Board.

The Executive Board has kept the Supervisory Board closely informed about the execution of the three-year strategy and strategic issues in general. Furthermore, the Supervisory Board was closely involved in determining the strategy for 2007 and beyond, as announced on September 27, 2006. This strategy was discussed during several Supervisory Board meetings in 2006, and one additional meeting was entirely dedicated to this subject. In addition to the general strategic future of Wolters Kluwer, these discussions also included the exploration of strategic alternatives for the Education division, the financial outlook for 2007 and beyond, and the dividend policy. The Supervisory Board and Audit Committee also were informed about the general and financial risks of the business and about the results of an assessment of internal risk management and control systems. For more information, see → Risk Management.

The Supervisory Board was kept informed about acquisitions and divestments, and approved the acquisitions which represent more than 1% of Wolters Kluwer's revenues. In addition, the Supervisory Board was kept informed of long-term contracts of significant value. The Supervisory Board approved the increase of the multi-currency credit facility to €1 billion. Other subjects discussed were the 2006 budget, annual and interim financial results and press releases, progress of the shared services project in North America, hedging, outsourcing, technology developments, corporate governance, sustainability, competitive developments, and human resources. As part of his introduction program, Mr. S.B. James, the newest member of the Supervisory Board, appointed on April 26, 2006, had meetings with several corporate staff members and operational managers.

## **Audit Committee**

The Audit Committee met on four occasions in 2006, during the preparation of the annual, half-year, and quarterly results. In 2006, the Audit Committee consisted of Messrs. Scheffers (Chairman), Baan, and Forman. Mr. De Ruiter was a member of the Audit Committee until his retirement on April 26, 2006.

The meetings of the Audit Committee were held in the presence of representatives of the Executive Board, the external auditor, and corporate staff members. In line with the Dutch Corporate Governance Code, the Audit Committee met once with the external auditors without members of the Executive Board being present. Among the main items discussed during the Audit Committee meetings were the financial results of the company, IFRS, pensions, shared services, hedging, tax planning, impairment testing, the financing of the company, internal risk management and control systems including IT systems, and the reports of the internal auditor. The Audit Committee has reviewed the proposed audit scope and approach, the audit fees, the independence of the external auditor, and the non-audit services provided by the external auditor.

## **Selection and Remuneration Committee**

The Selection and Remuneration Committee met twice in 2006. Mr. Forman succeeded Mr. De Ruiter after his retirement, as member of the Committee. The Committee further consists of Messrs. Pennings (Chairman) and Baan. The Committee has extensively discussed the remuneration policy for the Executive Board, including the base salary, new conditional awards of performance shares under the Long-Term Incentive Plan, and targets for the Short-Term Incentive Plan. The Committee engaged an outside compensation advisor to analyze market benchmark levels as well as provide specific recommendations on compensation structure and levels. This advice has been given directly to the members of the Committee. The Executive Board

was not present at the meetings between the members of the Selection and Remuneration Committee and the outside compensation advisor.

The recommendations of the Selection and Remuneration Committee with respect to the remuneration of the Executive Board have been discussed and agreed upon by the full Supervisory Board. For the remuneration policy of the Executive Board, see → Remuneration Report and Financial Statements. The Committee also has discussed the compensation of the Supervisory Board. Based on a recommendation of the Committee, the Supervisory Board proposes to the Annual General Meeting of Shareholders that will be held on April 20, 2007, to increase the remuneration of the Supervisory Board Members by €5,000 per person.

The Committee actively searched for candidates in relation to the retirement of Mr. De Ruiter in 2006. This has resulted in the appointment by the Annual General Meeting of Shareholders of Mr. S.B. James as new member of the Supervisory Board in 2006. Furthermore, the Committee has discussed the succession of Mr. Detailleur, who will retire from the Executive Board in 2007. In accordance with the recommendation from the Selection and Remuneration Committee, the Supervisory Board proposes to the Annual General Meeting of Shareholders that will be held on April 20, 2007, to appoint Mr. J.J. Lynch, Jr. as a new member of the Executive Board.

## Composition

Mr. De Ruiter retired after the Annual General Meeting of Shareholders in 2006 according to the rotation schedule, after serving as member of the Supervisory Board for three four-year terms. He has been succeeded as Chairman by Mr. Baan.

Members of the Supervisory Board are appointed by the General Meeting of Shareholders. At last year's meeting on April 26, 2006, Mr. Baan was reappointed as member of the Supervisory Board. At the same meeting, Mr. James was appointed as new member of the Supervisory Board.

Mr. Pennings will retire after the Annual General Meeting of Shareholders on April 20, 2007, because he has served on the Supervisory Board for the maximum period of three four-year terms. The Supervisory Board has decided to appoint Mr. Wakkie as new Deputy Chairman of the Supervisory Board and as member of the Selection and Remuneration Committee after the retirement of Mr. Pennings. Mr. Forman will become the new Chairman of the Selection and Remuneration Committee. To fill the vacancy that will arise due to the retirement of Mr. Pennings, the Supervisory Board proposes to appoint Mr. B.F.J.A. Angelici as new Supervisory Board Member.

For more information on each of the Supervisory Board Members in accordance with the Dutch Corporate Governance Code, see → Profile Supervisory Board. All members of the Supervisory Board are independent from the company within the meaning of Best Practice Provision III.2.2 of the Dutch Corporate Governance Code.

Mr. Detailleur will retire as member of the Executive Board in 2007. Mr. Detailleur has worked for Wolters Kluwer since 1989. Prior to his appointment as member of the Executive Board per January 1, 1999, he was responsible for the French activities of Wolters Kluwer. The Supervisory Board would like to thank Mr. Detailleur for his years of dedicated service to Wolters Kluwer.

Finally, the Supervisory Board would like to take this opportunity to thank the Executive Board and all employees for their efforts in the past year.