Annual Report 2020

Wolters Kluwer

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2020 Financial Statements

Experience matters more than ever. Our organization moved quickly to provide customers with the solutions that they need to manage the impact of the global pandemic.

Nancy McKinstry
CEO and Chairman of the Executive Board
Wolters Kluwer

Message from the CEO

COVID-19 significantly impacted the world in 2020. Our customers – especially those working in a front-line capacity – experienced pressures, challenges, and complexities as they helped to stabilize our communities. These include healthcare providers, financial institutions, and a variety of business professionals.

At our company, we came together like never before as One Wolters Kluwer to help customers navigate these challenges, utilizing our expert solutions and resources, and contributing to community relief efforts in line with our strategy, values, and purpose. Despite the pandemic, we delivered a solid performance in 2020. We achieved these milestones in line with our strategy to accelerate growth, while supporting long-term value creation in the future.

Personally, I've never been more proud of our organization than I was in 2020. The resilience of all our employees at Wolters Kluwer comes from the strength of our digital operating model, world-class teamwork, and the deep impact we have within society. We were reminded daily of the impact of our work on lives and livelihoods, and of the need to clear away bureaucracy, act quickly, and be agile.

Focused, aligned, and committed

While safeguarding the health and safety of our employees by following the guidance from governments and health experts, our enterprise went almost completely virtual in March 2020. Within 16 days, almost 95% of our workforce pivoted to working from home, with a handful of critical on-site employees serving customers in our offices. The transition was smooth thanks to our investments in technology infrastructure, culture, and innovation. Our experience and foresight enabled this quick change, ensuring our technology deployment and resources were in place to facilitate connectivity and collaboration. The effort from all areas of our enterprise, coupled with alignment and commitment from all employees, greatly impressed me.

Our transition to working from home and beyond was awarded a 2020 Gold Stevie Award under the category of 'COVID-19 – Most Innovative Work from Home Plan'. We stayed productive, which enabled us to protect jobs, while keeping a sharp focus on the health and safety of employees. We quickly leveraged and enhanced our global program to support the physical, emotional, and social well-being of our employees. Additionally, our recent global investment in learning tools supported everyone's professional development and virtual engagement throughout the year. We were pleased to see these efforts reflected in improved employee engagement scores in 2020.

Staying true to our values continued to attract more and more recognition, including those for our leading status as an employer – such as Forbes America's Best Employers for Diversity and Women lists and the Financial Times European Diversity Leaders list. In addition, our expert solutions brought us accolades from the SIIA CODiE Awards, Golden Bridge Awards, and many more.

Above and beyond

Triggered by the impact of the pandemic on our customers, many colleagues went above and beyond, delivering hundreds of COVID-19-related resources and solutions.

Revenues	Digital & services	Recurring revenues
€4.6	91%	80%
billion revenues	of total revenues, up 4% organically	of total revenues, up 4% organically

Countless teams across our organization jumped into action, pivoting our products, and producing informative trainings and webinars to inspire and inform employees, along with virtual events to share our innovations with our customers to help them to stay productive.

Some of our products directly facilitated delivering help where it was needed most, such as those in healthcare and in Environmental, Health, and Safety that dealt directly with COVID-19. Also, the rollout of governmental programs like the CARES Act in the U.S. was supported by our award-winning Paycheck Protection Program (PPP) TSoftPlus software, used by banks and credit unions, that helped to expedite Small Business Administration (SBA) loan applications for small business owners at a crucial time.

Celebrating the tenth anniversary of our Global Innovation Awards program, our teams kept moving forward while working from home. This year's program saw yet more solutions closely aligned to the smart applications of advanced technologies that are focused on the needs of customers.

In the first quarter, we acquired CGE, a leading provider of risk management software. In the third quarter, we acquired XCM Solutions, a cloud-based workflow solutions provider for professional tax and accounting firms, and in December, eOriginal, a leader in digital loan solutions with a proven track record of growth and customer adoption. Integrating these businesses into our enterprise will further enhance our portfolio of expert solutions.

Expanding our impact in the community
Consistent with past years, we celebrated our company values on World Values Day, including the announcement of a global 'Volunteer Day'. Starting in 2021, all employees are allowed to use up to one workday giving back to their communities or to causes that have a positive impact on society. We also conducted a special webinar with our partners at the Princess Máxima Center for Pediatric Oncology in the Netherlands, showcasing the impact of our values in action.

We are guided by the principles of the United Nations Global Compact and acknowledge the importance of the Sustainable Development Goals that the United Nations has set for 2030. Our sustainability approach is underpinned by our ambition to deliver economic, social, and environmental impact, and supports our business strategy. We furthered our commitment to sustainability as part of our day-to-day business with the formation of a Sustainability Governance Board in 2020, that developed a new three-year sustainability strategy based on market trends, peer reviews, and a materiality assessment. We look forward to rolling out this strategy in 2021.

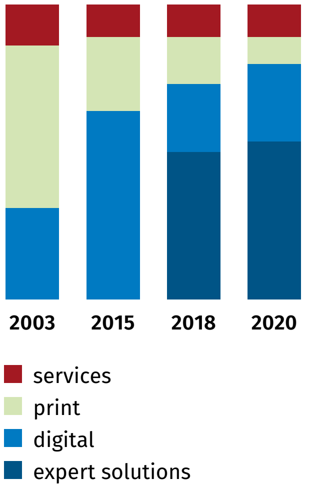
In conclusion, my deepest appreciation goes to our customers, partners, employees, and shareholders for your continued trust and investment. 2020 brought unprecedented challenges and each of you played an integral role in helping us address these, while enabling our enterprise to create value for the long term. I'm confident that our enterprise is well-positioned to continue generating impact for our customers and society, when and where it matters most.

Nancy McKinstry

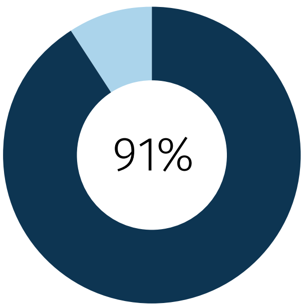
Nancy McKinstry
CEO and Chairman of the Executive Board
Wolters Kluwer

Wolters Kluwer at a Glance in 2020

Transformation

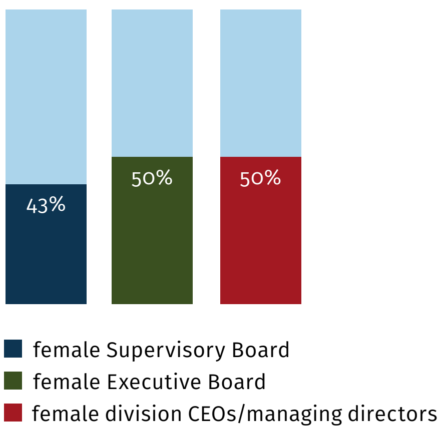


Digital & services



of total revenues,
up 4% organically

Diversity



Our **portfolio** includes: UpToDate, Sentri7, CCH Axcess, CCH Tagetik, eOriginal, OneSumX, Kleos, and Enablon

A rich **184-year** heritage of strong values, deep domain knowledge, innovation, and a continuous focus on the customer

Serving customers in **180+ countries**. Operations in 40+ countries

99% of our employees completed the Annual Compliance Training

100% of major data center suppliers certified according to ISO/ IEC 27001

490 suppliers committed to our Supplier Code of Conduct or equivalent standard

19,200 employees worldwide

84% employee engagement score

2020 Financial highlights

€4.6
billion revenues

24.4%
adjusted operating profit margin

€907
million adjusted free cash flow

1.7%
organic revenue growth

12.3%
return on invested capital

80%
recurring revenues, up 4% organically

In 2020, the share price increased 6%

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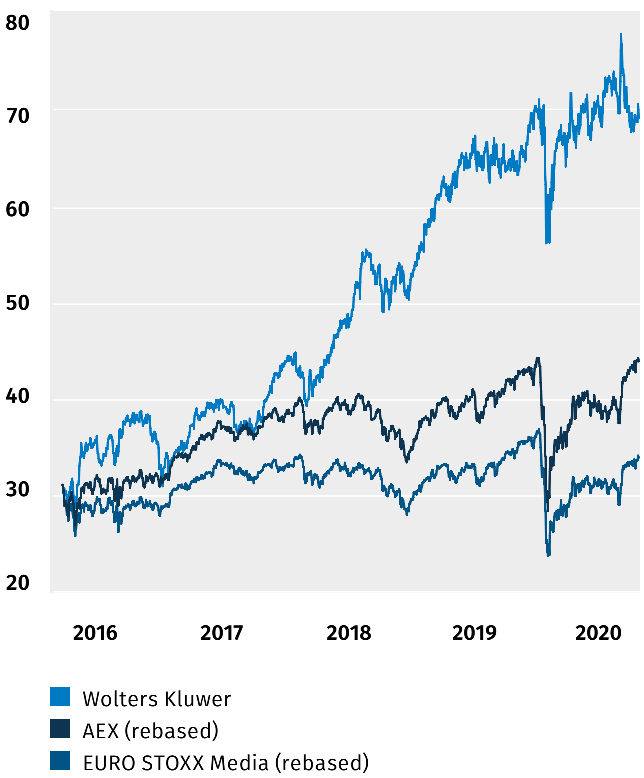


8%-10% of total revenues invested in new and enhanced solutions

Our purpose

Deliver deep impact when it matters most

Value Creation Model

Resources

Human Talent
- Efforts and skills of 19,200 employees

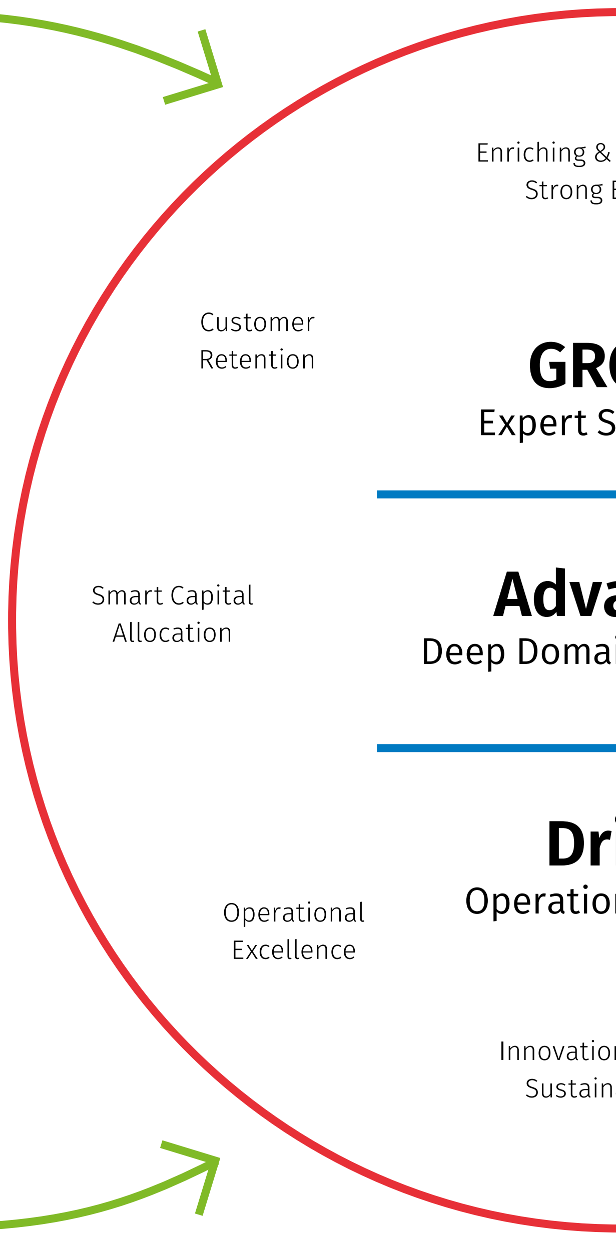
Financial Capital
- €2.1bn equity
- €3.1bn gross debt

Technology & Intellectual Property
- Global brand
- Software and content IP

Business Partners
- Actively selected and managed suppliers

Natural Resources
- Energy and water consumption at our offices and data centers

Business



Sustainable Dev

Our values

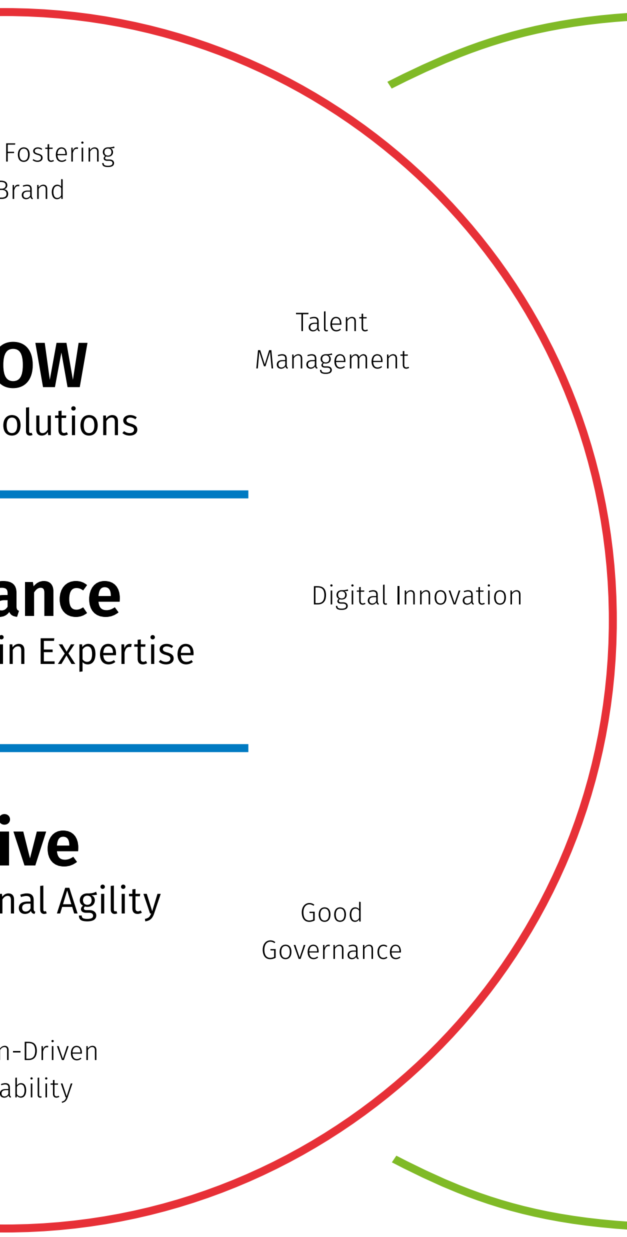
Focus on customer success

Make it better

Aim high and deliver

Win as a team

activities



Impact

Customers

- €4.6bn revenues in professional information, software solutions, and services
- Enabling efficient, effective, and accurate decision-making
- 80% recurring revenues

Employees

- €1.9bn in compensation
- Developing skills, talent, and careers
- Promoting diversity, equity, and inclusion

Investors

- Total shareholder return 8% over 2020
- €54m net interest paid to financial credit institutions

Society

- €221m income tax paid
- Protect people's health and prosperity and contribute to a safe and just society
- Community efforts

velopment Goals

Report of the Executive Board

Resilient in Changing Times

Our customers look to us when they need to be right – for their clients, their patients, their businesses, and the communities they support. COVID-19 has had and will continue to have an immense impact on us all for the foreseeable future. Amidst continuing challenges posed by the pandemic globally, our teams remained focused on serving our customers and adding value with enhanced product capabilities and relevant new solutions, when it mattered most.

Certainty is a valuable commodity sought after globally, now more than ever. Within the company, we find certainty in our teams, in working together, and most importantly, in our relationships with customers. For almost 185 years, customers have relied on us, and we continue to stand with them.

Since our digital transformation, started in 2003, Wolters Kluwer has changed into an expert solutions company. During 2020, we have continued to grow, with 91% of revenues from digital and services, 80% recurring, and with 54% of revenues coming from expert solutions. Wolters Kluwer's digital transformation has helped us be resilient in these unprecedented times, both for our customers and our own organization.

Our mission is to empower our customers with professional information, software solutions, and services they need to make critical decisions, achieve successful outcomes, and save time. We support professionals across four customer segments: health; tax & accounting; governance, risk & compliance; and legal & regulatory. All our customers face the challenges of increasing proliferation and complexity of information, as well as the pressure to deliver better outcomes at a lower cost. The COVID-19 pandemic has added to the macro-economic challenges, impacting most businesses around the world. Many of our customers are looking for mobility, flexibility, intuitive interfaces, and integrated open architecture technology to support their decision-making. We aim to solve their problems and add value with our range of digital solutions and services, which we continuously evolve in order to meet their changing needs.

Successfully working from home

Wolters Kluwer embraces a collaborative, flexible culture. After taking our enterprise virtual in March due to the pandemic, almost 95% of our workforce quickly transitioned to working from home. Prior to COVID-19, 14% of our 19,200 employees worked remotely. Our resilient and collaborative culture has allowed us to stay connected in a number of ways. Everyone was kept informed through virtual town halls, meetings, and regular communication with managers. We have quickly and successfully transitioned to working from home with the tools and resources necessary to do our jobs in a productive and secure manner.

I do miss personal contact with my colleagues. Nevertheless, my team adapted to the entire hiring, onboarding, training, and coaching process that was executed virtually for a new colleague.

Orsolya Szekely
Product Software Engineering Manager
Romania

We offer expert solutions to clinicians, accountants, and lawyers, along with tax, finance, audit, compliance, and regulatory professionals – all of whom are also dealing with the impact of the pandemic. To help our customers respond to challenges from the pandemic, our teams were able to deliver various COVID-19-related initiatives, including product innovations, free product offerings and insights, webinars, and other resources.

Domain experts

Wolters Kluwer's experts showcase deep domain expertise and provide information that accelerates decision making. Our in-house innovation labs and our central technology organization employ specialized technologies to extract actionable insights from data. We work with our teams of industry experts to integrate these insights into seamless digital experiences for our customers in specific areas of interest.

Health
Trusted clinical technology and evidence-based solutions that drive effective decision making and outcomes across healthcare. Specialized in clinical effectiveness, learning, research, and safety, as well as clinical surveillance and data solutions.

Tax and accounting
Enabling tax and accounting professionals and businesses of all sizes to drive productivity, navigate change, and deliver better outcomes. With workflows optimized by technology and guided by deep domain expertise, we help organizations grow, manage, and protect their businesses as well as their clients' businesses.

Finance
Our solutions for regulated financial departments and institutions help customers meet their obligations to external regulators. We specialize in unifying and optimizing processes to deliver a real-time and accurate view of an organization's financial position.

Compliance
Enabling organizations to ensure adherence to ever-changing regulatory requirements, manage risk, increase efficiency, and produce better business outcomes.

Legal
Serving legal professionals in law firms, general counsel offices, and corporate legal departments with data-driven decision-making tools. We streamline legal and regulatory research, analysis, and workflows to drive value to organizations, ensuring more transparent, just, and safe societies.

Progress on our *Accelerating our Value* strategy

While the pandemic has diverted us from our original three-year financial plan for 2019-2021, the crisis has reinforced and validated many aspects of our strategy: the evolution towards digital and expert solutions, the transition to cloud-based software platforms, and the investment to upgrade internal systems, infrastructure, and digital marketing capabilities.

Our strategic priorities for 2019-2021 are:

Grow expert solutions
We will focus on scaling our expert solutions by extending these offerings and broadening their distribution through existing and new channels, including strategic partnerships. We will invest to build or acquire positions in adjacent market segments.

Expert Insights sitting at the heart of our website offer professionals the ability to find the solution they need, based on the challenges they have.

Atul Dubey
Chief Strategy Officer

Advance domain expertise
We intend to continue transforming our information products and services by enriching their domain content with advanced technologies to deliver actionable intelligence and deeper integration into customer workflows. We will invest to enhance the user experience of these products through user-centric design and differentiated interfaces.

Drive operational agility
We plan to strengthen our global brand, go-to-market, and digital marketing capabilities to support organic growth. We will invest to upgrade our back-office systems and IT infrastructure. We have recently completed the modernization of our Human Resources technology as planned to more effectively attract, engage, develop, and retain talent.

Our strategy is focused on organic growth, although we may make further bolt-on acquisitions and non-core disposals to enhance our value and market positions. Acquisitions must fit our strategy, strengthen or extend our existing business, be accretive to diluted adjusted EPS in their first full year and, when integrated, deliver a return on invested capital above our weighted average cost of capital (8%) within three to five years.

In 2020, group-wide product development spend was just over 9% of total revenues. While we continued to develop our expert solutions, we also invested to transform our digital information products, such as our medical research platform Ovid and our legal research solutions, to enhance their content, functionality, and user interfaces, and to add capabilities that leverage artificial intelligence.

In 2020, we acquired three software companies with whom we had long-standing partnerships: CGE, XCM Solutions, and eOriginal. We were also active with divestments: last year, we sold eight assets and businesses that no longer fit our long-term strategic goals, helping us achieve increased focus on expert solutions.

We took steps to drive operational agility, moving further towards standardized technology platforms and components and transitioning products to the cloud. In 2020, we completed the final phase of our HR systems modernization and made progress on upgrading other back-office infrastructure.

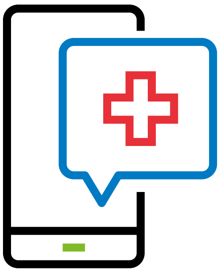
Our strategy aims to achieve high levels of customer satisfaction and an engaged, talented, and diverse workforce, to maintain strong corporate governance and secure systems, and to drive efficient operations that meet environmentally-sound practices.

One Wolters Kluwer, one global website
In 2020, we have brought together hundreds of websites into the One Wolters Kluwer website. As an example of our drive for operational agility, the renewed website offers a unified digital experience for all site visitors and focuses on setting out our expert solutions and the company's deep domain expertise to provide timely, actionable insights that empower customers. Site visitors benefit from the ability to quickly find all of Wolters Kluwer's products and solutions, along with easy navigation to key areas such as About us, Investors, and Careers.

Paycheck Protection Program and preservation of U.S. jobs

In response to the U.S. CARES Act, Compliance Solutions launched a dedicated solution to help its banking and credit union customers access U.S. Paycheck Protection Program (PPP) funding for their small business customers. The award-winning solution, Paycheck Protection Program supported by TSoftPlus, enables banks and credit unions to process loans for small businesses with greater speed, confidence, and compliance. Customers have reported as much as a 20-fold productivity gain by using the solution compared to securing PPP loans direct via the Small Business Administration (SBA) website. Collectively, Wolters Kluwer and eOriginal have enabled hundreds of SBA lenders in the initial rounds of the PPP program, ensuring a contactless borrower experience and, in the process, helping those small businesses save about ten million U.S. workers' jobs.

16 PEACE, JUSTICE AND STRONG INSTITUTIONS



Sentri7 has been enhanced with artificial intelligence to help clinicians identify patients at risk for *Clostridiodes difficile* infection.

Value Creation Model at the core

We aim to optimize our value in the long term through our business model, which uses resources mindfully and efficiently, transforming them into the business activities that support our strategy. These activities produce outputs that benefit our key stakeholder groups – customers, employees, investors, and society – to ensure we make a lasting impact with each of them and contribute to shaping a better future for society. As a member of different communities and society as a whole, Wolters Kluwer maintains regular contact with different stakeholders including investors, Environmental, Social, and Governance (ESG) analysts, rating agencies, government offices, the media, Civil Society Organizations (CSOs), and educational and research institutions. We are a strategic partner or member in (industry) associations and (inter)national advocacy organizations such as the Healthcare Information Management Systems Society, International Society Pharmacoeconomics and Outcomes Research, Accounting Blockchain Coalition, Institute of Internal Auditors, Mortgage Bankers Association, American Financial Services Association, European Company Lawyers Association, International Legal Technology Association, American Bankers Association, and European Risk Management Council.

Commitment to United Nations Sustainable Development Goals

Wolters Kluwer is committed to the United Nations Sustainable Development Goals (SDGs), which address the economic, social, and environmental challenges the world faces.

We support and contribute to the SDGs through the innovative products and services we deliver, through our engaged employees, through our sustainable returns, and by making an impact on society. As shown in our Value Creation Model, we have identified three SDGs to which we believe we can contribute most, as an investor, innovator, employer, and provider of products and services. Below are the SDGs we focus on and the outcomes we promote:

SDG 3: Good health and well-being

Our products protect and enhance people's health by:
- Creating better-skilled health professionals;
- Improving knowledge and evidence about diseases and symptoms;
- Helping professionals improve treatment and decision making and engagement of patients; and
- Aiding society by making products and services available free of charge in a global crisis, as we did during the pandemic, or in disaster zones.

Enablon and CGE Risk Management Solutions quickly supported customers by launching new features, based on World Health Organization guidelines.

SDG 9: Industry, innovation, and infrastructure

Innovation is critical for long-term sustainable growth. Transformed into a digital company, our innovative products and services bring significant value to our customers. Highlights include:

- Being a digital company, 91% of our revenues coming from digital and services;
- A focus on innovation, with 8%-10% of total revenues invested in new and enhanced solutions;
- Combining predictive analytics, machine learning, natural language processing, and human expertise into our solutions; and
- The culture of innovation among our employees through our innovation contests including the annual Global Innovation Awards and Code Games.

SDG 16: Peace, justice, and strong institutions

Our products and services help promote security and reduce risk, as we:

- Promote the rule of law by making information on laws and regulations available;
- Provide solutions that help our customers comply with regulatory and legal obligations, including anti-corruption and anti-bribery;
- Help enhance public and professional access to legal and tax information; and
- Provide information solutions that promote human rights, including non-discrimination and equal opportunity.

More information about our contribution to the SDGs can be found on our website.

Cultivating a work environment with highly engaged employees, representing the diversity of the communities in which we work.

Creating Value Through Our Contributions

Our work helps to protect people's health and prosperity and contributes to a safe and just society by providing deep insights and knowledge to professionals. We have a continued commitment to cultivating a work environment with highly engaged employees, representing the diversity of the communities in which we work, contributing to society by delivering value for customers, while doing our part to protect the environment for today and for future generations. We are guided by international guidelines such as the Organization for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises, the United Nations Guiding Principles on Business and Human Rights (UNGP), and the principles of the United Nations Global Compact.

Materiality

We identify economic, environmental, social, and governance topics that are linked to the interests of our stakeholders and are relevant to the success of our business. We assess the level of importance of these topics to our stakeholders and to Wolters Kluwer, regardless of the maturity of these areas at the enterprise. In 2020, we performed a full materiality assessment through the following steps:

- Engaged a leading firm in ESG to gain an external perspective;
- Selected a list of 25 topics based on internal and external sources including: market trends, peer benchmarking, prior materiality analyses, and reporting frameworks such as the Global Reporting Initiative and the Sustainability Accounting Standards Board;
- Engaged key stakeholders via interviews and surveys to understand the relative importance of the topics. These included customers, business partners, senior executives, employees, investors, and suppliers; and
- Ranked the topics based on feedback from our stakeholders and checked against the company's corporate risk assessment.

Based on the internal and external sources reviewed as part of the 2020 assessment and compared to the 2019 assessment, we added a few new topics to our materiality assessment while some topics were split or combined and others have been renamed.

The overall results show that topics identified by our stakeholders as most material to Wolters Kluwer's business outcome, were a combination of:

- **Governance and products topics:** These are two categories that are instrumental to Wolters Kluwer's core business and are already being actively managed, both centrally and within divisions;
- **Social topics:** Social issues are pivotal to all our stakeholders. We continue to focus on social topics, particularly those pertaining to our employees; and
- **Environmental topics:** While environmental impact is low for the industry that Wolters Kluwer operates in, it is key to attracting and retaining the next generation of talent.

Our sustainability journey

Our approach to sustainability incorporates environmental, social, and governance areas in our efforts to create value for all our stakeholders. As an important driver for creating long-term value, sustainability helps us focus on where we can maximize our social contribution and minimize our environmental footprint, whilst sustaining financial results. Since the release of our first Wolters Kluwer Sustainable Entrepreneurship Report in 2004, we have made significant steps in our sustainability journey.

Sustainability journey

2011
Introduction of our *Innovation-Driven Sustainability* strategy

2012
Launch of responsible supply chain program

2015
Launch of global compliance training program

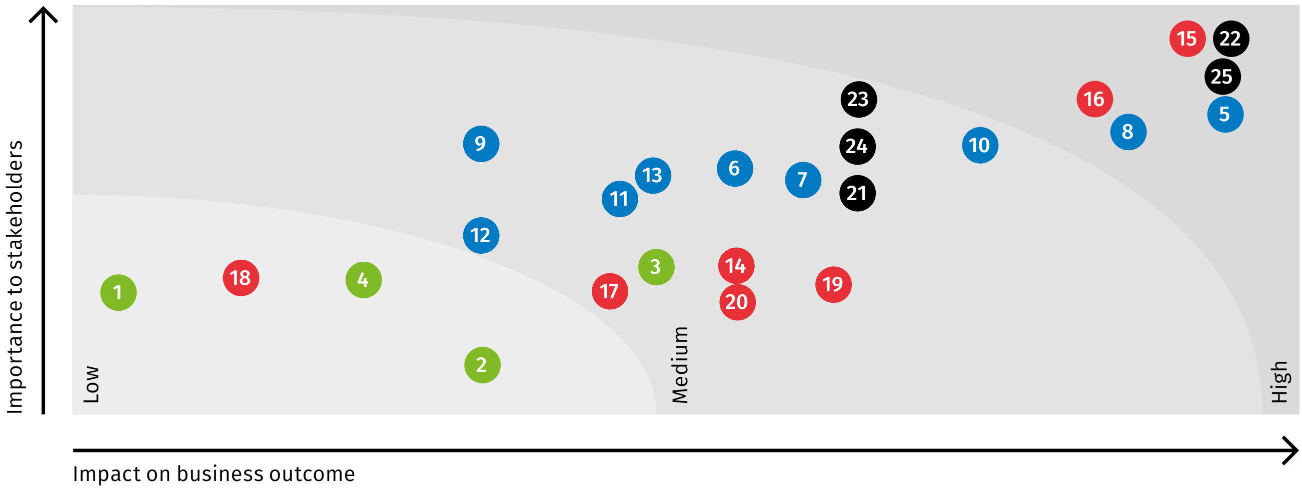
2015
Introduction of the Product Impact Portfolio

2017
Start of integrated reporting process

2018
Launch of Green Is Green program

2020
Formation of the Sustainability Governance Board and development of new three-year 'ENGAGE' sustainability strategy

Materiality matrix



- **High:** table stakes and focus areas for sustainability strategy
- **Medium:** important areas for sustainability activity and initiatives
- **Low:** watch list items

Environmental topics
1 Circular economy
2 Climate resilience
3 Carbon footprint
4 Waste and water management

Social topics
5 Employee engagement and talent management
6 Employee compensation
7 Employee health, safety, and well-being
8 Diversity, equity, and inclusion
9 Labor practices
10 Training and professional development
11 Community involvement
12 Employee volunteering
13 Responsible supply chain management

Governance topics
14 Board diversity
15 Cybersecurity and data privacy
16 Ethics, compliance, and governance
17 Executive compensation
18 Public policy
19 Responsible Artificial Intelligence (AI)
20 Tax responsibility

Product topics
21 Products design and lifecycle management
22 Customer focus and relationships
23 Editorial quality and integrity
24 IP and copyright protection
25 Product impact and innovation

Sustainability strategy

E	N	G	A	G	E
ENHANCE employee engagement and talent management	**NURTURE** diversity, equity, and inclusion	**GROW** product impact and innovation	**ADVANCE** cybersecurity and data privacy	**GENERATE** a smaller environmental footprint	**ENRICH** our communities

Building on a strong foundation, in 2020 we began the development of a new three-year sustainability strategy based on the 2020 materiality assessment, market trends research, and peer reviews. The 2021-2023 ENGAGE sustainability strategy was approved by the Executive Board and focuses on six areas.

Strong governance and business ethics continue to serve as the foundation for our sustainability strategy. The new strategy will be rolled out in 2021 and includes a set of goals, targets, and actions to advance Wolters Kluwer's performance around each of the focus areas, which we will report on in the next annual report. Several of these targets are also included in executive performance and incentive plans for 2021. See *Remuneration Report* for more information.

Environmental contributions

Wolters Kluwer takes a stand against climate change and we continuously reaffirm our commitment to environmental responsibility, as they relate to both our suppliers and our own operations. Our overall risk related to environmental matters is considered relatively low, due to the industry in which we operate, the types of products and services we deliver, and the customers and suppliers we deal with. We continue to evaluate our environmental and climate change-related risks and opportunities. We strive to positively impact the environment in three specific ways:

- Reducing carbon emissions from our operations;
- Promoting environmental awareness and engagement; and
- Investing in green opportunities and innovation.

Our effort to minimize our environmental impact contributes to the COP21 Paris Agreement of December 2016 on limiting global warming.

Reducing carbon emissions from our operations

As a digital business, the impact of our activities on the environment is relatively low, and consists mostly of the consumption of energy, water, and waste in our offices and data centers around the world. We continue to monitor our consumption and seek to implement energy-efficient best practices. In line with our Environmental Policy, we can make the largest impact in reducing our environmental footprint by:

- Reducing office space;
- Migrating our servers to energy-efficient cloud solutions; and
- Minimizing business travel.

Reducing office space

We constantly look for opportunities to reduce the environmental footprint of our offices. In 2020, we launched a global real estate rationalization program to reduce space in line with the trend of remote working. In addition, we have added sustainability and green office standards to our leasing requirements. During 2020, we delivered a 7% organic reduction in our office footprint by closing smaller offices. The company's real estate consolidation strategy has a positive impact on reducing energy, water, and waste consumption.

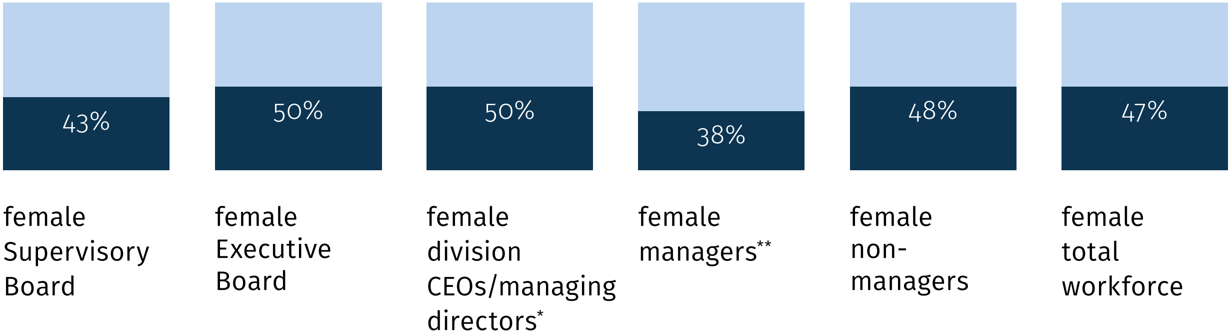
Migrating our servers to energy-efficient cloud solutions

As part of our cloud migration strategy, Wolters Kluwer consolidated 11 data centers in 2020 which resulted in the migration of over 185 applications to the cloud. Using cloud platforms is more energy-efficient than on-premise data center locations. This transformation has resulted in other benefits which include cybersecurity protection, availability, and standardization. As our major cloud providers operate on higher energy efficiency, we further reduce our environmental impact by outsourcing and further consolidating our data center activities.

#NoiCiSiamo campaign in Italy

When the COVID-19 pandemic hit Italy in early March, putting the country at the center of the crisis, our TAA Italy colleagues quickly launched the #NoiCiSiamo campaign – 'We are with you' – to support our employees, customers, and prospects. To help employees during this challenging time, the team created a smart engagement program on social network Yammer. An internal cross-functional taskforce with representatives from different departments was established to help reduce the time-to-market for new solutions. Additionally, a group of internal ambassadors was formed to help spread information to customers quickly and efficiently. Work-from-home activities and over 70 webinars were organized to help keep engagement high. For external stakeholders, the campaign focused on national media and our own digital channels, including email, social media, and websites. On Facebook alone, the campaign resulted in a 116% increase in followers.

Diversity



* Includes the division CEOs/managing directors of the operating divisions: Health, Tax & Accounting, Governance, Risk & Compliance, and Legal & Regulatory.

** Managers are defined as employees having three or more direct reports.

Minimizing business travel

Prior to COVID-19, we had aimed to reduce business travel by about 10% in 2020 in order to reduce CO_2 emissions and baseline cost. The pandemic has since accelerated business travel reduction at a much faster rate, which resulted in a decrease of 72% in our business travel-related CO_2 emissions. This also forced us to shift business travel demand to virtual meetings and events to fully support our global operations. The shift to virtual meetings and events will enable us to continue reducing our travel as the effect of COVID-19 abates.

Promoting environmental awareness and engagement

In addition to reducing our environmental footprint, we engage our employees and community to spread environmental awareness. Our Green Is Green program includes a volunteer-led green network to implement green best practices and create opportunities for employees to connect and share knowledge on sustainability. In addition to Green Is Green, our teams volunteered in the global community. For example, Enablon planted 2,310 trees in the U.S. and Tax & Accounting Sweden planted 2,605 trees in Eastern Africa.

Investing in green opportunities and innovation

As part of our corporate strategy, we have been actively focusing on an increase of revenues from digital products and services, which represent 91% of total revenues in 2020. Our digital products and services are considered ‘circular’, as they can receive updated content on the original product, reducing waste for our customers. We continue to grow our expert solutions through innovation and accelerating our global platform and cloud-based integrated solutions. Our Enablon suite includes greenhouse gas emissions software to help our customers become more green by tracking corporate emissions data. In addition to green investments and innovation through our products and services, we are also exploring green funding opportunities.

Social contributions

Wolters Kluwer aims to protect people’s health and prosperity and contribute to a safe and just society. Our overall risk with respect to social, employee, and human rights-related matters is considered relatively low, due to the markets we operate in, the types of products and services we deliver, our highly qualified employees, and the customers and suppliers we deal with.

Diversity, equity, and inclusion

We continuously strive for an inclusive company culture in which we attract, develop, and retain high-performing, productive, engaged, and diverse talent to deliver on our strategy. As a global company, having a diverse workforce from different backgrounds, nationalities, races, ethnicities, genders, gender identities, ages, sexual orientations, marital status, disabilities, or religions is of the utmost importance. For more information on our diversity, equity, and inclusion initiatives, see *Relying on our strong culture and values*.

Wolters Kluwer offered free guest passes to the UpToDate solution to clinicians around the world until late May. Over 77,000 guest passes were used.

Protecting human rights
We support human rights as outlined in the Universal Declaration of Human Rights, the core standards of the International Labor Organization, the United Nations Global Compact, and the United Nations Guiding Principles on Business and Human Rights. We strive to ensure that our activities will not infringe upon them. We expect our business partners to support the same human rights standards by committing to our Supplier Code of Conduct.

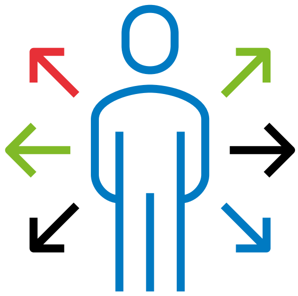
Our approach to human rights is emphasized in our Code of Business Ethics and our Human Rights Policy, and includes topics such as equal opportunity and non-discrimination, health and safety, and fair pay. Feedback from our employees is very important to us and we actively work with Works Councils and participate in collective bargaining where applicable. We are monitoring our employee compensation to ensure that we provide a living wage to our employees. We benchmarked our wages to the Global Living Wage Coalition (GLWC) 2019 benchmarks. The scope of the benchmark covers employees in countries for which a GLWC benchmark is available over 2019. The outcome is that our employees in scope for the benchmark are paid above the living wage standard of the GLWC.

Responsible supply chain
Through our comprehensive third-party risk management program we engage with our suppliers to ensure we have a responsible supply chain throughout our operations. Suppliers that are managed through our central supplier database are required to complete a due diligence questionnaire providing information on their policies for data security and data privacy, human rights and labor conditions, workforce diversity, environmental measures, and more. Based on the supplier risk classification, this due diligence is repeated every one to three years. We also request suppliers to sign our Supplier Code of Conduct or to have their own equivalent standard, committing them to following applicable laws and regulations in areas such as human rights, labor conditions, anti-bribery, and the environment. In total, 490 suppliers signed our Supplier Code of Conduct or had their own equivalent standard (2019: 261). For 2021, our target is to increase this to 590 suppliers.

Community involvement and volunteering
Providing knowledge, experience, resources, and funding are the ways in which we support local communities. Our people, products, and services are available in areas of need to make a sustainable, long-term, positive impact. We support community efforts that are aligned with our strategy and our focus SDGs, have a high degree of local impact, and create personal engagement amongst our employees. Our new Volunteer Day Off policy offers all employees up to one day off per year to spend in support of eligible non-profit organizations. This new policy supports Wolters Kluwer's values as well as our commitment to sustainability and the advancement of an equitable, inclusive community and society.

Wolters Kluwer in China provided legal, tax, and accounting professionals with free access to BOLD (a Chinese legal database), Kluwer Law International resources, and China Tax Accounting & Reference and trainings activities.

Wolters Kluwer in Italy donated funds to Luigi Sacco hospital in Milan, used for the purchase of equipment for the intensive care unit and the hospital's research laboratories.



Good governance is key to upholding our history of high ethical standards.

Governance contributions

We are committed to protecting our people, environment, assets, and reputation. Good governance is key to upholding our history of high ethical standards and improving our company's decision-making processes. Our ethics and compliance policies and procedures form the basis of our governance framework.

Acting with integrity

Wolters Kluwer is committed to using high standards of professional conduct and ethics in achieving its goals. In 2020, we released our new Code of Business Ethics, a practical framework for our employees on how to conduct their work. Our daily operations must align with our values and Code of Business Ethics. They are fundamental to how we do business with our customers, partners, and society at large – today and in the future. The Code of Business Ethics commits us to complying with legal and regulatory requirements and covers topics such as non-discrimination, insider dealing, anti-corruption and anti-bribery, conflict of interest, and trade compliance, many of which are further detailed in underlying company policies. We also developed a new global Anti-Bribery and Anti-Corruption Policy that will be rolled out in 2021.

Our online Annual Compliance Training, consisting of courses on the Code of Business Ethics, IT and cybersecurity, and data privacy, was provided to all active employees globally in 2020. 99% of our employees had completed this required training by year-end. New hires receive the training program upon their onboarding.

Reporting concerns safely

We encourage our employees to report any concerns, including suspected violations of the Code of Business Ethics or other company policies, to their manager, Human Resources, Legal, or senior management. In addition, SpeakUp – our global reporting system operating through an external provider – offers our employees a confidential channel for reporting concerns to the Ethics & Compliance Committee, with the option to report anonymously where permitted by law. In 2020, less than 20 concerns were reported to the Ethics & Compliance Committee. We investigated all concerns reported and closed these matters. None of the concerns reported to the Ethics & Compliance Committee had a material impact on the company.

Cybersecurity

As a digital company, we know that cybersecurity is top of mind for our customers, who rely on us to deliver our platforms and services safely and reliably, while safeguarding their data. We are committed to cybersecurity and resilience, with our customers' success at the center of everything we do. In 2020, we continued to expand our investments in cybersecurity technologies and skilled personnel. In addition, with the unprecedented transition of the majority of our workforce to remote working due to the pandemic, we empowered our employees with e-learning courses and information focused on security best practices while working from home, to complement existing compliance training.

A strong data privacy program is essential to protect our company's reputation and our ability to offer expert solutions.

Data privacy

We are committed to protecting our customers' and employees' personal and professional information. We deliver on this promise by striving to keep information secure and respecting the rights of individuals to protect their personal data. Our customers demand a strong and sound data privacy strategy and the secure storage, handling, and processing of their data – always. A strong data privacy program is therefore essential to protecting our company's reputation and to our ability to offer expert solutions. Our data privacy strategy consists of three focus areas:

- Accelerate the development, implementation, and orchestration of the global privacy baseline across divisions and key countries;
- Enhance the level of maturity of the privacy processes; and
- Leverage and strengthen privacy awareness across the company.

We aim for a uniform and consistent approach towards data privacy in addition to being efficient and effective. Many countries around the world have passed, or are in the process of passing, new data privacy laws that resemble the EU General Data Protection Regulation and raise the bar for companies and their customers. It is very important for every employee to be aware of these new laws and their impact on our customers and fellow employees. As part of our 2020 Annual Compliance Training, we launched a global Data Privacy Awareness course to all our employees.

Product contributions

Every day our customers face decisive moments that impact the lives of millions of people and shape society for the future. In these crucial moments we put sound knowledge, deep expertise, and usable insight into their hands at the right time in the right format for their specific set of circumstances.

Customer retention

80% of Wolters Kluwer's total revenues are recurring, reflecting the importance we place on customer satisfaction and retention. Interaction with customers before, during, and after the development phase helps us to adjust and deliver our solutions according to their exact needs. Customer satisfaction is also monitored by various programs, including the Net Promoter Score. Our high customer retention rates demonstrate that most of our customers are satisfied and continue to use our products and services year over year. We engage with our customers on a wide variety of matters, including product development, user conferences, and surveys.

Innovation in our DNA

Innovation has always been an integral part of Wolters Kluwer and is key to delivering on our *Accelerating Our Value* strategy. Continuing to invest in our market-leading expert solutions driven by our employees through programs like our Global Innovation Awards (GIA) stems from our ability to anticipate the needs of our customers. Since 2010, thousands of colleagues across Wolters Kluwer teamed up to hatch their most innovative concepts in the GIA program, and 75% of the winning ideas have been brought to life. Ten years in, the program has matured, based on the increased quality of submissions and the number of repeat innovators.

Lien Solutions won the 2020 Global Innovation Award with the UCC Manage product suite, providing comprehensive, automated lien management over the entire lien lifecycle.

The program features potential new products and solutions that contribute to our ongoing shift to global platforms and cloud-based, integrated expert solutions. Even during these challenging times, different teams across Wolters Kluwer have come together to serve customers with brand new innovations. In 2020, we received around 220 submissions, with 70% of them client-facing and the rest internally focused. This resulted in six winners, with two teams receiving a special award from the Chairman in recognition of their extreme agility and time to market in addressing opportunities and customer pain points brought about by the pandemic.

COVID-19 impact

Wolters Kluwer has not been immune to the effects of the COVID-19 pandemic. The situation required an agile response from our organization. Increased efforts were made to safeguard employees, support customers, and to ensure business continuity. Since mid-March 2020, approximately 95% of Wolters Kluwer employees have been working from home. We are planning for a gradual and partial return to our offices in the second half of 2021, when and where circumstances allow. Significant investment was made in innovation and new content in 2020, to support customers in navigating through the crisis. For example, our Health division expanded its COVID-19 content, tools, and resources to support healthcare providers and medical researchers. In our Tax & Accounting division, CCH Tagetik rolled out new products to allow corporate finance teams to rapidly perform the scenario analyses necessitated by the pandemic. Our Compliance Solutions group in Governance, Risk & Compliance was one of the first providers to deliver software capable of supporting banks in lending under the U.S. PPP program. And in Legal & Regulatory, Enablon introduced COVID-19 modules for its EHS/ORM platform enabling users to better manage workplace health risks posed by the virus. This innovation and agility over the past year helped mitigate the challenges posed by the pandemic which were most visible in our print and non-recurring revenues and our new sales intake.

Impact of our products

Our expert solutions – combining deep domain knowledge with advanced technology – deliver better outcomes, more insightful analytics, improved productivity, and the ability to solve complex problems for our customers. We provide real value by helping them realize their potential and deliver impact when it matters most.

Our Product Impact Portfolio (PIP), included in the *2020 Environmental, Social, and Governance Data Overview*, serves as a framework for inspiring sustainable innovation. This portfolio helps to identify the impact our products have on customers and society. Each year, three top expert solutions from each division are selected to be included in the PIP. We use selected indicators around economic, social, and environmental topics and measure whether a solution contributes to these indicators.

Please see our 2020 Environmental, Social, and Governance Data Overview, *available on our website, for an overview of the environmental, social, and governance data we report on.*

Managing risk in pharma

In a broad campaign in the second half of the year, Wolters Kluwer reached out to the pharmaceutical industry. Enhanced risk controls help these companies to push for breakthroughs that benefit us all. While companies everywhere adjust to the new normal, in pharma and biotech risk control is business as usual.

The fundamental nature of risk in life sciences is governed by the odds. Only one in twenty drugs makes it to clinical trial. More than 99% fail to make it through to production and yet despite the low chances of success, expectations of a breakthrough are high. Without risk, the exploring company cannot advance.

Our expert solutions

Our expert solutions – a combination of deep domain knowledge with advanced technology and services – deliver better outcomes, analytics, and improved productivity for our customers. We are recognized and valued for helping them realize their potential and delivering impact when it matters most.

UpToDate Advanced includes interactive evidence-based clinical guides and concise monographs developed to address unwarranted care variability in common medical conditions. With 75 UpToDate Pathways and more than 120 Lab Interpretation monographs, clinicians can use UpToDate Advanced to arrive at the best decisions for their patients in view of contemporary evidence, clinical experience, and patient-specific factors.

Sentri7 clinical surveillance technology and AI capabilities empower clinicians to surveil the patient population in real time to identify any patients at risk. Advanced analytics and ready-made reports deliver visibility into a spectrum of clinical initiatives focused on improving care and outcomes.

POC Advisor delivers scientifically-proven real time detection of sepsis. Applying AI-powered algorithms, natural language processing and evidence-based content to electronic health record data, POC Advisor delivers highly sensitive and specific alerts, so frontline clinical staff are able to intervene early with the right care. Combined with prescriptive analytics, this eliminates alert fatigue, improves interventions and outcomes, and reduces the overall cost of care.

vSim for Nursing is an interactive, cloud-based simulation solution that prepares students for patient-centered practice. vSim complements course learning and prepares and reinforces lessons of high-fidelity patient simulators, allowing students to hone their prioritization, clinical reasoning, and decision-making skills in a safe environment.

Supporting all financial functions and simplifying complex processes from planning all the way through disclosure management, the **CCH Tagetik** Finance Transformation Platform enables finance personnel to spend less time managing and controlling processes and more time focused on driving business results.

As the accounting profession's first modular, cloud-based tax preparation, compliance, audit, and workflow management solution, **CCH Axcess** delivers a set of innovative features designed to make the tax and accounting profession more efficient and profitable. It provides professionals with on-demand mobile services, real-time collaboration with clients, and current regulatory guidance. **CCH Axcess iQ** allows users to analyze their **CCH Axcess Tax** data to match potentially-impacted clients with tax legislation change triggers.

Expert solutions accounted for

54%

of total revenues in 2020.

The **OneSumX** suite of integrated regulatory compliance solutions provides financial institutions with unparalleled capabilities to analyze, interpret, manage, and address their ever-changing global regulatory reporting and compliance obligations. The OneSumX solution suite is made up of four areas: **OneSumX for Regulatory Reporting, OneSumX for Finance, OneSumX for Risk Management,** and **OneSumX for Compliance Management**.

ELM Solutions' Passport, TyMetrix 360° LegalVIEW, and **CLM Matrix** solutions use advanced technology and artificial intelligence to enhance the legal operations and contract management workflow. They help corporate legal and insurance claim departments to thoroughly and efficiently manage their legal matters, spend, and contracts to attain better outcomes. **LegalVIEW BillAnalyzer** is an AI-enabled expert bill review solution that delivers up to 10% cost-savings compared to existing invoice review processes, plus up to 20% increase in billing guideline compliance. CLM Matrix is an easy-to-use contract lifecycle management solution that helps companies manage their end-to-end contract processes efficiently and securely to drive better business outcomes.

eOriginal is a trusted solution in digital lending technology with a proven platform that securely digitizes the lending process from the borrower to the secondary market. eOriginal enables lenders, investors, and their partners to create and manage digital loans while enabling secure and trusted transactions of digital loan assets. The eOriginal suite includes four key offerings: Management, eAsset Management for Mortgage, eOriginal SmartSign, and eOriginal ClosingCenter.

Enablon, a leading provider of Integrated Risk Management, Operational Risk Management, EHS, and sustainability software solutions, supports hundreds of global industry leaders and millions of users to increase safety, manage environmental performance, minimize risks, and improve profitability and sustainability. Recognized for its best-in-class user experience, Enablon supports over 100 EHS and risk workflows.

Kleos is a cloud-based practice management software solution for law firms. Offered in ten countries with 25,000 active users, Kleos leverages cloud and mobile technologies in a highly secure environment for managing legal documents, cases, and the workflows of law firms.

One is a next generation research solution that provides professionals, companies, and public administration with practical, actionable content and workflow productivity. The innovative technological capabilities, the Experta modules and the integration with our software, digital library, and daily news make One a trusted, complete, and customizable solution for today's professionals.

InView enables legal decision makers and professionals to provide better outcomes for their clients in less time. InView delivers groundbreaking innovation to the legal profession as it facilitates and accelerates the research process, strategic decision making, and adjacent tasks such as business development and administration. InView removes the need to go through numerous documents by delivering actionable insights directly into the workflow of legal professionals in an intuitive way.

RBsource M&A Deals integrates specialized deal terms and expert guidance to give M&A attorneys a competitive advantage in deal negotiations. Agreement outlines, clause comparison tools, and practical guidance for each clause improve client outcomes and promote best practices across the M&A practice team.

We appreciate being recognized for helping our customers realize their potential, and deliver impact to our stakeholders when it matters most.

Forbes 2020 America's Best Employers for Diversity and Best Employers for Women

Wolters Kluwer among European Diversity Leaders according to the **Financial Times**

Fortune included CEO Nancy McKinstry in its Most Powerful Women International 2020

Wolters Kluwer was included in sustainability rankings **Sustainalytics** and **FTSE4Good**

Frost & Sullivan recognized Wolters Kluwer as a Top 20 leader for AI in Healthcare

Regulatory Reporting System of the Year for OneSumX by **Risk Magazine**

SIIA Codie Award for CCH Axcess for Best Collaboration Solution

Product of the Year Award for Enablon by **Environment + Energy Leader**

Golden Bridge Awards for its solutions and services across different categories: ELM Solutions, CT Corporation, CCH Axcess, CCH Pinpoint, PracticePerfect, Cheetah for Corporate Counsel, and Connected Quizzing.

Wolters Kluwer was awarded a **Grand Stevie American Business Award** and a **Golden Stevie** for its Most Innovative Work-From-Home Plan

Compliance Solutions: Best Operational Risk Management System by **Financial Technologies Forum News**

ELM Solutions won the Best Use of Technology Award by **Buying Legal Counsel** for our work with Westfield Group

The Lippincott journal portfolio earned **16 FOLIO Eddie awards** and honorable mentions.

Spring COVID-19 pulse survey: **89%** remained connected, **95%** maintained productivity, and **95%** felt their health, safety, and well-being was supported.

Our Employees Embraced 2020's Unique Challenges

Our employees rose to the challenges 2020 presented, by being resilient and focusing on our customers, both of which are deeply rooted in our culture and values. Our 2020 employee engagement pulse survey revealed an engagement score of 84%, which was consistent across all divisions and is above the high-performing norm. In our Spring COVID-19 pulse survey, our employees told us about their adjustment to working from home: 89% remained connected, 95% maintained productivity, and 95% felt their health, safety, and well-being was supported by Wolters Kluwer's actions.

Our continued productivity enabled us to sustain our business performance and our workforce. Voluntary turnover was lower than last year (7.1% in 2020 compared to 8.8% in 2019). Restructuring activity was in line with recent years and strategically focused on ensuring we have the organization and roles needed for today and the future. We offered our first voluntary retirement incentive program in one U.S. business unit, which helped us with the execution of workforce changes that position us for the future.

Staying engaged and connected

As we shifted to working from home, our connection to each other and Wolters Kluwer was essential for continued employee engagement. We swiftly took action to enhance employee communication. We increased the frequency of live leadership Q&A sessions which offered employees more opportunities to hear from our leadership and ask questions. We created a new cross-division communication team to support employees working from home with tips and resources. The team transformed our intranet and employee portal to provide frequently updated FAQs and resources to managers for effectively engaging and managing their virtual teams. We used internal social media to create an open dialogue across our global organization.

In February 2020, responding to prior employee feedback, we continued our focus on developing skills and careers by introducing LinkedIn Learning. Through a highly successful interactive campaign, 55% of employees became active on the new platform, which is well above industry benchmarks. Thousands of employees developed global connections by sharing their learning experiences and personal development stories through our newly created learning hub and dedicated internal social media group. We also continued delivering manager and leader development programs during the pandemic by quickly converting our classroom-based curriculum to virtual learning.

I see huge potential for us as a company in using focus time in the home office to enhance productivity! For me, working remote really gave me the opportunity to be a lot more productive.

Martin Förster
Chief Product Owner CaseWorx for Legal & Regulatory in Germany

Maintaining productivity and improving efficiency

After taking our enterprise virtual in March 2020, almost 95% of our employees were working from home. Our transition to working remotely was smooth thanks to investments in technology infrastructure and innovation. Early activation of our global IT service desk and fast-tracking the global expansion of our digital collaboration technologies allowed our employees to quickly remain productive while working from home. Our employees became hyper-focused on the challenges the pandemic presented to our customers and their professions. Working across divisions, functions, and regions, employees delivered over 100 product innovations in the initial months of the pandemic.

We continued to drive operational efficiency by integrating our talent, performance, and compensation processes into our market-leading human resources technology, enabling our employees and leaders to be more efficient at their jobs. We completed the implementation of the foundational elements of our HR systems roadmap in 2020. With the new systems in place, our leaders now have a global view of our enterprise workforce, real-time insights, and a consistent, global approach to talent management and talent acquisition processes. We will continue to enhance and improve how we manage and understand our workforce by adding new features and functionality to our HR infrastructure over time.

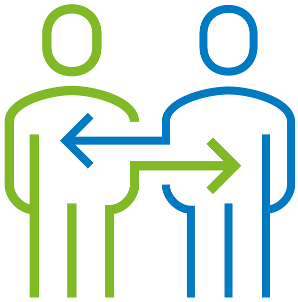
Staying healthy, safe, and well

To set our employees up for success, we quickly focused on the physical, emotional, and social impact of the pandemic. We provided resources for creating office-grade work from home spaces and healthy remote working habits. We also worked with our global Employee Assistance Plan (EAP) vendor to quickly offer new group and individual webinars. Employees and their immediate families also took advantage of our EAP's confidential, available 24/7 at no cost.

Employee safety has always been important to Wolters Kluwer and continues to be a key component of our pandemic response. In early 2020, we established robust Incident Management Teams (IMTs) – leaders tasked with supporting our business and employees in responding to the pandemic. The IMTs quickly established detailed criteria for determining how to safely open and close offices following strict guidelines aligned with local requirements. We created a detailed, phased back-to-office plan along with relevant resources for managers and produced an employee e-learning program that was assigned to all U.S. employees.

Relying on our strong culture and values

Our response to the pandemic has proven that our culture and values remain an anchor for our strength and resiliency. We focus on customer success and measure it by our ability to help advance our customers' work and their professions. We make it better through our commitment to continuous improvement and innovation, and the opportunities and challenges they present. We aim high and deliver through our determination, hard work, and focus on speed and quality. We win as a team by inspiring and supporting each other, collaborating and sharing knowledge, and treating each other with respect.



We continue to focus on cultivating a diverse and inclusive culture and aim to create equal opportunities for all employees.

We continue to focus on cultivating a diverse and inclusive culture. We strive to ensure that our workforce reflects the diversity of the communities in which we live and work. We aim to create equal opportunities for all employees regardless of different backgrounds, nationalities, races, ethnicities, genders, gender identities, ages, sexual orientations, martial status, physical disabilities, or religions, as articulated in our values and Code of Business Ethics.

During 2020, we established a Diversity, Equity, and Inclusion Steering Committee of cross-functional leaders tasked with identifying a longer term strategy and taking action to make Wolters Kluwer an even more diverse and inclusive organization. We initiated several new diversity and inclusion initiatives in 2020, such as awareness events including panel discussions with internal HR representatives and external experts, a dedicated internal social media group, informative newsletters, and networking groups for women. Wolters Kluwer was recognized in the 2020 European Women on Boards Gender Diversity Index. We once again made the Forbes list of America's Best Employers for Diversity and America's Best Employers for Women in 2020 and we are named in the Financial Times list of European Diversity Leaders. Looking ahead, we will take further actions to deepen our commitment to diversity, equity, and inclusion which is included in our 2021 – 2023 ENGAGE sustainability strategy. See *Our sustainability journey* for more information.

Non-Financial Information Statement

Wolters Kluwer discloses non-financial information as required under the Non-Financial Information Decree (Besluit bekendmaking niet-financiële informatie) and section 2:391(1) of the Dutch Civil Code. As such, Wolters Kluwer has issued a non-financial information statement. The table below provides an overview of the relevant sections per topic.

Topic	Subtopic	Relevant sections of Annual Report
Business model	Description of the company's business model	10 Value Creation Model 12 Resilient in changing times
Environmental matters	Description of policies Outcome of policies Principal risks Non-financial key performance indicators: • Revenues from digital and services • Number of suppliers that signed our Supplier Code of Conduct or have their own equivalent • Real estate rationalization strategy • Cloud migration strategy	20 Environmental contributions 23 Responsible supply chain 63 Risk Management / Operational resilience 18 Materiality
Social and employee matters	Description of policies Outcome of policies Principal risks Non-financial key performance indicators: • Percentage of female diversity • Employee engagement score • Employee turnover rate	22 Social contributions 32 Our Employees Embraced 2020's Unique Challenges 63 Risk management / People and organization 18 Materiality
Human rights matters	Description of policies Outcome of policies Principal risks Non-financial key performance indicators: • Number of suppliers that signed our Supplier Code of Conduct or have their own equivalent • Living wage benchmark	22 Social contributions 33 Relying on our strong culture and values 18 Materiality
Anti-corruption and bribery matters	Description of policies Outcome of policies Principal risks Non-financial key performance indicators: • Percentage of employees that completed the Annual Compliance Training • Number of SpeakUp concerns • Number of suppliers that signed our Supplier Code of Conduct or have their own equivalent	24 Acting with integrity 24 Reporting concerns safely 23 Responsible supply chain 18 Materiality 64 Risk management / Corruption and bribery

Our Organization

Health

Stacey Caywood
CEO Health

Wolters Kluwer provides trusted clinical technology and evidence-based solutions that engage clinicians, patients, researchers, students, and the next generation of healthcare providers. With a focus on clinical effectiveness, research and learning, clinical surveillance and compliance, as well as data solutions, our proven solutions drive effective decision-making and consistent outcomes across the continuum of care.

Customers span a broad scope of hospitals and healthcare organizations, individual students and clinicians, medical academic institutions and libraries, payers, life sciences, and retail pharmacies.

Portfolio includes Audio Digest, Emmi, Health Language, Lexicomp, Lippincott, Medi-Span, Ovid, POC Advisor, Sentri7, Simplifi 797, SoleSource, UpToDate, and UpToDate Advanced.

Tax & Accounting

Karen Abramson
CEO Tax & Accounting

Wolters Kluwer fuels global commerce by enabling professionals in tax and accounting firms, governing authorities, and businesses of all sizes to grow, manage, and protect their business and their clients' businesses. Expert solutions – in compliance, collaboration, internal and external audit management, corporate performance management and firm management – integrate deep domain knowledge with workflows to ensure compliance, improved productivity, effective management, and strengthened client relationships.

Customers include accounting firms, corporate finance, tax and auditing departments, government agencies, corporations, libraries, and universities.

Portfolio includes A3 Software, ADDISON, ATX, CCH, CCH AnswerConnect, CCH Axcess, CCH Axcess iQ, CCH Tagetik, CCH iFirm, CCH ProSystem fx, CCH OneClick, CCH Integrator, CCH PinPoint, Genya, Prosoft, TeamMate, Twinfield, and XCM Solutions.

Governance, Risk & Compliance

Richard Flynn
CEO Governance, Risk & Compliance

Wolters Kluwer provides legal and banking professionals with solutions to ensure compliance with ever-changing global regulatory and legal obligations, manage risk, increase efficiency, and produce better business outcomes. The portfolio offers technology-enabled expert services and solutions focused on legal entity compliance, legal operations management, banking product compliance, and banking regulatory compliance.

Customers include corporations, small businesses, law firms, corporate legal departments, insurers, compliance professionals, risk managers, and financial institutions – including banks, non-bank lenders, credit unions, and leasing and securities firms.

Portfolio includes CASH Suite, CLM Matrix, ComplianceOne, CT Corporation, eOriginal, Expere, GainsKeeper, Lien Solutions, OneSumX, Passport, TSoftPlus, Tymetrix 360, and Vanceo.

Legal & Regulatory

Martin O'Malley
Executive Vice President and Managing Director Legal & Regulatory

Wolters Kluwer enables legal and compliance professionals to improve productivity and performance, mitigate risk, and solve complex problems with confidence. With expert information enriched with advanced technologies, we help professionals thrive in the complex and changing areas of legal and regulatory compliance. In the moments that matter most, professionals turn to us to serve their clients, and as they create more successful and sustainable businesses. Together, we support more transparent, just, and safe societies around the world.

Customers include law firms, corporate legal departments, corporations, environmental, health, and safety (EHS) professionals, operational risk managers, universities, and government agencies.

Portfolio includes CaseWorx, CGE, Cheetah, Enablon, InView, Iter, Jogtár, Jura, Kleos, Legal Intelligence, Legal Monitoring, LEX, Legisway, Navigator, NotaioNext, One, Progman, RBsource, Schulinck, Simpledo, and Wolters Kluwer Online.

Global Growth Markets

Cathy Wolfe
Executive Vice President and President Global Growth Markets

The Wolters Kluwer Global Growth Markets (GGM) group accelerates the company's strategic presence in fast-growing geographies, particularly India and China. GGM's mission is to service professionals in these markets with global expert solutions that combine deep domain knowledge and local expertise with advanced technology.

Global Business Services

Andres Sadler
CEO Global Business Services

Wolters Kluwer Global Business Services (GBS) is responsible for driving and enhancing the quality, performance, and transformation of our internal technology infrastructure covering IT operations, workplace technologies, cybersecurity, IT architecture, engineering services, network, and enterprise systems. GBS is also responsible for driving efficiencies and operational excellence programs globally. GBS enables our businesses to focus on delivering customer outcomes by providing expertise, streamlined/scalable operations, and corporate-wide standards to support Wolters Kluwer's digital transformation across technology, accounting, strategic sourcing, procurement, operational excellence, collaboration services, analytics, and events management.

Digital eXperience Group

Dennis Cahill
Chief Technology Officer Digital eXperience Group

The Wolters Kluwer Digital eXperience Group (*/dxg) co-creates state-of-the-art digital and software solutions with our businesses around the world. The */dxg mandate is to grow revenue in the company's products through innovation in, and adoption of, specialized technologies and tools to meet and further anticipate customer needs. The group drives innovation in Wolters Kluwer through its user experience center of excellence focusing on customer-centric product development, as well as its artificial intelligence center of excellence, applying cutting-edge technologies for the next generation of cloud-based expert solutions.

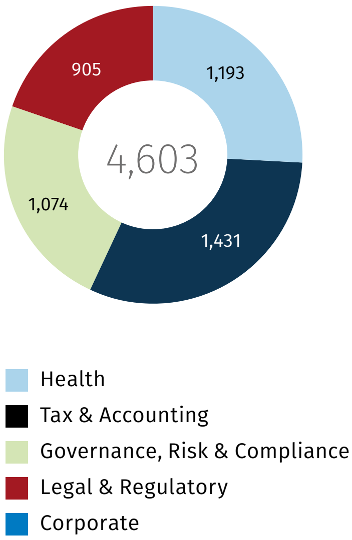
Corporate Office

The Wolters Kluwer Corporate Office sets the global strategic direction for the company and ensures good corporate governance. Its mission is to support and provide an enabling business and operating environment to help realize our strategy to deliver impact to our customers, employees, investors, and society at large.

Full list of management is available on www.wolterskluwer.com.

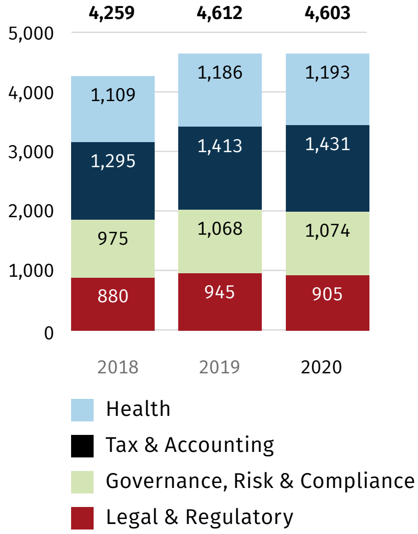
2020 Key Figures

Total annual revenues
€ million

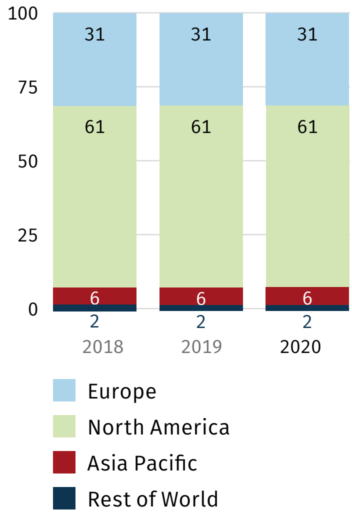


Revenues 2018-2020

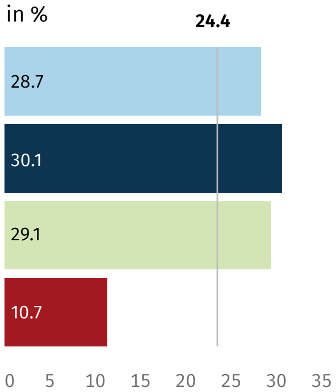
Revenues by division
€ million



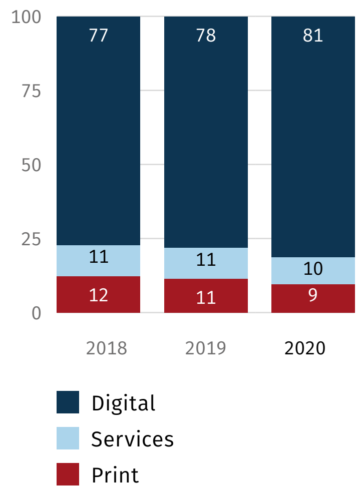
Revenues by geography
in %



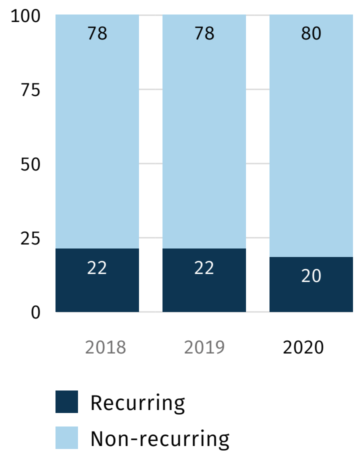
Total adjusted operating profit margin
in %



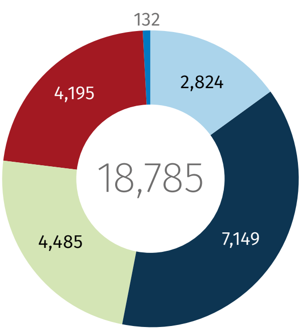
Revenues by media
in %



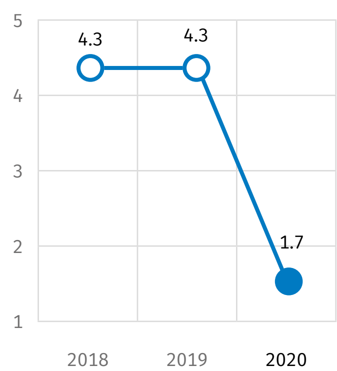
Revenues by type
in %



Total employees
FTE at December 31



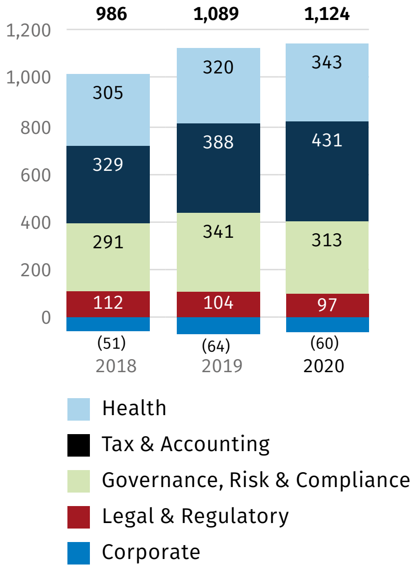
Organic revenue growth
in %



Key Performance Indicators

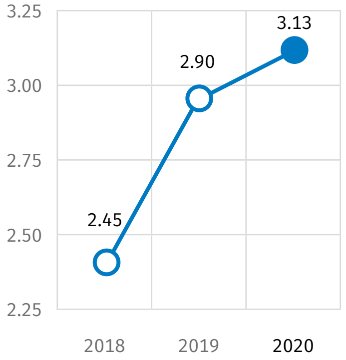
Adjusted operating profit by division

€ million



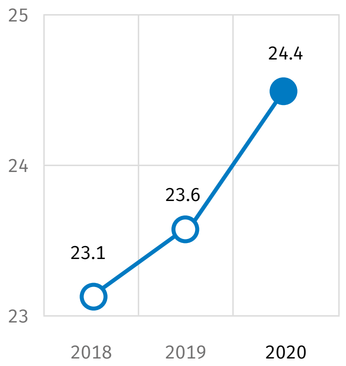
Diluted adjusted earnings per share

in euro



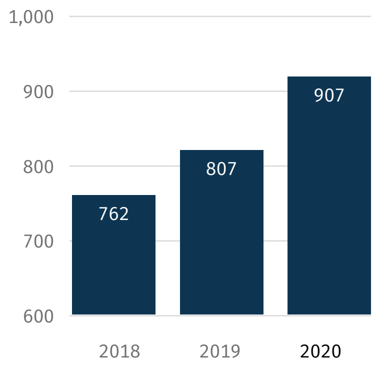
Adjusted operating profit margin

in %



Adjusted free cash flow

€ million



Achievement 2020 Guidance

	2020	2020 Guidance	2019
Adjusted operation profit margin (%)	24.4	23.5-24.0	23.6
Adjusted free cash flow (€ million)	930	800-825	802
Return on invested capital (%)	12.3	Around 12	11.8
Diluted adjusted EPS (€)	3.09	Mid- to high single-digit growth	2.90

Figures and guidance for adjusted free cash flow and diluted adjusted EPS are in constant currencies (€/$ 1.12). Adjusted operating profit margin and ROIC are in reporting currencies.

Operational and Financial Review

Operational performance

Key figures

€ million, unless otherwise stated	2020	2019	Δ	Δ CC	Δ OG
Revenues	4,603	4,612	0%		
Operating profit	972	908	+7%		
Profit for the year	721	669	+8%		
Diluted EPS (€)	2.70	2.46	+10%		
Net cash from operating activities	1,197	1,102	+8%		
Business performance – benchmark figures					
Revenues	4,603	4,612	0%	+1%	+2%
Adjusted operating profit	1,124	1,089	+3%	+5%	+5%
Adjusted operating profit margin	24.4%	23.6%			
Adjusted net profit	835	790	+6%	+4%	
Diluted adjusted EPS (€)	3.13	2.90	+8%	+7%	
Adjusted free cash flow	907	807	+12%	+16%	
Net debt	2,383	2,199	+8%		
Return on invested capital (ROIC)	12.3%	11.8%			

Δ: % Change; Δ CC: % Change in constant currencies (€/$ 1.12); Δ OG: % Organic growth. Benchmark figures are performance measures used by management. See *Note 4* for a reconciliation from IFRS to benchmark figures.

Highlights

- Revenues up 1% in constant currencies and up 2% organically.
  - Excluding revenues associated with the U.S. Small Business Association's Paycheck Protection Program (PPP) supported by TSoftPlus, organic growth would have been 1%.
  - Recurring revenues up 4% organically (80% of total revenues); non-recurring down 8% organically.
  - Digital & services revenues up 4% organically (91% of total revenues); print down 16% organically.
  - COVID-19 mainly impacted print formats, non-recurring revenues, and new sales.
- Operating profit up 7%.
  - Adjusted operating profit, up 5% in constant currencies.
  - Cost savings allowed us to sustain investments in product development and marketing while bringing forward efficiency initiatives and still delivering a margin improvement.
  - Absence of impairment charges on acquired identifiable intangible assets (2019: €38 million).
- Adjusted operating profit margin up 80 basis points to 24.4%.
- Profit for the year up 8%, reflecting the higher operating profit and a decrease in net financing costs, partly offset by a higher effective tax rate.
- Diluted adjusted EPS €3.13, up 7% in constant currencies.
- Adjusted free cash flow €907 million, up 16% in constant currencies.
- Balance sheet remains strong: net-debt-to-EBITDA 1.7x.
- Return on invested capital improved to 12.3%.

Revenues
Group revenues were €4,603 million, in line with the prior year. Revenues increased 1% in constant currencies, including the net effect of divestments and acquisitions which reduced revenues by 1%. Removing both the effect of currency and net divestments, organic growth was 2% (2019: 4%). Excluding revenues associated with the PPP, organic growth would have been 1%, the slowdown reflecting the impact of COVID-19 on our business in 2020.

All geographic regions experienced weaker growth as a result of the pandemic. Revenues from North America, which accounted for 61% of group revenues, grew 2% organically (2019: 4%). Revenues from Europe, 31% of total revenues, increased 2% organically (2019: 5%). Revenues from Asia Pacific and Rest of World, 8% of total revenues, declined 4% on an organic basis (2019: organic growth 5%).

Total recurring revenues, which include subscriptions and other renewing revenue streams, accounted for 80% of total revenues in 2020 (2019: 78%) and grew 4% organically (2019: 5%). Our strategically important digital and service subscriptions slowed modestly to 6% organic growth (2019: 7%), while print subscriptions saw an accelerated decline of 9% (2019: 5% decline). Other recurring revenues declined 1% organically (2019: 0%).

The impact of the pandemic was most evident in our non-recurring revenue streams, in particular print books which recorded an organic decline of 26% (2019: 7% decline). Total non-recurring revenues declined 8% organically (2019: 1% increase), or 10% organically if we exclude revenues associated with the PPP.

	€ million	*%*
Revenues 2019	4,612	
Organic change	76	2
Acquisitions	12	0
Divestments	(28)	(1)
Currency impact	(69)	(1)
Revenues 2020	4,603	0

Revenues by type

€ million, unless otherwise stated	2020	2019	Δ	Δ CC	Δ OG
Digital and service subscription	3,218	3,087	+4%	+6%	+6%
Print subscription	182	202	-10%	-10%	-9%
Other recurring	280	292	-4%	-2%	-1%
Total recurring revenues	3,680	3,581	+3%	+4%	+4%
Print books	150	212	-29%	-27%	-26%
LS transactional	228	246	-7%	-6%	-6%
FS transactional	129	105	+23%	+24%	+25%
Other non-recurring	416	468	-11%	-10%	-8%
Total non-recurring revenues	923	1,031	-10%	-9%	-8%
Total revenues	4,603	4,612	0%	+1%	+2%

Δ: % Change; Δ CC: % Change in constant currencies (€/$ 1.12); Δ OG: % Organic growth. Other non-recurring revenues include software licenses, software implementation fees, professional services, and other non-subscription offerings. LS = Legal Services; FS = Financial Services.

Operating profit
Operating profit increased 7% to €972 million (2019: €908 million), reflecting an increase in adjusted operating profit combined with an absence of impairment charges on acquired identifiable intangible assets.

Adjusted operating profit was €1,124 million (2019: €1,089 million), an increase of 5% in constant currencies. The adjusted operating profit margin increased 80 basis points to 24.4% (2019: 23.6%), including the benefit of a one-time insurance reimbursement of €12 million and a margin on the revenues associated with the PPP. During 2020, significant cost savings of a temporary nature were possible as a result of a freeze on travel and in-person events and reductions in promotional expenses. We also achieved more sustainable, structural savings from on-going efficiency programs in 2020. These cost savings and one-off benefits allowed us to fully sustain our investments in product development, technology infrastructure, and digital marketing. We were also able to bring forward certain restructuring initiatives. Included in adjusted operating profit were restructuring expenses of €49 million (2019: €26 million) and increased provisions for returns and bad debt.

Divisional performance

All divisions experienced slower growth amidst more challenging market conditions due to the pandemic. Margin increases in Health and Tax & Accounting were partly offset by margin declines in Governance, Risk & Compliance and Legal & Regulatory.

Divisional summary

€ million, unless otherwise stated	2020	2019	Δ	Δ CC	Δ OG
Revenues					
Health	1,193	1,186	+1%	+3%	+3%
Tax & Accounting	1,431	1,413	+1%	+3%	+2%
Governance, Risk & Compliance	1,074	1,068	+1%	+2%	+2%
Legal & Regulatory	905	945	-4%	-3%	-2%
Total revenues	4,603	4,612	0%	+1%	+2%
Adjusted operating profit					
Health	343	320	+7%	+9%	+11%
Tax & Accounting	431	388	+11%	+12%	+12%
Governance, Risk & Compliance	313	341	-8%	-7%	-7%
Legal & Regulatory	97	104	-7%	-5%	-6%
Corporate	(60)	(64)	-7%	-6%	-6%
Total adjusted operating profit	1,124	1,089	+3%	+5%	+5%
Adjusted operating profit margin					
Health	28.7%	27.0%			
Tax & Accounting	30.1%	27.4%			
Governance, Risk & Compliance	29.1%	31.9%			
Legal & Regulatory	10.7%	11.0%			
Total adjusted operating profit margin	24.4%	23.6%			

Δ: % Change; Δ CC: % Change in constant currencies (€/$ 1.12); Δ OG: % Organic growth.

Health

- Clinical Solutions revenues grew 6% organically, led by UpToDate.
- Learning, Research & Practice revenues were flat organically, absorbing a print decline of 21%.
- Margin increase reflects cost savings, ongoing mix shift, and lower restructuring charges.

Health

€ million, unless otherwise stated	2020	2019	Δ	Δ CC	Δ OG
Revenues	1,193	1,186	+1%	+3%	+3%
Adjusted operating profit	343	320	+7%	+9%	+11%
Adjusted operating profit margin	28.7%	27.0%			
Operating profit	307	243	+26%		
Net capital expenditure	32	33			
Ultimo FTEs	2,824	2,903			

Δ: % Change; Δ CC: % Change in constant currencies (€/$ 1.12); Δ OG: % Organic growth.

Wolters Kluwer Health revenues increased 3% in constant currencies and 3% organically (2019: 4%). Adjusted operating profit increased 9% in constant currencies, reflecting cost savings, lower restructuring charges, and the ongoing mix shift towards Clinical Solutions. The increase in operating profit mainly reflects the absence of impairment charges of acquired identifiable intangible assets.

Clinical Solutions (53% of divisional revenues) sustained 6% organic revenue growth (2019: 6%), despite amplified pressure on hospital budgets due to the pandemic. In clinical decision support, the UpToDate suite saw continued strong growth driven by renewals, upsells, and new customer wins. During the year, UpToDate expanded its content on COVID-19 topics. The UpToDate Advanced module now has over 1,150 hospitals around the world subscribing. Our drug information solutions delivered good growth benefitting from closer integration with UpToDate. With hospitals focused on critical care, patient engagement solution Emmi recorded a revenue decline. Our clinical software unit delivered positive organic growth mainly due to Health Language.

Health Learning, Research & Practice (47% of divisional revenues) revenues were broadly flat on an organic basis (2019: growth of 1%) as an accelerated decline in print revenues was absorbed by strong organic growth in digital products. Our medical research platform Ovid sustained good organic growth and our digital journal subscriptions and open access revenues also grew well. However, this was tempered by declines in journal print subscription and advertising revenues. Medical and nursing books declined 39%, reflecting disruptions in distribution and in medical and nursing school programs, as well as a renewed shift to online learning. Our digital learning solutions for nursing schools and students, such as Lippincott CoursePoint+, PrepU, and vSim, achieved double-digit organic growth.

Tax & Accounting

- Corporate Performance Solutions grew 8% organically, led by CCH Tagetik.
- Professional Tax & Accounting grew 1% organically, driven by European operations.
- Margin increase reflects cost savings, operational gearing, and a one-off insurance reimbursement.

Tax & Accounting

€ million, unless otherwise stated	2020	2019	Δ	Δ CC	Δ OG
Revenues	1,431	1,413	+1%	+3%	+2%
Adjusted operating profit	431	388	+11%	+12%	+12%
Adjusted operating profit margin	30.1%	27.4%			
Operating profit	387	344	+12%		
Net capital expenditure	77	74			
Ultimo FTEs	7,149	6,697			

Δ: % Change; Δ CC: % Change in constant currencies (€/$ 1.12); Δ OG: % Organic growth.

Wolters Kluwer Tax & Accounting revenues grew 3% in constant currencies, including a few months of revenues from XCM Solutions acquired in mid-September 2020. Organic growth slowed to 2% against a strong comparable (2019: 6%). Adjusted operating profit rose 12% in constant currencies, mainly reflecting cost savings, operational gearing at CCH Tagetik, and a one-off insurance reimbursement. Operating profit increased 12%, reflecting the increase in adjusted operating profit and lower amortization and impairment of acquired identifiable intangible assets.

Corporate Performance Solutions (15% of divisional revenues) saw organic growth slow to 8% against double-digit growth in the prior year (2019: 17%), reflecting difficult market conditions for on-premise software license sales and software-related implementation services. Recurring revenues for the cloud-based versions of both CCH Tagetik and TeamMate continued to advance at a double-digit rate.

North America Professional Tax & Accounting (50% of divisional revenues) revenues were flat on an organic basis (2019: 4%). Recurring revenues from software solutions recorded good organic growth, driven by renewals of cloud-based software for tax and accounting firms. Sales of new software were challenged by cautious spending patterns while sales of ancillary services, such as e-filing, were limited as the software business transitions to cloud-based subscription packages. In September 2020, the North American operation acquired XCM Solutions, a U.S. provider of cloud-based productivity solutions that can be integrated with CCH Axcess. Our U.S. publishing business, Research & Learning, recorded a revenue decline, as growth in digital formats was more than offset by sharp declines in print and training services.

Europe Professional Tax & Accounting (29% of divisional revenues) achieved 5% organic growth despite a very challenging comparable (2019: 8%). As in North America, the European business also faced difficult conditions for new sales for both on-premise software and cloud and hybrid-cloud collaboration tools.

Asia Pacific and Rest of World Professional Tax & Accounting (5% of divisional revenues) revenues were soft on an organic basis with good growth in China, offset by weakness in Brazil, India, and other parts of Asia Pacific.

On February 22, 2021, we agreed to combine certain Prosoft assets in Brazil with those of a competitor in exchange for a minority interest in the combined entity. The transaction is subject to customary closing conditions.

Governance, Risk & Compliance

- Legal Services recorded 2% organic revenue decline, due to lower transactional volumes.
- Financial Services grew 7% organically, reflecting revenues associated with the PPP and new products.
- Margin reflects increases in restructuring, investments, and provisions, partly offset by cost savings.

Governance, Risk & Compliance

€ million, unless otherwise stated	2020	2019	Δ	Δ CC	Δ OG
Revenues	1,074	1,068	+1%	+2%	+2%
Adjusted operating profit	313	341	-8%	-7%	-7%
Adjusted operating profit margin	29.1%	31.9%			
Operating profit	279	306	-9%		
Net capital expenditure	76	73			
Ultimo FTEs	4,485	4,330			

Δ: % Change; Δ CC: % Change in constant currencies (€/$ 1.12); Δ OG: % Organic growth.

Wolters Kluwer Governance, Risk & Compliance revenues grew 2% in constant currencies and 2% organically (2019: 4%). Excluding non-recurring revenues associated with the PPP, organic revenues would have declined by 1%. The adjusted operating profit margin declined, as cost savings, a one-off insurance reimbursement, and the benefit from revenues associated with the PPP were offset by increased costs related to restructuring, product development, sales and marketing, and provisions for returns and bad debt. Operating profit declined 9% reflecting the decline in adjusted operating profit.

Legal Services (55% of divisional revenues) recorded organic revenue decline of 2% (2019: growth of 5%). CT Corporation achieved positive organic growth in its recurring service subscription revenues but experienced a 10% decline in transactional revenues as COVID-19 impacted business formations, search activity, M&A, and other transactional volumes. Enterprise Legal Management (ELM) Solutions recorded flat organic growth as an increase in law firm transactional revenues was offset by lower recurring software revenues.

Financial Services (45% of divisional revenues) delivered strong organic growth of 7% (2019: 3%). Excluding revenues associated with the PPP, Wolters Kluwer Financial Services organic growth was 1%, supported by product innovation. Finance, Risk & Reporting, which provides regulatory reporting software to banks, recorded mid-single-digit organic growth, as increases in recurring software maintenance revenues from the existing customer base were partly offset by lower new software license sales. Wolters Kluwer Lien Solutions, a wholly transactional business, recorded 2% organic revenue decline as rapid growth in its new motor vehicle title perfection service helped mitigate the effect of sharp declines in UCC search and filing volumes due to the impact of COVID-19 on commercial lending activity. Our Compliance Solutions unit, which provides mortgage and other loan origination solutions to banks, delivered double-digit growth having been one of the first vendors to provide a solution for lenders to participate in the U.S. PPP. In December 2020, Compliance Solutions acquired eOriginal, a provider of digital lending software, and divested its flood determination business.

Legal & Regulatory

- EHS/ORM & Legal Software (16% of divisional revenues) grew 5% organically.
- Information Solutions declined 3% organically due to accelerated decline in print formats.
- Margin decline as cost savings were offset by increased investment and restructuring.

Legal & Regulatory

€ million, unless otherwise stated	2020	2019	Δ	Δ CC	Δ OG
Revenues	905	945	-4%	-3%	-2%
Adjusted operating profit	97	104	-7%	-5%	-6%
Adjusted operating profit margin	10.7%	11.0%			
Operating profit	59	79	-25%		
Net capital expenditure	45	45			
Ultimo FTEs	4,195	4,307			

Δ: % Change; Δ CC: % Change in constant currencies (€/$ 1.12); Δ OG: % Organic growth.

Legal & Regulatory revenues declined 3% in constant currencies, partly reflecting the effect of net disposals. Excluding the effect of currency and net disposals, revenues declined organically by 2% (2019: growth of 3%), mainly due to a sharp deterioration in the rate of print revenue decline in the Information Solutions group. Adjusted operating profit fell 5% in constant currencies, as cost savings were offset by stepped-up investment in product development and accelerated efficiency initiatives. Operating profit declined 25%, partly due to an increase in amortization of acquired identifiable intangible assets.

EHS/ORM & Legal Software (16% of divisional revenues), which includes our global solutions for environmental, health and safety (EHS) and operational risk management (ORM) and our European Legal Software unit, saw organic growth slow to 5% (2019: 14%). Across both EHS/ORM and legal software, recurring cloud-based revenues sustained strong double-digit organic growth, while non-recurring on-premise license and implementation services revenues declined year-on-year. At the start of the year, the EHS/ORM unit acquired CGE, a provider of risk management software. Progress was made on the integration of eVision and Enablon. The Legal Software unit drove strong growth in cloud-based software, including Kleos and Legisway.

Legal & Regulatory Information Solutions (84% of divisional revenues) posted a 5% decline in constant currencies, partly reflecting a series of disposals completed over the past two years. Underlying revenue declined 3% (2019: organic growth of 1%), as lockdowns caused an accelerated decline in print formats (25% of the unit's revenues) and non-recurring revenue streams such as training. Print books for legal professionals and law students declined 16% organically (2019: 6% decline), as the pandemic disrupted distribution and buying patterns in legal education and practice markets. Digital information solutions, such as One in Italy and Cheetah and RBsource in the U.S., performed well, generating 6% organic growth. Throughout 2020, the division completed seven disposals including Belgian training assets, three German non-core product lines, the health compliance tool ComplyTrack, and the French legal notices business.

Corporate expenses

Net corporate expenses declined 6% in constant currencies and 6% organically, mainly due to lower spending on various projects and cost savings related to travel and in-person events.

Corporate

€ million, unless otherwise stated	2020	2019	Δ	Δ CC	Δ OG
Adjusted operating profit	(60)	(64)	-7%	-6%	-6%
Operating profit	(60)	(64)	-7%		
Net capital expenditure	1	1			
Ultimo FTEs	132	124			

Δ: % Change; Δ CC: % Change in constant currencies (€/$ 1.12); Δ OG: % Organic growth.

Financial position

Balance sheet

Non-current assets, mainly consisting of goodwill and acquired identifiable intangible assets, decreased by €99 million to €6,200 million in 2020, mainly due to the amortization and the effect of foreign exchange differences on intangible assets being higher than newly acquired intangible assets and net capital expenditures.

Total equity decreased by €293 million to €2,087 million, mainly due to significant foreign exchange losses on the translation of foreign operations, the effect of share buybacks, and dividend payments during 2020. During the year, we repurchased 5.1 million shares for a total consideration of €350 million, including 0.9 million shares to offset incentive share issuance (2019: 1.0 million). At December 31, 2020, share buybacks have not yet been executed for an amount of €50 million under the existing mandate.

In September 2020, we completed a reduction in ordinary share capital by cancelling 5.5 million of the shares held in treasury (2019: 6.7 million shares cancelled). As of December 31, 2020, we held 5.1 million shares in treasury. In 2020, the total weighted average number of shares was 265.0 million (2019: 270.3 million).

Balance sheet

€ million, unless otherwise stated	2020	2019	Variance
Non-current assets	6,200	6,299	(99)
Working capital	(968)	(1,204)	236
Total equity	2,087	2,380	(293)
Net debt	2,383	2,199	184
Net-debt-to-EBITDA ratio	1.7	1.6	0.1

Net debt, leverage, and liquidity position

Net debt at December 31, 2020, was €2,383 million, compared to €2,199 million at December 31, 2019. Included in net debt were €348 million of lease liabilities. The net-debt-to-EBITDA ratio was 1.7x (2019: 1.6x).

Our liquidity position remains strong with, as of December 31, 2020, net cash available of €364 million, partly offset by outstanding Euro Commercial Paper of €100 million. During 2020, we issued a new €500 million 10-year senior unsecured Eurobond (coupon 0.75%) and signed a new €600 million 3-year multi-currency credit facility (undrawn as of today). This new facility will mature in 2023 and includes two one-year extension options. We remain comfortably below the leverage ratio covenant in our credit facility.

Working capital

Operating working capital amounted to €(934) million, compared to €(920) million in 2019, a decrease of €14 million. This decrease includes the autonomous movements in working capital offset by the weakening of the U.S. dollar. Non-operating working capital increased to €(757) million, compared to €(1,183) million in 2019, mainly due to the repayment of a private placement of €250 million and a decrease in borrowings and bank overdrafts.

Working capital

€ million	2020	2019	Variance
Inventories	68	73	(5)
Contract assets – current	111	137	(26)
Trade receivables	986	1,087	(101)
Operating other receivables – current	269	231	38
Deferred income – current	(1,518)	(1,550)	32
Other contract liabilities	(66)	(39)	(27)
Trade and other operating payables	(784)	(859)	75
Operating working capital	(934)	(920)	(14)
Cash and cash equivalents	723	899	(176)
Non-operating working capital	(757)	(1,183)	426
Total	(968)	(1,204)	236

Other developments

Financing results
Financing results amounted to a cost of €41 million (2019: €53 million cost) including a €7 million net gain on disposals of equity-accounted investees and financial assets (2019: €9 million). The lower financing result is largely due to a €24 million net foreign exchange gain on the translation of intercompany balances, partly offset by lower interest income on U.S. cash balances. Adjusted net financing costs decreased to €46 million (2019: €58 million).

Equity-accounted investees
Our share of profits in equity-accounted investees, net of tax, was €6 million (FY 2019: €3 million), mainly due to a one-time higher result related to our 40% interest in Logical Images which was divested on May 15, 2020.

Taxation
Profit before tax increased 9% to €937 million (2019: €858 million). The effective tax rate increased to 23.1% (2019: 22.0%), largely owing to taxable divestments in 2020, while the prior year was favorably impacted by tax-exempted divestments and the conclusion of tax audits.

Adjusted profit before tax was €1,084 million (2019: €1,034 million), up 4% in constant currencies. The benchmark tax rate on adjusted profit before tax reduced to 23.0% (2019: 23.6%), reflecting favorable tax effects from financing results, prior year adjustments, and tax losses.

Earnings per Share
Total profit for the year increased 8% to €721 million (2019: €669 million) and diluted earnings per share increased 10% to €2.70 (2019: €2.46).

Diluted adjusted EPS increased 8% overall and 7% in constant currencies to €3.13 (2019: €2.90), reflecting the 6% increase in adjusted net profit to €835 million and a 2% reduction in the diluted weighted average number of shares outstanding to 266.6 million (2019: 272.2 million).

Return on invested capital (ROIC)
In 2020, the ROIC was 12.3% (2019: 11.8%), mainly due to a higher adjusted operating profit.

Cash flow

€ million, unless otherwise stated	2020	2019	Variance
Net cash from operating activities	1,197	1,102	95
Net cash used in investing activities	(563)	(231)	(332)
Net cash used in financing activities	(627)	(631)	4
Adjusted operating cash flow	1,145	1,049	96
Net capital expenditure	(231)	(226)	(5)
Adjusted free cash flow	907	807	100
Diluted adjusted free cash flow per share (€)	3.40	2.96	0.44
Cash conversion ratio (%)	102	96	

The net cash inflow before effect of exchange differences was €7 million (2019: net cash inflow of €240 million), because the net cash from operating activities narrowly outweighed the net cash used in financing activities and investing activities.

Adjusted operating cash flow was €1,145 million (2019: €1,049 million), up 13% in constant currencies. The cash conversion ratio increased to 102% (2019: 96%), primarily due to an inflow of working capital compared to an outflow in the prior year. Favorable timing of collections resulted in a €39 million cash inflow on working capital (2019: €27 million outflow).

Net capital expenditure increased to €231 million (2019: €226 million), stable at 5.0% of revenues (2019: 4.9%).

Cash repayment of lease liabilities, including €11 million of lease interest paid, increased to €85 million (2019: €80 million). Net interest paid, excluding lease interest paid, increased to €54 million (2019: €46 million).

Corporate income tax paid increased to €221 million (2019: €195 million).

The effect of restructuring was a net increase in provisions of €20 million (2019: net decrease of €6 million) as net additions to restructuring provisions of €37 million were partly offset by cash appropriations of €17 million.

Adjusted free cash flow was €907 million (2019: €807 million), up 12% overall and up 16% in constant currencies.

Dividends paid to shareholders amounted to €334 million (2019: €280 million), while share repurchases totaled €350 million (2019: €350 million).

Acquisitions and divestments

Total acquisition spending, net of cash acquired and including €11 million in transaction costs, was €406 million (2019: €35 million), primarily relating to the acquisitions of eOriginal in Governance, Risk & Compliance (€235 million), XCM Solutions in Tax & Accounting (€140 million), and CGE in Legal & Regulatory (€20 million). On a pro-forma basis, these acquisitions generated revenues of €58 million in 2020, of which €13 million was consolidated in 2020. Earnouts and deferred payments on acquisitions completed in prior years amounted to €6 million (2019: €1 million).

Divestment proceeds, net of cash disposed and transaction costs, were €48 million (2019: €39 million) and related to the divestment of certain Belgian training assets, selected German assets, the healthcare compliance solution ComplyTrack, GRC's flood determination services, French legal notices business, and our stakes in Medicom in China and Logical Images in the U.S. Up to their divestment dates, the divested assets generated total revenues of €34 million in 2020.

Leverage and Financial Policy

Wolters Kluwer uses its cash flow to invest in the business organically and through acquisitions, to maintain optimal leverage, and provide returns to shareholders. We regularly assess our financial position and evaluate the appropriate level of debt in view of our expectations for cash flow, investment plans, interest rates, and capital market conditions.

While we may temporarily deviate from our leverage target at times, we continue to believe that, in the longer run, a net-debt-to-EBITDA ratio of around 2.5x remains appropriate for our business given the high proportion of recurring revenues and resilient cash flow.

2021 Full-Year Outlook

Due to the ongoing nature of the COVID-19 pandemic, we currently expect economic activity and spending patterns to be subdued for most of 2021, with a gradual recovery starting in the second half. In the first half of 2021, we face a challenging comparable, partly because we expect lower PPP revenues in 2021. We remain in a strong position to respond to new challenges should they arise. Our specific guidance for 2021 adjusted operating profit margin, adjusted free cash flow, return on invested capital (ROIC), and diluted adjusted EPS is provided below.

2021 Full-year outlook

performance indicators	2021 Guidance	2020
Adjusted operating profit margin (%)	24.5 - 25.0	24.4
Adjusted free cash flow (€ million)	875-925	907
ROIC (%)	Around 12	12.3
Diluted adjusted EPS (€)	Mid-single-digit growth	3.13

Guidance for adjusted operating profit margin and ROIC is in reporting currencies and assumes an average EUR/USD rate in 2021 of €/$1.21. Guidance for adjusted free cash flow and diluted adjusted EPS is in constant currencies (€/$ 1.14). Guidance reflects share repurchases for up to €350 million in 2021.

If current exchange rates persist, the U.S. dollar rate will have a negative effect on 2021 results reported in euros. In 2020, Wolters Kluwer generated more than 60% of its revenues and adjusted operating profit in North America. As a rule of thumb, based on our 2020 currency profile, each 1 U.S. cent move in the average €/$ exchange rate for the year causes an opposite change of approximately 2 euro cents in diluted adjusted EPS.

We include restructuring costs in adjusted operating profit. We currently expect that restructuring costs will be in the range of €10-€15 million in 2021 (2020: €49 million). We expect adjusted net financing costs of approximately €65 million in constant currencies, including approximately €10 million in lease interest charges. We expect the benchmark tax rate on adjusted pre-tax profits to be in the range of 23.0%-24.0% for 2021. Capital expenditure is expected to be within our normal range of 5.0%-6.0% of total revenues (2020: 5.0%). Cash repayments of lease liabilities are expected to be in line with depreciation of right-of-use assets (2020: €73 million). We expect the full-year cash conversion ratio to be in the range of 95%-100% in 2021 (2020: 102%).

Any guidance we provide assumes no additional significant change to the scope of operations. We may make further acquisitions or disposals which can be dilutive to margins and earnings in the near term.

2021 Outlook by Division

Health: We expect full-year organic growth to improve over 2020 levels and the adjusted operating profit margin to be stable year-on-year as temporary cost savings fade.

Tax & Accounting: We expect organic growth to improve moderately from 2020 levels and the adjusted operating profit margin to decline due to the absence of one-time benefits and the fading of temporary cost savings.

Governance, Risk & Compliance: We expect the organic growth rate to be slightly below 2020 levels, as revenues associated with the 2021 PPP will likely be lower than in 2020. We expect the adjusted operating profit margin to improve on the back of lower restructuring and provisions.

Legal & Regulatory: We expect the division to return to positive organic growth driven by digital information and software revenues. We expect the adjusted operating profit margin to improve as a result of lower restructuring.

Corporate Governance and Risk Management

Corporate Governance

This chapter provides an outline of the broad corporate governance structure of the company. Wolters Kluwer N.V., a publicly listed company organized under Dutch law, is the parent company of the Wolters Kluwer group. The corporate governance structure of the company is based on the company's Articles of Association, the Dutch Civil Code, the Dutch Corporate Governance Code (the 'Corporate Governance Code'), and all applicable laws and regulations.

Introduction
The company has a two-tier board structure consisting of an Executive Board and a Supervisory Board. The Executive Board and the Supervisory Board are responsible for the corporate governance structure. This Corporate Governance chapter includes the corporate governance statement as specified in section 2a of the Decree with respect to the contents of the annual management report (Besluit inhoud bestuursverslag). Wolters Kluwer complies with all Principles and Best Practice Provisions of the Corporate Governance Code, unless stipulated otherwise in this chapter. Potential future material corporate developments might justify deviations from the Corporate Governance Code at the moment of occurrence, and will always be clearly explained. The Corporate Governance Code is available on www.mccg.nl.

Executive Board
The Executive Board consists of the CEO and CFO and is entrusted with the management and day-to-day operations of the company. The Executive Board is responsible for achieving the company's aims, the strategy and associated risk profile, the development of results, and sustainability. The responsibilities are set out in the By-Laws of the Executive Board. These By-Laws have been approved by the Supervisory Board and are available on our website. In fulfilling its management responsibilities, the Executive Board takes into account the interests of the company and its affiliated business, as well as the relevant interests of the company's stakeholders. The members of the Executive Board are appointed by the General Meeting of Shareholders. The full procedure for appointment and dismissal of members of the Executive Board is explained in the company's Articles of Association, available on our website.

Information on the members of the Executive Board is provided in *Executive Board and Supervisory Board.*

Remuneration
The remuneration of the Executive Board is determined by the Supervisory Board based on the remuneration policy approved by the General Meeting of Shareholders. The remuneration policy for the Executive Board was adopted by the Annual General Meeting of Shareholders in 2004 and most recently amended in 2011. In line with the Dutch law, which implements the amended European Shareholder Rights Directive, the Supervisory Board proposed an amended remuneration policy to the 2020 Annual General Meeting of Shareholders. A majority of 52% of the share capital represented voted in favor of the amended remuneration policy. This did not meet the 75% majority requirement set by Dutch law. After careful consideration and extensive consultation with stakeholders, the remuneration policy has further been amended. This amended version will be submitted to the Annual General Meeting of Shareholders of April 22, 2021, for adoption. The Supervisory Board is responsible for the execution of the remuneration policy, based on the advice of the Selection and Remuneration Committee. Detailed information about the remuneration policy and its application in 2020 can be found in the *Remuneration Report*.

Under the Long-Term Incentive Plan (LTIP), Executive Board members can earn ordinary shares after a vesting period of three years, subject to clear and objective three-year performance criteria established in advance. In the amended remuneration policy, it is proposed that the Executive Board members will be required, in line with Best Practice Provision 3.1.2 (vi) of the Corporate Governance Code, to hold the earned shares (net of taxes) after vesting for two more years (starting with the 2021-2023 performance period). However, if an Executive Board member is eligible for a company-sponsored deferral program and chooses to participate by deferring LTIP proceeds upon vesting, then such Executive Board member will be required to hold the remaining vested shares or a minimum of 50% of vested shares (net of taxes), whichever is higher, for a two-year period. For the current performance periods (up to and including the 2020-2022 cycle), Executive Board members are not required to retain the shares for a period of five years. For an overview of all the proposed changes in the remuneration policy, see the *Remuneration Report,* and the agenda for the AGM, and the proposed remuneration policy.

Term of appointment

Since the introduction of the first Corporate Governance Code in 2004, Executive Board members are appointed for a period of four years, after which reappointment is possible, in line with Best Practice Provision 2.2.1 of the Corporate Governance Code. The existing contract with Ms. McKinstry, who was appointed before the introduction of the first Corporate Governance Code and has an employment contract for an indefinite period, will remain honored.

Severance arrangements

With respect to future Executive Board appointments, the company will, as a policy, comply with Best Practice Provision 3.2.3 of the Corporate Governance Code regarding the maximum severance remuneration in the event of dismissal. In line with this Best Practice Provision, the contract with Mr. Entricken contains a severance payment of one year's base salary. However, the company will honor the existing contract with Ms. McKinstry who was appointed before the introduction of the first Dutch Corporate Governance Code.

Change of control

The employment contracts of the Executive Board members and a small group of senior executives contain stipulations with respect to a change of control of the company. According to these stipulations, in case of a change of control, the relevant persons will receive 100% of the number of conditional rights on shares awarded to them with respect to pending Long-Term Incentive Plans of which the performance period has not yet ended. In addition, they are entitled to a cash severance payment if their employment agreement would end following a change of control.

Supervisory Board

The Supervisory Board supervises the policies of the Executive Board and the general affairs of the company and its enterprise, taking into account the relevant interests of the company's stakeholders, and advises the Executive Board. The supervision includes the effectiveness of the company's internal risk management and control systems and the integrity and quality of the financial reporting. The Supervisory Board also has due regard for sustainability matters. In addition, certain resolutions of the Executive Board must be approved by the Supervisory Board.

These resolutions are listed in the By-Laws of the Supervisory Board and include:

- Transactions in which there are conflicts of interest with Executive Board members that are of material significance for the company or the Executive Board member;
- Acquisitions or divestments of which the value is at least equal to 1% of the consolidated revenues of the company;
- The issuance of new shares or granting of rights to subscribe for shares; and
- The issuance of bonds or other external financing of which the value exceeds 2.5% of annual consolidated revenues.

The responsibilities of the Supervisory Board are set out in the By-Laws of the Supervisory Board, published on our website.

Appointment and composition

The members of the Supervisory Board are appointed by the General Meeting of Shareholders. The full procedure of appointment and dismissal of Supervisory Board members is explained in the company's Articles of Association, available on our website. The current composition of the Supervisory Board can be found in *Executive Board and Supervisory Board*, and *Report of the Supervisory Board*. The composition of the Supervisory Board shall always be such that the members are able to act critically and independently of one another, the Executive Board, and any particular interests. As a policy, the Supervisory Board in principle aims at having all its members independent from the company, which currently is the case. The independence of Supervisory Board members is monitored on an ongoing basis, based on the criteria of independence as set out in Best Practice Provisions 2.1.7 and 2.1.8 of the Corporate Governance Code and Clause 1.5 of the Supervisory Board By-Laws.

The number of supervisory board memberships of all Supervisory Board members is limited to such extent that the proper performance of their duties is assured. The number of board memberships of all Supervisory Board members is currently in compliance with the maximum number of board seats allowed under Dutch law.

Further information on the Supervisory Board members can be found in the section *Executive Board and Supervisory Board*.

Provision of information
Wolters Kluwer considers it important that the Supervisory Board members are well-informed about the business and operations of the company. The Chairman of the Supervisory Board, the CEO and Chairman of the Executive Board, and the Company Secretary monitor, on an ongoing basis, that the Supervisory Board receives adequate information. In addition, the CEO sends written updates to the Supervisory Board about important events. The Chairman of the Supervisory Board and the CEO hold several meetings and calls per year outside of formal meetings, to discuss the course of events at the company.

The Supervisory Board also has direct contact with layers of management below Executive Board level. Operating managers, including divisional CEOs/managing directors, are regularly invited to present to the Supervisory Board on the operations in general and business development. In addition, the company facilitates visits to business units and individual meetings with staff and line managers. Furthermore, various staff members attend the Audit Committee meetings.

Committees of the Supervisory Board
The Supervisory Board has two standing committees: the Audit Committee and the Selection and Remuneration Committee. The responsibilities of these committees can be found in their respective Terms of Reference, published on our website. A summary of the main activities of these committees, as well as the composition, can be found in the *Report of the Supervisory Board*.

Remuneration
The remuneration of the Supervisory Board members is determined by the General Meeting of Shareholders. The remuneration does not depend on the results of the company. The Supervisory Board members do not receive shares or stock options by way of remuneration, nor shall they be granted loans. In line with the Dutch law which implements the amended European Shareholder Rights Directive, the Supervisory Board established a remuneration policy for the Supervisory Board, which was adopted by the 2020 Annual General Meeting of Shareholders. The shareholders also approved an increase of the remuneration of the Supervisory Board members. For more information on remuneration, see *Remuneration Report*.

Diversity
The company's diversity policy for the Supervisory Board, Executive Board, and division CEOs/managing directors is published on the website as Annex to the Supervisory Board By-Laws. Elements of diversity include nationality, gender, age, and expertise. The target is to have a representation of at least 30% male and at least 30% female, both in the Supervisory Board and the Executive Board, and at the division CEO/managing director level.

Currently, 43% of the Supervisory Board members are female, 50% of the Executive Board members are female, and 50% of the operating division CEOs/managing directors are female. The Supervisory Board composition also comprises expertise within the broad information industry as well as specific market segments in which the company operates. Four nationalities are represented on the Supervisory Board. The composition of the Executive Board and the Supervisory Board is in line with the diversity policy, Dutch law, and the competency, skills, and experience requirements. For more information, see *Executive Board* and *Supervisory Board*, and the Corporate Governance section on our website.

Insider Dealing Policy
The members of the Executive Board and the Supervisory Board are bound to the Wolters Kluwer Insider Dealing Policy and are not allowed to trade in Wolters Kluwer securities when they have inside information or during closed periods. These periods begin either on the first business day of the quarter, or 30 calendar days prior to the publication of Wolters Kluwer's annual results, half-year results, and first-quarter trading update and nine-month trading update, whichever is earlier. The day after the announcement of these results or updates, the Board members can trade again, with prior approval of the securities compliance officer, which will be granted if they do not have inside information at that point in time.

Value creation and culture
The Executive Board has adopted company values that serve as guidelines for our employees and are at the heart of the company's future success. In 2020, the Executive Board and the Supervisory Board approved the new Code of Business Ethics, which sets forth the ethical

standards that are the basis for our decisions and actions, and for achieving our goals. Based on the Code of Business Ethics, we have compliance policies and procedures in place that cover a wide range of domains to ensure the continuous compliance with high business standards. Further, the company offers employees a procedure to report any suspected misconduct or irregularities through various channels, including SpeakUp, the global reporting system, allowing employees to report their concerns in their own language and with an anonymous reporting option, where legally permitted. Our company values, Code of Business Ethics and related policies, and SpeakUp contribute to a culture focused on accountability, integrity, and long-term value creation.

Long-term value creation is embedded in both our 2019-2021 strategy, *Accelerating Our Value*, and our company culture. We accomplish our mission of delivering deep impact when it matters most through protecting people's health and prosperity and contributing to a safe and just society. More information on our strategy, value creation model, and culture can be found in the *Report of the Executive Board*.

Risk management
The Executive Board is responsible for identifying and managing the risks associated with the company's strategy and activities and is supervised by the Supervisory Board. The Audit Committee undertakes preparatory work for the Supervisory Board in this area. Wolters Kluwer has implemented internal risk management and control systems which are embedded in the operations of the businesses to identify significant risks to which the company is exposed, and to enable the effective management of those risks. The aim of the systems is to provide a reasonable level of assurance on the reliability of financial reporting. For a detailed description of the risks and the internal risk management and control systems, reference is made to *Risk Management*.

Sustainability
The Executive Board and the Supervisory Board are committed to Wolters Kluwer's sustainability strategy. Under supervision of the CEO and Chairman of the Executive Board, a new three-year sustainability strategy was developed, that will be rolled out in 2021; for more information, see *Report of the Executive Board*. Throughout the Annual Report, the separate *2020 Environmental, Social, and Governance Data Overview,* and a dedicated section on our website, we report on goals and progress of our sustainability activities and accomplishments.

Shareholders and the General Meeting of Shareholders
At least once a year, Wolters Kluwer holds a General Meeting of Shareholders. The agenda of the Annual General Meeting of Shareholders shall in each case contain the report of the Executive Board, the report of the Supervisory Board, the remuneration report, the adoption of the financial statements, and the proposal to distribute dividends or other distributions. Resolutions to release the members of the Executive Board and the Supervisory Board from liability for their respective duties shall be voted on separately. Shareholders who alone or jointly represent at least half a percent (0.5%) of the issued capital of Wolters Kluwer shall have the right to request the Executive Board or Supervisory Board to put items on the agenda of a General Meeting of Shareholders, provided that such requests are made in writing at least 60 days before a General Meeting of Shareholders.

Voting at the Annual General Meeting of Shareholders
In 2020, Wolters Kluwer again took active steps to try to reach a high percentage of shareholders represented at the Annual General Meeting of Shareholders. These steps included making standard proxy forms and voting instruction forms available online, enabling shareholders to give voting instructions electronically prior to the meeting, and actively contacting larger shareholders to inquire if they intended to vote during the Annual General Meeting of Shareholders. As a result, shareholders with voting rights for approximately 74% of the issued capital of the company were represented at the Annual General Meeting of Shareholders in 2020.

Amendment Articles of Association
A resolution to amend the Articles of Association may only be passed by the General Meeting of Shareholders at the proposal of the Executive Board subject to the approval of the Supervisory Board. The most recent amendment of the Articles of Association took place in 2016.

Issuance of shares
The Articles of Association of the company determine that shares may be issued at the proposal of the Executive Board and by virtue of a resolution of the General Meeting of Shareholders, subject to designation of the Executive Board by the General Meeting of Shareholders. At the Annual General Meeting of Shareholders of April 23, 2020, the Executive Board was granted the authority for a period of 18 months to issue new shares, with exclusion of pre-emptive rights, subject to approval of the Supervisory Board. The authorization is limited to a maximum of 10% of the issued capital on the date of the meeting.

Acquisition of shares in the company
Acquisition of shares in the company (share buybacks) may only be effected after authorization by the General Meeting of Shareholders, and while respecting the restrictions imposed by the Articles of Association of the company. At the Annual General Meeting of Shareholders of April 23, 2020, the authorization to acquire shares in the company was granted to the Executive Board for a period of 18 months. The authorization is limited to a maximum of 10% of the issued capital on the date of the meeting. On December 31, 2020, Wolters Kluwer N.V. held 5,072,140 shares in the company (1.90% interest).

Preference shares
Wolters Kluwer N.V. and the Wolters Kluwer Preference Shares Foundation (the Foundation) have concluded an agreement based on which preference shares can be taken by the Foundation. This option on preference shares is at present a measure that could be considered as a potential protection at Wolters Kluwer against exercising influence by a third party on the policy of the company without the consent of the Executive Board and the Supervisory Board, including events that could threaten the strategy, continuity, independence, identity, or coherence between the activities of the company. The Foundation is entitled to exercise the option on preference shares in such a way that the number of preference shares taken will be no more than 100% of the number of issued and outstanding ordinary shares at the time of exercise. Among others by the exercise of the option on the preference shares by the Foundation, the Executive Board and the Supervisory Board will have the possibility to determine their position with respect to, for example, a party making a bid on the shares of Wolters Kluwer and its plans, or with respect to a third party that otherwise wishes to exercise decisive influence, and enables the Boards to examine and implement alternatives. All members of the Board of the Foundation are independent from the company. See *Report of the Wolters Kluwer Preference Shares Foundation* for more information.

Information pursuant to Decree Clause 10 Take-over Directive
The information specified in both clause 10 of the Take-over Directive and the Decree, which came into force on December 31, 2006 (Decree Clause 10 Take-over Directive), can be found in this chapter and in *Wolters Kluwer Shares and Bonds*.

Legal structure
The ultimate parent company of the Wolters Kluwer group is Wolters Kluwer N.V. In 2002, Wolters Kluwer N.V. abolished the voluntary application of the structure regime (structuurregime). As a consequence, the structure regime became applicable to Wolters Kluwer Holding Nederland B.V., which is the parent company of Dutch operating subsidiaries. Wolters Kluwer International Holding B.V. is the direct or indirect parent company of the operating subsidiaries outside of the Netherlands.

For additional information and documents related to the Corporate Governance structure of Wolters Kluwer, please visit the Corporate Governance section on our website.

Risk Management

This section provides an overview of Wolters Kluwer's approach to risk management, the main risks facing the company and the organization, as well as processes and actions to identify, assess, and mitigate these risks.

Responsibility for risk management

The Executive Board is responsible for overseeing risk management and internal controls within Wolters Kluwer. The company has implemented internal risk management and control processes, which are generally integrated into the operations of the businesses. The aim is to timely identify significant risks to which the company is exposed, to enable the effective management of those risks, and to provide a reasonable level of assurance on the reliability of the financial reporting of the Wolters Kluwer group. The Executive Board reviews an annual assessment of pertinent risks and mitigating actions and diligently evaluates those outcomes against the defined risk appetite. Based on this assessment, the Executive Board reviews the design and effectiveness of the internal risk management and control systems, taking into consideration the company's risk appetite and the observations and reports of internal assurance functions and the Corporate Risk Committee. The internal risk management and control systems cannot provide absolute assurance regarding the achievement of the company's objectives or the reliability of the financial reporting, or entirely prevent material errors, losses, fraud, and violation of applicable laws and regulations.

Managing risks is integrated into the conduct of business of our divisions and operating entities, supported by several staff functions. The Executive Board is informed by division management about risks as part of the regular planning and reporting cycles on divisional and operational entity levels. The Corporate Risk Committee, consisting of representatives of various functional departments, meets periodically and monitors material risks and remediating actions with a focus on company-wide, non-business specific risks. The Committee also oversees the mitigation of certain risks that emerge and require a centralized approach.

Risk management and control systems

The company has an Internal Control Framework for financial reporting (ICF), based on the COSO (Committee of Sponsoring Organizations of the Treadway Commission) 2013 framework, which is designed to provide reasonable assurance that the results of the business are accurately reflected in its internal and external financial reporting.

The ICF is deployed by the operating business units, the Corporate Office, Global Business Services, and the Digital eXperience Group, and reviewed and tested by internal control officers. An annual risk assessment program for financial and IT general control risks determines the scope and controls to be tested. As part of that scope, key controls are tested annually. The results of testing are reported to the Executive Board, the Audit Committee, and internal auditors on a quarterly basis. Where needed, remedial action plans are designed and implemented to address significant risks as derived from internal control testing, and internal and external audits.

Internal auditing is an independent and objective assurance and consulting activity that is guided by a philosophy of adding value to further improve, where deemed fit for purpose, the maturity of operations of Wolters Kluwer. It assists in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the organization's governance, risk management, and internal controls. The global Internal Audit department works according to an audit plan which is discussed with the external auditors, the Executive Board, and the Audit Committee. The plan is approved by the Executive Board and the Supervisory Board. The audit plan is based on risk assessments and focuses on strategy execution, financial reporting risks, and operational risks, including IT-related risks.

The global Risk Management department facilitates risk prevention, protection, and response programs via procurement of insurance, claims and incident management, business continuity management, loss control programs, and other initiatives to mitigate specific risks. The Internal Audit, Internal Control, Group Accounting & Reporting, Legal, Treasury, Tax, and Risk Management departments provide quarterly reports to the Audit Committee and the Executive Board.

Wolters Kluwer risk universe

Strategic	Operational	Legal & Compliance	Financial & Financial Reporting
• Economy and markets • Products • Competition • Trends impacting business models • Mergers and acquisitions • Divestments	• IT and cybersecurity • Supply chain, technological developments, and projects • People and organization • Fraud • Operational resilience • Brand and reputation	• Regulatory and compliance • Corruption and bribery • Contractual compliance • Intellectual property protection • Third-party claims • Legislative developments	• Treasury • Post-employment benefits • Taxes • Misstatements, accounting estimates and judgements, and reliability of systems

Risk categories and risk appetite

The following pages outline the 22 main risks the company has assessed up to the date of this Annual Report. It is not the intention to provide an exhaustive description of all possible risks. There may be risks that are not known yet or the company has not yet fully assessed. It is also possible that existing risks have been assessed as not significant, which could in the future develop into a material exposure for the company and have a significant adverse impact on its business. The company's risk management and internal control systems have been designed to identify, mitigate, and respond to risks in a timely manner. However, full assurance cannot be attained.

The risk appetite of the main risks is qualified as balanced, conservative, or minimal. To achieve its strategic goals, Wolters Kluwer is prepared to take duly balanced risks in certain strategic areas, such as acquisitions, expansion in high-growth countries, and the launch of new innovative products. With respect to other risk categories, the approach of the company towards risks could be qualified as conservative, and as minimal for regulatory and compliance and financial reporting risks. The company carefully weighs risks against potential rewards. Actions to prevent and mitigate risks and uncertainties are summarized for each of the individual risks on the following pages. Wolters Kluwer's risk profile has been impacted by the global pandemic that has ramifications across many risk areas. Although this does not lead to major changes in risk ratings, there are shifts in focus within existing risks, mainly by increasing impact and/or probability.

Strategic risks

Risk description and impact	*Mitigation*
Economy and markets Global and regional economic conditions may have a negative effect on several products. The impact of these conditions on the overall portfolio will depend on the severity of the economic issue, the countries or regions affected, and potential government responses. Our more cyclical products, which include training activities, advertising, books (Health/L&R), and lending-related and corporate formation-related transactions (GRC), may be especially sensitive to economic conditions.	In 2020, the company continued the progress to shift the company's portfolio towards digital and high-growth businesses. Recurring revenues represent 80% of the company's consolidated revenues, reinforcing the company's resilience. Furthermore, revenues come from a variety of product types, customer segments, and geographic areas, bringing benefits of diversification. We also monitor our revenues exposure by geography – the U.S. is our largest market and Europe our second largest. Businesses that are sensitive to cyclical, transactional, or economic trends use cost optimization levers to defend margin as revenues shrink. We continue to focus on retention, cross-sell, upsell, defensive pricing, and pivoting new sales efforts to stronger industries and customer sub-segments. We continue to reshape the business through innovation, product developments, and strategic acquisitions and divestments. The company monitors relevant political and macroeconomic issues (e.g., global pandemic, Brexit, energy markets) in terms of risks and opportunities.
Products The decline of revenues coming from our legacy print business, which is a small proportion of our portfolio, including books and print-based subscriptions, may further accelerate. Most of our print portfolio is in Health, Legal & Regulatory, and a small portion in Tax & Accounting.	The company mitigates the decline of print-related revenues through upgrading customers from print to digital products, customer retention management, and upselling opportunities. The company continues assessing its portfolio, leading to divestment of legacy businesses offset by acquisitions in growing markets and organic growth.
Competition Wolters Kluwer faces competitive challenges from existing and new competitors, including free availability of some sources of information.	The company's offerings are varied and very specialized, across multiple customer segments – which is a natural defense against the larger existing or new potential competitors. We continue to invest 8%-10% of revenues annually in product development to expand offerings in expert solutions and services to support innovation and growth, and the transformation of our legacy information products.
Trends impacting business models Technological or demographic trends like remote working and adoption of cloud might affect current business models. These developments include disruptive technologies, such as the impact of artificial intelligence on the activities of professionals. In addition, new generations of customers might expect a different approach and different tools and solutions, powered by the cloud, to support them in their work.	The company actively monitors trends in the markets in which the company operates and that might affect its business in the future. We focus on evolving customer needs by closely monitoring net promotor scores, actively engaging via customer advisory boards, and hosting and participating in leading industry conferences. Further, we expanded the use of advanced technologies and invested in cloud readiness/migration throughout the company via our technology centers of excellence, global innovation awards program, and division-specific initiatives. Deep understanding of our customers, enabled by strong advanced technological capabilities, continues to allow the company to transform its portfolio of information, expert solutions, and services, and ensuring alignment with longer-term trends. Finally, maintaining a diverse workforce, with a good understanding of current and future customer needs, also contributes to safeguarding future value creation by the company.

Risk description and impact	*Mitigation*
Mergers and acquisitions Risks with respect to acquisitions primarily relate to the integration of the acquired companies, changing economic circumstances, customer retention, competitive dynamics, retaining key personnel, and realization of projected sales and synergies.	The company has strict strategic and financial criteria for acquiring new businesses. The company's investment decisions are very selective: the focus is on businesses with proven track record (relatively lower risk), that are relatively predictable. We conduct broad-based due diligence of acquisitions, using internal expertise and top-notch external due diligence and legal professionals. We also maintain relationships with preferred due diligence suppliers who have deep expertise in our targeted sectors, and incorporate lessons learned from prior transactions. We are incorporating more focus on GDPR and IT security diligence, as well as more standardized IT/software diligence external support. The company uses contractual indemnities and warranties from the seller, and deal structures, such as earnout agreements to retain management and to assure alignment between the purchase price and the performance of the acquired company. Generally, acquisitions are expected to be accretive to adjusted earnings per share in year one and cover the company's weighted average cost of capital within three to five years. Post-merger integration plans are developed with assistance from the company's internal corporate integration team. The Executive Board approves an acquisition integration plan prior to completing an acquisition, which is actively managed and monitored after completion. In addition, capital allocation to mergers and acquisitions is balanced across divisions and geographies.
Divestments Execution of the company's strategy is also supported by the divestment of non-core businesses. The ability to successfully divest operations can depend on the historical and projected performance of the business, economic and market circumstances, competitive dynamics, contractual obligations, shared costs within the group, the ability of the business to operate stand-alone, retention of key personnel, the buyer's ability to realize synergies, and other factors.	To mitigate risks related to material divestments, the company prepares carve out financials, usually carries out a vendor due diligence, and engages external experts for such due diligence and execution of the transaction.

Operational risks

Risk description and impact	*Mitigation*
IT and cybersecurity Wolters Kluwer is exposed to IT-related risks and cyber threats that could affect our IT infrastructure and system availability, applications, and the confidentiality and integrity of information.	The company takes active steps to mitigate IT and cybersecurity risks by increasing the investment in a globally managed cybersecurity program to effectively manage execution of project plans and provide management accountability at various levels. The company adopted the National Institute of Standards and Technology, Cyber Security Framework (NIST-CSF) to expand the maturity-based model of our cybersecurity program into a risk-based model. Further, we matured our controls for industry requirements by continuously assessing them against industry compliance programs, i.e., SOC 2 and ISO requirements. Also, we further strengthened IT disaster recovery and updated our incident management capabilities to account for cyberattacks. The Annual Compliance Training program for all employees was again provided in 2020, consisting of policy education and online security modules. We have now updated and aligned all local policies/standards with global policies. We implemented a mobile device management solution to protect our mobile devices and are actively implementing Multi Factor Authentication to all users accessing our main internal IT systems. We completed SOC 2 assessments on our cloud services and conducted risk evaluations for all our critical vendors through questionnaires and online and on-site assessments. Further, we improved network resilience with the implementation of the network peering point, and customer service availability with the implementation of an additional cloud-based solution. IT General Controls form an integral part of Wolters Kluwer's Internal Control Framework and are aligned with the Global Information Security Policy. Controls over data and security programs are periodically tested to ensure confidential and sensitive data are adequately protected. The company will continue to strengthen its security and incident response plans throughout 2021. IT and cybersecurity are standing Corporate Risk Committee agenda items.

Risk description and impact	*Mitigation*
Supply chain, technological developments, and projects Our businesses could be adversely affected by the dependency on our supply chain, including but not limited to parties delivering managed data center services, cloud computing, software development, and maintenance activities, including back-office transaction processing. Implementing new technology-related initiatives for delivering Wolters Kluwer's products and services, as well as achieving cost efficiencies through technology/IT sourcing initiatives, are inherently complex and are subjected to many execution risks during the development and implementation phases.	To mitigate supply chain risks, the company applies third-party risk management criteria when choosing external partners and ensures detailed operating and service agreements with these providers. We monitor progress and performance of key vendors during the term of agreement by oversight boards and program management teams. Centrally managed suppliers are subject to due diligence screening and requested to sign the Wolters Kluwer Supplier Code of Conduct or provide an equivalent standard. Over the past years, we have set a roadmap for consolidation and simplification of IT infrastructure and for implementing more service capabilities to support customers. In 2020, as part of our new operating model, we started building a Procurement Center of Excellence to support our sourcing and procurement operations. This includes a sourcing and procurement-wide enterprise solution and streamlined processes to further centralize our supplier onboarding and third-party risk management activities. In response to COVID-19, our first priority is to ensure business continuity and our second priority is to optimize costs and to create financial agility. To manage our business continuity, we segmented our supplier base to identify supply chain risks. Based on the risk profile we assessed the business continuity plans and implemented plans ensuring delivery. Due to the unpredictable market conditions, we continue to closely monitor the financial health on a watchlist of suppliers being integrated with our supply chain. The Corporate Quality Assurance team aims to improve the success of large change initiatives by providing assurance that key projects can move to the next stage of development or implementation, and by transferring lessons learned from one project to another. This team also supports standardization of change methodologies and frameworks.
People and organization The success of the company is highly dependent on its ability to attract and retain talent with the skills and experience to deliver on current and future requirements.	The company continues to prioritize the ability to attract and retain the talent we need to support our success. We have implemented a new suite of leading cloud solutions to drive efficiency and a significantly improved candidate/employee experience and have implemented new workforce analytics to better understand the workforce and where we have opportunities to drive increased engagement, manage talent development opportunities, and better align rewards to market. In addition, we are working on expanding our market-based rewards infrastructure to ensure we can compete for the talent we need, particularly in critical talent segments, and coupling that with expanded talent management programs to build out the "next generation" of career progression tools, succession planning, and company-sponsored learning programs. We are enhancing our recruiting strategies with new tools to encourage internal progression and better target and source the external talent we need. We are continuing our practice of surveying the global workforce to ensure management maintains a current view of employee engagement and insights for how to continuously improve it. Specific to 2020, we leveraged this employee feedback to best understand how to support employees during the pandemic, ensuring that the company is providing meaningful support to all of our colleagues to stay safe, productive, and connected while balancing the competing demands of the pandemic.

Risk description and impact	*Mitigation*
Fraud In the conduct of its business, the company may be exposed to internal or external fraudulent or related criminal actions, including cyber frauds/malicious acts where a bad actor attempts to take something of value (tangible or intangible assets) from the company. With the advent of COVID-19 during 2020, we are aware that this risk may be amplified and continue to assess the measures in place.	*Governance:* The Corporate Risk Committee examines potential exposure to fraudulent activities and is continuously implementing measures to address this. On an ongoing basis, the company evaluates and improves anti-fraud related process controls, and procedures to mitigate this risk and build employee awareness across the organization. We conduct regular reviews that ensure adherence to the Code of Business Ethics, the Wolters Kluwer Internal Control Framework, and other relevant frameworks and policies. These include strict policies on segregation of duties, risk-based internal audits, (fraud) risk assessment activities, staff training, and information sharing. *Identify/protect/detect:* We focus on anti-fraud risk awareness at many levels and through many channels. In addition to the activities undertaken by technology and information security functions, anti-fraud awareness activities include, among other things, annual compliance training, company-issued fraud alerts, and anti-fraud/anti-cybercrime workshops and training sessions within at-risk businesses and functions. We use case studies and best practices to further raise global fraud awareness and reduce social engineering risks. We also consider fraud risk and related measures in our Supplier Code of Conduct and weave anti-fraud protections into vendor management, payment card, and banking practices. *Respond/recover:* Employees (and our vendors) are encouraged to "pause for cause" and report suspected activities including fraud via appropriate channels. For example, employees may report via SpeakUp (internal matters) or via a cybercrime/fraud incident reporting mailbox, supported by incident responders who guide matters from intake through conclusion.
Operational resilience Resilience focuses on how to prepare for, protect against, respond to, recover from, and learn from risk threats, and covers incident management, business continuity, operational recovery, and IT disaster recovery. The company could be exposed to damages to its tangible assets (e.g., facilities, IT systems, hardware) which could cause business interruption or financial loss. During 2020, this risk exposure generally increased due to the global pandemic and rises in cybercrime, climate change/ natural catastrophe, and civil unrest events throughout the world.	Generally, to mitigate against operational resilience risks, the company has implemented a centralized worldwide risk control and business continuity management program. Regular loss control surveys of key operating companies and supplier locations are conducted by company risk managers and our insurers. They work with our operating companies to cost-effectively implement recommendations for continued improvement. The company maintains a multi-disciplinary Global Incident Management Program to strengthen the ability to manage crises and incidents, irrespective of the type. Incident management is a standing agenda topic of the Corporate Risk Committee and incidents are reported quarterly to the Audit Committee. Likewise, the company continues to enhance disaster recovery capabilities. More specifically, impacts related to 2020 risks were mitigated via the company's operational resilience programs mentioned above, the continuing consolidation/reduction of global real estate footprint, and our ability to continue business, i.e., virtually conduct our largely digital business in a safe, interconnected, and productive way.

Risk description and impact	*Mitigation*
Brand and reputation With the increasing prominence of the Wolters Kluwer brand, the company potentially becomes more vulnerable for brand and/or reputation risks.	To mitigate brand and reputation risks, the company has established the cross-functional Global Brand Organization that oversees the brand strategy and implementation work by the Global Branding & Communications (GBC) team. The GBC team closely works with other corporate functions and the businesses to grow the equity and awareness of the brand while monitoring any potential reputational risks. The GBC team implemented a monitoring tool to monitor conversations globally around the brand and on thought leadership in the media and on social media. The perception of risk and trust has been heightened by COVID-19 causing customers and society to rethink and reset. Wolters Kluwer has played a vital role to help manage uncertainty during these unprecedented times through new solutions, webinars, online classrooms, and topical pages. Insights are shared with internal stakeholders including the Global Brand Organization. In 2020, the organization initiated OneWeb, a project aimed to enhance our digital footprint and safeguard our domain management process by migrating over 250 websites to one global website, www.wolterskluwer.com.

Legal & compliance risks

Regulatory and compliance The company can be exposed to non-compliance with laws, regulations, internal policies, or breach of covenants in financing and other agreements, and loss or suspension of business licenses. The company sees an increased complexity in various laws and regulations such as those related to privacy, trade sanctions, taxation, anti-competitive practices, and human rights standards. Non-compliance could result in fines, restrictions on business activities, third-party claims, and reputational damage.	Compliance with laws and internal policies is an integral part of Wolters Kluwer's Internal Control Framework which includes semi-annual Letters of Representation, annual internal control testing, and regular internal audits. Pertinent training programs are provided to all employees to create awareness about compliance subjects and mitigate compliance related risks. The training programs provide employees with knowledge to recognize potential violations or non-compliance with laws, regulations, or internal policies, so that non-compliance can be avoided. Our global reporting system SpeakUp allows employees to report any suspected non-compliance for investigation and remediation. In 2020, we rolled out a new Code of Business Ethics across the entire organization. We continue to implement a cross-functional enterprise-wide compliance program for privacy laws, including the General Data Protection Regulation and the California Consumer Privacy Act. Global data privacy training was provided to all employees. We continually evaluate whether legislative changes, regulatory developments, new products, or business acquisitions require additional compliance efforts.
Corruption and bribery As Wolters Kluwer's businesses operate worldwide, they are exposed to diverse business cultures and practices. In addition, our customers include governmental and quasi-governmental organizations. These are factors that could potentially contribute to the risk of corruption and bribery.	Our new Code of Business Ethics that was rolled out in 2020, prohibits employees, either directly or indirectly, from offering, promising, demanding, or accepting bribes to obtain or retain business. The Code of Business Ethics includes enhanced policies on accepting and offering gifts and hospitality and conflicts of interest, and our employees were trained on these topics in 2020. In addition, we established a standalone global anti-bribery and anti-corruption policy that will be rolled-out in 2021. Further, we conduct due diligence screening of centrally managed suppliers, that includes anti-bribery safeguards and the requirement to agree to the terms of our Supplier Code of Conduct or adhere to an equivalent standard. Finally, our global misconduct reporting system SpeakUp encourages employees to report any suspected act of corruption or bribery.

Risk description and impact	*Mitigation*
Contractual compliance The company could be exposed to claims by its contractual counterparties based on alleged non-compliance with contractual obligations, covenants, restrictions, and representations, such as the limits on number of authorized users (available licenses), price commitments, or services to be delivered.	The company mitigates contractual compliance risks by negotiating contracts with attention to risk transfer clauses, representations, warranties, and covenants. For part of our vendor contracts, we use contract management systems to monitor material contractual rights and obligations, and software tools to track the use of software for which licenses are required. We launched a Contract Lifecycle Management initiative to, among other things, facilitate compliance with third party agreements. Contract playbooks assist the company's internal legal department in standardizing negotiation positions with respect to customer contracts. Further, our limitation of liability policy standardizes negotiation of liability provisions in SaaS and software agreements with customers and establishes an exceptions process to ensure proper balancing of risks and benefits.
Intellectual property protection Intellectual property rights could be challenged, limited, invalidated, circumvented, or infringed. Technological developments make it increasingly difficult to protect intellectual property rights. Changes in legislation could have an impact on the ability to protect intellectual property rights.	Wolters Kluwer actively protects its intellectual property rights to safeguard its portfolio of information, software solutions, and services. The company relies on trademark, copyright, patent, and other intellectual property laws to establish and protect its proprietary rights to these products and services. In 2020, we conducted a trademark audit. Records have been updated to reflect trademarks used, to be renewed, those allowed to expire, and those that were not yet captured. We monitor legislative developments with respect to intellectual property rights. Our central trademarks database provides expert protection and supports the monitoring of our intellectual property. Our intellectual property policies and procedures are emphasized in our new Code of Business Ethics.
Third-party claims The company may be exposed to litigation, administrative actions, and other claims by third parties, including claims relating to products, services (including software and SaaS offerings), informational content provided or published by the company, and employee and vendor relations. Such claims may be based on legal theories such as alleged negligence, product liability, breach of contract, or infringement of third-party intellectual property rights.	The company mitigates these risks by striving to produce high-quality products, services, and content, and by generally including disclaimers and limitations of liability in its contracts. Our employees are made aware of requirements to ensure compliance with intellectual property laws and regulations. Further, the company's limitation of liability policy standardizes negotiation of liability provisions in software customer agreements. The company's insurance program cover certain types of certain exposures. The company manages a range of insurable risks by arranging for insurance coverage for first-party and third-party liability exposures.
Legislative developments Changes in laws, legislation, or trade restrictions could impact the company's businesses in certain jurisdictions. Countries could impose restrictions on ownership of publishing activities by foreign companies.	The company monitors legislative developments and regulatory changes, including trade restrictions, to assess the potential impact on its businesses. In certain cases, the company partners with local companies to facilitate compliance with applicable laws. We monitor and comply with global executive and health agency orders, regulations, and laws in connection with the COVID-19 pandemic.

Financial & financial reporting risks

Risk description and impact	*Mitigation*
Treasury Fluctuations in exchange and interest rates can adversely affect Wolters Kluwer's results.	It is the company's goal to mitigate the effects of currency and interest rate fluctuations on net profit, equity, and cash flow. Whenever possible, the company tries to do this by creating natural hedges, by matching the currency profile of income and expenses and of assets and liabilities. When natural hedges are not present, Wolters Kluwer strives to realize the same effect with the aid of derivative financial instruments. For this purpose, hedging ranges have been identified and policies and governance are in place, including authorization procedures and limits. The company purchases or holds derivative financial instruments only with the aim of mitigating risks and most of these instruments qualify for hedge accounting as defined in IFRS 9. The company does not purchase or hold derivative financial instruments for speculative purposes. More disclosure and detailed information on financial risks and policies is provided in *Note 30 – Financial Risk Management*. The Treasury Policy on market risks (currency and interest), liquidity risks, and credit risks is reviewed by the Audit Committee, with quarterly reporting by the Treasury Committee to the Audit Committee on the status of these financial risks. In 2020, we secured new funding by issuing a new €500 million Eurobond and refinancing of a €600 million multi-currency revolving credit facility, which diminished liquidity risk.
Post-employment benefits The company maintains a number of post-employment benefit programs globally. Generally, these programs are defined contribution plans. In some countries, we still have some defined benefit plans, the largest of which is an active plan in the Netherlands, and next in size are the frozen and/or closed plans in the United States, the United Kingdom, Belgium, Canada, Italy, and Australia. For most of the active plans, the company as well as employees make investments for the future benefit of participants. For the frozen and/or closed plans, the company has to ensure they are properly funded to provide the committed level of benefits to participants. From a risk point of view, for the defined benefits plans, funding requirements are influenced by actuarial changes, interest rates, and the investment returns on the assets invested in each respective plan, which are influenced by financial markets and economic conditions.	The company performs an ongoing evaluation of all plans to ensure we are market competitive with designs that minimize risk and volatility, while we continuously monitor opportunities to make the frozen/closed plans more efficient. In 2020, we consolidated the administration of our defined contribution plans in the Netherlands with one provider so that we can manage the collective assets/risks at larger scale and maintain benefits at lower cost. In addition, in 2019, we executed an "annuity lift-out" for the frozen U.S. pension plan, transferring responsibility for a portion of the plan obligations to an insurer, reducing the liability/risk on the company balance sheet. Also, we partner closely with independent expert advisors on market competitive plan design, plan performance monitoring, and defining investment and hedging strategies for all of our plans to maximize returns while managing downside risk. The accounting for defined benefit plans is based on annual actuarial calculations in line with IAS 19 Employee Benefits, disclosed in *Note 31 – Employee Benefits*.

Risk description and impact	Mitigation
Taxes Changes in operational taxes and income tax rates, laws, and regulations could adversely affect the company's financial results, and tax assets and liabilities.	Next to income taxes, most taxes are either transactional or employee-related and are levied from the legal entities in the relevant jurisdictions. Wolters Kluwer maintains a liability for uncertain tax positions in line with IFRS accounting standards. The adequacy of this liability is evaluated on a regular basis in consultation with external advisors. Reference is made to *Note 23 – Tax Assets and Liabilities* for additional information about income tax and related risks. As a leader in tax and accounting products, the company takes its responsibility as a corporate citizen seriously. We provide training to our tax staff where appropriate. The company reviews its Tax Principles annually and updated them in 2020.
Misstatements, accounting estimates and judgments, and reliability of systems The processes and systems supporting the financial reporting may be susceptible to unintentional misstatements or manipulation which could affect the company's relationships with regulators and investors and could be highly disruptive for the company in terms of reputation, resources, and impact on business activities. In view of the wide array of systems used across the businesses globally, these risks could result in potentially significant adverse impacts on the company's reputation, resources, and stated results. The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates, and assumptions. The estimates and underlying assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from those estimates and assumptions.	The company mitigates these risks by maintaining an Internal Control Framework for financial reporting as described in the introduction to this chapter. The Internal Audit and Internal Control departments have a system in place for the monitoring of progress in resolving any audit findings and performing follow-up visits and back-testing to determine whether those findings are timely and adequately resolved. In addition, senior executives in the divisional and operating companies and senior corporate staff members sign Letters of Representation semi-annually, certifying compliance with laws and policies. Independent internal audit reviews are carried out to ensure compliance with policies and procedures and ensure that existing controls provide adequate protection against actual risks. Further, financial results are inquired and reviewed by the Business, Analysis & Control, Consolidation, Group Accounting & Reporting, Treasury, and Corporate Tax departments and the Executive Board, and in monthly developments meetings as part of regular business reviews. The Group Accounting & Reporting department periodically provides updates and webinars outlining changes in policies, accounting standards, and financial focus areas. Reconciliation of statutory accounts is done by the Group Accounting & Reporting and Corporate Tax departments, which includes a comparison between group reported figures, statutory figures, and tax filings.

Sensitivity analysis

Fluctuations in currency exchange, discount, interest, and tax rates affect Wolters Kluwer's results. The following table illustrates the sensitivity to a change in these rates for adjusted operating profit and diluted adjusted EPS:

potential impact	**Adjusted operating profit** *€ millions*	**Diluted adjusted EPS** *€ cents*
1% decline of the U.S. dollar against the euro	(9)	(2)
1% decrease in discount rate in determining the gross service costs for the post-employment benefit plans	(9)	(3)
1% increase in interest rate assuming same mix of variable and fixed gross debt	n.a.	0
1% increase in the benchmark tax rate on adjusted net profit	n.a.	(4)

Statements by the Executive Board

The Executive Board is responsible for the preparation of the financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code. The financial statements consist of the consolidated financial statements and the company's financial statements. The responsibility of the Executive Board includes selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

The Executive Board is also responsible for the preparation of the Report of the Executive Board (which for this statement includes Corporate Governance and Risk Management) that is included in the 2020 Annual Report. The Report of the Executive Board and the Financial Statements are prepared in accordance with Part 9 of Book 2 of the Dutch Civil Code. The Executive Board endeavors to present a fair review of the situation of the business at balance sheet date and of the course of affairs in the year under review. Such an overview contains a selection of some of the main developments in the financial year and can never be exhaustive.

The company has identified the main risks it faces, including financial reporting risks. These risks can be found in *Risk Management*. In line with the Dutch Corporate Governance Code and the Dutch Act on Financial Supervision (Wet op het financieel toezicht), the company has not provided an exhaustive list of all possible risks. Furthermore, developments that are currently unknown to the Executive Board or considered to be unlikely may change the future risk profile of the company.

The company must have internal risk management and control systems that are suitable for the company. The design of the company's internal risk management and control systems (including the Internal Control Framework for financial reporting) has been described in *Risk Management*. The objective of these systems is to manage, rather than eliminate, the risk of failure to achieve business objectives and the risk of material errors to the financial reporting. Accordingly, these systems can only provide reasonable, but not absolute, assurance against material losses or material errors.

As required by provision 1.4.3 of the Dutch Corporate Governance Code and Section 5:25c(2)(c) of the Dutch Act on Financial Supervision (Wet op het financieel toezicht) and on the basis of the foregoing and the explanations contained in *Risk Management*, the Executive Board confirms that to its knowledge:

- No material failings in the effectiveness of the company's internal risk management and control systems have been identified;
- The company's internal risk management and control systems provide reasonable assurance that the financial reporting over 2020 does not contain any errors of material importance;
- There is under the current circumstances a reasonable expectation that the company will be able to continue in operation and meet its liabilities for at least 12 months as from the date hereof, therefore it is appropriate to adopt the going concern basis in preparing the financial reporting;
- There are no material risks or uncertainties that could reasonably be expected to have a material adverse effect on the continuity of the company's enterprise in the coming 12 months as from the date hereof;
- The 2020 Financial Statements give a true and fair view of the assets, liabilities, financial position, and profit or loss of the company and the undertakings included in the consolidation taken as a whole; and
- The Report of the Executive Board includes a fair review of the situation at the balance sheet date, the course of affairs during the financial year of the company, and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks that the company faces.

Alphen aan den Rijn, February 23, 2021

Executive Board
Nancy McKinstry
CEO and Chairman of the Executive Board
Kevin Entricken
CFO and member of the Executive Board

Supervisory Board

Frans Cremers

Dutch, 1952, Chairman of the Supervisory Board and co-chairman of the Selection and Remuneration Committee dealing with selection and appointment matters. Appointed in 2017, and current term until 2021.

Position:
Former CFO and member of the Executive Board of VNU N.V.

Supervisory directorships and other positions:
- Member of the Board of Directors of Stichting Preferente Aandelen Heijmans, and Stichting Preferente Aandelen B KPN
- Investigator appointed by the Enterprise Section of the Amsterdam Court of Appeal in relation to the policy and course of events in the matter of SNS Reaal N.V. and SNS Bank N.V.

Ann Ziegler

American, 1958, Vice-Chairman of the Supervisory Board and member of the Selection and Remuneration Committee. Appointed in 2017, and current term until 2021.

Position:
Former Senior Vice President, Chief Financial Officer, and Executive Committee member of CDW Corporation

Supervisory directorships and other positions:
- Member of the Board (Non-Executive Director) of Hanesbrands Inc.
- Member of the Board (Non-Executive Director) of US Foods Inc.
- Member of the Board (Non-Executive Director) of Reynolds Consumer Products Inc.

Bertrand Bodson

Belgian, 1975. Appointed in 2019, current term until 2023.

Position:
Chief Digital Officer at Novartis

Supervisory directorships and other positions:
- Member of the Board (Non-Executive Director) of Electrocomponents PLC

Full profiles of the members of the Executive Board and the Supervisory Board are available on www.wolterskluwer.com.

Executive Board

Nancy McKinstry

American, 1959, Chief Executive Officer and Chairman of the Executive Board since September 2003, and member of the Executive Board since June 2001.

As CEO and Chairman of the Executive Board, Ms. McKinstry is responsible for division performance, Global Strategy, Business Development, Technology, Global Business Services, Communications, Human Resources, Corporate Governance, and Sustainability.

Kevin Entricken

American, 1965, Chief Financial Officer and member of the Executive Board since May 2013.

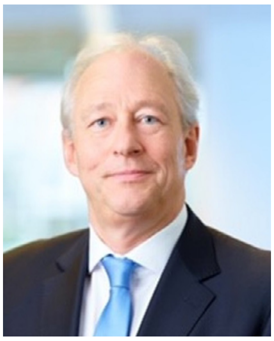
As CFO and member of the Executive Board, Mr. Entricken is responsible for Group Accounting & Reporting, Business Analysis & Control, Internal Audit, Internal Controls, Investor Relations, Mergers & Acquisitions, Taxation, Treasury, Risk Management, Real Estate, and Legal Affairs.

Jeanette Horan

British, 1955, co-chairman of the Selection and Remuneration Committee dealing with remuneration matters.
Appointed in 2016, and current term until 2024.

Position:
Former Chief Information Officer at IBM

Supervisory directorships and other positions:
- Member of the Board (Non-Executive Director) and member of the Audit and Technology Committees of Nokia
- Member of Board of Advisors of Jane Doe No More, a non-profit organization
- Member of the Board of the Ridgefield Symphony Orchestra, a non-profit organization



Jack de Kreij

Dutch, 1959, Chairman of the Audit Committee. Appointed in 2020, current term until 2024.

Position:
Former CFO and Vice-Chairman of the Executive Board of Royal Vopak N.V.

Supervisory directorships and other positions:
- Deputy Chairman of the Supervisory Board and Chairman of the Audit Committee of Royal Boskalis Westminster N.V.
- Member of the Supervisory Board and Chairman of the Audit Committee of TomTom N.V.
- Member of the Supervisory Board and Chairman of the Audit Committee of Corbion N.V.
- Member of the Board (Non-Executive Director) and member of the Audit Committee of Oranje Fonds
- Member of the Global Advisory Board of Metyis
- Member of the Board of Stichting Preferente Aandelen Philips

Sophie Vandebroek

American, 1962, member of the Audit Committee. Appointed in 2020, current term until 2024.

Position:
Founder Strategic Vision Ventures LLC and former Chief Technology Officer of Xerox and Chief Operating Officer of IBM Research

Supervisory directorships and other positions:
- Member of the Board of Directors (Non-Executive Director) and member of the Finance and the Nomination & Governance Committees of IDEXX Laboratories, Inc.
- Member of the Advisory Council of the Dean of Engineering at Massachusetts Institute of Technology
- Member of the Board of Trustees of the Boston Museum of Science
- Member of the Board of Trustees of the Massachusetts Technology Leadership Council
- Member of the International Advisory Board, Flanders AI Research Program
- Strategic Advisor, Safar Partners

Chris Vogelzang

Dutch, 1962, member of the Audit Committee. Appointed in 2019, and current term until 2023.

Position:
CEO of Danske Bank A/S

Supervisory directorships and other positions:
- Member of the Supervisory Council of Rijksmuseum

Report of the Supervisory Board

Supervisory Board Report

The Supervisory Board of Wolters Kluwer is responsible for supervising the Executive Board in setting and achieving the company's strategy, targets, and policies, as well as the general course of affairs of the company. The Supervisory Board also assists the Executive Board with advice.

Meetings

The Supervisory Board held seven scheduled meetings in 2020. After the February meeting, all meetings took place virtually due to COVID-19. Six meetings included a Supervisory Board members only session, without the members of the Executive Board being present. All members attended all meetings. There was one scheduled conference call between the Executive Board, the Chairman of the Supervisory Board, and the Chairman of the Audit Committee. In addition to the scheduled meetings, there were two additional meetings to discuss acquisition proposals. The Chairman of the Supervisory Board had regular contact with the Chairman of the Executive Board.

Financial statements

The Executive Board submitted the 2020 Financial Statements to the Supervisory Board. The Supervisory Board also took notice of the report and the statement by Deloitte Accountants B.V. (as referred to in Article 27, paragraph 3 of the company's Articles of Association), which the Supervisory Board discussed with Deloitte. The members of the Supervisory Board signed the 2020 Financial Statements, pursuant to their statutory obligation under clause 2:101 (2) of the Dutch Civil Code. The Supervisory Board proposes to the shareholders that they adopt these Financial Statements at the Annual General Meeting of Shareholders of April 22, 2021, see *2020 Financial Statements*.

Evaluations

The Supervisory Board discussed its own functioning, as well as the functioning of the Executive Board and the performance of the individual members of both Boards. These discussions were partly held without the members of the Executive Board being present. The composition of the Supervisory Board, the Audit Committee, and the Selection and Remuneration Committee was also discussed in the absence of the Executive Board. The Supervisory Board members completed a self-assessment. Overall, the outcome of the evaluation was positive. The Supervisory Board remains focused on a good balance between presentations and discussions and also recommended minor governance process improvements which will be implemented going forward. The composition of the Supervisory Board represents the relevant skill sets and areas of expertise. The Supervisory Board meetings take place in an open and transparent atmosphere with each of the members actively participating. The Committees function well. In addition to the formal evaluation process, as a standard practice, the Chairman of the Supervisory Board gives feedback to the Chairman of the Executive Board after every Supervisory Board meeting.

COVID-19

The Executive Board has kept the Supervisory Board regularly informed in detail regarding the impact of COVID-19 on the company. The information related to the well-being and engagement of employees, working from home policies, back-to-office plans, the impact on the business and its customers, as well as the financial performance and outlook of the company. The Supervisory Board was pleased to see that the company was able to react to the situation in an agile entrepreneurial way, while giving priority to the health and well-being of the employees and to serving customers with solutions to help them deal with the pandemic. During the year, the engagement score resulting from the annual survey among employees remained high, above benchmarks. The impact of COVID-19 on the financial performance of the company in 2020 was largely in transactional revenues such as books, training, and corporate services as well as new sales generally. Overall, the company continues to grow its revenues, whereas dividends could be distributed, funding plans were successfully completed, and the share buyback programs could be executed as planned. The Supervisory Board approved the proposal by the Executive Board to suspend the full-year guidance in May 2020, because of the uncertain market circumstances due to COVID-19. The Supervisory Board approved the full-year guidance for 2021, and will continue to closely monitor the impact of COVID-19 on all aspects of the business.

Strategy
The Supervisory Board was closely involved in the development of the strategy for 2019-2021, *Accelerating Our Value*, which was announced in February 2019. This strategy aims at accelerating the transformation of the company towards a global organization which grows expert solutions, advances deep domain expertise, and drives operational agility. This will contribute to long-term value creation for the company. During 2020, the Supervisory Board was kept informed on the execution of the strategy. The Executive Board discussed the corporate Vision & Strategy Plan for 2021-2023 with the Supervisory Board during two meetings. The plan was approved by the Supervisory Board.

The divisional CEOs/managing directors also presented their Vision & Strategy Plans for 2021-2023 to the Supervisory Board. This enabled the Supervisory Board to obtain a good view on the opportunities and challenges for each of the divisions and supported the Executive Board in making the right strategic choices and investment decisions for each business. The Supervisory Board considers it important to meet each of the division CEOs/managing directors periodically and get an update from them on the performance, key trends, strategy, and developments.

Due to COVID-19, it was not possible to visit any of the business units in 2020. Instead, virtual presentations were given by several business unit managers and employees.

The Supervisory Board was also informed about the innovation activities within Wolters Kluwer. 2020 was the tenth consecutive year in which Wolters Kluwer rewarded promising new internal business initiatives via the Global Innovation Awards. This event enables teams across the business to present their innovative plans. The awards are ultimately awarded by a jury consisting of internal and external experts. Continuing focus on innovation and investment in new and enhanced products is an important means for driving long-term value creation as well as an increased culture of innovation at Wolters Kluwer.

In line with standard practice, management of the Global Business Services organization and the Digital eXperience Group gave presentations, updating the Supervisory Board on the company's technology strategy and execution thereof, including cybersecurity and disaster recovery plans.

The Supervisory Board also considers it important to be aware of the main developments with respect to competition and the markets in which the company operates. To that end, an overview of the most important developments with respect to traditional and new competitors is discussed during each Supervisory Board meeting.

Acquisitions and divestments
The Executive Board kept the Supervisory Board informed about all pending acquisition and divestment activities. The Supervisory Board also discussed the performance and value creation of previous acquisitions, taking into consideration Wolters Kluwer's financial and strategic criteria for acquisitions. The Supervisory Board approved the acquisition of XCM Solutions by the Tax & Accounting division, as well as the acquisition of eOriginal by the Governance, Risk & Compliance division. For both acquisitions, the management teams responsible for the acquisitions and the business development teams presented their acquisition proposal to the Supervisory Board and addressed questions by the Board. The presentations and discussions included the strategic rationale, valuation, revenue forecasts, go-to-market plans, technology, customers, integration plans, and due diligence findings.

Corporate governance, sustainability, and risk management
The Supervisory Board was kept informed about developments with respect to corporate governance and sustainability. The Supervisory Board and Audit Committee discussed risk management, including the risk profile of the company and risk appetite per risk category, as well as the assessment of internal risk management and control systems. The Audit Committee and Supervisory Board discussed the ongoing actions the company takes to further improve the internal risk management and control systems, including IT security and cybersecurity. For more information, see *Risk Management*.

The Supervisory Board approved the new Code of Business Ethics and was informed of the completion rate of the company-wide Annual Compliance Training (99%). The training modules were also made available to the Supervisory Board members. The Supervisory Board was informed about the continuous progress of the sustainability initiatives in 2020, and the inclusion of additional non-financial information in the Annual Report. The Supervisory Board also reviewed the new Environmental, Social, and Governance (ESG)-related targets for the Short-Term Incentive Plan – see *Remuneration Report* for more information. The Supervisory Board believes that the efforts in these areas of governance, compliance, risk management, and sustainability will contribute to a culture of integrity, accountability, and transparency, aimed at long-term value creation for all stakeholders.

Talent management and organizational developments

Each year, the outcome of the annual talent review is discussed by the Supervisory Board. Diversity at Board and senior management levels is an important element in that discussion. Furthermore, as a standing topic during each Supervisory Board meeting, the Supervisory Board is informed about organizational developments, including appointments at senior positions within the company. During the year, the Supervisory Board also met (virtually) with various executives and managers who gave presentations, which enabled the Board to get a good view on the available talent within the organization.

The Supervisory Board was also updated on the results of Wolters Kluwer's employee engagement survey, which measures important topics such as engagement, alignment, agility, development, and other components driving engagement, and supporting a culture aimed at long-term value creation. The Supervisory Board was pleased to see the positive outcome of the survey results. In 2020, a new initiative was launched to make the Supervisory Board more visible throughout the company via a series of interviews. The first interview was held with the Chairman and Vice-Chairman of the Supervisory Board and focused on the role and responsibilities of the Supervisory Board and Committees. The interview was made available to all employees.

The Supervisory Board fully supports all initiatives in the company to enhance the diverse and inclusive culture within the company. The Supervisory Board discussed this topic in several meetings.

Finance

The Supervisory Board carefully observes the financing of the company including the balance sheet and available headroom. The Supervisory Board also closely monitors the development of the net-debt-to-EBITDA ratio. The Supervisory Board approved the share buyback program in 2020 of up to €350 million, as well as the €50 million share buyback for the period starting January 4, 2021, up to and including February 22, 2021. In addition, the Supervisory Board approved the €600 million multi-currency revolving credit facility with a maturity of three years plus two extension options of one year each, as well as the €500 million ten-year senior unsecured Eurobond. Other financial subjects discussed included the budget, the financial outlook, the achievement of financial targets, the year-end and interim dividend, the outcome of the annual impairment test, and annual and interim financial results.

Investor Relations

The Supervisory Board was well informed about Investor Relations activities, which is a standing agenda item during the Supervisory Board meetings. Updates included share price developments, communication with shareholders, shareholders' views on acquisitions, analyst research, and the composition of the shareholder base. The Supervisory Board also carefully reviewed and approved the Annual Report and press releases regarding the full-year and half-year results, and the first-quarter and nine-month trading update.

Audit Committee

The Audit Committee met four times in 2020, during the preparation of the full-year 2019 and half-year 2020 results, and around the first-quarter 2020 trading update and nine-month 2020 trading update. In addition, there was one scheduled conference call in December between the auditors, the Chairman of the Audit Committee, and the CFO. After the Annual General Meeting of Shareholders in 2020, the Audit Committee consisted of Mr. de Kreij (Chairman), Ms. Vandebroek, and Mr. Vogelzang. Mr. Hooft Graafland retired after the 2020 Annual General Meeting of Shareholders. Each of the members attended all meetings. The meetings of the Audit Committee were held in the presence of the Executive Board members, the external auditor, the head of internal audit, and other corporate staff members. During 2020, as routine agenda items, the Audit Committee had discussions with the external auditors, as well as with the head of internal audit, without the members of the Executive Board being present. In addition, the Chairman of the Committee met with the CFO, the external auditor, the head of Group Accounting & Reporting, and the head of internal audit in preparation of the Committee meetings. After every meeting, the Chairman of the Committee reports back to the full Supervisory Board. The main items discussed during the Audit Committee meetings included the financial results of the company, status updates on internal audit and internal controls, the 2019 management letter, the progress on the implementation of the new corporate performance management system, accounting topics, pensions, tax planning, impairment testing, the Treasury Policy, the financing of the company, risk management, cybersecurity, hedging, litigation reporting, incident management, the quarterly reports of the external auditor, and their full-year report on the audit.

The Audit Committee has reviewed the performance of the external auditor, the proposed audit scope and approach, the audit fees, and the independence of the external auditor, and has approved the non-audit services provided by the external auditor. The Auditor Independence Policy is published on www.wolterskluwer.com.

Selection and Remuneration Committee
The Selection and Remuneration Committee met nine times in 2020 (including virtual meetings). The Committee has the following composition: Ms. Horan (who chairs the remuneration-related discussions), Mr. Cremers (who chairs the selection and nomination-related discussions), and Ms. Ziegler. All members attended all meetings. After every meeting, the respective chairs of the Committee report back to the full Supervisory Board. The resolutions regarding appointments and remuneration were taken by the full Supervisory Board, based on recommendations from the Committee.

The Supervisory Board proposed an amended remuneration policy for the Executive Board to the 2020 Annual General Meeting of Shareholders. A majority of 52% of the share capital represented voted in favor of the amended remuneration policy. This did not meet the 75% majority requirement set by Dutch law. The Committee members were actively involved in the stakeholder outreach to gather the views of stakeholders on the draft remuneration policy; more than 100 meetings were held with more than 60 shareholders, six meetings were held with three shareholder representatives and proxy advisors, and two meetings were held with the Works Council. The amended version of the remuneration policy will be submitted to the Annual General Meeting of Shareholders of April 22, 2021, for adoption. The Committee also discussed the execution of the remuneration policy, including base salary, new conditional awards of performance shares under the Long-Term Incentive Plan and the applicable performance measures, and targets for the Short-Term Incentive Plan. For more information about the remuneration policy of the Executive Board and the execution thereof, see *Remuneration Report*.

The 2020 Annual General Meeting of Shareholders adopted the remuneration policy for the Supervisory Board, for which the Supervisory Board, based on a recommendation of the Selection and Remuneration Committee, had formulated a proposal in line with the Dutch law implementing the amended European Shareholder Rights Directive. The shareholders also approved the proposed increase of the Supervisory Board remuneration.

The Selection and Remuneration Committee also discussed the nominations for the reappointment of Mr. Cremers and Ms. Ziegler as Supervisory Board members, as well as the nomination for reappointment of Mr. Entricken as Executive Board member.

Supervisory Board composition
In 2020, the second term of Mr. Hooft Graafland expired. He was not available for reappointment and resigned after the 2020 Annual General Meeting of Shareholders. The Supervisory Board thanks Mr. Hooft Graafland for his commitment and contribution over the last eight years. At that meeting, Mr. De Kreij and Ms. Vandebroek were appointed as new members and Ms. Horan was reappointed as member after expiration of her first term. Ms. Ziegler was appointed as new Vice-Chairman.

The first term of both Mr. Cremers and Ms. Ziegler will expire in 2021. Mr. Cremers will be available for reappointment for a one-year term, after which he will retire from the Supervisory Board. Ms. Ziegler will be available for reappointment for a new four-year term. Their nominations for reappointment will be submitted to the Annual General Meeting of Shareholders of April 22, 2021.

The composition of the Supervisory Board is in line with the profile and the company's diversity policy, reflecting a diverse composition with respect to expertise, nationality, gender, and age. Four nationalities are represented on the Supervisory Board, with different talents and relevant areas of expertise. The Supervisory Board has a female representation of 43%, which is in line with Dutch governance standards. The profile, competences matrix, rotation schedule, and diversity policy are published on www.wolterskluwer.com.

All Supervisory Board members comply with the Dutch law regarding the maximum number of supervisory board memberships. Furthermore, all members of the Supervisory Board are independent from the company within the meaning of best practice provisions 2.1.7, 2.1.8, and 2.1.9 of the Dutch Corporate Governance Code. For more information on each Supervisory Board member in accordance with the Dutch Corporate Governance Code, see *Executive Board* and *Supervisory Board* and *Corporate Governance*.

The Supervisory Board would like to thank the Executive Board and all employees worldwide for their efforts in the past year. The flexibility of the entire organization during COVID-19, in combination with the results of the company and ongoing focus on serving customers and long-term value creation, were highly appreciated by the Supervisory Board.

Alphen aan den Rijn, February 23, 2021

Supervisory Board
Frans Cremers, Chairman
Ann Ziegler, Vice-Chairman
Bertrand Bodson
Jeanette Horan
Jack de Kreij
Sophie Vandebroek
Chris Vogelzang

The proposed new policy incorporates nearly all of the changes desired by shareholders.

Jeanette Horan
Co-chairman of the Selection and Remuneration Committee dealing with remuneration matters

Remuneration Report

This Remuneration Report provides an overview of our remuneration policy, its application in 2020, and proposed future changes. It has been approved by our Supervisory Board.

Letter from the Co-chairman of the Selection and Remuneration Committee

Dear Shareholders,

I am pleased to present Wolters Kluwer's 2020 Remuneration Report, on behalf of the Selection and Remuneration Committee of the Supervisory Board.

This has been a busy and constructive year for the Committee, as we have consulted extensively with our shareholders and significantly revised our remuneration policy prior to its submission to our April 2021 AGM.

This activity was largely due to an earlier new remuneration policy receiving 52% of votes at the 2020 AGM, less than the required 75% majority. Although that earlier proposal received strong support from our top 20 shareholders, the Supervisory Board recognised that we needed to align the policy more closely with the expectations of our broader global shareholder base.

During the latter half of 2020, we therefore consulted with numerous stakeholders about what they wanted from our remuneration policy. This program included two rounds of engagement, in September and November, during which we met 60 institutional investment firms holding approximately 57% of our issued share capital. We also engaged with proxy advisors and other organizations that provide governance insights to investors.

Our conversations proved that many shareholders had differing views about our proposed 2020 remuneration policy. The most commonly expressed viewpoints were the following:

- Our pay peer group was weighted too heavily towards North American companies, contributing to what was felt were excessive Executive Board remuneration levels;

- There should be a stronger environmental, social, and governance (ESG) focus in our short-term incentive plan (STIP), but the weighting should still be skewed to financial measures;
- The long-term incentive plan (LTIP) should include return on invested capital (ROIC) alongside total shareholder return (TSR) and earnings per share (EPS);
- We should have formal share ownership requirements and a post-vesting holding period; and
- We should improve our overall disclosure and transparency, with greater clarity on targets and how they are set, and on how performance drives outcome. Moreover, several large shareholders encouraged us to move towards prospective disclosure of LTIP targets.

We listened to and acted on what our shareholders told us. The proposed new policy incorporates nearly all of the changes desired by shareholders. Importantly, in consultation with the CEO, a 10% reduction in the CEO's target remuneration will be implemented over the next two years, assuming adoption of the new policy. The Committee has also agreed with the CEO not to increase her base salary for 2021.

We are also acting on transparency. Indeed, we have already improved transparency in this year's Remuneration Report, including retrospective STIP targets and achievement reflecting the draft EU non-binding guidelines. And, subject to the adoption of the proposed remuneration policy at our April 2021 AGM, we are committed to providing prospective LTIP targets in next year's Remuneration Report.

We believe that the new proposed policy remains true to the Committee's objective of attracting and retaining high caliber leadership on the Executive Board, and throughout the organization, in a competitive global market for talent.

In drafting the proposed new policy, we engaged widely and fully with our stakeholders to gain social acceptance. We briefed our Works Council and listened carefully to their perspectives, including them in both rounds of engagement. We are pleased that they are supportive of all the changes being proposed. And, of course, the institutional shareholders with whom we engaged represent and consider the views of millions of citizens whose savings and retirement funds they manage.

In light of the above, I very much hope that our shareholders vote in favor of the proposed new policy as this will enable us to implement in full the many improvements that we believe reflect the expectations of stakeholders. If the policy does not receive the 75% support required, we will be obligated to continue with our existing policy which gives us only limited scope to evolve our approach in line with shareholder views.

Following feedback from shareholders, we have also rethought the design and content of this Remuneration Report, making it clearer, more detailed, and more transparent. We hope the new format and disclosures will help investors to see the strong link between our remuneration philosophy and our corporate strategy, to assess our performance, and to appreciate the rigor of our target-setting process.

2020 company performance in light of COVID-19

As discussed in the 2020 Annual Report, Wolters Kluwer has not been immune to the huge challenges and disruption that COVID-19 has inflicted on our customers, employees, and other stakeholders.

After a strong start to the year, the pandemic diverted the group from its original financial plan which was to deliver incremental improvements in organic revenue growth over the 2019-2021 period. In mid-March, the leadership team moved quickly to respond to the crisis, firstly ensuring that all of our nearly 19,200 employees were safe and well, and able to work productively from home to support customers through these challenging times. The very high employee engagement score for 2020 is testament to the effective leadership provided during this pandemic. Despite the impact the crisis has had on non-recurring revenues (see discussion in the *Report of the Executive Board* of the 2020 Annual Report), 2020 revenues increased 2% organically. Temporary cost savings, mainly related to a company-wide travel freeze, careful expense management, and a few one-time positive developments, allowed the group to fully sustain investments in product development and IT infrastructure, and even bring forward investments in efficiency initiatives. While 2020 revenues were below STIP revenue targets, the adjusted net profit target was substantially achieved, and the free cash flow target was exceeded.

It is important to consider that throughout this pandemic, the performance and the strong financial position of the group meant that the overall workforce was stable, employee pay was not reduced, no material government support was sought, and cash returns to shareholders were maintained or increased in both 2020 and 2021.

Three-year performance on diluted EPS meant that the LTIP 2018-2020 stretch target for diluted EPS growth (10.4%) was exceeded, while three-year performance on relative total shareholder return placed Wolters Kluwer in fourth position in the TSR peer group.

I would like to thank our shareholders for their insights and engagement this year and welcome their feedback on this Remuneration Report, which will be submitted for an advisory vote at our AGM on April 22, 2021. For more information please refer to the AGM agenda, and the proposed new Executive Board remuneration policy.

The agenda is available at www.wolterskluwer.com/agm

Jeanette Horan
Co-chairman of the Selection and Remuneration Committee dealing with remuneration matters

Remuneration at a glance

How did we perform?

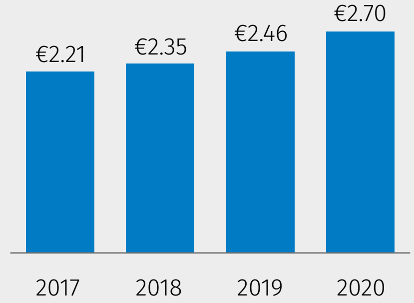
2020 performance

Revenue	Adjusted free cash flow
€4,603m	€907m
Adjusted operating profit	Digital as a percentage of revenue
€1,124m	81%

For 2020, short-term incentive plan (STIP) measures were revenue, adjusted operating profit, adjusted free cash flow, and the percentage of revenue from digital products. The achievements on each of these measures are shown above and discussed in this report *(Implementation of policy in 2020).*

2018-2020 performance

Diluted EPS: Three-year CAGR in constant currencies: 11.1%

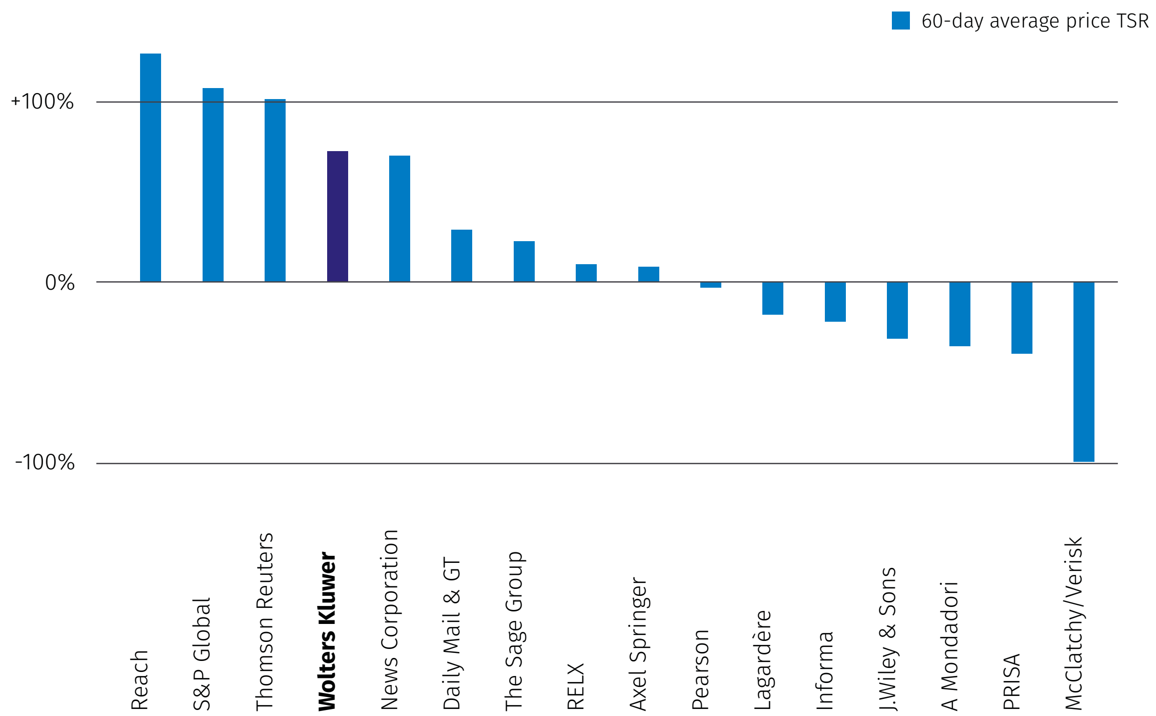


Three-year CAGR in diluted EPS

Three-year CAGR in constant currencies was 11.1% over the period 2018-2020. The 2017 baseline Diluted EPS was adjusted at the time of target setting to remove exceptional effects from U.S. tax reform and disposal gains.

Three-year 2018-2020 total shareholder return

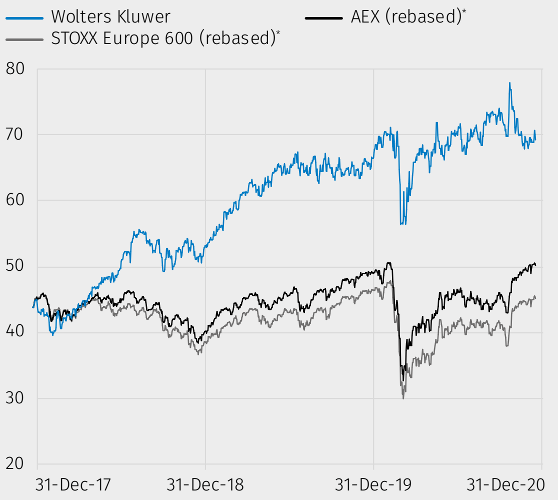
Wolters Kluwer achieved fourth position for TSR performance relative to its TSR peers. This ranking determines the number of TSR-related shares awarded at the end of the three-year LTIP period.



The company uses a 60-day average of the share price at the beginning and the end of each three-year performance period to reduce the influence of potential stock market volatility. In October 2020, McClatchy was replaced by Verisk Analytics.

Impact of performance on remuneration

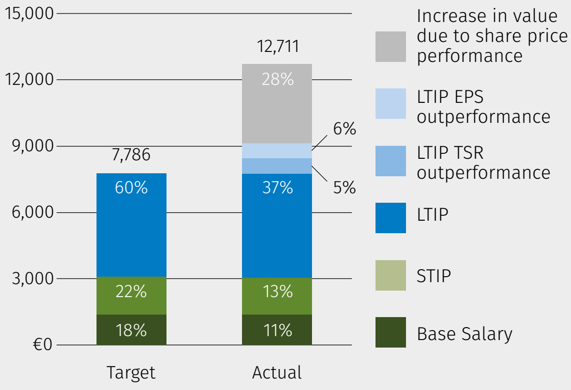
Share price over LTIP period



* *AEX and STOXX Europe 600 rebased to Wolters Kluwer share price.*

The share price increased 59% over the three-year performance period for LTIP 2018-2020.

2020 CEO target and realized pay



Realized pay shown above reflects LTIP shares valued at the closing share price on December 31, 2020 (€69.06). The final actual payout will be valued at the volume weighted average price on February 25, 2021. The LTIP target is based on the number of shares conditionally awarded for LTIP 2018-2020 at the closing share price on December 31, 2017 (€43.48).

How did we engage?

Stakeholder engagement in 2020

During 2020, we consulted extensively with a large number of shareholders and other stakeholders. The Remuneration Committee also consulted the views of the Executive Board.

Stakeholder	Number of organizations met	Number of meetings	Percentage of issued share capital owned
Shareholders	60+	100+	57%
Shareholder representatives and proxy advisors	3	6	–
Works council	1	2	–

Disclosure of STIP and LTIP targets

If the proposed new policy is adopted by shareholders at the 2021 AGM, we will commit to disclosing absolute LTIP targets on a prospective basis in the 2021 Remuneration Report.

Variable remuneration element	Targets	2019	2020	Proposed 2021
Short-term incentive plan (STIP)	Prospective	X	X	X
	Retrospective	X	✔	✔
Long-term incentive plan (LTIP)	Prospective	X*	X*	✔
	Retrospective	✔	✔	✔

* *LTIP relative TSR targets are already disclosed in advance.*

Remuneration report

Our proposed new remuneration policy

We are proposing an updated Executive Board remuneration policy to our 2021 Annual General Meeting of Shareholders. Upon adoption of the policy, the following substantive changes will be made to the remuneration package of the Executive Board members:

Remuneration peer group	Weighting of European companies in the pay peer group to increase from 50% to approximately 60%.
STIP performance measures (financial)	A pre-defined list of financial measures will replace the current unlimited flexibility to select measures; STIP financial measures will have a minimum weighting of 80%. These measures will exclude the effect of currency, accounting changes, and changes in scope (acquisitions and divestitures) after the budget is finalized. The pre-defined list comprises: • Revenues* • Organic growth • Adjusted operating profit • Adjusted operating profit margin • Adjusted net profit* • Adjusted free cash flow* • Cash conversion ratio * *In implementing the policy for 2021, these financial measures will be used for the STIP.*
STIP performance measures (non-financial, including ESG)	Non-financial measures can include ESG, strategic, or operational metrics, such as employee engagement score, customer satisfaction scores, measures of good corporate governance, operational excellence, and/or environmental impact. Non-financial measures will increase from a weighting of 5% (with a single measure) to a maximum of 20%. In 2021, the weighting will be increased to 10%. For 2021, the following six strategically-important metrics will be used: • % of revenue from expert solutions • Employee engagement score vs high-performing norm • A diversity, equity, and inclusion goal • % completion of annual compliance training • Indexed cybersecurity maturity score • Number of on-premise servers decommissioned (reducing carbon footprint)
LTIP performance measures	• Total shareholder return (TSR) remains at a 50% weighting • Diluted adjusted EPS* will replace diluted EPS and will be weighted at 30% • Return on invested capital (ROIC) will be introduced with a weighting of 20% * *Aligns more closely with market practice and is the metric we use when giving guidance on expected financial performance.*
CEO remuneration	In consultation with the CEO, the CEO's total target remuneration will be reduced by approximately 10% by lowering the CEO LTIP conditional share award for performance on target from 285% of base salary to 240% over two years. In addition, the CEO's base salary will not be increased in 2021.
Share ownership and holding requirements	Introduction of minimum share ownership requirements: 3x base salary for CEO, 2x base salary for CFO, and a two-year holding period post-vesting.

These changes are discussed in more detail in this Remuneration Report in the section *Proposed remuneration approach for 2021*.

Our remuneration philosophy

Clear alignment between executive rewards and shareholder interests is central to our Executive Board remuneration policy. We have a robust 'pay for performance' philosophy with strong links between rewards and results for both our short-term incentive plan (STIP) and long-term incentive plan (LTIP). Variable remuneration outcomes are aligned to stretch targets that measure performance against Wolters Kluwer's strategic aims. The Supervisory Board has a clearly defined process for setting stretch targets and a framework for decision-making around executive remuneration.

In 2020, the Selection and Remuneration Committee engaged an external remuneration advisor to provide recommendations and information on market practices for remuneration structure and levels. The Committee had extensive discussions, supported by its external advisor, to review the composition and key drivers of remuneration.

The Supervisory Board has always viewed performance targets as commercially sensitive and therefore does not currently disclose them in advance. However, given the feedback from our shareholders, we have decided that if our new remuneration policy is adopted at our 2021 AGM, we will commit to disclosing absolute LTIP performance targets in advance, starting with the 2021 Annual Report.

In this report, we have disclosed targets, achievements, and resulting pay outcomes for both the STIP and LTIP retrospectively, thereby taking an important step towards increasing transparency.

The Supervisory Board determines Executive Board remuneration on the basis of a set of principles that demonstrate clear alignment with shareholder and other stakeholder interests. We recognise it is our responsibility to ensure that executive remuneration is closely connected with financial and strategic performance.

Principles of Executive Board remuneration	
Pay for performance and strategic progress	• Pay is linked to the achievement of key financial and non-financial targets related to our strategy • Over 75% of on-target pay is variable and linked to performance against stretch targets • Short-term incentives are linked to annual targets • Long-term incentives are linked to performance against three-year stretch targets aligned to our strategic plan
Align with long-term shareholder interests	• Policy incentivizes management to create long-term value for shareholders and other stakeholders through achievement of strategic aims and delivery against financial and non-financial objectives • Majority of incentive is long-term and paid in Wolters Kluwer shares
Be competitive in a global market for talent	• On-target pay is aligned with the median of a defined global pay peer group, comprised of competitors and other companies in our sectors that are of comparable size, complexity, business profile, and international scope • TSR peer group companies are additionally screened for financial health, stock price correlation and volatility, and historical TSR performance

Our Executive Board remuneration framework

Our Executive Board remuneration framework comprises the following elements:

Element of remuneration	Key feature	Alignment to strategy and shareholder interests
Base salary	Reviewed annually with reference to pay peer group and increases provided to all employees	Set at a level to attract, motivate, and retain the best talent
Short-term incentive plan (STIP)	Paid annually in cash; maximum opportunity: 175% of base salary	Incentivizes delivery of performance against our annual strategic, financial, and ESG goals
Long-term incentive plan (LTIP)	Conditional rights on ordinary shares, subject to a three-year vesting schedule and three-year performance targets	Incentivizes delivery of financial performance and creation of long-term sustainable value; demonstrates long-term alignment with shareholder interests
Pension	Defined contribution retirement savings plan that is available to all employees in the country of employment	Provides appropriate retirement savings designed to be competitive in the relevant market
Other benefits	Eligibility for health insurance, life insurance, a car, and participation in any all-employee plans that may be offered	Designed to be competitive in the relevant market

Remuneration report continued

Linking pay to our strategic goals

The largest component of Executive Board remuneration is variable performance-based incentives. This strengthens the alignment between remuneration and company performance, and reflects the philosophy that Executive Board remuneration should be linked to a strategy for long-term value creation. Our 2019-2021 strategy, *Accelerating our Value*, aims to deliver continued good organic growth and further incremental improvements to our adjusted operating profit margin and return on invested capital, and seeks to drive long-term, sustainable value for all stakeholders.

Our purpose:

Deliver deep impact when it matters most

Our values:

Focus on customer success	Make it better	Aim high and deliver	Win as a team

Our strategic aims:

Grow expert solutions

- Drive scale by extending the offerings and broadening distribution via existing and new channels, including strategic partnerships
- Invest to build or acquire positions in adjacent markets

Advance deep domain expertise

- Enrich our information products and services with advanced technologies to deliver actionable intelligence integrated into customer workflows
- Enhance user experience through user-centric design and differentiated interfaces

Drive operational agility

- Strengthen global brand, go-to-market, and digital marketing capabilities
- Upgrade back-office systems and IT infrastructure
- Complete the modernization of HR systems to support efforts to attract and nurture talent

Financial metrics:

Proposed new policy:

Financial measures – short-term incentive plan (STIP): pre-defined list of measures:

Revenues	Organic growth	Adjusted operating profit	Adjusted operating profit margin	Adjusted net profit	Adjusted free cash flow	Cash conversion ratio

Non-financial measures – short-term incentive plan (STIP):

ESG, operational, or strategic measures, including revenues from expert solutions, employee engagement score, customer satisfaction scores, measures of good corporate governance or operational excellence, and measures of environmental impact.

Financial measures – long-term incentive plan (LTIP):

Relative total shareholder return	Diluted adjusted EPS (three-year CAGR)	Return on invested capital

For 2021, STIP financial measures will be revenues, adjusted net profit, and adjusted free cash flow. The STIP non-financial measures will be % of revenues from expert solutions, employee engagement score, a diversity, equity, and inclusion goal, % completion of annual compliance training, indexed cybersecurity maturity score, and number of on-premise servers decommissioned.

Aligning with our risk profile

The Committee assesses whether variable remuneration might expose the company to risk, taking into consideration our overall risk profile and risk appetite, as described in *Risk Management*. We believe that our remuneration policy provides management with good incentives to create long-term value, without increasing our overall risk profile.

Benchmarking against our peers

Pay peer group

We use a pay peer group to benchmark Executive Board pay. This includes direct competitors and other companies in our sectors of comparable size, complexity, business profile, and international scope. It is made up of companies based in Europe and North America, to reflect where Executive Board members might be recruited to or from. For 2019 and 2020 remuneration, the pay peer group included 18 comparable companies and was 50% European.

Going forward, five additional European companies will be included in the pay peer group, making it approximately 60% European starting in 2021. The most comparable businesses available in Europe are companies in the Application Software and IT Consulting & Services sectors. In benchmarking pay against the pay peer group shown below, the value of share-based remuneration is standardized to ensure a like-for like comparison.

In 2020, the pay peer group consisted of the companies shown in the first two columns below. The third column provides the five European peers to be added in 2021.

Pay and TSR peer groups

North American comparators (2020 and ongoing)		European comparators (2020 and ongoing)		European comparators (to be added in 2021)
Equifax	TSR	Bureau Veritas	TSR	Atos
Intuit		Experian	TSR	Cap Gemini
MSCI		IHS Markit	TSR	Dassault Systèmes
News Corporation	TSR	Informa	TSR	Teleperformance
Nielsen Holdings		Intertek Group	TSR	Temenos
NortonLifeLock		Pearson	TSR	
S&P Global	TSR	RELX	TSR	
Thomson Reuters	TSR	SGS	TSR	
Verisk Analytics	TSR	The Sage Group	TSR	
John Wiley & Sons*	TSR			

** John Wiley & Sons included in the TSR peer group but not in the pay peer group.*

TSR *Companies that are included in the TSR peer group.*

TSR peer group

The TSR peer group consists of 15 companies that are used as the comparator group to determine TSR performance, which is one of the measures for the LTIP. The TSR group is screened not only for comparability of the business (see above), but also for share price correlation and volatility. In 2020, we updated the TSR peer group to reflect the group's transformation into a digital information, software and services business. Consumer publishers were replaced with other, more appropriate software and services companies from the pay peer group in line with feedback received from shareholders in 2019. The new TSR peer group was applied to the 2020-2022 LTIP and will also apply to the 2021-2023 LTIP.

In case of the delisting or merger of a TSR peer group company, the Supervisory Board will carefully consider an appropriate replacement that meets strict pre-determined criteria. These criteria include: industry, geographic focus, size, financial health, share price correlation and volatility, and historical TSR performance.

The TSR peer group is a sub-set of the pay peer group, with the exception of John Wiley & Sons. John Wiley is not included in the pay peer group because its revenue and market capitalization are significantly smaller than those of Wolters Kluwer, but as a competitor whose business is comparable to parts of Wolters Kluwer, its share price performance is viewed as an appropriate comparator for TSR purposes.

Remuneration report continued

The TSR peer group for the 2018-2020 and 2019-2021 LTIP plans comprises the following companies:

TSR peer group LTIP 2018-2020 and 2019-2021

Arnoldo Mondadori	Pearson
Axel Springer	Promotora de Informaciones (PRISA)
Daily Mail & General Trust	Reach
Informa	RELX
John Wiley & Sons	S&P Global
Lagardère	The Sage Group
McClatchy* / Verisk Analytics	Thomson Reuters
News Corporation	

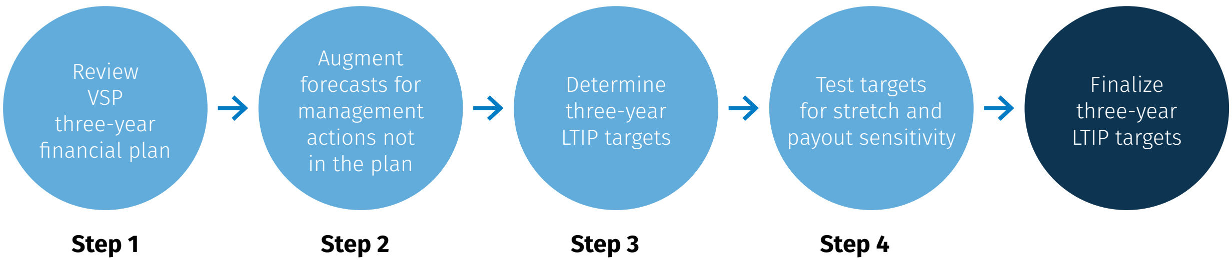
** McClatchy, after being acquired, was replaced by Verisk Analytics in October 2020.*

Setting stretch targets for LTIP measures

The Supervisory Board uses a rigorous process to set stretch targets for the Executive Board.

Process for setting stretch targets for LTIP measures

The financial plan that is part of our three-year Vision & Strategy Plan (VSP) is the starting point for target setting. This plan is augmented with assumptions around management actions to arrive at realistic stretch targets.



The process for setting targets for the LTIP starts with our company strategy, which is generally formulated every three years, and our three-year financial plan (Vision & Strategy Plan), which is updated annually. The VSP generates a three-year forecast, based on organic development of the existing business. This plan is reviewed and approved by the Supervisory Board.

For LTIP remuneration targets, this forecast is augmented with anticipated, value-creating management initiatives not accounted for in the financial plan in order to give realistic but stretch targets that the Selection and Remuneration Committee feels will maximize the full potential of the organization. Assumptions for management initiatives are made based on historical patterns and forward-looking strategic plans. Typical management initiatives are acquisitions, divestitures, restructuring, and share buybacks (including shares repurchased under our anti-dilution policy). All targets are based on constant currency rates and IFRS accounting standards.

The Committee compares the stretch targets against external benchmarks, where available, to ensure they represent a challenging performance in our sector and against other peers. The stretch targets are also tested for sensitivity to various input factors.

Use of discretion in determining variable remuneration

Under Dutch law, the Supervisory Board has the discretionary authority to amend Executive Board payouts, as determined by actual performance against pre-set targets, if they are considered unreasonable or unfair in relation to stakeholders' interests.

The Supervisory Board annually assesses the impact of certain management actions, or external events or circumstances, on results during the performance period, and may use its discretion to adjust for these actions or events. Such actions, events, or circumstances include, but are not limited to, the impact of restructuring, acquisitions, divestments, and share buybacks beyond that anticipated in the target-setting process. External events considered could include economic recession, changes in tax rates, and other events unforeseen in the target-setting process.

Variable remuneration can be clawed back after payout if the payout was based on incorrect information.

Implementation of remuneration policy in 2020

This section outlines the implementation of the remuneration policy for Executive Board members in 2020, in line with the above Remuneration Framework. It also describes how the performance measures were applied in 2020.

During 2020 (and 2019) remuneration was paid in accordance with the remuneration policy. There were no deviations from the remuneration policy, nor from the governance process in the execution of the policy. The Supervisory Board carried out a scenario analysis when determining the structure and level of Executive Board remuneration for 2020, in accordance with the Dutch Corporate Governance Code.

2020 performance in light of COVID-19

In determining the 2020 remuneration outcome, the Committee was mindful of the way that the Executive Board led the company's agile and effective response to the pandemic. Management made all efforts to protect the interests of its stakeholders, in particular customers, employees, and shareholders. The business moved swiftly to safeguard the welfare of employees and customers and to ensure business continuity. Rapid action enabled 95% of employees to be set up to work from home using company-provided devices. Major investment was made decisively in innovation and new content to support customers in navigating the crisis. Wolters Kluwer Health, for example, significantly expanded its COVID-19 content, tools, and resources to support healthcare providers and the medical research community. The Governance, Risk & Compliance team, meanwhile, moved quickly to support the U.S. Small Business Administration's Paycheck Protection Program with a software solution that streamlined application for stimulus funding under the Coronavirus Aid, Relief, and Economic Security Act.

And while the effects of the pandemic led the group to fall short of revenue targets, performance on adjusted net profit was substantially on target while performance on adjusted free cash flow was well ahead of the target. 2020 revenues were €4,603 million, up 2% on an organic basis, falling 3% short of the target. 2020 adjusted net profit was €835 million, less than 1% behind the target. 2020 adjusted free cash flow was €907 million, 13% ahead of target. The formulaic outcome resulted in cash annual STIP payments of €1,690,253 for the CEO and €716,084 for the CFO.

Remuneration of the Executive Board – IFRS based

in thousands of euros	**Fixed remuneration**				**Variable remuneration**					
	Base salary	Social security	Pension contribu-tion	Other benefits*	STIP	LTIP[2]	Subtotal	Proportion fixed/variable	Tax related cost	Total
2020										
N. McKinstry[1]	1,371	22	76	142	1,690	4,463	7,764	21%/79%	(252)	7,512
K.B. Entricken	702	22	45	215	716	1,463	3,163	31%/69%	969	4,132
Total	2,073	44	121	357	2,406	5,926	10,927	24%/76%	717	11,644
2019										
N. McKinstry	1,349	22	62	199	1,664	4,636	7,932	21%/79%	157	8,089
K.B. Entricken	698	22	34	260	703	1,464	3,181	32%/68%	1,408	4,589
Total	2,047	44	96	459	2,367	6,100	11,113	24%/76%	1,565	12,678

[1] *In 2020, Ms. McKinstry's base salary was $1,461,000 (€1,370,728). The 2020 STIP payout is calculated on a U.S. dollar denominated equivalent of total salary as: $1,461,000 x 132.00% ($1.928,578 equivalent to €1,690,253).*

[2] *LTIP share-based payments are based on IFRS accounting policies and therefore do not reflect the actual payout or value of performance shares released upon vesting.*

* *Executive Board members are eligible for benefits such as health insurance, life insurance, a car, and to participate in whatever all-employee plans may be offered at any given point.*

Remuneration report continued

Base salary
For 2020, the Supervisory Board approved an increase in base salary for the Executive Board members of 2.5%. This was in line with both the budgeted 2020 salary increase for Wolters Kluwer executives globally.

Performance measures for variable remuneration in 2020

STIP
The STIP provides Executive Board members with a cash incentive for the achievement of specific annual targets for a set of financial and non-financial performance measures determined at the start of the year. The STIP payout as a percentage of base salary for on-target performance is shown in the table below, with the minimum threshold for payout and the maximum payout in the case of overperformance. There is no payout if performance is less than 90% of the STIP target. Payout is capped at performance that is 110% or more than the STIP target. The STIP payout percentages have remained unchanged since 2007.

Payout of STIP variable remuneration takes place only after verification by the external auditor of the company's financial statements, including the financial KPIs on which the financial STIP targets are based.

STIP percentage payout scenarios for 2020

	Minimum payout (% of base salary)	Minimum threshold: no payout if performance is below (% of target)	Target payout (% of base salary)	Maximum payout (% of base salary)	Maximum payout if performance is above (% of target)
CEO	0%	< 90%	125%	175%	≥110%
CFO	0%	< 90%	95%	145%	≥110%

The 2020 performance measures, determined by the Supervisory Board, are listed in the table below. They reflect the key performance indicators (KPIs) on which the company reports and that are important measures of the successful execution of our strategy.

Performance against STIP targets for 2020, together with the resulting STIP payout for the CEO and the CFO for the financial year, is indicated in the table below.

Payouts for performance against 2020 STIP targets

in thousands of euros, unless otherwise indicated							STIP outcomes			
		Performance targets			Actual performance		N. McKinstry[1]		K.B. Entricken[2]	
Performance measures	Weighting [A]	Minimum	Target	Maximum	Perfor-mance	As % of target	Payout, % of base salary [B]	Weighted [A]x[B]	Payout, % of base salary [C]	Weighted [A]x[C]
2020										
Financial										
Revenue	33.3%	4,269	4,744	5,218	4,603	97%	110%	36.7%	80%	26.7%
Adjusted net profit	33.3%	755	839	923	835	99%	120%	40.0%	90%	30.0%
Adjusted free cash flow	28.3%	725	806	887	907	113%	175%	49.6%	145%	41.1%
ESG										
Digital revenue, as % of total revenues	5.0%	3,429	3,811	4,192	3,736	98%	115%	5.8%	85%	4.3%
Total payout as % of base salary								132.0%		102.0%
Total payout								1,690		716

[1] *The 2020 STIP payout is calculated on a U.S. dollar denominated equivalent of total base salary as: $1,461,000 x 132.0% ($1,928,578 equivalent to €1,690,253).*
[2] *The 2020 STIP payout is calculated on a U.S. dollar denominated equivalent of total base salary as: $801,000 x 102.0% ($817,052 equivalent to €716,084).*

LTIP

The LTIP provides Executive Board members conditional rights on shares (performance shares). The plan aims to align the organization and its management with the strategic goals of the company and, in doing so, reward the creation of long-term value for shareholders. The total number of shares that Executive Board members receive depends on the achievement of predetermined performance conditions at the end of a three-year performance period. The performance measures for 2020 were total shareholder return (TSR) relative to our group of TSR peer companies (TSR-related shares) and diluted EPS (EPS-related shares). Payout of the performance shares at the end of the three-year performance period will take place only after verification by the external auditor of the achievement of the TSR and EPS targets.

TSR

TSR objectively measures the company's financial performance and assesses its long-term value creation as compared to other companies in our TSR peer group. It is calculated based on the share price change over the three-year period and assumes dividends are reinvested. By using a three-year performance period, there is a clear link between remuneration and long-term value creation. The company uses a 60-day average of the share price at the beginning and end of each three-year performance period to reduce the influence of potential stock market volatility.

Wolters Kluwer's TSR performance compared to the peer group determines the number of conditionally awarded TSR-related shares allocated at the end of the three-year performance period. These incentive zones are in line with best practice recommendations for the governance of long-term incentive plans.

TSR performance ranking payout percentage table

Position	Payout as % of conditional shares awarded for on-target performance
1-2	150%
3-4	125%
5-6	100%
7-8	75%
9-16	0%

Diluted EPS

Executive Board members can earn 0-150% of the number of conditionally awarded EPS-related shares, depending on Wolters Kluwer's diluted EPS performance over the three-year performance period. The Supervisory Board determines the exact targets for the EPS-related shares for each three-year performance period. The targets are based on diluted EPS performance in constant currencies, to exclude benefits or disadvantages based on currency effects over which the Executive Board has no control. In addition, diluted EPS performance is based on consistent IFRS accounting standards. Using EPS as a performance measure for LTIP facilitates strong alignment with the successful execution of our strategy to generate long-term shareholder value.

EPS performance incentive table

Achievement	Payout %
Less than 50% of target	None
On target	100%
Overachievement of target	Up to 150%

Vesting of conditionally awarded shares for the 2018-2020 and 2017-2019 performance periods

Performance against targets for TSR and EPS for the 2018-2020 and 2017-2019 performance periods

LTIP measure	Weighting	Stretch target	Achievement	Payout %
Period 2018-2020				**Vesting**
TSR	50%	n.a.	Fourth position	125%
Diluted EPS*	50%	CAGR of 10.4%	11.1%	135%
Period 2017-2019				**Vesting**
TSR	50%	n.a.	Third position	125%
Diluted EPS*	50%	CAGR of 10.4%	14.8%	150%

* *For calculation purposes, we are using the definition of diluted EPS that can be found in the* Glossary.
The 2017 baseline diluted EPS was adjusted at the time of target setting to remove exceptional effects from U.S. tax reform and disposal gains.

Remuneration report continued

Conditionally awarded shares

This section provides information on the conditional and actual share awards under the LTIP for Executive Board members and other senior management.

The conditional share awards for the Executive Board members are determined by the comparable market information from the pay peer group companies.

LTIP awards 2019-2021 and 2020-2022

The Executive Board members have been conditionally awarded the following number of shares based on a 100% payout, subject to the conditions of the LTIP grants for 2019-21 and 2020-22:

Conditional LTIP share awards for performance periods 2019-2021 and 2020-2022

number of shares at 100% payout	Conditionally awarded TSR-based shares	Conditionally awarded EPS-based shares	Conditionally awarded TSR-based shares	Conditionally awarded EPS-based shares	Total conditionally awarded shares
	LTIP 2019-21	LTIP 2019-21	LTIP 2020-22	LTIP 2020-22	December 31, 2020
N. McKinstry	53,389	38,917	48,255	32,486	173,047
K.B. Entricken	16,476	12,010	17,523	11,797	57,806
Total	69,865	50,927	65,778	44,283	230,853
Senior management*	203,185	203,185	166,714	166,715	739,799
Total	273,050	254,112	232,492	210,998	970,652

** Remuneration of other senior management consists of a base salary, STIP, and LTIP, and is based on the achievement of specific objective targets linked to creating value for shareholders, such as revenue and profit performance. The LTIP targets and payout schedule for other senior management are similar to those for the Executive Board.*

LTIP vesting for the performance period 2018–2020

The LTIP 2018-2020 vested on December 31, 2020. Vested LTIP 2018-2020 shares will be released on February 25, 2021. The volume-weighted average price for the shares released will be based on the average exchange price traded at the Euronext Amsterdam on February 25, 2021, the first day following the company's publication of its annual results.

Conditional share awards vested for the period 2018-2020

number of shares, unless otherwise stated	Outstanding at December 31, 2020	Additional conditional number of TSR-shares (25%)	Additional conditional number of EPS-shares (35%)	Vested/payout February 25, 2021	Estimated cash value of payout (in thousands of euros)*
N. McKinstry	108,117	15,563	16,052	139,732	9,650
K.B. Entricken	34,189	4,922	5,076	44,187	3,052
Total	142,306	20,485	21,128	183,919	12,702
Senior Management	407,862	51,011	71,393	530,266	36,620
Total	550,168	71,496	92,521	714,185	49,322

** Estimated cash value calculated as the number of shares vested multiplied by the closing share price on December 31, 2020 (€69.06).*

LTIP vesting for the performance period 2017-2019

The LTIP 2017-2019 vested on December 31, 2019. A total number of 903,309 shares were released on February 27, 2020. On that day, the volume-weighted average price of Wolters Kluwer N.V. was €69.3917. The table on the following page indicates the number of shares vested and the cash equivalent.

LTIP: shares vested for the performance period 2017-2019

number of shares, unless otherwise stated	Outstanding at December 31, 2020	Additional conditional number of TSR-shares (25%)	Additional conditional number of EPS-shares (50%)	Vested/payout February 27, 2020	Cash value of vested shares*
N. McKinstry	135,864	19,586	28,760	184,210	12,783
K.B. Entricken	43,427	6,261	9,193	58,881	4,086
Total	179,291	25,847	37,953	243,091	16,869
Senior management	480,110	60,031	120,077	660,218	45,814
Total	659,401	85,878	158,030	903,309	62,683

** Cash value in thousands of euros; calculated as the number of shares vested multiplied by the volume weighted average price on February 27, 2020.*

Key assumptions for LTIP 2020-2022 and 2019-2021 shares

Fair values for LTIP shares are provided in the table below. In the benchmarking process, the fair value of share-based remuneration is standardized to ensure a like-for-like comparison to peer companies.

	LTIP 2020-22	LTIP 2019-21
Fair values		
Fair value of EPS shares at grant date (in €)	60.68	48.18
Fair value of TSR shares at grant date (in €)	40.85	35.12
TSR shares – key assumptions		
Share price at grant date (in €)	65.02	51.66
Expected volatility	16.5%	18.0%

The fair value of TSR shares is calculated at the grant date using the Monte Carlo model. For the TSR shares granted in the LTIP 2020-2022, the fair value is estimated to be €40.85 as of January 1, 2020. The inputs to the valuation were the Wolters Kluwer share price of €65.02 on the grant date (January 1, 2020) and an expected volatility of 16.5% based on historical daily prices over the three years prior to January 1, 2020. Dividends are assumed to increase annually (from the 2019 dividend) based on historic trend and management plans. The model assumes a contractual life of three years and uses the risk-free rate on Dutch three-year government bonds.

Proposed remuneration approach for 2021

This section describes arrangements that will be put into place if our proposed new remuneration policy is adopted at the April 2021 AGM. If the new policy is not adopted, we will have limited scope under the existing policy to introduce changes supported by shareholders.

Base salary

We believe the current CEO pay package is appropriate given the market benchmark data for our pay peer group. However, some investors have expressed concerns about the quantum of CEO pay. To be responsive to those concerns, we reviewed the overall pay package. As a result, in consultation with the CEO, the Supervisory Board has resolved not to increase the CEO base salary for 2021. The Supervisory Board did approve a regular increase in base salary for the CFO of 2.5%, in line with the overall budgeted 2021 salary increase for Wolters Kluwer employees globally.

STIP

The STIP percentage payout scenarios for 2021 will be the same as in 2020 (shown in the table on page 86). In the new remuneration policy, the Supervisory Board proposes a pre-defined list of financial measures from which it can annually select measures for the STIP, in place of its current full flexibility. This will enable a balance between flexibility for the Supervisory Board and transparency for stakeholders. A full list of financial measures is provided in the summary table at the front of this Remuneration Report. The financial measures will carry a weight of at least 80% under the proposed new policy. The Selection and Remuneration Committee has selected the following measures from the list for 2021:

Remuneration report continued

STIP financial performance measures for 2021

Measure	Weighting	How performance is calculated
Revenues	34%	STIP financial targets are based on the annual budget which assumes development of the existing business. In calculating STIP performance results, the effect of changes in currency is excluded and is based on consistent IFRS accounting standards.
Adjusted net profit	28%	
Adjusted free cash flow	28%	
Sub-total weighting of STIP financial measures	**90%**	

STIP: Non-financial performance measures

The non-financial measures relate to ESG, strategic, or operational priorities. The proposed new policy sets the maximum weight for these non-financial measures at 20% of the STIP. In 2021, the weight will be set at 10% with each measure equal-weighted and separately assessed. The measures will apply equally to the CEO and CFO and will be cascaded down to senior executives.

In 2021, the following six strategically-relevant ESG measures will replace the existing ESG measure (digital revenues as a percentage of total revenues). The first five measures align with the topics ranked as most material in our materiality matrix (discussed in the *Report of the Executive Board*), being of high priority to our business and our stakeholders. Reflecting the nature of our business, they center around human capital and data security. The sixth measure addresses our carbon footprint, a topic which ranks in the middle of our materiality matrix, reflecting the low-carbon nature of our industry, but which is important to stakeholders. In 2021, all but one measure (diversity, equity, and inclusion) will be quantifiable and verifiable.

STIP: Non-financial performance measures

ESG objective	Measure	Weighting %	Description of target and how it is measured
High customer satisfaction	Percentage of revenues from expert solutions*	1.67%	The annual target will be based on the annual budget which tracks expert solutions' revenues as a percentage of total revenues. The target can be achieved through organic development or portfolio changes.
High employee engagement	Employee engagement score versus high-performing norm	1.67%	The annual target will aim to achieve an employee engagement score at or above the benchmark high-performing norm. The score and high-performing norm are collected by an independent third party (2020: CultureIQ).
	Diversity, equity, and inclusion goal	1.67%	In 2021, the target will be qualitative and defined as the completion of an assessment and construction of a robust plan to advance our diversity, equity, and inclusion efforts.
Strong corporate governance	Percentage completion of annual compliance training	1.67%	Annual compliance training includes ethics, data privacy, IT, and cybersecurity training. The result is normalized for full-time employees who are on leave or not eligible to participate in the training.
Secure and efficient systems and processes	Indexed cybersecurity maturity score	1.66%	The annual target will be based on a company-wide program designed to maintain and advance cybersecurity. Our cybersecurity maturity score is assessed annually by a third party, based on a framework created by the National Institute of Standards and Technology (NIST). The score is indexed with a base line of 100. The annual target will aim to achieve an improvement on the baseline.
Environmentally sound practices	Number of on-premise servers decomissioned	1.66%	The annual target will be based on a program managed jointly by Global Business Services (GBS) and the four divisions. Decommissioning of servers and migration to energy-efficient cloud platforms will improve our carbon footprint.
Total		**10.00%**	

** Expert solutions are products that combine deep domain knowledge with technology to deliver both content and workflow automation to drive improved outcomes and productivity.*

Disclosing STIP targets

The Supervisory Board does not disclose STIP targets in advance due to their commercial sensitivity. In response to shareholder requests for greater transparency, we have disclosed STIP targets retrospectively in this report.

Weighting of STIP 2021 performance measures

Long-term incentive plan

Conditional LTIP grants 2021-2023

The CEO's target remuneration is positioned in line with the median of the pay peer group. However, having listened to shareholder concerns about the quantum of CEO remuneration, we are proposing, in consultation with the CEO, to reduce the maximum award of conditional shares from 285% to 240% over a two-year period. This proposed change would take place in two steps (265% for 2021 and 240% for 2022) and will effectively reduce the CEO's target remuneration by about 10%.

This reduction in CEO target conditional award is contingent on the proposed new policy being adopted at the April 2021 AGM. If it is not adopted, the grants will be made according to the existing policy's arrangements.

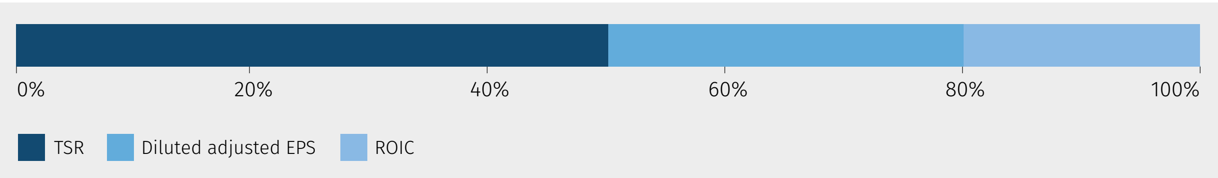
The CFO's target conditional award was increased from 175% to 200% in 2020, following a benchmarking analysis which demonstrated it was below market median. Before this, the CFO's conditional LTIP award percentage had been the same since 2007.

Wolters Kluwer uses the fair value method for calculating the number of conditional performance shares to be awarded. As explained above, shares are conditionally awarded at the beginning of a three-year performance period, with percentages determined through a benchmarking process. In the benchmarking process, the value of share-based remuneration is standardized to ensure a like-for-like comparison of pay peer group companies.

Disclosing LTIP targets

We will continue to disclose retrospective LTIP targets. Following feedback from investors, subject to adoption of the proposed remuneration policy at the AGM in April 2021, we are committed to providing prospective LTIP targets starting with the 2021 Annual Report.

Weighting of LTIP 2021 performance measures



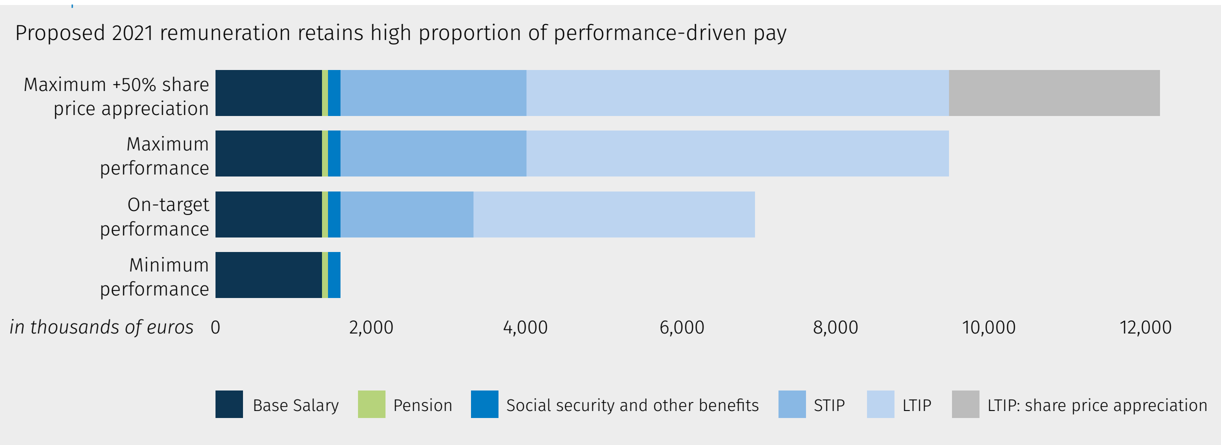
For the LTIP cycle of 2021-2023, the Supervisory Board proposes to maintain TSR, measured against 15 peers, as an LTIP measure with a weight of 50% of the value of the LTIP. In addition, the Supervisory Board proposes replacing diluted EPS (currently weighted at 50%) with diluted adjusted EPS at 30% of the value. Finally, the Supervisory Board proposes introducing return on invested capital (ROIC) at 20%. These changes are based on investor feedback and the Supervisory Board's continued desire to incentivize management to drive long-term value creation.

Remuneration report continued

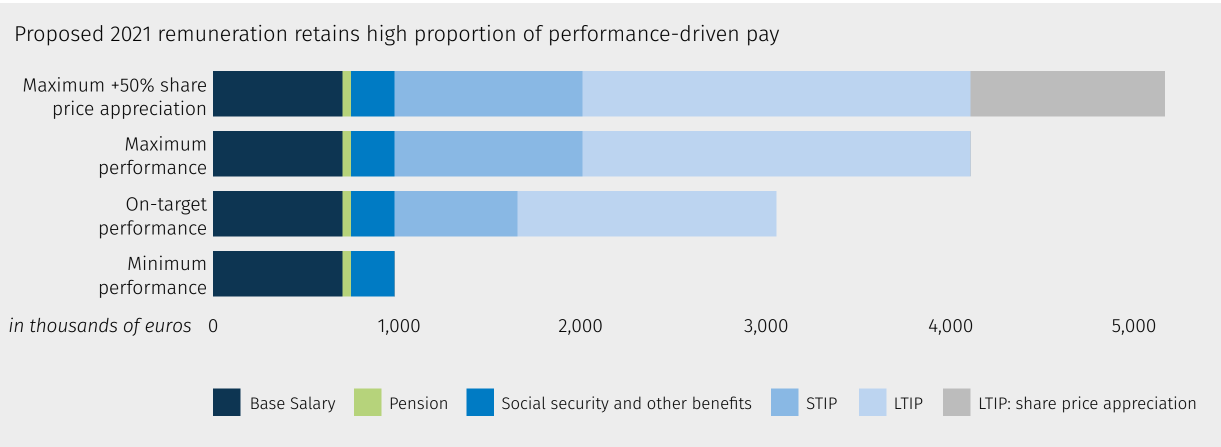
Conditional LTIP grants 2021-2023

Assuming the new policy is adopted, the LTIP target levels for the 2021-2023 performance period will be 265% for the CEO and 200% for the CFO. The number of shares conditionally awarded at the start of the performance period is computed by dividing the amount, as calculated above, by the fair value of a conditionally awarded share at the start of the performance period. As the fair value of TSR-related shares can be different from the fair value of EPS and ROIC-related shares, the number of conditionally awarded TSR-related shares can deviate from the number of conditionally awarded EPS and ROIC-related shares.

2021 performance-driven CEO remuneration scenarios



2021 performance-driven CFO remuneration scenarios



Share ownership and holding requirements

Our proposed new policy introduces minimum share ownership requirements. The CEO will be required to own Wolters Kluwer shares valued at three times their base salary, with other Executive Board members needing to hold twice their base salary. Our current Executive Board members are already in compliance with this ownership requirement, with the CEO's and CFO's personal shareholdings in Wolters Kluwer N.V. shown below:

Shares owned by Executive Board members

number of shares, unless otherwise stated	Actual ownership as multiple of base salary (as at December 31, 2020)	December 31, 2020	December 31, 2019
N. McKinstry	23.3x	462,131	462,131
K.B. Entricken	3.6x	36,636	36,636

Upon adoption of the proposed new policy, performance shares (net of any income taxes due on vesting) will be subject to a two-year holding period requirement, as provided in the Dutch Corporate Governance Code. This two-year holding period would apply to the 2021-2023 LTIP and later plans and extends the total required retention period to five years including the three-year performance and vesting period.

If the Executive Board member is eligible for a company-sponsored deferral program and chooses to participate by deferring LTIP proceeds upon vesting, the maximum amount that can be deferred is 50% of the vested value. The remaining vested value in shares (net of taxes) is subject to the two-year holding period requirement.

CEO pay-ratio

The pay-ratio, obtained by dividing the total 2020 remuneration for the CEO by the average of the total 2020 remuneration of all employees worldwide, is 79 (2019: 81). For this purpose, the total CEO remuneration is based on the remuneration costs as stated in the table *Remuneration of the Executive Board – IFRS based*, minus tax-related costs. The average employee remuneration is obtained by dividing the 2020 total personnel expenses as stated in *Note 13 – Personnel Expenses* (after subtracting the CEO's remuneration), by the reported average number of full-time employees (minus one). As such, both the total CEO remuneration (minus tax-related costs) and the average total remuneration of all employees (minus the CEO's remuneration) are based on IFRS standards. The difference between the 2019 and 2020 ratios can be explained by the higher average employee pay in euros in 2020 and lower CEO pay in euros in 2020.

Other information

The company does not grant any personal loans, guarantees, or the like to Executive Board or Supervisory Board members.

Supervisory Board remuneration

A revised Supervisory Board remuneration policy was adopted at the 2020 AGM. The Supervisory Board had reviewed its own remuneration and established the new policy on the recommendation of the Selection and Remuneration Committee. This was in line with the November 2019 Dutch legislation which implemented the amended Shareholder Rights Directive. According to this policy, the remuneration for the Supervisory Board aims to attract and retain high caliber individuals with the relevant skills and experience to guide the development and execution of company strategy and facilitate long-term value creation.

Remuneration is not tied to company performance and therefore includes fixed remuneration only. In exceptional circumstances ad-hoc committees may be established, for which the Chairman and members may receive pro-rated remuneration at the level of the Audit Committee fee, capped at five times the annual fee of the Audit Committee. Resolutions are always taken by the full Supervisory Board.

The Supervisory Board seeks advice from an independent external remuneration advisor.

Supervisory Board remuneration

in thousands of euros	Member Selection and Remuneration Committee	Member Audit Committee	2020	2019	2018
F.J.G.M. Cremers, Chairman	Co-chairman		128	114	117
A.E. Ziegler, Vice-Chairman	Yes		102	95	95
B.J.F. Bodson[1]			72	22	–
J.P. de Kreij[3]		Chairman	92	–	–
J.A. Horan	Co-chairman		96	100	91
S. Vandebroek[3]		Yes	61	–	–
C.F.H.H. Vogelzang[2]		Yes	88	58	–
Former Supervisory Board members					
B.F.J. Angelici[4]			–	20	85
R.D. Hooft Graafland[6]			34	97	100
B.J. Noteboom[4]			–	25	82
F.M. Russo[5]			–	97	97
Total			673	628	667

[1] Appointed at the AGM of 2019, with effect from September 1, 2019.
[2] Appointed at the AGM of 2019.
[3] Appointed at the AGM of 2020.
[4] Retired after the AGM of 2019.
[5] Retired at year-end 2019.
[6] Retired after the AGM of 2020.

Remuneration report continued

Supervisory Board members' fees

The table below shows the fee schedule for Supervisory Board members and reflects the responsibilities of Supervisory Board members, remuneration levels at other two-tier board Dutch listed (AEX) companies and selected European companies, and the international composition of the Supervisory Board.

Supervisory Board members' fees

in euros	Annual fee 2021	Annual fee 2020	Annual fee 2019
Chairman	112,000	112,000	100,000
Vice-Chairman	83,500	83,500	75,000
Members	70,000	70,000	65,000
Chairman Audit Committee	22,500	22,500	20,000
Members Audit Committee	16,500	16,500	15,000
Chairman Selection and Remuneration Committee	17,500*	17,500*	15,000**
Members Selection and Remuneration Committee	11,500	11,500	10,000
Travel allowance for intercontinental travel	5,000 per meeting	5,000 per meeting	3,000 per meeting

* *Due to the co-chairmanship, each co-chairman receives €14,500.*
** *Due to the co-chairmanship, each co-chairman received €12,500.*

Shares owned by Supervisory Board members

At December 31, 2020, no Supervisory Board members held shares in Wolters Kluwer (2019: none).

Shareholder voting at AGM

The following table sets out the actual voting results in respect of resolutions relating to remuneration at the AGM held on April 23, 2020. In the letter to shareholders at the beginning of this report, we discuss how we have responded to the concerns raised by shareholders on Executive Board remuneration.

Shareholder voting outcomes at the 2020 AGM

Resolution		% of votes for	% of votes against	votes withheld
2019 Remuneration Report	Advisory	53.03%	46.97%	7,072,733
2020 Proposed Executive Board Remuneration Policy	Binding	52.13%	47.87%	7,007,299
2020 Proposed Supervisory Board Remuneration Policy	Binding	99.11%	0.89%	40,055

Five-year overview of annual changes in remuneration (IFRS based)

The table below provides an overview of Executive Board remuneration, Supervisory Board remuneration, company performance, and average employee remuneration for the past five years.

Five-year overview of annual changes in remuneration (IFRS based)

in thousands of euros, unless otherwise stated	2016	2017	2018	2019	2020
Executive Board remuneration (excluding tax-related cost)					
N. McKinstry	6,649	7,661	7,792	7,932	7,764
Change (in %)	(5.4)	15.2	1.7	1.8	(2.1)
K.B. Entricken	2,697	3,103	3,298	3,181	3,163
Change (in %)	(1.4)	15.1	6.3	(3.6)	(0.6)
Supervisory Board remuneration*					
F.J.G.M. Cremers, Chairman[1]	–	60	117	114	128
A.E. Ziegler, Vice-chairman[1]	–	57	95	95	102
J.P. de Kreij[2]	–	–	–	–	92
S. Vandebroek[2]	–	–	–	–	61
B.J.F. Bodson[4]	–	–	–	22	72
J.A. Horan[3]	52	88	91	100	96
C.F.H.H. Vogelzang[4]	–	–	–	58	88
R.D. Hooft Graafland[9]	80	80	100	97	34
F.M. Russo[5]	54	87	97	97	–
B.J. Angelici[6]	75	72	85	20	–
B.J. Noteboom[6]	75	72	82	25	–
P.N. Wakkie[7]	88	25	–	–	–
L.P. Forman[7]	98	32	–	–	–
R. Qureshi[8]	23	–	–	–	–
Company performance					
Organic growth (in %)	2.8	3.4	4.3	4.3	1.7
Adjusted operating profit margin (in %)	22.2	22.2	23.1	23.6	24.4
Year-end closing share price (€)	34.42	43.48	51.66	65.02	69.06
Share price change (in %)	11	26	19	26	6
Total shareholder return (in %)	14	29	21	28	8
Average remuneration on a full-time equivalent basis of employees					
Average pay per FTE, excluding CEO	90.0	93.9	92.3	97.6	98.6

* Members of the Supervisory Board are independent from the company. Their remuneration is not tied to Wolters Kluwer's performance and therefore includes fixed remuneration only.
[1] Appointed at the AGM of 2017.
[2] Appointed at the AGM of 2020.
[3] Appointed at the AGM of 2016.
[4] Appointed at the AGM of 2019. Mr. Bodson's appointment was with effect from September 1, 2020.
[5] Appointed at the AGM of 2016; retired per year-end 2019.
[6] Retired after the AGM of 2019.
[7] Retired after the AGM of 2017.
[8] Retired after the AGM of 2016.
[9] Retired after the AGM of 2020.

2020 Financial Statements

Notes to the Consolidated Financial Statements

Consolidated Financial Statements

Consolidated Statement of Profit or Loss

in millions of euros, unless otherwise stated, for the year ended December 31		2020		2019	
Revenues	*Note 5/6*		4,603		4,612
Cost of revenues			(1,359)		(1,385)
Gross profit	*Note 5*		3,244		3,227
Sales costs	*Note 10*	(784)		(808)	
General and administrative costs	*Note 11*	(1,480)		(1,512)	
Total operating expenses	*Note 5*		(2,264)		(2,320)
Other gains and (losses)	*Note 12*		(8)		1
Operating profit	*Note 5*		972		908
Financing income		10		25	
Financing costs		(56)		(83)	
Other finance income/(costs)		5		5	
Total financing results	*Note 15*		(41)		(53)
Share of profit of equity-accounted investees, net of tax	*Note 21*		6		3
Profit before tax			937		858
Income tax expense	*Note 16*		(216)		(189)
Profit for the year			721		669
Attributable to:					
– Owners of the company		721		669	
– Non-controlling interests	*Note 17*	0		0	
Profit for the year			721		669
Earnings per share (EPS) (€)					
Basic EPS	*Note 7*		2.72		2.47
Diluted EPS	*Note 7*		2.70		2.46

Consolidated Statement of Comprehensive Income

in millions of euros, for the year ended December 31			2020		2019
Comprehensive income					
Profit for the year			721		669
Other comprehensive income					
Items that are or may be reclassified subsequently to the statement of profit or loss:					
Exchange differences on translation of foreign operations		(348)		72	
Exchange differences on translation of equity-accounted investees		0		0	
Gains/(losses) on hedges of net investments in foreign operations		11		(9)	
Gains/(losses) on cash flow hedges		(24)		(4)	
Net change in fair value of cash flow hedges reclassified to the statement of profit or loss	*Note 15*	6		(5)	
Items that will not be reclassified to the statement of profit or loss:					
Remeasurement gains/(losses) on defined benefit plans	*Note 31*	0		8	
Other comprehensive income/(loss) for the year, before tax			(355)		62
Income tax on items that may subsequently be reclassified to the statement of profit or loss		1		2	
Income tax on items that will not be reclassified to the statement of profit or loss		0		(2)	
Income tax on other comprehensive income	*Note 23*		1		0
Other comprehensive income/(loss) for the year			(354)		62
Total comprehensive income for the year			367		731
Attributable to:					
– Owners of the company		367		730	
– Non-controlling interests		0		1	
Total			367		731

Consolidated Statement of Cash Flows

in millions of euros, for the year ended December 31		2020		2019	
Cash flows from operating activities					
Profit for the year			721		669
Adjustments for:					
Income tax expense	*Note 16*	216		189	
Share of profit of equity-accounted investees, net of tax	*Note 21*	(6)		(3)	
Financing results	*Note 15*	41		53	
Amortization, impairments, and depreciation	*Note 14*	442		475	
Book (profit)/loss on divestments of operations	*Note 8*	(7)		4	
Remeasurement loss on assets classified as held for sale	*Note 9*	–		2	
Fair value changes of contingent considerations	*Note 12*	(4)		(9)	
Additions to and releases from provisions	*Note 32*	42		16	
Appropriation of provisions	*Note 32*	(19)		(20)	
Curtailments and plan amendments on employee benefits	*Note 31*	(2)		(16)	
Additional defined benefit plan contributions		(2)		(2)	
Share-based payments	*Note 34*	24		25	
Other adjustments		(2)		(2)	
Adjustments excluding autonomous movements in working capital			723		712
Inventories		0		(2)	
Contract assets		(6)		(26)	
Trade and other receivables		(8)		(62)	
Deferred income and other contract liabilities		103		74	
Trade and other payables		(50)		(11)	
Autonomous movements in working capital			39		(27)
Total adjustments			762		685
Net cash flows from operations			1,483		1,354
Interest paid (including the interest portion of lease payments)			(75)		(82)
Interest received			10		25
Paid income tax	*Note 23*		(221)		(195)
Net cash from operating activities			1,197		1,102

Consolidated Statement of Cash Flows (continued)

in millions of euros, for the year ended December 31		**2020**	**2019**
Cash flows from investing activities			
Capital expenditure	*Note 18/19*	(238)	(229)
Proceeds from disposal of other intangible assets and property, plant, and equipment		7	3
Acquisition spending, net of cash acquired	*Note 8*	(395)	(34)
Receipts from divestments, net of cash disposed	*Note 8*	50	40
Dividends received	*Note 21*	1	0
Cash from settlement of net investment hedges		12	(11)
Net cash used in investing activities		(563)	(231)
Cash flows from financing activities			
Repayment of loans		(363)	(145)
Proceeds from new loans		496	211
Repayment of principal portion of lease liabilities	*Note 20*	(74)	(69)
Collateral received/(paid)	*Note 30*	(2)	2
Repurchased shares	*Note 33*	(350)	(350)
Dividends paid		(334)	(280)
Net cash used in financing activities		(627)	(631)
Net cash flow before effect of exchange differences		7	240
Exchange differences on cash and cash equivalents and bank overdrafts		(77)	15
Net change in cash and cash equivalents and bank overdrafts		(70)	255
Cash and cash equivalents less bank overdrafts at January 1		434	179
Cash and cash equivalents less bank overdrafts at December 31	*Note 27*	364	434
Add: Bank overdrafts at December 31	*Note 27*	359	468
Less: Cash included in assets classified as held for sale at December 31	*Note 9*	–	(3)
Cash and cash equivalents in the statement of financial position at December 31	*Note 27*	723	899

Consolidated Statement of Financial Position

in millions of euros, at December 31		2020		2019	
Non-current assets					
Goodwill	*Note 18*	3,969		3,990	
Intangible assets other than goodwill	*Note 18*	1,669		1,704	
Property, plant, and equipment	*Note 19*	84		95	
Right-of-use assets	*Note 20*	319		341	
Investments in equity-accounted investees	*Note 21*	8		8	
Financial assets	*Note 22*	5		21	
Other receivables	*Note 26*	20		18	
Contract assets	*Note 25*	21		20	
Deferred tax assets	*Note 23*	105		102	
Total non-current assets			6,200		6,299
Current assets					
Inventories	*Note 24*	68		73	
Contract assets	*Note 25*	111		137	
Trade receivables	*Note 25*	986		1,087	
Other receivables	*Note 26*	272		233	
Current income tax assets	*Note 23*	23		22	
Cash and cash equivalents	*Note 27*	723		899	
Assets classified as held for sale	*Note 9*	–		25	
Total current assets			2,183		2,476
Total assets			8,383		8,775

Consolidated Statement of Financial Position (continued)

in millions of euros, at December 31		2020		2019*	
Equity					
Issued share capital	*Note 33*	32		33	
Share premium reserve		87		87	
Legal reserves		(118)		242	
Treasury shares		(222)		(279)	
Retained earnings		2,308		2,297	
Equity attributable to the owners of the company	*Note 47*		2,087		2,380
Non-controlling interests	*Note 17*		0		0
Total equity			2,087		2,380
Non-current liabilities					
Bonds		2,126		1,629	
Private placements		157		163	
Lease liabilities		276		293	
Other long-term debt		17		26	
Total long-term debt	*Note 29*		2,576		2,111
Deferred tax liabilities	*Note 23*		338		348
Employee benefits	*Note 31*		115		122
Provisions	*Note 32*		4		5
Non-current deferred income	*Note 25*		112		129
Total non-current liabilities			3,145		2,715
Current liabilities					
Deferred income	*Note 25*	1,518		1,550	
Other contract liabilities	*Note 25*	66		39	
Trade and other payables	*Note 28*	819		901	
Current income tax liabilities	*Note 23*	169		163	
Short-term provisions	*Note 32*	48		24	
Borrowings and bank overdrafts	*Note 29*	459		670	
Short-term private placements	*Note 29*	–		250	
Short-term lease liabilities	*Note 29*	72		75	
Liabilities classified as held for sale	*Note 9*	–		8	
Total current liabilities			3,151		3,680
Total liabilities			6,296		6,395
Total equity and liabilities			8,383		8,775

* Restated for certain reclassifications. See *Note 1 – General and Basis of Preparation.*

Consolidated Statement of Changes in Total Equity

in millions of euros			Legal reserves			Other reserves				
	Issued share capital	Share premium reserve	Legal reserve participations	Hedge reserve	Translation reserve	Treasury shares	Retained earnings	Shareholders' equity	Non-controlling interests	Total equity
Balance at January 1, 2019	34	87	134	(113)	161	(323)	2,274	2,254	0	2,254
Profit for the year							669	669	0	669
Other comprehensive income for the year				(16)	71		6	61	1	62
Total comprehensive income for the year				(16)	71		675	730	1	731
Transactions with owners of the company, recognized directly in equity:										
Share-based payments							25	25		25
Cancellation of shares	(1)					343	(342)	0		0
Release LTIP shares						51	(51)	0		0
Final cash dividend 2018							(174)	(174)	(1)	(175)
Interim cash dividend 2019							(105)	(105)		(105)
Repurchased shares						(350)		(350)		(350)
Other movements			5		0		(5)	0		0
Balance at December 31, 2019	33	87	139	(129)	232	(279)	2,297	2,380	0	2,380
Balance at January 1, 2020	33	87	139	(129)	232	(279)	2,297	2,380	0	2,380
Profit for the year							721	721	0	721
Other comprehensive income/(loss) for the year				(6)	(348)			(354)	0	(354)
Total comprehensive income for the year				(6)	(348)		721	367	0	367
Transactions with owners of the company, recognized directly in equity:										
Share-based payments							24	24		24
Cancellation of shares	(1)					346	(345)	0		0
Release LTIP shares						61	(61)	0		0
Final cash dividend 2019							(210)	(210)	0	(210)
Interim cash dividend 2020							(124)	(124)		(124)
Repurchased shares						(350)		(350)		(350)
Other movements			(6)		0		6	0		0
Balance at December 31, 2020	32	87	133	(135)	(116)	(222)	2,308	2,087	0	2,087

Notes to the Consolidated Financial Statements

Note 1 – General and Basis of Preparation

General

Reporting entity
Wolters Kluwer N.V. ('the company') with its subsidiaries (together referred to as 'the group', and individually as 'group entities') is a global leader in professional information, software solutions, and services for the health, tax and accounting, finance, risk and compliance, and legal sectors. We help our customers make critical decisions every day by providing expert solutions that combine deep domain knowledge with specialized technology and services.

The group maintains operations across U.S. & Canada, Europe, Asia Pacific, and other regions (referred to as 'Rest of World'). The company's ordinary shares are quoted on Euronext Amsterdam (WKL) and are included in the AEX and Euronext 100 indices.

The registered office of Wolters Kluwer N.V. is located at Zuidpoolsingel 2, Alphen aan den Rijn, the Netherlands, with its statutory seat in Amsterdam and a registration with the Dutch Commercial Register under number 33.202.517.

Statement of compliance
The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations, prevailing as of December 31, 2020, as endorsed for use in the European Union by the European Commission.

These financial statements were authorized for issuance by the Executive Board and the Supervisory Board on February 23, 2021. The adoption of the financial statements and the adoption of the dividend are reserved for the shareholders in the Annual General Meeting of Shareholders on April 22, 2021.

Consolidated financial statements
The consolidated financial statements of the company at and for the year ended December 31, 2020, comprise the group and the group's interest in associates. The significant accounting policies applied in the preparation of these consolidated financial statements are set out in *Note 2 – Significant Accounting Policies* and the relevant respective notes to the consolidated financial statements. The group has consistently applied these policies.

A list of subsidiaries has been filed with the Chamber of Commerce in The Hague, the Netherlands, and is available from the company upon request. An overview of the significant subsidiaries is included in *Note 39 – Overview of Significant Subsidiaries*.

Basis of preparation

Basis of measurement
The consolidated financial statements have been prepared under the historical cost basis except for the following material items in the consolidated statement of financial position:
- Financial assets and financial liabilities (including derivative financial instruments) measured at fair value;
- Assets and liabilities held for sale;
- Contingent considerations;
- Share-based payments; and
- Net defined employee benefit assets/liabilities.

Functional and presentation currency
The consolidated financial statements are presented in euros, which is the company's functional and presentation currency. Unless otherwise indicated, the financial information is in euros and has been rounded to the nearest million.

Use of estimates and judgments
The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates, and assumptions that affect the application of policies and reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of income and expense. Refer to *Note 3 – Accounting Estimates and Judgments*.

Going concern
The Executive Board has assessed the going concern assumption, as part of the preparation of the consolidated financial statements. The Executive Board believes that no events or conditions, including the COVID-19 pandemic, give rise to doubt about the ability of the group to continue in operation at least twelve months from the end of the reporting period.

This conclusion is drawn based on knowledge of the group, the estimated economic outlook and related identified risks and uncertainties. Furthermore, the conclusion is based on a review of the three-year strategic plan and next year's budget, including expected development in liquidity and capital, which includes the evaluation of current credit facilities available, contractual and expected maturities of financial liabilities, and loan covenants. The conclusion is also supported by an additional liquidity analysis the group performed given the rapidly changing economic circumstances arising from the COVID-19 pandemic. This liquidity analysis considered a period of 12 months from the date of authorization of these consolidated financial statements. Following the additional analysis performed, it was concluded that it is reasonable to apply the going concern assumption for the preparation of the financial statements.

For further information on COVID-19, refer to *Note 3 – Accounting Estimates* & *Judgments*.

Effect of new accounting standards
Except for the EU-endorsed amendments below, the group has consistently applied the accounting policies set out in *Note 2 – Significant Accounting Policies* and the relevant respective notes to the consolidated financial statements, to all periods presented in these financial statements.

The group has applied the following standards and amendments for the first time for the annual reporting period commencing January 1, 2020:
- Amendments to References to the Conceptual Framework in IFRS Standards;
- Definition of a business (Amendments to IFRS 3);
- Interest Rate Benchmark Reform – Phase 1 (Amendments to IFRS 7, IFRS 9, and IAS 39); and
- Definition of Material (Amendments to IAS 1 and IAS 8).

The Phase 1 amendments to IFRS 9 and IAS 39 provide several reliefs, which apply to all hedging relationships that are directly affected by the Interest Rate Benchmark Reform. The fixed interest payments on the group's private placements denominated in Japanese yen are hedged to euro, via cross-currency interest rate swaps. Both the Japanese Libor and Euribor are inputs in the fair value determination. The reliefs have allowed the group to continue its fair value determination during the period of uncertainty. In the group's other hedging relationships, no IBOR is used as input in the fair value determinations, nor is there any reference to any IBOR in the hedge contracts. The Phase 1 amendments to IFRS 7 has introduced new disclosure requirements for hedging relationships subject to the reliefs introduced by IFRS 9 and IAS 39. See *Note 30 – Financial Risk Management* for more information.

The other amendments listed above did not have any impact on the amounts recognized in the current or prior periods and are not expected to significantly affect future periods.

Effect of forthcoming accounting standards
The following forthcoming amendments and new standards are not yet effective for the year ended December 31, 2020, and have not been early adopted in preparing these financial statements:
- Annual Improvements to IFRS Standards 2018-2020 Cycle (Amendments to IFRS 1, IFRS 9, and IFRS 16);
- References to the Conceptual Framework (Amendments to IFRS 3);
- Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 7, IFRS 9, and IAS 39);
- COVID-19 Related Rent Concessions (Amendments to IFRS 16);
- Classification of liabilities as current or non-current (Amendments to IAS 1);
- Onerous contracts – Cost of Fulfilling a Contract (Amendments to IAS 37); and
- IFRS 17 Insurance Contracts.

The group expects no significant impact from these amendments and new standards.

Comparatives
The 2019 comparative disclosures were adjusted as follows:

- In the consolidated statement of financial position, non-current deferred income of €112 million (December 31, 2019: €129 million) is presented separately and is reclassified from current liabilities to non-current liabilities.
- Within Tax & Accounting and Legal & Regulatory, reclassifications of respectively €66 million and €88 million from 'multi-year contracts' to 'contracts one year or less' are included in the 2019 comparative figures, due to refinement of internal definitions. Refer to *Note 6 – Revenues*.

In addition, certain immaterial reclassifications have been made to the comparative statement of cash flows and statement of financial position and the related notes to conform to the current year presentation and to improve insights. These reclassifications have had no impact on the comparative shareholders' equity and comparative profit for the year.

Note 2 – Significant Accounting Policies

Except for the changes explained in *Note 1 – General and Basis of Presentation*, the group has consistently applied the significant accounting policies to all periods presented in these consolidated financial statements. The main principles for the determination and presentation of results and the valuation and presentation of assets and liabilities are described in the relevant respective notes to the consolidated financial statements.

Basis of consolidation

Subsidiaries
Subsidiaries are all entities controlled by the group. The group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and can affect those returns through its power over the entity. The principle of control is the basis for determining which entities are consolidated in the consolidated financial statements.

Loss of control
Upon loss of control, the group derecognizes the assets and liabilities of the subsidiary, any non-controlling interests, and the other components of equity related to the subsidiary. Any surplus or deficit arising from the loss of control is recognized in profit or loss.

If the group retains any equity interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, the remaining interest is accounted for as an equity-accounted investee or as a financial asset at fair value through profit or loss or other comprehensive income, depending on the level of influence retained.

Transactions eliminated on consolidation
Intragroup balances, transactions, and any unrealized gains and losses arising from transactions between group companies are eliminated in preparing the consolidated financial statements.

Unrealized gains arising from transactions between the group and its equity-accounted investees are eliminated to the extent of the group's interest in the equity-accounted investees.

Foreign currency

Functional and presentation currency
Items included in the financial statements of each of the group entities are measured using the currency of the primary economic environment in which the group entities operate (the functional currency). The consolidated financial statements are presented in euros, which is the group's presentation currency.

Foreign currency transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions during the year and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates, are recognized in profit or loss.

Foreign currency differences arising from the following items are recognized in other comprehensive income:
- Qualifying cash flow hedges to the extent that the hedge is effective; and
- Qualifying net investment hedges on foreign operations to the extent that the hedge is effective.

Non-monetary assets and liabilities in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the transaction date. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to the functional currency at the foreign exchange rates prevailing on the dates the fair value was determined.

Foreign operations
The assets and liabilities of group companies are translated to euros at foreign exchange rates prevailing at the end of the reporting period. Income and expenses of group companies are translated to euros at exchange rates on the dates of the transactions. All resulting exchange differences are recognized as a component of other comprehensive income in the translation reserve.

When a foreign-denominated subsidiary and/or equity-accounted investee is disposed of, exchange differences that were recognized in other comprehensive income prior to the sale are reclassified through profit or loss as part of the gain or loss on divestments.

Net investment in foreign operations
Net investment in foreign operations includes equity financing and long-term intercompany loans for which settlement is neither planned nor likely to occur in the foreseeable future. Exchange differences arising from the translation of the net investment in foreign operations, and of related hedges, are taken to the translation reserve of foreign operations in other comprehensive income.

Main currency exchange rates

rates to the euro	2020	2019
U.S. dollar (average)	1.14	1.12
U.S. dollar (at December 31)	1.23	1.12

Principles underlying the statement of cash flows

General
Bank overdrafts repayable on demand are included as cash and cash equivalents in the statement of cash flows to the extent that they form an integral part of the group's cash management. However, in the statement of financial position, the bank overdrafts are presented separately as the offsetting criteria are not met.

Cash flows from operating activities
Cash flows from operating activities are calculated by the indirect method, by adjusting the consolidated profit for the year for items that are not cash flows and for autonomous movements in operating working capital (excluding the impact of acquisitions/divestments, foreign exchanges differences, and reclassifications to assets/liabilities classified as held for sale).

Cash flows from operating activities include receipts from customers, cash payments to employees and suppliers, paid financing costs of operating activities (including interest paid and received, interest portion of lease payments, paid financing fees, and cash flow resulting from derivatives not qualifying for hedge accounting), acquisition and divestment-related costs, spending on restructuring provisions, and income taxes paid.

Cash flows from investing activities
Cash flows from investing activities are those arising from capital expenditure on and disposal of property, plant, and equipment and other intangible assets, acquisitions and sale of subsidiaries and equity-accounted investees, dividends received, and cash flows from the settlement of net investment hedge.

Dividends received relate to dividends received from equity-accounted investees and financial assets measured at fair value either through profit or loss or other comprehensive income.

Cash receipts and payments from the settlement of derivative financial instruments are classified in the same manner as the cash flows of the hedged items. The group primarily uses derivatives for hedging its net investments in U.S. dollar-denominated subsidiaries. As a result, cash receipts and payments from the settlement of derivatives are classified under cash flows from investing activities.

Cash flows from financing activities
The cash flows from financing activities comprise the cash receipts and payments from issued and repurchased shares, long-term debt instruments, short-term financing, repayment of the principal portion of lease liabilities, and dividends paid. Dividends paid relate to dividends paid to the owners of the company and the non-controlling interests.

Note 3 – Accounting Estimates and Judgments

General

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates, and assumptions that affect the application of policies and reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of income and expense. The estimates and underlying assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not clear from other sources. Actual results may differ from those estimates and may result in material adjustments in the next financial year(s).

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or the period of the revision and future periods if the revision affects both current and future periods. Judgments made by management in the application of IFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in future years are further discussed in the corresponding notes to the statements of profit or loss and financial position:

- Revenue recognition (see *Note 6*);
- Fair value of contingent considerations (see *Note 8*);
- Accounting for income taxes (see *Note 16*);
- Valuation, measurement, and impairment testing of goodwill and intangible assets other than goodwill (see *Note 18*); and
- Employee benefits (see *Note 31*).

Impact of COVID-19

Introduction

The COVID-19 pandemic and the measures and restrictions to control it continue to create challenges for our customers and uncertainty around economic conditions. It is likely that the pandemic will stay present for the larger part of 2021 and will continue to have an effect on economic activity and spending patterns. Governments around the world are likely to continue with varying measures to limit the spread of COVID-19 until sufficient people are vaccinated. As a result, the pandemic will continue to impact the group's business, the actual impact of which is currently unknown.

Recurring revenues for digital information, software, and services subscriptions have shown resilience, but new sales of subscription products remain difficult in current market conditions. Recurring revenues from print subscriptions have seen accelerated decline, which management expects will continue in the coming quarters. Of non-recurring revenues, sales of new software licenses and implementation services are seeing delays, while transactional volumes, training, print books, and other ad hoc revenue products are likely to remain weak in current conditions. Transactional revenues of 2020 were positively impacted by the group's TSoftPlus U.S. Paycheck Protection Program (PPP) solution within the Governance, Risk & Compliance division.

Measures taken by the group

While safeguarding the health and safety of our employees, the group went almost completely virtual in March 2020. Throughout the remainder of 2020, the group implemented cost reduction plans aiming to protect margins while sustaining key product and strategic investments. For this, the group developed a structured program, consisting of three waves of measures, each dependent on whether the pandemic would persist. The first wave included a freeze on travel and measures to derive cost savings in discretionary spend, marketing, and contractors. Thereafter, the group slowed the hiring of new staff and significantly reduced the number of contractors and level of discretionary spend. In the second half of 2020, the group accelerated certain on-going restructuring programs across the divisions, and fast-tracked its real estate rationalization program.

If deemed necessary, the group will continue to initiate cost reduction and restructuring plans in 2021, while closely monitoring the fast-changing market conditions.

The group did not apply for COVID-19-related government assistance programs, except in a few instances immaterial to our results.

With respect to its real estate leases, the group received only limited rent concessions from its landlords.

Impact on judgments and estimates applied in the consolidated financial statements
The group has not yet seen any material increase in default rates among its customers as a result of the COVID-19 pandemic. However, the ageing of past due receivables increased as from the start of the pandemic, partly due to customer requests for payment deferral. As a result, the group expects an increase in lifetime expected credit losses, which is a part of the explanation for the increase in the net additions to the loss allowance on trade receivables and unbilled revenues, from €23 million in 2019 to €36 million in 2020. Refer to *Note 10 – Sales costs*.

The annual goodwill impairment test did not result in the recognition of an impairment. On top of the annual goodwill impairment test, the group performed an in-depth impairment triggering event analysis on its other non-current assets, given the scale and impact of the COVID-19 pandemic. This triggering event analysis did not result in the recognition of an impairment. For further details, refer to *Note 18 – Goodwill and Intangible Assets other than Goodwill*.

The group's real estate rationalization program resulted in impairments on right-of-use assets of €2 million. Refer to *Note 20 – Leasing*.

The group assessed that it has a higher risk on sales returns and refunds in some parts of its business, partly as a result of COVID-19. The related provision for sales returns and refunds has increased from €39 million at December 31, 2019, to €66 million at December 31, 2020. The provision for sales returns and refunds is presented as part of other contract liabilities in the consolidated statement of financial position. Refer to *Note 25 – Contract Assets and Liabilities*.

On the following judgments and estimates, COVID-19 also did not have a significant effect:
- Revenue recognition, except for the provision for sales returns and refunds;
- Fair value determination of contingent considerations;
- Accounting for income taxes;
- Lease accounting; and
- Accounting for employee benefits.

Management currently expects economic activity and spending patterns to be subdued for most of 2021, with a gradual recovery starting in the second half of 2021. If the COVID-19 pandemic does not ease during the course of 2021, there may be a further adverse impact on revenues and potentially on adjusted operating profit margin and cash flows. Management would then have the ability to take further mitigating actions to reduce costs, optimize the group's cash flow, and preserve liquidity by:
- reducing capital expenditure;
- further deferring or cancelling discretionary spend;
- pursuing further restructuring programs; and
- slowing recruitment and reducing marketing spend.

Note 4 – Benchmark Figures

Benchmark figures refer to figures adjusted for non-benchmark items and, where applicable, amortization and impairment of goodwill and acquired identifiable intangible assets. Adjusted figures are non-IFRS compliant financial figures but are internally regarded as key performance indicators to measure the underlying performance of the business. These figures are presented as additional information and do not replace the information in the consolidated financial statements.

Benchmark figures

in millions of euros, unless otherwise stated		2020	2019	Change in actual currencies (%)	Change in constant currencies (%)*
Revenues		4,603	4,612	0	1
Organic revenue growth (%)		2	4		
Adjusted operating profit		1,124	1,089	3	5
Adjusted operating profit margin (%)		24.4	23.6		
Adjusted net profit		835	790	6	4
Adjusted net financing costs	*Note 15*	(46)	(58)	(21)	26
Adjusted free cash flow		907	807	12	16
Cash conversion ratio (%)		102	96		
Return on invested capital (ROIC) (%)		12.3	11.8		
Net debt	*Note 29*	2,383	2,199	8	
Net-debt-to-EBITDA ratio		1.7	1.6		
Diluted adjusted EPS (€)		3.13	2.90	8	
Diluted adjusted EPS in constant currencies (€)		3.09	2.90		7
Diluted adjusted free cash flow per share (€)		3.40	2.96	15	18

* Constant currencies at €/$ 1.12.

Revenue reconciliation

	€ million	*%*
Revenues 2019	4,612	
Organic change	76	2
Acquisitions	12	0
Divestments	(28)	(1)
Currency impact	(69)	(1)
Revenues 2020	4,603	0

Reconciliation between operating profit and adjusted operating profit

		2020	2019
Operating profit		972	908
Amortization and impairment of acquired identifiable intangible assets	*Note 14*	144	182
Non-benchmark items in operating profit	*Note 12*	8	(1)
Adjusted operating profit		1,124	1,089

Reconciliation between profit for the year and adjusted net profit

	2020	2019
Profit for the year attributable to the owners of the company (A)	721	669
Amortization and impairment of acquired identifiable intangible assets	144	182
Tax benefits on amortization and impairment of acquired identifiable intangible assets	(37)	(48)
Non-benchmark items, net of tax	7	(13)
Adjusted net profit (B)	835	790

Reconciliation between total financing results and adjusted net financing costs

		2020	2019
Total financing results	*Note 15*	(41)	(53)
Non-benchmark items in total financing results	*Note 15*	(5)	(5)
Adjusted net financing costs		(46)	(58)

Summary of non-benchmark items

		2020	2019
Included in operating profit:			
Other gains and (losses)	*Note 12*	(8)	1
Included in total financing results:			
Other finance income/(costs)	*Note 15*	5	5
Total non-benchmark items before tax		(3)	6
Tax benefit/(expense) on non-benchmark items		(4)	6
Impact of changes in tax rates		0	1
Non-benchmark items, net of tax		(7)	13

Reconciliation between net cash from operating activities and adjusted free cash flow

		2020	2019
Net cash from operating activities		1,197	1,102
Net capital expenditure		(231)	(226)
Repayment of principal portion of lease liabilities		(74)	(69)
Acquisition-related costs	*Note 8*	11	1
Paid divestment expenses	*Note 8*	2	1
Dividends received	*Note 21*	1	0
Net income tax charge/(benefit) on divested assets and consolidation of platform technology		1	(2)
Adjusted free cash flow (C)		907	807

Return on invested capital (ROIC)

in millions of euros, unless otherwise stated	2020	2019
Adjusted operating profit	1,124	1,089
Allocated tax	(259)	(257)
Net operating profit after allocated tax (NOPAT)	865	832
Average invested capital	7,053	7,065
ROIC (NOPAT/Average invested capital) (%)	12.3	11.8

Allocated tax is the adjusted operating profit multiplied by the benchmark tax rate.

Invested capital is defined as total assets minus current liabilities and non-current deferred income, excluding investments in equity-accounted investees, deferred tax assets, non-operating working capital, and cash and cash equivalents. This total summation is adjusted for accumulated amortization on acquired identifiable intangible assets, goodwill amortized pre-IFRS [2004], and goodwill written off to equity pre 1996 (excluding acquired identifiable intangible assets/goodwill that have been impaired and/or fully amortized), less any related deferred tax liabilities. The average invested capital is based on five measurement points during the year.

Per share information

in euro, unless otherwise stated		2020	2019
Total number of ordinary shares outstanding at December 31 (in millions of shares)	*Note 33*	262.4	266.7
Weighted average number of ordinary shares (D) (in millions of shares)	*Note 7*	265.0	270.3
Diluted weighted average number of ordinary shares (E) (in millions of shares)	*Note 7*	266.6	272.2
Adjusted EPS (B/D)		3.15	2.92
Diluted adjusted EPS (B/E)		3.13	2.90
Diluted adjusted EPS in constant currencies		3.09	2.90
Basic EPS (A/D)	*Note 7*	2.72	2.47
Diluted EPS (A/E)	*Note 7*	2.70	2.46
Adjusted free cash flow per share (C/D)		3.42	2.98
Diluted adjusted free cash flow per share (C/E)		3.40	2.96

Benchmark tax rate

in millions of euros, unless otherwise stated		2020	2019
Income tax expense	*Note 16*	216	189
Tax benefit on amortization and impairment of acquired identifiable intangible assets		37	48
Tax benefit/(expense) on non-benchmark items		(4)	6
Impact of changes in tax rates		0	1
Tax on adjusted profit (F)		249	244
Adjusted net profit (B)		835	790
Adjustment for non-controlling interests		0	0
Adjusted profit before tax (G)		1,084	1,034
Benchmark tax rate (F/G) (%)		23.0	23.6

Cash conversion ratio

in millions of euros, unless otherwise stated		2020	2019
Operating profit		972	908
Amortization, depreciation, and impairments	*Note 14*	442	475
EBITDA		1,414	1,383
Non-benchmark items in operating profit	*Note 12*	8	(1)
Adjusted EBITDA		1,422	1,382
Autonomous movements in working capital		39	(27)
Net capital expenditure		(231)	(226)
Repayment of principal portion of lease liabilities		(74)	(69)
Interest portion of lease payments		(11)	(11)
Adjusted operating cash flow (H)		1,145	1,049
Adjusted operating profit (I)		1,124	1,089
Cash conversion ratio (H/I) (%)		102	96

Non-benchmark items in operating profit

Non-benchmark items relate to income and expenses arising from circumstances or transactions that, given their size and/or nature, are clearly distinct from the ordinary activities of the group and are excluded from the benchmark figures. Apart from amortization and impairment of acquired identifiable intangible assets and impairment of goodwill, non-benchmark items in operating profit include the items below. Refer also to *Note 12 – Other Gains and (Losses)*.

Divestment-related results

Divestment-related results are event-driven gains and losses incurred by the group from the sale of subsidiaries and/or businesses. These results also include the loss on remeasurement of disposal groups, divestment expenses, and restructuring of stranded costs, and have been included in other gains and losses in the statement of profit or loss.

Acquisition-related costs

Acquisition-related costs are non-recurring costs incurred by the group resulting from acquisition activities. The acquisition-related costs are directly attributable to acquisitions, such as legal fees, broker/bank costs, and commercial and financial due diligence fees, and have been included in other gains and losses in the statement of profit or loss.

Loss on remeasurement of disposal groups

Loss on remeasurement of disposal groups includes losses for any initial or subsequent write-down of the disposal groups to fair value less costs of disposal.

Fair value changes of contingent considerations

Results from changes in the fair value of contingent considerations are not considered to be part of the ordinary activities of the group and have been included in other gains and losses in the statement of profit or loss.

Additions to acquisition integration provisions

Additions to acquisition integration provisions are those non-recurring costs incurred by the group to integrate activities acquired through business combinations and have been included in other gains and losses in the statement of profit or loss.

Other non-benchmark items

Non-benchmark items, which cannot be classified in the categories above, relate to income and expenses arising from circumstances or transactions that, given their size or nature, are clearly distinct from the ordinary activities of the group and are excluded from the benchmark figures.

Non-benchmark items in financing results
Non-benchmark items in financing results include the below items. Refer also to *Note 15 – Financing results*.

Divestment-related results on equity-accounted investees
When equity accounting for equity-accounted investees ceases, the group calculates the book gain or loss as the difference between the sum of the fair value of proceeds less costs of disposal, the fair value of retained investment, and any amount reclassified from other comprehensive income less the carrying amount of the investment at the date on which significant influence is lost.

Book results and fair value changes of financial assets measured at fair value through profit or loss
Fair value changes of financial assets measured at fair value through profit or loss and any gain or loss on the sale of financial assets measured at fair value through profit or loss.

Financing component employee benefits
Financing component employee benefits relates to net interest results on the net defined benefit liability or asset of the group's defined benefit pension plans and other long-term employee benefit plans.

Non-benchmark tax items in income tax expense
This item includes the tax effect on non-benchmark items as defined above, and on the amortization and impairment of acquired identifiable intangible assets, as well as the income tax expense relating to any material changes in (income) tax laws and (income) tax rates in the jurisdictions where Wolters Kluwer operates.

Note 5 – Segment Reporting

reporting by segment	Health		Tax & Accounting		Governance, Risk & Compliance		Legal & Regulatory		Corporate*		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Revenues from third parties	1,193	1,186	1,431	1,413	1,074	1,068	905	945	–	–	4,603	4,612
Cost of revenues	(364)	(376)	(396)	(397)	(300)	(294)	(299)	(318)	–	–	(1,359)	(1,385)
Gross profit	829	810	1,035	1,016	774	774	606	627	0	0	3,244	3,227
Sales costs	(195)	(205)	(255)	(267)	(164)	(149)	(170)	(187)	–	–	(784)	(808)
General and administrative costs	(326)	(356)	(388)	(405)	(330)	(319)	(376)	(368)	(60)	(64)	(1,480)	(1,512)
Total operating expenses	(521)	(561)	(643)	(672)	(494)	(468)	(546)	(555)	(60)	(64)	(2,264)	(2,320)
Other gains and (losses)	(1)	(6)	(5)	0	(1)	0	(1)	7	–	0	(8)	1
Operating profit	307	243	387	344	279	306	59	79	(60)	(64)	972	908
Amortization of acquired identifiable intangible assets	35	35	39	42	33	35	37	32	–	–	144	144
Impairment of acquired identifiable intangible assets	–	36	–	2	–	–	–	–	–	–	0	38
Non-benchmark expense/ (income) in operating profit	1	6	5	0	1	0	1	(7)	–	0	8	(1)
Adjusted operating profit	343	320	431	388	313	341	97	104	(60)	(64)	1,124	1,089
Amortization of other intangible assets and depreciation of PPE and right-of-use assets	(54)	(54)	(93)	(97)	(69)	(67)	(61)	(58)	(2)	(1)	(279)	(277)
Impairment of other intangible assets and right-of-use assets	(2)	(2)	(10)	(11)	(4)	0	(3)	(3)	–	–	(19)	(16)
Goodwill and acquired identifiable intangible assets at December 31	1,221	1,370	1,627	1,599	1,316	1,186	923	965	–	–	5,087	5,120
Net capital expenditure	32	33	77	74	76	73	45	45	1	1	231	226
Assets classified as held for sale at December 31	–	–	–	–	–	–	–	20	–	5	0	25
Liabilities classified as held for sale at December 31	–	–	–	–	–	–	–	8	–	–	0	8
Number of FTEs at December 31	2,824	2,903	7,149	6,697	4,485	4,330	4,195	4,307	132	124	18,785	18,361

* The corporate function does not represent an operating segment.

Accounting policies

An operating segment is a component of the group that engages in business activities from which it may earn revenues and incur expenses. The four global operating divisions are based on strategic customer segments: Health, Tax & Accounting, Governance, Risk & Compliance, and Legal & Regulatory. This segment information is based on the group's management and internal reporting structure. All operating segments are regularly reviewed by the Executive Board, within Wolters Kluwer defined as the group's chief operating decision-maker, to make decisions about resources to be allocated to the segments and to assess their performance to the extent whereby discrete financial information is available.
The Executive Board reviews the financial performance of the segments and the allocation of resources based on revenues and adjusted operating profit. Revenues from internal transactions between the operating segments are conducted at arm's length, with terms equivalent to comparable transactions with third parties. These internal revenues are limited and therefore excluded in the segment reporting table.

Segment results reported to the Executive Board include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Costs and net capital expenditure incurred on behalf of the segments by Global Business Services and Digital eXperience Group and associated FTEs are allocated to the operating segments.

Non-current liabilities, including interest-bearing liabilities and lease liabilities, are not considered to be segment liabilities as these are primarily managed by the corporate treasury and tax functions.
Operating working capital is not managed at the operating segment level but at a country or regional level.

Geographical information

*total non-current assets per region**	2020		2019	
		%		%
The Netherlands	691	11	690	11
Europe (excluding the Netherlands)	1,444	24	1,482	24
United States and Canada	3,865	64	3,899	63
Asia Pacific	77	1	85	1
Rest of World	18	0	25	1
Total	6,095	100	6,181	100

* Non-current assets per region exclude deferred tax assets and derivative financial instruments.

Other disclosures

There are no customers with revenues that exceed 10% of the group's total revenues.

For the revenues per geographical region, refer to *Note 6 – Revenues*.

Note 6 – Revenues

	2020	2019
Revenues from contracts with third parties	4,603	4,612

Accounting policies
Revenues represent the amount of consideration the group expects to be entitled to – arising from contracts with customers in the ordinary course of business – in exchange for transferring promised goods and/or services to customers, excluding amounts collected on behalf of third parties. Revenue is recognized once the performance obligations are fulfilled (i.e., when the customer obtains control over those goods and/or services).

Subscriptions
Revenues related to subscriptions are recognized over the period in which the goods are transferred and/or content is made available online and when the goods and/or content involved are similar in value over time. Subscription income received or receivable in advance of the delivery of goods and/or content is presented as deferred income (a contract liability) in the statement of financial position.

Licenses
License fees paid for the use of the group's software products and/or services are recognized in accordance with the substance of the agreement.

Revenues from licenses representing a right to access are recognized over time on a straight-line basis. In case a right-to-access license is invoiced to the customer as a one-time upfront fee, revenue is recognized between 12 and 60 months depending on the nature of the license.

In case of a transfer of rights (i.e., right-to-use license), which permits the licensee to exploit those rights freely and the group as a licensor has no remaining obligations to perform after delivery, revenue is recognized at the time the control of the license is transferred to the customer, considering any significant customer acceptance clauses.

Non-refundable upfront fees charged to the customers are often not considered to be a distinct performance obligation as these considerations do not result in a transfer of goods and/or services. Instead, these fees are considered an advance payment for future goods and/or services and therefore these payments are recognized as revenue when those future goods and/or services are transferred.

Goods
Revenues from the sale of goods are recognized upon shipment or upon delivery when control is transferred to the customer, provided that the ultimate collectability and final acceptance by the customer is reasonably assured.

When goods are sold with a right to return the goods, the group recognizes the revenues of the transferred goods for the amount the group expects to be entitled to, a refund contract liability in the statement of financial position, and an asset for its right to recover goods on settling the refund contract liability.

Services
Revenues from providing services are recognized in the period in which the related performance obligations are satisfied. For fixed-price contracts, revenue is recognized based on the actual service provided up to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously. In case of fixed-price contracts, the customer pays the fixed amount based on a payment schedule. If the value of the services rendered by the group exceeds the invoiced amounts, a contract asset (unbilled revenue) is recognized. If the invoiced amounts exceed the value of services rendered, a contract liability (deferred income) is recognized. If the contract includes an hourly fee, revenue is recognized in the amount to which the company has a right to invoice. Customers are invoiced on a periodical basis and consideration is payable when invoiced.

Implementation services
Revenues from the sale of implementation services are based on input or output methods, subject to the contractual arrangements, and are recognized when the related performance obligations are satisfied or upon full completion of the promise to the customer, depending upon which method faithfully depicts the group's performance towards completion.

Multiple-element contracts
There are arrangements that include various combinations of

performance obligations, such as software licenses, services, training, hosting, and implementation. A performance obligation is only distinct if the customer can benefit from the goods and/or services on its own or together with other resources that are readily available to the customer, and the promise to transfer goods or services is separately identifiable from other promises in the contract. Goods and/or services that are not distinct are bundled with other goods and/or services in the contract, until a bundle of goods and/or services is created that is distinct, resulting in a single performance obligation.

Where performance obligations are satisfied over different periods of time, revenues are allocated to the respective performance obligations based on relative stand-alone selling prices at the inception of the arrangement, and revenues are recognized as each performance obligation is satisfied.

Agent/principal arrangements
If the group acts as an agent, whereby the group sells goods and/or services on behalf of a principal, the group recognizes the amount of the net consideration as revenues. If the group acts as a principal, the group recognizes the gross amount of consideration for the specific goods and/or services transferred once the performance obligations are satisfied.

Variable consideration
Discounts (including volume discounts), return of goods, usage-based prices, and pricing based on index are the most common forms of variable considerations within the group. A discount is often contractually agreed and allocated to all distinct performance obligations, unless there is a specific discount policy for that performance obligation. Volume-related discounts, return of goods, and usage-based prices are estimated at contract inception and periodically reassessed during the contract term. The group considers normal price increases based on local inflation rates or customary business practices as compensation for cost price increases and not as variable consideration. Any pricing based on index that is beyond compensation for cost price increases is estimated at contract inception, periodically reassessed and recognized over the term of the contract.

Contract modifications
A contract modification is a change in the scope and/or price of a contract that is approved by both the customer and the group.

The group accounts for a contract modification retrospectively:
- if the modification only affected the transaction price and the remaining goods and/or services are not distinct; or
- if the modification affected the scope, but no distinct goods and/or services are added.

The group accounts for a contract modification prospectively:
- if the modification only affected the transaction price and the remaining goods and/or services are distinct; or
- if the modification affected the scope, distinct goods and/or services are added, but the additional consideration did not reflect the stand-alone selling price.

The group accounts for a contract modification as a separate contract if the modification affected the scope, distinct goods and/or services are added, and the additional consideration reflected the stand-alone selling price.

Financing components
As a practical expedient, the group does not adjust the consideration for the effects of a significant financing component if the group expects that the period between the transfer of the promised goods and/or services to the customer and payment by the customer is one year or less. The group has no significant contracts with periods of one year or more between the transfer of goods and/or services and the payment of the consideration. Consequently, the group does not adjust any of the transaction prices for the time value of money.

Warranty
In most cases, any warranty given in connection with the sale of products and/or services does not qualify as a distinct service and therefore these general warranties are not considered to be a separate performance obligation. Consequently, no warranty provisions are recognized.

Cost of revenues
Cost of revenues comprises directly attributable costs of goods and/or services sold.

For digital products and services, cost of revenues may include data maintenance, hosting, license fees, royalties, product support, personnel expenses, subcontracted work, training, and other costs incurred to support and maintain the products, applications, and/or services.

For print products, these costs may include cost for paper, printing and binding, royalties, personnel expenses, subcontracted work, shipping costs, and other incurred costs.

Critical estimates and judgments

Revenue recognition requires estimates and judgments. IFRS 15 Revenue from Contracts with Customers requires management to make judgments on the characteristics of a performance obligation, (un)bundling of multi-element arrangements, and assessment whether the revenue should be recognized over time or at a point in time. In addition, management makes estimates of the stand-alone selling prices of performance obligations, variable considerations such as provisions for returns, and the product and contract life.

Also, when another party is involved in providing goods and/or services to a customer, management makes a judgment whether the promise to the customer is a performance obligation by the group (i.e., acting as a principal), or by another party (i.e., acting as an agent). The group acts predominantly as the principal in its customer contracts.

For the judgments applied to the incremental cost to obtain a contract, refer to *Note 25 – Contract Assets and Liabilities*.

COVID-19 did not have a significant effect on judgments and estimates applied in revenue recognition, except for determining the provision for sales returns and refunds (refer to *Note 25 – Contract Assets and Liabilities*).

Disaggregation of revenues

reporting per segment	**Health**		**Tax & Accounting**		**Governance, Risk & Compliance**		**Legal & Regulatory**		**Total**	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Revenue recognition										
At a point in time recognition	212	249	210	235	382	391	237	280	1,041	1,155
Over time recognition	981	937	1,221	1,178	692	677	668	665	3,562	3,457
Revenues from third parties	1,193	1,186	1,431	1,413	1,074	1,068	905	945	4,603	4,612
Revenue per contract										
Contracts one year or less	797	822	1,198	1,195	817	823	730	777	3,542	3,617
Multi-year contracts	396	364	233	218	257	245	175	168	1,061	995
Revenues from third parties	1,193	1,186	1,431	1,413	1,074	1,068	905	945	4,603	4,612

Revenues by media format

reporting per segment	**Health**		**Tax & Accounting**		**Governance, Risk & Compliance**		**Legal & Regulatory**		**Total**	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Digital	1,055	1,012	1,348	1,312	680	656	653	624	3,736	3,604
Services	2	6	38	45	384	402	30	60	454	513
Print	136	168	45	56	10	10	222	261	413	495
Revenues from third parties	1,193	1,186	1,431	1,413	1,074	1,068	905	945	4,603	4,612

Revenues by type

	2020		2019	
Digital and service subscription	3,218		3,087	
Print subscription	182		202	
Other recurring	280		292	
Total recurring revenues		3,680		3,581
Print books	150		212	
Legal Services transactional	228		246	
Financial Services transactional	129		105	
Other non-recurring	416		468	
Total non-recurring revenues		923		1,031
Total revenues		4,603		4,612

Recurring/non-recurring revenues

reporting per segment	Health		Tax & Accounting		Governance, Risk & Compliance		Legal & Regulatory		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Recurring revenues	1,086	1,039	1,257	1,217	619	618	718	707	3,680	3,581
Non-recurring revenues	107	147	174	196	455	450	187	238	923	1,031
Revenues from third parties	1,193	1,186	1,431	1,413	1,074	1,068	905	945	4,603	4,612

Geographical information

revenues were generated in the following regions		2020		2019
		%		%
The Netherlands	193	4	188	4
Europe (excluding the Netherlands)	1,238	27	1,232	27
U.S. and Canada	2,818	61	2,814	61
Asia Pacific	278	6	288	6
Rest of World	76	2	90	2
Total revenues	4,603	100	4,612	100

Note 7 – Earnings per Share

The group presents basic and diluted earnings per share data for its ordinary shares.

Basic earnings per share

Basic earnings per share is calculated by dividing the profit for the year of €721 million (2019: €669 million) attributable to the ordinary equity holders of the company, by the weighted average number of ordinary shares outstanding during the year of 265.0 million (2019: 270.3 million), after adjusting for own ordinary shares held (treasury shares).

Profit for the year

		2020	2019
Profit for the year attributable to the owners of the company (A)		721	669

Weighted average number of ordinary shares for the year

in millions of shares, unless otherwise stated		2020	2019
Outstanding ordinary shares at January 1	*Note 33*	273.0	279.7
Effect of cancellation of shares		(1.7)	(2.1)
Effect of repurchased shares		(6.3)	(7.3)
Weighted average number of ordinary shares (B)		265.0	270.3
Basic EPS (A/B) (€)		2.72	2.47

Diluted earnings per share

Diluted earnings per share is determined by dividing the profit for the year of €721 million (2019: €669 million) attributable to ordinary shareholders of the company, by the weighted average number of ordinary shares outstanding of 266.6 million (2019: 272.2 million), after adjustments for treasury shares and for the effects of all dilutive potential ordinary shares which consist of LTIP shares granted.

Diluted weighted average number of ordinary shares for the year

in millions of shares, unless otherwise stated	2020	2019
Weighted average number of ordinary shares (B)	265.0	270.3
Effect of Long-Term Incentive Plan (LTIP)	1.6	1.9
Diluted weighted average number of ordinary shares (C)	266.6	272.2
Diluted EPS (A/C) (€)	2.70	2.46

Note 8 – Acquisitions and Divestments

Acquisitions

Accounting policies
Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the group.

Changes in the group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Critical estimates and judgments
The fair value of the assets, liabilities, and contingent liabilities of a business combination should be measured within 12 months from the acquisition date. For some acquisitions, provisional fair values have been included in the statement of financial position. The final valuation of the acquired identifiable intangible assets and liabilities assumed is still pending but will be completed within the 12-month timeframe. Actual valuation of these assets, liabilities, and contingent liabilities may differ from the provisional valuation.

When a business combination agreement provides for an adjustment to the cost of the transaction, contingent on future events (such as earnouts), the group includes an initial fair value of that adjustment in the cost of the transaction at the acquisition date if the adjustment is probable and can be measured reliably. The initial and subsequent measurement will usually be based on estimates of future results of the business combination. Actual results may differ from those estimates and may result in material adjustments in the next financial year(s). Subsequent changes to the fair value are recognized in profit or loss, based on a periodic reassessment of the contingent consideration.

General
On January 16, 2020, Wolters Kluwer Legal & Regulatory completed the acquisition of 100% of the shares of CGE, a leading provider of risk management software, including the industry-standard BowTieXP solution, for €20 million. The transaction had no deferred and contingent considerations. The acquisition extends Wolters Kluwer's presence in the growing operational risk management software market. CGE became part of Wolters Kluwer's Environmental, Health & Safety and Operational Risk Management (EHS/ORM) software group, which also includes Enablon and eVision. The combined offerings enable customers to improve their EHS/ORM and risk performance, and to conduct more responsible, productive, and safe operations. CGE recognized unaudited revenues of €7 million in 2019, mainly from software and services. The transaction is expected to have a positive but immaterial impact on adjusted net profit in its first full year. CGE had approximately 25 full-time equivalent employees at acquisition date, with its headquarters in the Netherlands. CGE has a global customer base with the majority of customers in Europe, North America, and Australia.

On September 16, 2020, Wolters Kluwer Tax & Accounting (TAA) completed the acquisition of 100% of the shares of XCM Solutions (XCM), a cloud-based workflow solutions provider for professional tax and accounting firms, for €137 million. The transaction had no deferred and contingent considerations. The acquisition offers integration opportunities with CCH Axcess, our cloud-based modular software suite for professional firms in North America. TAA North America has had a longstanding strategic partnership with XCM since 2006, enabling firms to integrate XCM workflow tools with CCH ProSystem fx on-premise software and, since 2012, with CCH Axcess. Wolters Kluwer and XCM share a common approach to providing innovative, cloud-based solutions that drive productivity for customers. XCM recognized unaudited revenues of €19 million in 2019, mainly from subscription-driven cloud-based software. With revenue and cost synergies anticipated over the medium to long term, we expect the acquisition to achieve an ROIC above our after-tax weighted average cost of capital (8%) within three to five years. The near-term impact on Wolters Kluwer adjusted net profit is positive but immaterial. XCM had approximately 475 full-time equivalent employees at acquisition date, located in the United States and India. XCM's headquarters is in Massachusetts, United States. The fair values of the identifiable assets and liabilities of XCM, as reported at December 31, 2020, are provisional.

On December 16, 2020, Wolters Kluwer Governance, Risk & Compliance (GRC) completed the acquisition of eOriginal, with the purchase of 100% of the shares of eOriginal's parent company, Paperless Transaction Management, Inc., for €244 million in cash. The transaction had no deferred and contingent considerations. The acquisition extends

GRC Compliance Solutions' leading position in U.S. mortgage and loan document generation and analytics into the fast-growing digital loan closing and storage adjacency. eOriginal is a trusted leader in digital lending technology, serving more than 650 customers in the U.S., including banks, mortgage lenders, consumer lenders, and auto and equipment finance lenders. The eOriginal platform enables lenders and their partners to create, store, and manage digital assets from close through to the secondary loan market. GRC's Compliance Solutions business has had a strategic partnership with eOriginal since 2016, which allows the integration of eOriginal's electronic vaulting and closing software with Expere. The offerings of eOriginal and GRC Compliance Solutions are highly complementary and together will form an industry leading end-to-end digital lending platform. eOriginal recognized unaudited revenues of €31 million in 2020, of which almost 95% is recurring and cloud-based in nature. Unaudited revenues have grown at a double-digit organic growth rate in the last three years. The acquisition is expected to deliver an ROIC above our after-tax weighted average cost of capital (8%) within three to five years from completion and is expected to have an immaterial impact on the group's adjusted net profit in the first full year. eOriginal had approximately 100 full-time equivalent employees at acquisition date, with its headquarters in the United States. The fair values of the identifiable assets and liabilities of eOriginal, as reported at December 31, 2020, are provisional.

In addition, other smaller acquisitions were completed, with a combined total consideration of €5 million (2019: €2 million), including deferred and contingent considerations, and combined annualized unaudited revenues of €2 million (2019: €1 million).

Acquisition spending

Total acquisition spending, net of cash acquired, in 2020 was €395 million (2019: €34 million), including deferred and contingent consideration payments of €6 million (2019: €1 million). In 2019, the group acquired CLM Matrix and a few smaller businesses.

Acquisition-related costs amounted to €11 million in 2020 (2019: €1 million).

The goodwill relating to the 2020 acquisitions represents future economic benefits specific to the group arising from assets that do not qualify for separate recognition as intangible assets. This includes expected new customers who generate revenue streams in the future, revenues generated because of new capabilities of the acquired product platforms, as well as expected synergies that will arise following the acquisitions.

Of the goodwill recognized in 2020, €73 million was deductible for income tax purposes (2019: €23 million).

The following tables provide information in aggregate for all business combinations in 2020:

Acquisitions

		Carrying amount	Fair value adjustments	2020 Recognized values	2019 Recognized values
Consideration payable in cash				406	33
Deferred and contingent considerations at fair value:					
Non-current				0	–
Current				0	6
Total consideration				406	39
Intangible assets other than goodwill	Note 18	0	183	183	16
Other non-current assets		6		6	0
Current assets		31	(4)	27	1
Current liabilities		(33)	6	(27)	(1)
Non-current liabilities		(4)		(4)	0
Deferred tax assets/(liabilities)		14	(33)	(19)	0
Fair value of net identifiable assets		14	152	166	16
Goodwill on acquisitions	Note 18			240	23
Cash effect of acquisitions:					
Consideration payable in cash				406	33
Cash acquired				(17)	0
Deferred and contingent considerations paid				6	1
Acquisition spending, net of cash acquired				395	34

Of the 2020 fair value adjustments of €152 million, €79 million related to eOriginal, €61 million related to XCM Solutions, and €12 million related to the other acquisitions.

Contribution of 2020 acquisitions

in millions of euros, unless otherwise stated	Revenues	Adjusted operating profit	Profit for the year	FTEs at December 31, 2020
Totals excluding the impact of 2020 acquisitions	4,590	1,122	723	18,196
Contribution of 2020 acquisitions	13	2	(2)	589
Totals for the year 2020	4,603	1,124	721	18,785
Pro forma contribution of 2020 acquisitions for the period January 1, 2020, up to acquisition date (unaudited)	45	7	(3)	
Pro forma totals for the year 2020	4,648	1,131	718	

The above information does not purport to represent what the actual results would have been had the acquisitions been concluded on January 1, 2020, nor is the information necessarily indicative for future results of the acquired operations. In determining the contributions by the acquisitions, management has assumed that the fair value adjustments that arose on the date of the acquisition would have been the same if the acquisition had occurred on January 1, 2020.

Deferred and contingent considerations
The acquisitions completed in 2020 resulted in a maximum achievable undiscounted deferred and contingent consideration of €1 million. The fair value of this deferred and contingent consideration amounted to €0 million at acquisition date and at December 31, 2020.

For further disclosure on deferred and contingent considerations, refer to *Note 30 – Financial Risk Management*.

Provisional fair value accounting
The fair values of the identifiable assets and liabilities will be revised if new information, obtained within one year from the acquisition date about facts and circumstances that existed at the acquisition date, causes adjustments to the above amounts, or for any additional provisions that existed at the acquisition date. There were no subsequent changes in purchase price accounting for 2019 acquisitions. Reference is made to *Note 18 – Goodwill and Intangible Assets other than Goodwill*.

Divestments

Accounting policies
The amount of goodwill allocated to a divested business or disposal group, is based on its relative value compared to the value of the group of cash-generating units to which the goodwill belongs.

General
On January 15, 2020, Wolters Kluwer Legal & Regulatory completed the divestment of its Belgian training assets to NCOI Group, as originally announced on December 19, 2019, for €6 million in cash.

On May 15, 2020, Wolters Kluwer Health completed the sale of its 40%-minority stake in Logical Images, a provider of visual diagnostic resources, for U.S. dollar 12 million in cash. The investment in Logical Images was originally made in 2008. The two parties will continue to partner in a few areas.

On September 22, 2020, Wolters Kluwer Legal & Regulatory completed the sale of ComplyTrack, a healthcare regulatory risk and compliance solution, to symplr, a provider of cloud-based solutions for hospitals and other health facilities, for €21 million in cash. The ComplyTrack product line had limited strategic fit or synergies with North America's ongoing strategy to focus on our digital information solutions and software tools for law firms, corporate law departments, and related compliance departments. The ComplyTrack business had approximately 50 FTEs at divestment date.

On December 14, 2020, Wolters Kluwer Governance, Risk & Compliance sold its Flood Determinations Solution to LERETA for €4 million in cash. In partnership with LERETA, Wolters Kluwer will continue to enable its lending customers to purchase flood determination services through its lending solutions.

On December 31, 2020, Wolters Kluwer Legal & Regulatory sold its French legal notices business, Annonces & Formalités Légales, to Médialex, part of Sipa-Ouest-France Group, for €5 million in cash and a deferred consideration of €1 million. Annonces & Formalités Légales, which has 34 FTEs, supported the publication of legal notices and announcements for businesses in France. The divestment is consistent with the strategy of Wolters Kluwer Legal & Regulatory to focus on professional information and software solutions in core legal markets.

All assets classified as held for sale at December 31, 2019, including some German businesses and the 45% investment in Medicom, were divested in 2020.

In 2020, net divestment proceeds amounted to €50 million.

In 2019, the group completed the sale of certain Allied Health titles (Health) and the divestment of its 40% interest in Austrian information solutions provider MANZ'sche Verlags- und Universitätsbuchhandlung GmbH. The net divestment proceeds amounted to €40 million and included €13 million of deferred proceeds related to the sale of certain Swedish publishing assets in January 2018.

Divestment-related results on operations, equity-accounted investees, and financial assets

		2020	2019
Divestments of operations:			
Consideration receivable in cash		41	8
Deferred divestment consideration receivable	*Note 26*	1	–
Consideration receivable		42	8
Intangible assets	*Note 18*	24	11
Current assets (including assets held for sale)		32	1
Current liabilities (including liabilities held for sale)		(19)	0
Employee benefits		(1)	0
Deferred tax assets/(liabilities)		(1)	0
Net identifiable assets/(liabilities)		35	12
Reclassification of foreign exchange differences on loss of control, recognized in other comprehensive income		–	0
Book profit/(loss) on divestments of operations		7	(4)
Divestment expenses		(2)	(1)
Restructuring of stranded costs following divestments		(4)	0
Divestment-related results included in other gains and (losses)	*Note 12*	1	(5)
Divestments of equity-accounted investees and financial assets:			
Consideration receivable in cash		17	19
Goodwill allocated	*Note 18*	–	(5)
Carrying value of equity-accounted investees	*Note 21*	(10)	(5)
Divestment-related results included in total financing results	*Note 15*	7	9
Cash effect of divestments:			
Consideration receivable in cash		58	27
Cash included in divested operations		(8)	0
Deferred divestment consideration receivable		–	13
Receipts from divestments, net of cash disposed		50	40

Effect of 2020 divestments

	Revenues	Adjusted operating profit
Totals for the year 2020	4,603	1,124
Minus: Contribution of 2020 divested operations	(34)	(5)
Pro forma totals for the year 2020	4,569	1,119

At their divestment dates, the 2020 divested operations had jointly 121 FTEs.

Note 9 – Assets/Liabilities Classified as Held for Sale

		2020	2019
Assets of disposal groups classified as held for sale		–	20
Liabilities of disposal groups classified as held for sale		–	(8)
Net assets of disposal groups classified as held for sale		0	12
Investments in equity-accounted investees	*Note 21*	–	5
Total net assets classified as held for sale		0	17

Accounting policies

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is met only when the sale is highly probable, and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within 12 months from the date of classification.

When the group is committed to a sale plan involving a loss of control of a subsidiary, all assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the group will retain a non-controlling interest in its former subsidiary after the sale.

When the group is committed to a sale plan involving a divestment of an investment in an equity-accounted investee, or a portion thereof, the investment, or the portion, is classified as held for sale when the criteria described above are met. The group then ceases to apply the equity method in relation to the portion that is classified as held for sale. Any retained portion of an investment in an equity-accounted investee that has not been classified as held for sale continues to be accounted for using the equity method.

Non-current assets and disposal groups classified as held for sale are measured at the lower of the carrying amount and fair value less costs of disposal.

Disposal groups

General

	2020	2019
Legal & Regulatory – Belgian training business	–	6
Legal & Regulatory – Certain German businesses and assets	–	6
Net assets of disposal groups classified as held for sale	0	12

For disposal groups at December 31, 2019, for which the divestments were completed in 2020, refer to *Note 8 – Acquisitions and Divestments.*

In 2019, the loss on remeasurement of disposal groups amounted to €2 million. Refer also to *Note 12 – Other Gains and (Losses).*

Assets and liabilities of disposal groups

The assets and liabilities of the disposal groups can be specified as follows at December 31:

	2020	2019
Non-current assets	–	12
Cash and cash equivalents	–	3
Other current assets	–	5
Non-current liabilities	–	(2)
Current liabilities	–	(6)
Net assets of disposal groups classified as held for sale	0	12

Note 10 – Sales Costs

		2020	2019
Marketing and promotion costs		217	234
Sales-related costs – sales commissions directly expensed		135	141
Sales-related costs – amortization of capitalized sales commissions	Note 25	21	20
Other sales-related costs		304	316
Customer support costs		71	74
Additions to loss allowance on trade receivables and unbilled revenues	Note 25	36	23
Total		784	808

Accounting policies
Sales costs relate to direct internal personnel expenses and direct external costs incurred for marketing and sales activities.

Sales costs include sales commissions directly expensed as incurred and the amortization of capitalized sales commissions that qualify as cost to obtain a contract. As a practical expedient, the group recognizes as an expense the incremental cost of obtaining a contract if the amortization period of the asset that the group otherwise would have recognized is one year or less. If sales commissions are granted for a bundled and/or multi-element contracts in which the predominant consideration element is recognized for performance obligations satisfied at a point in time (for example the sale of a book, implementation and/or training services, or the sale of a license being a right to use), the sales commission is expensed when incurred. In addition, sales commissions that are commensurate or based on generic performance indicators and/or net targets are expensed when incurred.

For all other commission plans on new sales targets, the amortization period ranges between one and five years, depending on the nature of the underlying promise in the contract with the customer, unless the underlying non-cancellable contract period for the right-to-access license is longer than five years. In those situations, the longer non-cancellable contract period of the license contract prevails as the amortization period.

Furthermore, sales costs include the additions to loss allowance on trade receivables and unbilled revenues. The loss allowance is determined as an amount equal to the lifetime expected credit losses.

Estimates and judgments
The group determines the impairment of financial assets by making assumptions and estimating the risk of default and expected loss rates at contract inception over the expected life of the financial instrument, using the group's historical incurred losses and existing market conditions, as well as forward-looking information at the end of each reporting period.

The group has not seen any material increase in default rates among its customers as a result of the COVID-19 pandemic. However, the ageing of past due receivables increased as from the start of the pandemic, partly due to customer requests for payment deferral. As a result, the group expects an increase in lifetime expected credit losses, which partly explains the increase in the net additions to the loss allowance on trade receivables and unbilled revenues, from €23 million in 2019 to €36 million in 2020.

Note 11 – General and Administrative Costs

		2020	2019
Research, development, and editorial costs		433	453
General and administrative operating expenses		903	877
Amortization and impairment of acquired identifiable intangible assets	*Note 14*	144	182
Total		1,480	1,512

Accounting policies
General and administrative costs include costs that are neither directly attributable to cost of revenues nor to sales costs. These costs include product development cost, information technology cost, general overhead cost, amortization of acquired identifiable intangible assets, amortization of other intangible assets (if not part of cost of revenues), depreciation of property, plant, and equipment, depreciation of right-of-use assets, and impairment of goodwill, intangible assets other than goodwill, property, plant, and equipment, and right-of-use assets.

Note 12 – Other Gains and (Losses)

		2020	2019
Divestment-related results	*Note 8*	1	(5)
Acquisition-related costs	*Note 8*	(11)	(1)
Loss on remeasurement of disposal groups	*Note 9*	–	(2)
Fair value changes of contingent considerations	*Note 30*	4	9
Additions to acquisition integration provisions	*Note 32*	(2)	0
Total		(8)	1

Accounting policies
Other gains and losses relate to items which are different in their nature or frequency from operating items. These include divestment-related results (including the loss on remeasurement of disposal groups and directly attributable divestment costs), additions to provisions for restructuring of stranded costs following divestments, acquisition-related costs, additions to acquisition integration provisions, and subsequent fair value changes of contingent considerations. See also *Note 4 – Benchmark Figures*.

Note 13 – Personnel Expenses

		2020	2019
Salaries and wages		1,612	1,590
Social security charges		169	163
Costs of defined contribution plans		77	72
Expenses related to defined benefit plans	*Note 31*	17	1
Equity-settled share-based payment transactions	*Note 34*	24	25
Total		1,899	1,851
Employees			
Headcount at December 31		19,169	18,979
In full-time equivalents at December 31		18,785	18,361
Thereof employed in the Netherlands		1,200	1,172
In full-time equivalents average per annum*		19,180	18,883

* Average full-time equivalents per annum include temporary help and contractors, whereas headcount and its full-time equivalent only relate to staff on the payroll of the group.

Note 14 – Amortization, Impairment, and Depreciation

		2020	2019
Amortization of acquired identifiable intangible assets	*Note 18*	144	144
Impairment of acquired identifiable intangible assets	*Note 18*	–	38
Amortization of other intangible assets	*Note 18*	180	180
Impairment of other intangible assets	*Note 18*	17	15
Depreciation of property, plant, and equipment	*Note 19*	26	25
Depreciation of right-of-use assets	*Note 20*	73	72
Impairment of right-of-use assets	*Note 20*	2	1
Total		442	475

For further disclosure on critical estimates and judgments, refer to *Note 18 – Goodwill and Intangible Assets other than Goodwill*.

Note 15 – Financing Results

		2020	2019
Financing income			
Interest income for financial assets, measured at amortized cost:			
Interest income on short-term bank deposits		5	17
Interest income on bank balances and other		5	8
Other financing income:			
Derivatives – foreign exchange contracts, not qualifying as hedge		0	0
Total financing income		10	25
Financing costs			
Interest expense for financial liabilities, measured at amortized cost:			
Euro Commercial Paper program and bank borrowings		0	0
Bonds and private placements		(57)	(56)
Amortization of fee expense for debt instruments		(3)	(2)
Interest expense on bank overdrafts and other		(6)	(8)
Other financing expense:			
Interest expense of lease liabilities		(11)	(11)
Net foreign exchange gains/(losses)		24	(3)
Derivatives – foreign exchange contracts, not qualifying as hedge		(1)	(1)
Items in hedge relationships:			
Interest rate swaps		(2)	(2)
Foreign exchange gains/(losses) on loans subject to cash flow hedge		6	(5)
Net change in fair value of cash flow hedges reclassified from other comprehensive income		(6)	5
Total financing costs		(56)	(83)
Net financing results		(46)	(58)
Other finance income/(costs)			
Divestment-related results on equity-accounted investees	*Note 8*	7	7
Gain on sale of financial assets at fair value through profit or loss		–	2
Financing component employee benefits	*Note 31*	(2)	(4)
Total other finance income/(costs)		5	5
Total financing results		(41)	(53)

Note 16 – Income Tax Expense

		2020	2019
Current income tax expense		226	192
Adjustments previous years		2	6
Deferred tax expense:			
Changes in tax rates		0	(1)
Origination and reversal of temporary differences		(12)	(8)
Movements in deferred tax assets and liabilities	*Note 23*	(12)	(9)
Total	*Note 23*	216	189

Accounting policies

Income tax on the result for the year is made up of current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to business combinations and/or items directly recognized in equity or other comprehensive income.

Current income tax is the expected tax payable or tax receivable on the taxable income for the year, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable or tax receivable in respect of previous years. The group recognizes deferred tax assets and liabilities for all taxable temporary differences between the carrying amounts of assets or liabilities in the statement of financial position for financial reporting purposes and their tax base for taxation purposes.

Deferred tax assets and liabilities are not recognized for temporary differences arising from:
- Initial recognition of goodwill;
- Investments in subsidiaries and joint arrangements to the extent that the parent can control the timing of the reversal of the temporary differences, and it is probable that they will not reverse in the foreseeable future; and
- Initial recognition of an asset or liability in a transaction, which is not a business combination and that, at the time of the transaction, affects neither accounting profit nor taxable profit.

A deferred tax asset is recognized for deductible temporary differences and for the carry-forward of unused tax losses and unused tax credits, to the extent that it is probable that future taxable profits will be available against which these can be utilized. Deferred tax assets are reviewed at the end of each reporting period and are remeasured to the extent that it is no longer probable that the related tax benefits will be realized.

Deferred tax assets and liabilities are not discounted and are measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period. The effect of changes in income tax rates on the deferred tax position is recognized in profit or loss if, and to the extent that, the deferred tax position was originally formed through profit or loss.

Deferred tax assets and liabilities, including those associated with right-of-use assets and lease liabilities, are offset if there is a legally enforceable right to offset current income tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current income tax assets and liabilities on a net basis or their tax assets and liabilities will be realized simultaneously.

Uncertain tax positions are assessed at a fiscal unity level. If it is probable that a tax authority will accept an uncertain tax position in the income tax filing, then the group determines its accounting tax position consistent with the tax treatment used or planned to be used in its income tax filing. If this is not probable, then the group reflects the effect of uncertainty in determining its accounting tax position using either the most likely amount or the expected value method, depending on which method better predicts the resolution of the uncertainty.

Critical estimates and judgments

Income tax is calculated based on income before tax, considering the local tax rates and regulations. For each operating entity, the current income tax expense is calculated and differences between the accounting and tax base are determined, resulting in deferred tax assets or liabilities. These calculations may deviate from the final tax assessments, which will be concluded in future periods.

A deferred tax asset is recognized for deductible temporary differences and the carry-forward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available. Management assesses the probability that taxable profit will be available against which the unused tax losses or unused tax credits can be utilized.

In determining the amount of current and deferred tax, the group considers the impact of uncertain tax positions and whether additional taxes, penalties, and interest may be due. The group believes that its current income tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax laws, rules, and prior experience. The group operates in several countries with different tax laws and rules. Considering this complex multinational environment in which the group operates, global transfer pricing policies are implemented for transactions between members of the group. These transactions are documented as required by international standards. However, local tax authorities might challenge these transactions. The group considered potential challenges and accounted for potential uncertain tax positions.

The assessment for uncertain tax positions relies on estimates and assumptions, based on the judgments of tax professionals within the group, supplemented by external tax advisors and may involve a series of estimates about future events. New information may become available that causes the group to change its estimate regarding the adequacy of existing income tax liabilities. Such changes to income tax liabilities will impact the income tax expense, positively or negatively, in the statement of profit or loss in the period that such a determination is made.

Changes in tax rates are considered if these tax rate changes are substantially enacted before year-end.
The United States Tax Cuts and Jobs Act introduced significant changes in U.S. tax laws that took effect on January 1, 2018. During 2018, 2019, and 2020, the U.S. government issued interpretative and legislative regulations in final and proposed form to further explain the application of the new tax laws. The U.S. government is expected to issue further guidance in 2021. Reported income tax amounts will therefore be subject to continued judgment, estimation uncertainty, and measurement adjustments.

Finally, tax authorities might deviate from earlier decisions to allow or disallow for the adopted IFRS standards (IFRS 9, IFRS 15, and IFRS 16) in the filing of income tax returns. If the tax authorities deviate from these standards, the classification between current income tax assets and liabilities and deferred tax assets and liabilities may change.

Refer also to *Note 23 – Tax Assets and Liabilities*.

COVID-19 did not have a significant effect on judgments and estimates applied in the accounting of income tax.

Reconciliation of the effective tax rate
The group's effective tax rate in the statement of profit or loss differs from the Dutch statutory income tax rate of 25%. The table below reconciles the statutory income tax rate with the effective income tax rate in the statement of profit or loss:

in millions of euros, unless otherwise stated		2020		2019
	%		%	
Profit before tax		937		858
Income tax expense at the Dutch statutory income tax rate	25.0	234	25.0	214
Tax effect of:				
Rate differential	(2.6)	(24)	(2.7)	(23)
Tax incentives, exempt income, and divestments	(2.3)	(21)	(1.9)	(16)
Recognized and unrecognized tax losses	0.1	1	0.4	4
Adjustments previous years	0.2	2	0.7	6
Changes in income tax rates	0.0	0	(0.1)	(1)
Other taxes	0.8	7	1.0	9
Non-deductible costs and other items	1.9	17	(0.4)	(4)
Total	23.1	216	22.0	189

Rate differential indicates the effect of the group's taxable income being generated and taxed in jurisdictions where tax rates differ from the Dutch statutory income tax rate.

The effective tax rate increased to 23.1% (2019: 22.0%), resulting from taxable divestments in 2020, while the prior year was favorably impacted by tax-exempted divestments and the finalization of tax audits.

For income tax recognized directly in the statements of changes in total equity and other comprehensive income, reference is made to *Note 23 – Tax Assets and Liabilities*.

Note 17 – Non-controlling Interests

The group's shares in significant consolidated subsidiaries that were not fully owned at December 31 are:

ownership in %	2020	2019
Akadémiai Kiadó Kft. (Budapest, Hungary)	74	74

Accounting policies
Non-controlling interests reflect the portion of the profit or loss and net assets of a subsidiary attributable to equity interests that are not owned, directly or indirectly through subsidiaries, by the group. Losses applicable to the non-controlling interest in a subsidiary are allocated to the non-controlling interest even if these losses cause the non-controlling interest to have a debit balance. Acquisitions of non-controlling interests are accounted for as transactions with owners of the company in their capacity as owners and therefore no goodwill is recognized for those transactions. Remeasurements of non-controlling interests are based on a proportionate amount of the net assets of the subsidiary.

The movements in non-controlling interests are as follows:

	2020	2019
Position at January 1	0	0
Dividends paid	0	(1)
Share of profit in non-controlling interests, net of tax	0	0
Foreign exchange differences and other movements	0	1
Position at December 31	0	0

Non-controlling interests of consolidated participations in the profit for the year totaled €0 million (2019: €0 million). Non-controlling interests in the equity of consolidated participations, totaling €0 million (2019: €0 million), are based on third-party shareholdings in the underlying shareholders' equity of the subsidiaries.

Financial information of non-controlling interests based on 100% ownership, is as follows:

	2020	2019
Revenues	5	5
Adjusted operating profit	2	2
Net profit	2	1
Total assets	1	1
Total liabilities	1	1
Total equity	0	0
Total cash and cash equivalents	0	0

Note 18 – Goodwill and Intangible Assets other than Goodwill

		Goodwill	Acquired identifiable intangible assets	Other intangible assets	2020	2019
Position at January 1						
Purchase value		3,999	2,373	1,851	8,223	8,105
Accumulated amortization and impairment		(9)	(1,243)	(1,277)	(2,529)	(2,320)
Book value at January 1		3,990	1,130	574	5,694	5,785
Movements						
Investments		–	–	213	213	198
Acquired through business combinations	*Note 8*	240	183	0	423	39
Divestments of operations	*Note 8*	(15)	0	(9)	(24)	(11)
Disposals of assets		–	–	0	0	(7)
Net expenditures		225	183	204	612	219
Amortization		–	(144)	(180)	(324)	(324)
Impairment		–	–	(17)	(17)	(53)
Reclassifications		–	–	–	0	2
Assets classified as held for sale	*Note 9*	–	–	–	0	(14)
Foreign exchange differences and other movements		(246)	(51)	(30)	(327)	79
Total movements		(21)	(12)	(23)	(56)	(91)
Position at December 31						
Purchase value		3,978	2,344	1,801	8,123	8,223
Accumulated amortization and impairment		(9)	(1,226)	(1,250)	(2,485)	(2,529)
Book value at December 31		3,969	1,118	551	5,638	5,694

Investments in other intangible assets include an amount of €185 million (2019: €182 million) relating to product development.

The reclassifications in 2019 of €2 million included the additionally recognized acquired identifiable intangible assets and related deferred tax liabilities from the final outcome of the purchase price allocation of prior year acquisitions.

Accounting policies

Goodwill

The group measures goodwill at the acquisition date as the sum of the fair value of the consideration transferred (including deferred and contingent consideration) and the recognized amount of any non-controlling interests in the acquiree, less the net recognized fair value amount of the identifiable assets acquired and liabilities assumed. Any contingent consideration payable (such as earnout arrangements) is recognized at fair value at the acquisition date.

Costs related to acquisitions which the group incurs in a business combination are expensed as incurred.

Goodwill associated with divested operations is allocated and measured on the basis of the relative value of the divested operation and the portion of the cash generating unit (CGU) retained.

Acquired identifiable intangible assets

Identifiable intangible assets acquired through business combinations mainly consist of customer relationships (subscriber accounts), technology (databases, software, and product technology), trademarks, and titles.

Other intangible assets
Other intangible assets mainly relate to purchased and self-developed information systems and software.

Software development costs are capitalized if the group can demonstrate the technical feasibility of completing the software project so that it will be available for use or sale, the intention to complete the development project, the ability to sell or use the end-product, how the end-product will yield probable future economic benefits, the availability of adequate technical/financial/other resources to complete the project, and the ability to reliably measure the expenditure attributable to the project.

Capitalization of software depends on several judgments. While management has procedures in place to control the software development process, there is uncertainty regarding the outcome of the development process (timing of technological developments, technological obsolescence, and/or competitive pressures).

Useful lives of assets
The useful lives of assets are estimated in line with common market practice. The group reviews the remaining useful lives of its assets annually. If the expected useful lives of assets are different from previous estimates, the amortization period shall be changed accordingly which will impact the amortization in profit or loss prospectively.

Apart from goodwill (which has an indefinite useful life), intangible assets are amortized on a straight-line basis over their estimated useful lives from the day they are available for use. The estimated useful lives are as follows:
- Acquired identifiable intangible assets, based on nature of the underlying asset: 5-30 years; and
- Other intangible assets: 3-5 years.

Impairment
At the end of each reporting period, it is assessed whether there is an indication that an intangible asset may be impaired. If any such indication exists, then the group estimates the recoverable amount of the asset. If the recoverable amount is below the carrying value, the asset is impaired.

Goodwill is tested for impairment annually, at July 1, and when an impairment trigger has been identified.

Critical estimates and judgments
Measurement
Upon acquisition, the values of intangible assets acquired are estimated, mostly applying one of the methodologies below:
- Relief from royalty approach: this approach assumes that if the identifiable intangible asset was not owned, it would be acquired through a royalty agreement. The value of owning the asset equals the benefits from not having to pay royalty fees;
- Multi-period excess earnings method: under this approach, cash flows associated with the specific acquired identifiable intangible assets are determined. Contributory charges of other assets that are being used to generate the cash flows are deducted from these cash flows. The net cash flows are discounted to arrive at the value of the asset; or
- Cost method: the cost method reflects the accumulated cost that would currently be required to replace the asset.

These valuations are usually performed by management of the acquiring CGU in close cooperation with an external consulting firm. These calculations require estimates like future cash flows, royalty rates, discount rates, useful life, churn rate, and rate of return. The methodologies applied in this respect are in line with common market practice.

Impairment test
The impairment test requires estimates of a discount rate, future cash flows, and a perpetual growth rate. These estimates are made by management that manages the business with which the goodwill is associated. The future cash flows cover a five-year period and are based on Vision & Strategy Plans (VSPs), prepared by management, and approved by the Executive Board.

COVID-19
The annual goodwill impairment test did not result in the recognition of an impairment. The outcome of the group's sensitivity analysis was that no reasonably possible change in any of the key assumptions would cause the carrying amount to exceed the recoverable amount. The allowed change in growth, discount rate, and adjusted operating profit margin was at least 300 basis points for each of the groups of cash generating units.

On top of the annual goodwill impairment test, the group performed an in-depth impairment triggering event analysis on its other non-current assets, given the COVID-19 pandemic. In this analysis, the development of new sales, attrition rates of existing customers, growth rates, and cost measures were the main drivers. The group concluded that there was no impairment trigger for the majority of the other non-current assets, consisting mainly of acquired identifiable intangible assets. For one cash generating unit in the Health operating segment, we identified a triggering event in the second quarter of 2020. For this U.S.-based unit, expectations of new sales and pipelines deteriorated and there was downward pressure on renewals, partially due to COVID-19. Based on a scenario analysis, the group concluded that there was no impairment, whereby the critical key assumptions were new sales, attrition rates, and the effectiveness of cost measures. In the second half of 2020, no new impairment triggers were identified for this unit.

Carrying amounts of goodwill and acquired identifiable intangible assets per operating segment

	Goodwill	Acquired identifiable intangible assets	2020	2019
Health	978	243	1,221	1,370
Tax & Accounting	1,354	273	1,627	1,599
Governance, Risk & Compliance	958	358	1,316	1,186
Legal & Regulatory	679	244	923	965
Total	3,969	1,118	5,087	5,120

Impairment testing of goodwill

The group performs an annual impairment test by comparing the carrying amount of the groups of CGUs to which the goodwill belongs, net of related deferred taxes, to the recoverable amount of the groups of CGUs. The groups of CGUs for goodwill impairment testing represent the lowest level at which goodwill is monitored by management, whereby management considers the integration of the group's business operations, and the global leverage of assets, capital, and staff. Acquisitions are integrated into existing business operations and the goodwill arising from a business combination is allocated to the groups of CGUs that are expected to benefit from the synergies of the acquisition. The total number of groups of CGUs for goodwill impairment testing purposes was six in 2020 (2019: six groups of CGUs).

The recoverable amount is determined based on the higher of the value-in-use and the fair value less costs of disposal. If there is sufficient headroom, the group only determines the value-in-use. The recoverable amount is determined by discounting the future cash flows to be generated from the continuing use of the groups of CGUs. These valuations are based on non-observable market data. The recoverable amount calculations in 2020 were determined in a consistent manner with prior years. The cash flow projections are based on actual operating results and the long-term VSPs, as approved by the Executive Board.

The 2020 annual impairment test showed that the recoverable amount for all identified groups of CGUs for goodwill impairment testing exceeded their carrying amounts, so no impairment for goodwill was recognized.

Key assumptions

The group's key assumptions include assumptions that are based on non-observable market data (level 3 input). The period over which the group estimates its cash flow projections is five years. After five years, cash flow projections are extrapolated using an appropriate perpetual growth rate that is consistent with the long-term average market growth rate. The 2020 weighted average long-term growth rate is 1.4% for the U.S. and 0.0% for Europe (2019: 2.5% for the U.S. and 0.3% for Europe). In addition, the following key assumptions were used in the projections:

- Revenue growth: based on actual experience, an analysis of market growth, and the expected development of market share; and
- Adjusted operating profit margin development: based on actual experience and management's long-term projections. Adjusted operating profit is deemed the best approximation for future cash flows.

The estimated pre-tax cash flows are discounted to their present value using a pre-tax weighted average cost of capital (WACC) between 6.6% and 11.6% (2019: between 6.2% and 16.7%), with a weighted average of 8.2% (2019: 8.2%).

In determining the WACC, the group used a risk-free rate based on the long-term yield on Dutch government bonds with a maturity of 20 years, adjusted for country risk premiums and country-specific inflation differentials. In determining the WACC, the group applied the following assumptions:

	2020	2019
Risk-free rate United States (in %)	1.4	2.5
Risk-free rate Europe (in %)	0.0	0.6
Market risk premium (in %)	7.3	6.0
Tax rate (in %)	21.7	25.0
Re-levered beta	0.81	0.72

Sensitivity analysis

The impairment testing includes an assessment if a reasonably possible change in a key assumption would cause the carrying amount of goodwill to exceed the recoverable amount. The outcome of the sensitivity analysis was that no reasonably possible change in one of the key assumptions would cause the carrying amount to exceed the recoverable amount.

Respectively for the 2020 goodwill impairment test and the 2019 goodwill impairment test, the sensitivity per CGU is as follows:

	Applied weighted average growth rate	Allowed change (in basis points)			Allocated goodwill at December 31, 2020
		Decline in growth	Increase in discount rate	Decrease in adjusted operating profit margin	
Health Learning, Research & Practice	0.8%	>300	>300	>300	494
Clinical Solutions	1.4%	>300	>300	>300	484
Tax & Accounting Americas and Asia Pacific	1.1%	>300	>300	>300	943
Tax & Accounting Europe	0.0%	>300	>300	>300	411
Governance, Risk & Compliance	1.3%	>300	>300	>300	958
Legal & Regulatory	0.8%	>300	>300	>300	679
Total	1.1%				3,969

	Applied weighted average growth rate	Allowed change (in basis points)			Allocated goodwill at December 31, 2019
		Decline in growth	Increase in discount rate	Decrease in adjusted operating profit margin	
Health Learning, Research & Practice	1.5%	>300	>300	>300	539
Clinical Solutions	2.6%	>300	>300	>300	529
Tax & Accounting Americas and Asia Pacific	2.2%	>300	>300	>300	927
Tax & Accounting Europe	0.3%	>300	>300	>300	415
Governance, Risk & Compliance	2.4%	>300	>300	>300	886
Legal & Regulatory	1.4%	>300	>300	>300	694
Total	2.1%				3,990

Impairment testing of acquired identifiable intangible assets and other intangible assets

The following impairments were recognized on the acquired identifiable intangible assets and other intangible assets:

	2020	2019
Acquired identifiable intangible assets – CGU Health Patient Engagement Solutions	–	36
Other intangible assets – CGU Health Patient Engagement Solutions	–	1
Acquired identifiable intangible assets – CGU Tax & Accounting Brazil	–	2
Other intangible assets – CGU Tax & Accounting Brazil	–	2
Other intangible assets – Other CGUs	17	12
Total	17	53

Note 19 – Property, Plant, and Equipment

		Land and buildings	Other fixed assets	2020	2019
Position at January 1					
Purchase value		152	333	485	487
Accumulated depreciation and impairment		(105)	(285)	(390)	(398)
Book value at January 1		47	48	95	89
Movements					
Investments		8	17	25	31
Acquired through business combinations	*Note 8*	1	1	2	–
Divestments of operations	*Note 8*	0	0	0	–
Disposals of assets		(4)	(3)	(7)	(1)
Net expenditures		5	15	20	30
Depreciation		(9)	(17)	(26)	(25)
Foreign exchange differences and other movements		(3)	(2)	(5)	1
Total movements		(7)	(4)	(11)	6
Position at December 31					
Purchase value		124	251	375	485
Accumulated depreciation and impairment		(84)	(207)	(291)	(390)
Book value at December 31		40	44	84	95

Accounting policies
Property, plant, and equipment, consisting of land, buildings, and other assets such as office equipment and vehicles, are valued at cost less accumulated depreciation and any impairment. Leasehold improvements are presented as part of land and buildings.

Depreciation is recognized in the statement of profit or loss on a straight-line basis over the estimated useful life of each part of an item of property, plant, and equipment. Land is not depreciated.

The estimated useful lives for property, plant, and equipment are as follows:
- Buildings: 20 to 40 years;
- Leasehold improvements: equal to the lease term, unless the economic life of the leasehold improvement is shorter; and
- Other assets: three to ten years.

In 2020, the group entered into a sale and lease back transaction for property in the Netherlands. This transaction resulted in a net book gain of €0 million and a cash inflow of €7 million.

Note 20 – Leasing

Accounting policies
The group leases primarily real estate and, to a lesser extent, IT equipment and cars. The fixed rental periods mostly vary from one year to 15 years, but may have renewal and/or termination options. For real estate and IT equipment, lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Leases are recognized as a right-of-use asset and a corresponding liability at the same date at which the leased asset is available for use by the group. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. The lease liability is discounted based on the incremental borrowing rate, because the rate implicit in the lease cannot readily be determined. The finance cost is charged to profit or loss over the lease period in order to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The group elected to apply the practical expedients to exclude all short-term leases and all leases for which the underlying asset is of low value, and not to apply IFRS 16 to leases of intangible assets (such as software). For IT equipment and car leases, the group elected to apply the practical expedient to not separate non-lease components from lease components, and instead to account for these components as a single lease component.

Payments associated with short-term leases and low-value leases are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less, considering any reasonably certain optional lease periods. Low-value leases comprise small items of office furniture and IT equipment. The total expenses arising from short-term leases and low-value leases are insignificant.

The group is to a very limited extent a lessor.

Estimates and judgments
IFRS 16 requires management to use estimates for setting the discount rate and to apply judgment in the assessment of renewal and termination options (i.e., optional lease periods) in the lease contracts.

Discount rate
The discount rate applied is based on the incremental borrowing rate for the respective leases considering the primary economic environment of the lease, the currency, the credit risk premium, the lease term, and the nature of the leased asset.

At December 31, 2020, the weighted average discount rate is 2.8% (2019: 3.2%).

Renewal and termination options
Renewal and termination options are included in several real estate and other lease contracts. These terms are used to maximize operational flexibility in terms of managing contracts. Most contract-specific renewal and termination options are exercisable only by the group and not by the respective lessor.

In determining the lease term, the group considers all facts and circumstances that create an economic incentive to use the optional lease period. Optional lease periods are only included in the lease term if it is reasonably certain that the optional lease period will be used. The assessment is reviewed if a significant change in circumstances occurs which affects this assessment and that is within the control of the group.

Real estate leases that are annually

renewed or that have an indefinite contract term are on average leased for five years. Optional periods arising from renewal options of other real estate leases are mostly not considered to be reasonably certain, since the rent is often reset at the market price at renewal option date. Optional periods after termination option dates are often considered in the lease term, due to termination penalties included in the contract.

Impairment of right-of-use assets
A lessee should apply IAS 36 Impairment of Assets to determine whether there is an impairment trigger regarding the right-of-use asset and account for any impairment loss identified. In the group, this primarily may apply to the asset class real estate. The impairment of a real estate right-of-use asset becomes relevant in case of vacant office space.

If vacant office space is identified, this space is considered a CGU on its own, when that space can contractually and practically be sublet. An impairment is recognized when the recoverable amount is lower than the carrying value. Mostly, the recoverable amount will be based on expected future sublease receipts, estimated by an external real estate broker. The carrying value may not only include the right-of-use asset, but also any directly related associated assets such as leasehold improvements.

COVID-19
With respect to its real estate leases, the group received only limited rent concessions from its landlords. The group did not early adopt COVID-19 Related Rent Concessions (Amendments to IFRS 16). As such, rent concessions received are considered as a contract modification to the lease contract.

The group's real estate rationalization program resulted in impairments on right-of-use assets of €2 million (2019: €1 million).

Movement schedule of right-of-use assets

		Real estate	Other leases	2020	2019
Position at January 1					
Purchase value		599	74	673	567
Accumulated depreciation and impairment		(297)	(35)	(332)	(336)
Book value at January 1		302	39	341	231
Movements					
Additions from new leases		54	17	71	128
Additions from sale and leaseback	*Note 19*	5	–	5	–
Acquired through business combinations	*Note 8*	4	–	4	–
Contract modifications and reassessments of options		(4)	0	(4)	52
Net additions		59	17	76	180
Depreciation		(53)	(20)	(73)	(72)
Impairment	*Note 18*	(2)	–	(2)	(1)
Assets classified as held for sale	*Note 9*	–	–	–	0
Foreign exchange differences and other movements		(22)	(1)	(23)	3
Total movements		(18)	(4)	(22)	110
Position at December 31					
Purchase value		589	74	663	673
Accumulated depreciation and impairment		(305)	(39)	(344)	(332)
Book value at December 31		284	35	319	341

In 2019, the additions from new leases included a major new lease for real estate in New York City, N.Y., U.S., for an amount of €86 million.

Contractual maturities of lease liabilities

		2020	2019
Within one year		72	76
Between one and two years		60	65
Between two and three years		52	55
Between three and four years		44	46
Between four and five years		37	37
Between five and ten years		103	107
Ten years and more		24	35
Effect of discounting		(44)	(53)
Total lease liabilities at December 31	*Note 29*	348	368

Cash outflow for leases

	2020	2019
Interest portion of lease payments	11	11
Repayment of principal portion of lease liabilities	74	69
Total	85	80

Other disclosures

At December 31, 2020, the future undiscounted cash outflow arising from leases not yet commenced and to which the group is committed amounted to €0 million (2019: €22 million).

The group's lease agreements do not impact any covenants.

Note 21 – Investments in Equity-accounted Investees

The group's shares in equity-accounted investees at December 31 are:

ownership in %		2020	2019
HaoYisheng (Beijing, China)		22	22
Logical Images, Inc. (Rochester, N.Y., U.S.)	*Note 8*	–	40
Chengdu Medicom Medical Information System Co., Ltd. (Chengdu, China)	*Note 8*	–	45

Accounting policies

Interests in equity-accounted investees (associates) are accounted for using the equity method and are initially recognized at cost, which includes goodwill identified upon acquisition and transaction costs. Associates are recognized from the date the group has significant influence, and recognition ceases the date the group has lost its significant influence over the equity investment.

When an interest in an associate is increased to a controlling interest, the equity interest previously held is treated as if it was disposed of and reacquired at fair value on the acquisition date. Any resulting gain or loss compared to the carrying amount is recognized in profit or loss. Any amount that has previously been recognized in other comprehensive income, and that would be reclassified to profit or loss following a divestment, is similarly reclassified to profit or loss.

Movement schedule of equity-accounted investees

		2020	2019
Position at January 1		8	15
Divestments	*Note 8*	(5)	(5)
Transfer to assets classified as held for sale	*Note 9*	–	(5)
Dividends received		(1)	0
Share of profit in equity-accounted investees, net of tax		6	3
Foreign exchange differences and other movements		0	0
Position at December 31		8	8

In 2020, the group sold its 40% equity shareholding in Logical Images, Inc. In 2019, the group sold its 40% equity shareholding in MANZ'sche Verlags- und Universitätsbuchhandlung GmbH. Refer also to *Note 8 – Acquisitions and Divestments*.

At December 31, 2019, the equity shareholding in Chengdu Medicom was classified as an asset held for sale. Chengdu Medicom was subsequently sold in 2020. Refer to *Note 8 – Acquisitions and Divestments*.

For the equity-accounted investees at December 31, 2020, and December 31, 2019, respectively, the financial information (at 100%) and the group's weighted proportionate share is as follows:

	Total equity-accounted investees		Group's share	
	2020	2019	2020	2019
Total assets	25	46	5	15
Total liabilities	20	35	4	10
Total equity	5	11	1	5
Revenues	23	45	5	15
Net profit for the year	6	9	1	4

Note 22 – Financial Assets

		2020	2019
Derivative financial instruments	*Note 29*	–	16
Finance lease receivables		1	1
Other non-current financial assets		4	4
Total		5	21

The exposure to credit risk of the financial assets is considered immaterial. Refer to *Note 30 – Financial Risk Management*.

Note 23 – Tax Assets and Liabilities

Deferred tax assets and liabilities

	Assets	Liabilities	2020	2019
Intangible assets	2	(405)	(403)	(414)
Property, plant, and equipment and right-of-use assets	5	0	5	6
Employee benefits	42	0	42	40
Interest carry-forward	1	–	1	1
Tax value of loss carry-forwards recognized	61	–	61	55
Other items	89	(28)	61	66
Subtotal	200	(433)	(233)	(246)
Setoff of tax	(95)	95	0	0
Position at December 31	105	(338)	(233)	(246)

The actual recognition of deferred tax assets depends on the generation of future taxable income during the periods in which the temporary differences become deductible. Based on projected future taxable income and available strategies, the group considers the future realization of these deferred tax assets as being probable.

Other items mainly include recognition of deferred tax assets and liabilities for temporary differences on working capital items.

Movements in temporary differences and other movements, 2020

	Balance at January 1, 2020	Acquisitions/ divestments	Recognized in statement of profit or loss (*Note 16*)	Recognized in equity and other comprehensive income	Foreign exchange differences and other movements	Balance at December 31, 2020
Intangible assets	(414)	(33)	24	–	20	(403)
PPE and right-of-use assets	6	–	(1)	–	0	5
Employee benefits	40	0	3	0	(1)	42
Interest carry-forwards	1	–	0	–	0	1
Tax value of loss carry-forwards recognized	55	14	(6)	–	(2)	61
Other items	66	1	(8)	1	1	61
Total	(246)	(18)	12	1	18	(233)

Movements in temporary differences and other movements, 2019

	Balance at January 1, 2019	Acquisitions/ divestments	Recognized in statement of profit or loss (*Note 16*)	Recognized in equity and other comprehensive income	Foreign exchange differences and other movements	Balance at December 31, 2019
Intangible assets	(440)	(2)	33	–	(5)	(414)
PPE and right-of-use assets	2	–	4	–	0	6
Employee benefits	32	–	10	(2)	0	40
Interest carry-forwards	2	–	(1)	–	0	1
Tax value of loss carry-forwards recognized	51	–	4	–	0	55
Other items	104	–	(41)	2	1	66
Total	(249)	(2)	9	0	(4)	(246)

Movements in overall tax position

		2020	2019
Position at January 1			
Current income tax assets		22	24
Current income tax liabilities		(163)	(165)
Deferred tax assets		102	107
Deferred tax liabilities		(348)	(356)
Overall tax position		(387)	(390)
Movements			
Total income tax expense	*Note 16*	(216)	(189)
Deferred tax from acquisitions and divestments	*Note 8/18*	(18)	(2)
Current income tax from acquisitions and divestments		0	0
Deferred tax on items recognized directly in other comprehensive income		1	0
Paid income tax		221	195
Transfer to liabilities classified as held for sale	*Note 9*	–	0
Foreign exchange differences and other movements		20	(1)
Total movements		8	3
Position at December 31			
Current income tax assets		23	22
Current income tax liabilities		(169)	(163)
Deferred tax assets		105	102
Deferred tax liabilities		(338)	(348)
Overall tax position		(379)	(387)

The current income tax liabilities include, to a large extent, uncertain tax positions, of which most of the liabilities are expected to be settled beyond one year. For the critical estimates and judgments applied to uncertain tax positions, refer to *Note 16 – Income Tax Expense*.

Unrecognized tax losses and temporary differences

The group has not recognized deferred tax assets that relate to unused tax losses and temporary differences amounting to €255 million (2019: €256 million), as it is not probable that future taxable profit will be available against which the group can use the benefits. Of these unused tax losses and temporary differences, 10% expire within the next five years (2019: 5%), 17% expire after five years (2019: 12%), and 73% carry forward indefinitely (2019: 83%).

The amount of deferred tax assets arising from recognized tax loss carry-forwards, which relate to tax jurisdictions where the group continued to incur tax losses in the current and/or preceding year, was €44 million at December 31, 2020 (2019: €36 million). It is considered probable based on forecasts that future taxable profits will be available.

Deferred tax on items recognized immediately in other comprehensive income and equity

	2020			2019		
	Amount before tax	Tax	Amount net of tax	Amount before tax	Tax	Amount net of tax
Exchange differences on translation of foreign operations and net investment hedges	(337)	1	(336)	63	2	65
Gains/(losses) on cash flow hedges	(18)	–	(18)	(9)	–	(9)
Remeasurement gains/(losses) on defined benefit plans	0	0	0	8	(2)	6
In other comprehensive income	(355)	1	(354)	62	0	62
Share-based payments	24	–	24	25	–	25
In equity	24	–	24	25	–	25

Note 24 – Inventories

	2020	2019
Work in progress	19	19
Finished products and trade goods	49	54
Total	68	73

Accounting policies
Inventories are valued at the lower of cost and net realizable value. The cost of inventories includes all costs incurred in bringing the inventories to their present location and condition. Net realizable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to complete the sale.

Inventories also include internally developed commercial software products. The cost of internally produced goods includes the developing, manufacturing, content, and publishing costs. Trade goods purchased from third parties are valued at the purchase price.

At December 31, 2020, the provision for obsolescence deducted from the inventory carrying values amounted to €18 million (2019: €19 million). In 2020, an amount of €2 million was recognized as an expense for the change in the provision for obsolescence (2019: €3 million) and is presented as part of cost of revenues in the statement of profit or loss.

Note 25 – Contract Assets and Liabilities

	2020	2019
Trade receivables	986	1,087
Non-current contract assets	21	20
Current contract assets	111	137
Non-current deferred income	112	129
Current deferred income	1,518	1,550
Other current contract liabilities	66	39

Accounting policies

Contract assets and contract liabilities
The group recognizes the following contract-related assets: unbilled revenues, cost to obtain a contract, cost to fulfil a contract, and right-to-return assets.

The group recognizes the following contract-related liabilities: deferred income and the provisions for returns, refunds, and/or volume discounts.

In general, when either party to a customer contract has performed, the group recognizes unbilled revenues or deferred income, depending on the relationship between the group's performance and the timing of the customers' payment.

Where the group has performed by transferring a good and/or service to the customer and the customer has not yet paid the related consideration, unbilled revenues or a receivable is presented in the statement of financial position, depending on the nature of the group's right to consideration.

For contracts whereby neither party has performed, trade receivables and deferred income balances are presented on a net basis.

A contract asset is recognized when the group's right to consideration is conditional on something other than the passage of time, for example future performance of the entity. A receivable is recognized when the group's right to consideration is unconditional except for the passage of time.

Cost to obtain a contract
Incremental cost for obtaining a contract (primarily sales commissions) will be capitalized and amortized if the contract term is expected to be longer than 12 months, as the practical expedient of IFRS 15 is applied. The amortization period will usually be one, three, or five years, or the underlying contract life if longer, subject to the nature of the underlying performance obligations.

Cost to fulfil a contract
If the group incurs cost to fulfil a revenue contract with a customer (e.g., costs that are explicitly chargeable to the customer under the contract, set-up cost, or pre-contract costs) an asset is recognized if these costs directly relate to a contract, generate or enhance resources that will be used in satisfying performance obligations in the future, and are expected to be recovered. The amortization of set-up and pre-contract costs is recognized as an expense over the term of the associated contract.

Impairment
Any impairment of assets relating to contracts with customers is measured, presented, and disclosed in accordance with IFRS 9.

Deferred income
Deferred income is presented in the statement of financial position when a customer has paid an amount of consideration prior to the group performing. It represents the part of the amount invoiced to customers that has not yet met the criteria for revenue recognition and thus still must be earned as revenue by means of the delivery of goods and/or services in the future. Deferred income is recognized at its nominal value.

Provisions for returns, refunds, and other liabilities
The group recognizes a contract liability if the group receives consideration from a customer and expects to refund some or all of that consideration to the customer or for transferred goods and/or services with a right of return. The contract liability is measured as the amount of the consideration for which the group does not expect to be entitled to.

Critical estimates and judgments
The assessment of the nature of sales commission plans for meeting the capitalization criteria requires judgment. The applicable amortization period of the incremental cost to obtain a contract is estimated by the group, by matching the useful life of the capitalized sales commissions with the expected benefits of the underlying contract.

The group assessed that it has a higher risk on sales returns and refunds in some parts of its business, partly as a result of COVID-19. The related provision for sales returns and refunds has increased from €39 million at December 31, 2019, to €66 million at December 31, 2020.

General

In general, the group applies payment terms in line with common industry practice. There are no contracts with a material financing component. There are contracts with variable consideration, but the related estimates are almost never constrained. To a very limited extent, the group acts as an agent in its contracts with customers.

Most of the goods and/or services require prepayment of the consideration. However, the group also has contracts with customers where invoicing occurs after delivery of the goods and/or services.

Loss allowance on trade receivables and unbilled revenues

Trade receivables and unbilled revenues are shown net of impairment losses amounting to €84 million (2019: €72 million). The fair value of the receivables approximates the carrying amount. Impairment losses on trade receivables and unbilled revenues are presented as part of sales costs in the statement of profit or loss.

Loss allowance

		2020	2019
Position at January 1		72	64
Additions to loss allowances	*Note 10*	36	23
Usage of loss allowances		(19)	(16)
Foreign exchange differences and other movements		(5)	1
Position at December 31		84	72

For further information on credit risk, refer to *Note 30 – Financial Risk Management*.

Contract assets

current and non-current		Unbilled revenues	Cost to obtain a contract	Cost to fulfil a contract	2020	2019
Position at January 1		104	35	18	157	132
Divestments of operations	*Note 8*	(3)	(1)	0	(4)	0
Recognized as revenues in the year		321	–	–	321	495
Newly recognized cost to fulfil a contract		–	–	322	322	322
Transferred to trade receivables		(319)	–	(318)	(637)	(792)
Newly recognized cost to obtain a contract		–	21	–	21	21
Amortization of capitalized sales commissions	*Note 10*	–	(21)	–	(21)	(20)
Foreign exchange differences and other movements		(28)	(2)	3	(27)	(1)
Position at December 31		75	32	25	132	157

The group did not recognize an impairment loss on the unbilled revenues during the year (2019: nil).

Deferred income

current and non-current		2020	2019
Position at January 1		1,679	1,592
Acquired through business combinations	*Note 8*	21	1
Divestments of operations	*Note 8*	(11)	–
Transfer to liabilities classified as held for sale	*Note 9*	–	(2)
New and existing contracts with customers		3,434	3,383
Recognized as revenues from opening balance		(1,550)	(1,459)
Recognized as revenues in the year on new and existing contracts		(1,810)	(1,846)
Foreign exchange differences and other movements		(133)	10
Position at December 31		1,630	1,679

No material amount of revenues was recognized in 2020 from performance obligations satisfied or partially satisfied in previous years, because of events such as changes in transaction price. Furthermore, we did not have material changes in deferred income because of changes in our estimates or because of contract modifications.

The aggregate amount of the transaction price allocated to the remaining performance obligations that are unsatisfied at year-end 2020 was €3,133 million (2019: €3,179 million), of which €1,630 million was included in deferred income (2019: €1,679 million). The unfulfilled performance obligations not recognized in deferred income relate to multi-year contracts agreed with customers, whereby we expect to satisfy these performance obligations for a large part within one year and for the remainder between one to five years.

Other contract liabilities

	2020	2019
Position at January 1	39	45
Additions to provision for returns, refunds, and other	205	169
Usage of provision for returns, refunds, and other	(176)	(173)
Foreign exchange differences and other movements	(2)	(2)
Position at December 31	66	39

Note 26 – Other Receivables

		2020	2019
Prepaid royalties		20	18
Non-current other receivables		20	18
Prepaid royalties		74	54
Other prepayments		160	137
Miscellaneous receivables		35	40
Interest receivable		2	0
Deferred divestment consideration receivable	*Note 8*	1	–
Derivative financial instruments	*Note 29*	0	2
Current other receivables		272	233

Note 27 – Cash and Cash Equivalents

		2020	2019
Deposits		112	293
Cash and bank balances		611	606
Total cash and cash equivalents in the statement of financial position		723	899
Minus: Bank overdrafts used for cash management purposes	*Note 29*	(359)	(468)
Total cash and cash equivalents in the statement of cash flows		364	431
Plus: Cash included in assets held for sale	*Note 9*	–	3
Total cash and cash equivalents including cash included in assets held for sale in the statement of cash flows		364	434

Accounting policies
Cash and cash equivalents comprise cash balances and call deposits.

Bank overdrafts predominantly result from cash pool arrangements and are presented within borrowings and bank overdrafts in current liabilities. The group discloses the financial assets and financial liabilities within these arrangements on a gross basis.

An amount of €0 million (2019: €0 million) relates to cash and cash equivalent balances of entities that the group does not fully own (see *Note 17 – Non-controlling Interests*).

All deposits are on-demand deposits that are readily convertible into cash. Bank balances include an amount of approximately €36 million (2019: €26 million) of restricted cash, primarily due to local exchange control regulations that provide for restrictions on exporting cash and/or capital from the relevant country.

Note 28 – Trade and Other Payables

		2020	2019
Trade payables		133	169
Salaries and holiday allowances		220	241
Social security premiums and other taxation		75	70
Pension-related payables		17	27
Royalties payable		87	97
Other accruals and payables		252	255
Interest payable		35	32
Deferred and contingent acquisition payables	*Note 29*	0	10
Total		819	901

Note 29 – Long-term Debt

	Nominal value	Effective interest rate in %	Nominal interest rate in %	Repayment commit-ments 1-5 years	Repayment commit-ments >5 years	2020	2019
Bonds 2008-2028 (100.00*)	€36	6.812	6.748	–	36	36	36
Bonds 2013-2023 (99.709*)	€700	2.950	2.875	699	–	699	698
Bonds 2014-2024 (99.164*)	€400	2.640	2.500	398	–	398	398
Bonds 2017-2027 (99.659*)	€500	1.575	1.500	–	498	498	497
Bonds 2020-2030 (99.292*)	€500	0.862	0.750	–	495	495	–
Subtotal bonds, measured at amortized cost				1,097	1,029	2,126	1,629
Private placement 2008-2038, measured at amortized cost	¥20,000	3.330	3.330	–	157	157	163
Deferred and contingent acquisition payments, measured at fair value				0	–	0	1
Other debt, measured at amortized cost				9	–	9	25
Derivative financial instruments, measured at fair value				–	8	8	0
Subtotal other long-term debt				9	8	17	26
Total long-term debt (excluding lease liabilities)				1,106	1,194	2,300	1,818
Lease liabilities**						276	293
Total long-term debt						2,576	2,111

* Issue price of the financial instrument.
** For the repayment commitments of lease liabilities, refer to *Note 20 – Leasing*.

Reconciliation long-term debt to net debt

		2020	2019
Total long-term debt		2,576	2,111
Borrowings and bank overdrafts:			
Euro Commercial Paper program		100	200
Collateral		–	2
Bank overdrafts, measured at amortized cost	*Note 27*	359	468
Total borrowings and bank overdrafts		459	670
Short-term private placements, measured at amortized cost		–	250
Short-term lease liabilities		72	75
Deferred and contingent acquisition payables, measured at fair value	*Note 28*	0	10
Total short-term debt		531	1,005
Gross debt		3,107	3,116
Minus:			
Cash and cash equivalents	*Note 27*	(723)	(899)
Deferred divestment consideration receivable	*Note 26*	(1)	–
Derivative financial instruments:			
Non-current receivable	*Note 22*	–	(16)
Current receivable	*Note 26*	0	(2)
Net debt		2,383	2,199

Accounting policies

Financial instruments
Financial instruments comprise the following:
- Non-derivative financial assets and liabilities: financial assets designated at fair value through profit or loss, trade and miscellaneous receivables, cash and cash equivalents, borrowings and bank overdrafts, trade payables, and short- and long-term debt; and
- Derivative financial assets and liabilities: currency forwards and cross-currency interest rate swaps.

Financial assets and liabilities are offset and presented as net in the statement of financial position when the group has a legal right to offset the amounts and intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

The group recognizes non-derivative financial assets and liabilities on the trade date.

Non-derivative financial assets
Trade and miscellaneous receivables are measured at amortized cost, less accumulated impairment.

Impairment of non-derivative financial assets
The determination of the provision for impairment is based on the group's historical average of three years of credit losses, which is used as a proxy for expected losses on trade receivables with similar characteristics and credit profile. Trade receivables longer than one year overdue and trade receivables with specific risk with no reasonable expectation of recovery, are impaired and provided for in full, unless reliable supporting information to conclude otherwise is available. The group does not present its impairment losses separately in the statement of profit or loss, but in the notes thereto.

Non-derivative financial assets designated at fair value through profit or loss
Non-derivative financial assets designated at fair value through profit or loss comprise equity

investments and are measured at fair value. Fair value changes are recognized in profit or loss.

Non-derivative financial liabilities measured at amortized cost
Financial liabilities measured at amortized cost are bonds, the Euro Commercial Paper program, private placements, other long-term and short-term debt, and trade payables.

The group initially recognizes non-derivative financial liabilities at fair value less any directly attributable transaction costs. After initial recognition, these financial liabilities are measured at amortized cost with any difference between cost and redemption value being recognized in profit or loss over the period of the borrowings, using the effective interest method.

Non-derivative financial liabilities designated at fair value through profit or loss
Non-derivative financial liabilities designated at fair value through profit or loss comprise contingent considerations and are measured at fair value. Changes therein are recognized in profit or loss.

Derivative financial instruments and hedging activities
The group holds derivative financial instruments to hedge risk exposures.

Derivative financial instruments are initially recognized at fair value on the date a derivative contract is concluded and are subsequently remeasured at fair value. The method of recognizing gains or losses depends on whether the derivative is designated as a hedging instrument and if so, the nature of the item being hedged.

The group designates certain derivatives as either:

- Hedges of a risk associated with a recognized asset or liability or a highly probable forecast transaction (cash flow hedge);
- Hedges of a net investment in a foreign operation (net investment hedge); or
- Currency forward instruments to protect the group's net profit (not qualifying for hedge accounting).

With respect to foreign currency forwards used in the cash flow hedges and the net investment hedges, the group designates as a hedging instrument only the change in the value of the spot component of a forward contract (and not the forward element). The differential between the contracted forward rate and the market spot rate, defined as forward points, is recognized in other comprehensive income, and accumulated in the hedge reserve within total equity.

Cash flow hedge
The effective part of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognized in other comprehensive income. Amounts accumulated in the hedge reserve are reclassified to profit or loss in the same period the hedged item affects the statement of profit or loss within the line where the result from the hedged transaction is recognized.

The gain or loss relating to the ineffective part of the hedging relationship is recognized in profit or loss within financing results.

Reclassification of hedge reserve to profit or loss
When a hedging instrument matures or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in the hedge reserve at that time remains in the hedge reserve and is reclassified when the hedged transaction is ultimately recognized in profit or loss. When a hedged transaction is no longer expected to occur, the cumulative gain or loss in the hedge reserve is reclassified to profit or loss.

Net investment hedge
Fair value changes of derivative financial instruments that are used to hedge the net investment in foreign operations, which are determined to be an effective hedge, are recognized directly in other comprehensive income in the translation reserve. Gains and losses accumulated in the translation reserve are reclassified to profit or loss when the foreign operation is disposed. If a hedging relationship is terminated and the derivative financial instrument is not sold, future changes in the fair value of the derivative financial instrument are recognized in profit or loss.

The gain or loss relating to the ineffective part of the hedging relationship is recognized in profit or loss within financing results.

Derivatives that do not qualify for hedge accounting
Changes in the fair value of any derivative financial instruments that do not qualify for hedge accounting are recognized in profit or loss within financing results.

Reconciliation of liabilities arising from financing activities

Gross debt, excluding lease liabilities, derivative financial instruments, and bank overdrafts

	Balance at January 1, 2020	Net cash flows	Acquisitions/ Divestments	Unwinding of discount	Foreign exchange differences	Other non-cash movements	Balance at December 31, 2020
Bonds	1,629	496	–	2	–	(1)	2,126
Private placements	413	(250)	–	0	(6)	–	157
Other gross debt	238	(121)	0	–	(4)	(4)	109
Total	2,280	125	0	2	(10)	(5)	2,392

	Balance at January 1, 2019	Net cash flows	Acquisitions/ Divestments	Unwinding of discount	Foreign exchange differences	Other non-cash movements	Balance at December 31, 2019
Bonds	1,628	–	–	1	–	–	1,629
Private placements	407	–	–	1	5	–	413
Other gross debt	172	67	6	–	2	(9)	238
Total	2,207	67	6	2	7	(9)	2,280

Lease liabilities

current and non current		2020	2019
Position at January 1		368	255
Additions from new leases		71	128
Additions from sale and leaseback		6	–
Acquired through business combinations	*Note 8*	4	–
Contract modifications and reassessments of options		(4)	52
Repayment of lease liabilities		(85)	(80)
Interest expense of lease liabilities	*Note 15*	11	11
Foreign exchange differences and other movements		(23)	2
Position at December 31		348	368

For accounting policies, estimates, and judgments on lease liabilities, refer to *Note 20 – Leasing.*

Loan maturity

The following amounts of gross debt (excluding lease liabilities) at December 31, 2020, are due within and after five years:

	2020
2022	5
2023	703
2024	398
2025	–
Due after 2025	1,194
Long-term debt	2,300
Short-term debt (2021)	459
Total (excluding lease liabilities)	2,759

Financial liabilities measured at amortized cost

Bonds

The group has senior bonds outstanding for an amount of €2,126 million at December 31, 2020 (2019: €1,629 million). The nominal interest rates on the bonds are fixed until redemption.

On July 3, 2020, the group successfully issued a new €500 million ten-year senior unsecured Eurobond. The bonds were sold at an issue price of 99.292 percent and carry an annual coupon of 0.750 percent. The senior unsecured bonds will mature on July 3, 2030. The notes are rated Baa1 by Moody's. The net proceeds of the offering are used for general corporate purposes.

Private placements

The group holds private placements in Japanese yen. These private placements (¥20,000 million) are converted to and hedged against euro via cross-currency interest rate swaps. These swaps have been collateralized for credit risk in line with the treasury risk management policies. There is no collateral outstanding at December 31, 2020 (2019: €2 million).

Multi-currency revolving credit facility

On July 10, 2020, the group signed a new €600 million three-year multi-currency revolving credit facility. This new facility will mature in 2023 and includes two one-year extension options. The interest rates on the multi-currency revolving credit facility are variable. The credit facility is for general corporate purposes.

At December 31, 2020, no amounts were drawn under the facility (December 31, 2019: no amounts drawn). The multi-currency revolving facility is subject to customary conditions, including a financial credit covenant. The credit facility covenant requires that the consolidated net senior borrowings (excluding fully subordinated debt) to adjusted EBITDA shall not exceed 3.5. In 2020, the group was comfortably within the thresholds stipulated in the financial covenant of the credit facility.

Euro Commercial Paper program

The group has a Euro Commercial Paper (ECP) program in place, under which it may issue unsecured, short-term debt (ECP notes) for a maximum of €1.0 billion. The program provides flexible funding for short-term cash needs at attractive rates. The outstanding amount per December 31, 2020, is €100 million (2019: €200 million), included in borrowings and bank overdrafts.

Other bilateral bank loans

At December 31, 2019, the group had a fully undrawn bilateral bank loan of U.S. dollar 100 million in place. The group did not renew this bilateral bank loan in 2020.

Defaults and/or breaches

There were no defaults or breaches on the loans and borrowings during 2020 and 2019.

Note 30 – Financial Risk Management

Risk management framework
The group's activities are exposed to a variety of financial risks, including market, liquidity, and credit risk. Identification and management of financial risks are carried out by the central treasury department (Corporate Treasury), whereby the treasury operations are conducted within a framework of policies and guidelines (Treasury Policy), which have been approved by the Executive Board and the Supervisory Board. The Treasury Policy is reviewed at least annually, considering market circumstances and market volatility, and is based on assumptions concerning future events, subject to uncertainties and risks that are outside of the group's control. The Treasury Committee, comprising the Vice President Group Accounting & Reporting, Controller Corporate Office, Executive Vice President Treasury & Risk, and representatives of the Corporate Treasury and Treasury Back-Office, meets quarterly to review treasury activities and compliance with the Treasury Policy, and reports directly to the Executive Board and the Audit Committee. The Treasury Back-Office reports deviations directly to the CFO and the Executive Vice President Treasury & Risk.

Under the Internal Control Framework, the financial reporting controls, including policy and procedures, of the Corporate Treasury Department are periodically reviewed. Corporate Treasury reports quarterly to the Audit Committee on its compliance with the Treasury Policy.

The group's funding activities are carried out by Corporate Treasury, using long-term capital market instruments and committed credit facilities to ensure optimal financial flexibility and capital efficiency. The borrowings, together with cash generated from operations, are lent or contributed as equity to the operating companies. The group targets a net-debt-to-EBITDA ratio of approximately 2.5. However, the group could temporarily deviate from this relative indebtedness ratio. At December 31, 2020, the net-debt-to-EBITDA ratio was 1.7 (2019: 1.6).

All treasury activities – in particular, the use of derivative financial instruments – are subject to the principle of risk minimization and are executed by specialist treasury personnel. For this reason, financial transactions and risk positions are managed in a central treasury management and payment system. It is the group's policy that material currency translation and variable interest exposures are partially hedged by Corporate Treasury, in accordance with the annual treasury plan approved by the Audit Committee. The group does not purchase or hold derivative financial instruments for speculative purposes. The group's risk profile is defined and reviewed regularly. Although the economic environment has become more challenging because of the volatility in financial markets, the exposure to financial risks for the group has not significantly changed, nor the approach to these risks.

Market risk
Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the group's profit or loss or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Currency risk
The group has identified transaction and translation risks as the main currency risks. The transaction risk exposure within individual group entities is relatively immaterial. The transaction prices invoiced to customers for goods and/or services are mainly denominated in the customers' local currencies. Given the nature of the business, almost all related costs are also incurred in those local currencies. Derivative financial instruments to hedge transaction risks are therefore not frequently used.

Hedge accounting
Translation risk is the risk that exchange rate gains or losses arise from translating the statement of profit or loss, statement of financial position, and statement of cash flows of foreign subsidiaries to the group's presentation currency (euro) for consolidation purposes.

The group's risk management strategy practice is that material currency translation exposures (including U.S. dollar net investments) are partially hedged by Corporate Treasury. Currency exposures, which impact the statements of financial position and/or profit or loss by 10% or more, are considered material. The translation exposure on the statement of cash flows is partly mitigated by matching cash inflows and outflows in the same currency. The group's main translation risk is its exposure to the U.S. dollar.

In line with its risk management strategy, the group manages the translation risk using three types of risk mitigating actions, of which two types of transactions are designated as a hedge and for which the group applies hedge accounting.

Net investment hedge
The group partially protects total equity for foreign exchange differences using U.S. dollar currency forward contracts qualifying as net investment hedges, which partially offset the translation risk on U.S. dollar-denominated subsidiaries and long-term receivables of the U.S. operations being the hedged item. The fair value changes of the net investment hedge partially offset the currency differences on translation of U.S. dollar-denominated subsidiaries and long-term receivables from U.S. operations, both being recognized in other comprehensive income.

The group had U.S. dollar forward contracts outstanding for a total notional amount of €163 million ($200 million) at December 31, 2020 (2019: €178 million or $200 million). These hedges create a U.S. dollar balance sheet cover with a future settlement date and had a carrying value of €0 million at December 31, 2020.

The group had U.S. dollar liabilities outstanding for a total notional amount of €385 million ($472 million) at December 31, 2020 (2019: €451 million or $507 million). The U.S. dollar liabilities include net investment hedges and other U.S. dollar-denominated liabilities.

The U.S. dollar balance sheet cover of 11% (2019: 13%) is defined as the sum of U.S. dollar net investment hedges and other U.S. dollar liabilities outstanding, divided by the group's net investment in U.S. dollar-denominated assets.

Cash flow hedge
The group protects against the translation differences on the Japanese yen private placement (2020 and 2019: ¥20,000 million) and the related interest payments, using cash flow hedges by means of four cross-currency interest rate swaps. The fair value changes of the cash flow hedge are recognized in equity until the hedging relationship with the corresponding hedged instrument is terminated. At that moment the translation differences are reclassified to profit or loss.

Currency forwards
The group partially protects net profit for foreign exchange differences using U.S. dollar and other currency forwards not qualifying for hedge accounting. The fair value changes of these currency forwards are recognized in the total financing results and partially offset any translation risk on profit or loss elements.

In 2020, the group swapped 95% (2019: 74%) of the net financing results of €46 million (2019: €58 million) into U.S. dollars, using foreign exchange derivatives of $40 million (2019: $40 million). The higher percentage is primarily driven by the weakening of the U.S. dollar in 2020.

Sensitivity
Based on the percentage of 95% for net financing results payable in U.S. dollars, an instantaneous 1% decline of the U.S. dollar against the euro at December 31, 2020, with all other variables held constant, would result in a decrease of approximately €0.3 million in net financing results (2019: approximately €0.4 million).

Hedge effectiveness
Before applying hedge accounting, the group assesses, in accordance with the group's risk management policies and the parameters of the hedge, that the designated hedge is highly effective. In 2020, the group did not record ineffectiveness because of hedging activities (2019: no ineffectiveness). The group measures hedge effectiveness on a forward-looking basis at the inception of the hedging relationship, and on an ongoing basis at reporting dates through a qualitative assessment of the critical terms of the hedging instrument and the hedged item. The hedge values will generally move in the opposite direction because of the same risk and hence an economic relationship exists. The results of these effectiveness tests all satisfied the effectiveness criterion during the year.

Interest Rate Benchmark Reform – Phase 1
The fixed interest payments on the Japanese Yen private placements are converted to and hedged against euro via cross-currency interest rate swaps. The Interest Rate Benchmark Reform does not impact these fixed interest payments. However, both the Japanese Libor and Euribor are inputs in the fair value determination. Therefore, the group has some exposure to the Japanese yen Libor and Euribor, which is subject to the Phase 1 Interest Rate Benchmark Reform. Discussions have started with the financial institution to amend the Euro Over Night Index Average (EONIA) reference in the Credit Support Annex to the Euro Short Term Rate (€STR).

A corporate IBOR-reform work group was set up in response to the announcements regarding the required transition to alternative benchmark rates, with the aim to understand the group's exposure to IBOR, and to develop a plan that will enable a smooth transition for the group.

For this hedging relationship, the group applies the amendments to IFRS 9 and IAS 39 until the uncertainty arising from the reform ends. It is assumed that this uncertainty will continue until the contract relating to the hedging instrument that references IBORs has effectively been amended to replace any such references.

Currency risk sensitivity
The following table details the group's sensitivity to a 1% weakening of the U.S. dollar against the euro:

	2020	2019
Revenues	(30)	(31)
Adjusted operating profit	(9)	(9)
Operating profit	(8)	(8)
Adjusted net profit	(5)	(6)
Profit for the year	(4)	(6)
Shareholders' equity at December 31	(32)	(32)
Adjusted free cash flow	(8)	(7)

Sensitivity analysis
A sensitivity analysis on the derivative financial instruments portfolio yields the following results, assuming an instantaneous 1% decrease of the U.S. dollar and Japanese yen against the euro from their levels at December 31, 2020, and an instantaneous 1% increase of the U.S. dollar, Japanese yen, and euro interest rates respectively:

in millions	Hedged risk	Amount	Type of instrument	Exchange rate movement €	Interest rate movement €
Cash flow hedge	Changes in ¥ floating interest payments and ¥ exchange rates	¥20,000	Cross-currency interest rate swaps	(2)	0
Net investment hedge	Changes of the U.S. dollar net investments due to fluctuations of U.S. dollar exchange rates	$200	Forward contracts	2	0

Interest rate risk

The group is exposed to interest rate risk. The group aims to mitigate the impact on its results and cash flows of interest rate movements, both by arranging fixed or variable rate funding and by use of derivative financial instruments. At December 31, 2020, the group's interest rate position (excluding cash and cash equivalents and lease liabilities) was 97% (2019: 94%) carried at a fixed rate. The credit facility and the other bilateral loans have a variable interest rate, as well as the Euro Commercial Paper program.

Assuming the same mix of variable and fixed interest rate instruments, an instantaneous increase of interest rates of 1% compared to the rates on December 31, 2020, with all other variables held constant, would result, on an annual basis, in an increase of approximately €1 million of the net financing results (2019: €2 million).

Liquidity risk

Liquidity risk is the risk that the group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The group's approach to manage liquidity is to ensure, as far as possible, that it will have enough liquidity to meet its liabilities when they are due.

The group actively manages liquidity risk by maintaining enough cash and cash equivalents, and by the availability of committed borrowing capacity. To reduce liquidity risk, the group has established the following minimum requirements:

- No more than 25% of outstanding gross debt minus available cash should be repayable within a 12-month period;
- Acquiring of funding to start at least one year in advance of all maturing debt or alternative committed funding should be in place; and
- Minimum headroom of €500 million (sum of unused committed credit facilities, cash and cash equivalents, and receivable derivative financial instruments, minus other short-term debt, current deferred acquisition payables, current payable derivative financial instruments, and bank overdrafts).

Per December 31, 2020, the group has access to the unused part of the committed credit facilities of €600 million in total (2019: €689 million) and has cash and cash equivalents of €723 million (2019: €899 million), receivable derivative financial instruments of €0 million (2019: €18 million), minus other short-term debt, current deferred acquisition payables, bank overdrafts, Euro Commercial Paper, and current payable derivative financial instruments of €459 million (2019: €680 million). The headroom was €864 million at year-end 2020 (2019: €926 million).

No assets have been collateralized or in any other way secured under debt contracts.

Exposure to liquidity risk

The following tables relate to the remaining contractual cash flows of financial liabilities at the reporting date. These tables show net cash flow amounts for derivative financial instruments that have simultaneous cash settlements. The amounts for the non-derivative financial instruments are gross and undiscounted and include estimated interest payments and exclude the impact of netting agreements. For the remaining contractual cash flows of lease liabilities, refer to *Note 20 – Leasing*.

Contractual cash flows 2020

	Carrying amount	Contractual undiscounted cash flows	Less than 1 year	1-2 years	2-5 years	More than 5 years
Non-derivative financial liabilities (excl. lease liabilities)						
Bonds:						
Bonds 2008-2028	36	54	2	2	7	43
Bonds 2013-2023	699	760	20	20	720	–
Bonds 2014-2024	398	440	10	10	420	–
Bonds 2017-2027	498	554	8	8	23	515
Bonds 2020-2030	495	538	4	4	11	519
Private placements:						
Private placement 2008-2038	157	250	5	5	16	224
Long- and short-term deferred and contingent acquisition payables	0	0	0	0	–	–
Other debt	9	9	–	5	4	–
Borrowings and bank overdrafts	459	459	459	–	–	–
Trade payables	133	133	133	–	–	–
Total	2,884	3,197	641	54	1,201	1,301
Derivative financial instruments						
(Receipts)		(164)	(164)	–	–	–
Payments		163	163	–	–	–
Foreign exchange derivatives	0	(1)	(1)	0	0	0
(Receipts)		(250)	(5)	(5)	(16)	(224)
Payments		260	8	8	23	221
Cross-currency interest rate swaps	8	10	3	3	7	(3)
Total	8	9	2	3	7	(3)

Contractual cash flows 2019

	Carrying amount	Contractual undiscounted cash flows	Less than 1 year	1-2 years	2-5 years	More than 5 years
Non-derivative financial liabilities (excl. lease liabilities)						
Bonds:						
Bonds 2008-2028	36	57	2	2	7	46
Bonds 2013-2023	698	780	20	20	740	–
Bonds 2014-2024	398	450	10	10	430	–
Bonds 2017-2027	497	562	8	8	23	523
Private placements:						
Private placement 2008-2038	163	264	5	5	16	238
Private placement 2010-2020	250	261	261	–	–	–
Long- and short-term deferred and contingent acquisition payables	11	11	10	1	–	–
Other debt	25	25	–	7	18	–
Borrowings and bank overdrafts	670	670	670	–	–	–
Trade payables	169	169	169	–	–	–
Total	2,917	3,249	1,155	53	1,234	807
Derivative financial instruments						
(Receipts)		(180)	(180)	–	–	–
Payments		178	178	–	–	–
Foreign exchange derivatives	(2)	(2)	(2)	0	0	0
(Receipts)		(264)	(5)	(5)	(16)	(238)
Payments		268	8	8	23	229
Cross-currency interest rate swaps	(16)	4	3	3	7	(9)
Total	(18)	2	1	3	7	(9)

Credit risk

Credit risk represents the loss that would be recognized if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the group's receivables from customers and investments in debt securities. The carrying amount of non-derivative financial assets represents the maximum credit exposure and amounted to €1,822 million at December 31, 2020 (2019: €2,130 million).

Financial instruments and excess cash at financial institutions

The group is exposed to credit risks due to its use of derivatives and because of excess cash deposited at banks. It is the group's policy to conclude financial transactions under ISDA (International Swap Dealers Association) master agreements. Cash invested and financial transactions are only concluded with financial institutions with strong credit ratings (at least a credit rating of A-/A3). Furthermore, credit limits per counterparty are in place and are monitored periodically.

At December 31, 2020, there were no material credit risk concentrations outstanding while the average weighted credit rating of counterparties was A+ (2019: A+). The aim is to spread transactions among counterparties. No credit limits were materially exceeded during the reporting period and management does not expect any losses from non-performance by these counterparties on current outstanding contracts.

Trade receivables

The group has a natural exposure to credit risk in its operational business. This exposure of the group's operating companies to credit risk is inherently limited, considering the diversified customer portfolio of the group, and since a substantial part of the transactions is prepaid by customers. The group's operating companies actively monitor the solvency of their key accounts and assess creditworthiness of customers before concluding a contract.

The group determines the impairment on trade receivables and unbilled revenues using the lifetime expected credit loss model, whereby the historical credit losses on trade receivables (a credit event) are used as a base for the future expected credit losses. The policy and the assumptions are periodically evaluated by the group using macroeconomic data and historical back-testing of the assumptions.

The trade receivables that are neither past due nor impaired have sound creditworthiness and meet the credit rating grades as defined in the internal policy for assessing the impairment of financial assets.

For estimates and judgments applied in determining the loss allowance on trade receivables, including the effect of COVID-19, refer to *Note 10 – Sales costs*.

Fair value of financial instruments

The following table shows the carrying amounts and fair values of financial assets and liabilities (excluding lease liabilities), including their levels in the fair value hierarchy.

	2020					2019	
	Carrying value	Fair value	Level 1	Level 2	Level 3	Carrying value	Fair value
Non-derivative financial instruments:							
Unbilled revenues (current)*	75	75				104	104
Trade receivables (current)*	986	986				1,087	1,087
Miscellaneous receivables (current)*	35	35				40	40
Interest receivable*	2	2				0	0
Deferred divestment consideration receivable (current)*	1	1				–	–
Cash and cash equivalents*	723	723				899	899
Total non-derivative financial assets	1,822	1,822				2,130	2,130
Bonds 2008-2028	36	54	54			36	54
Bonds 2013-2023	699	748	748			698	764
Bonds 2014-2024	398	434	434			398	439
Bonds 2017-2027	498	547	547			497	539
Bonds 2020-2030	495	523	523			–	–
Private placement 2008-2038	157	218		218		163	227
Private placement 2010-2020	–	–				250	260
Long and short-term deferred and contingent acquisition payables	0	0			0	11	11
Other debt*	9	9				25	25
Borrowings and bank overdrafts*	459	459				670	670
Trade payables*	133	133				169	169
Interest payable*	35	35				32	32
Total non-derivative financial liabilities	2,919	3,160				2,949	3,190
Derivative financial instruments:							
Non-current receivable	–	–				(16)	(16)
Current receivable	0	0		0		(2)	(2)
Non-current payable	8	8		8		–	–
Total derivative financial instruments	8	8		8		(18)	(18)

* Fair value approximates the carrying amount.

Fair value hierarchy

The fair value has been determined by the group based on market data and appropriate valuation methods/ quotes. Valuation methods include:

- Level 1: reference to quoted prices (unadjusted) in active markets for similar assets and liabilities;
- Level 2: inputs other than quoted prices that are observable for the asset or liability and that may have a significant impact on the fair value, either directly (i.e., as prices) or indirectly (i.e., derived from prices) based on discounted cash flow analysis, using data input of observable financial markets and financial institutions; and
- Level 3: inputs for the asset or liability that are not based on observable market data. The valuation method can be based on discounted cash flow analysis, or other models that are substantially identical.

There has been no change in the fair value hierarchy compared to 2019.

The Level 3 fair value movements in non-derivative financial liabilities are as follows:

		2020	2019
Balance at January 1		11	14
Acquired through business combinations	*Note 8*	0	6
Settlements	*Note 8*	(6)	(1)
Fair value changes of contingent considerations	*Note 12*	(4)	(9)
Foreign exchange differences and other movements		(1)	1
Balance at December 31		0	11

Deferred and contingent acquisition payables

Accounting policies

The contingent considerations are based on a discounted cash flow model, which considers the present value of expected payments, using a risk-adjusted discount rate. The expected payment is determined by considering possible scenarios, the amount to be paid under each scenario, and the probability of each scenario. The estimated fair value could potentially increase (or decrease) if assumptions change.

The fair value of the deferred and contingent acquisition payables balance amounted to €0 million (2019: €11 million). A summary of deferred and contingent consideration acquisition payables at December 31, 2020, can be presented as follows:

	Fair value December 31, 2020	Of which: short-term	Of which: long-term	Maximum exposure (undiscounted)	Fair value December 31, 2019
Total	0	0	0	1	11

Note 31 – Employee Benefits

	2020	2019
Retirement plans	45	47
Other post-employment benefit plans	58	61
Other long-term employment benefits	12	14
Total	115	122

Accounting policies

Defined contribution plans
Obligations for contributions to defined contribution plans are recognized as personnel expenses in profit or loss in the period during which services are rendered by employees. Prepaid contributions are recognized as an asset to the extent that a cash refund or reduction in future payments is available.

Defined benefit plans
The group's net obligation in respect of defined employee benefit plans is calculated separately for each plan by estimating the amount of future benefits that employees have earned in the current and prior periods, discounting that amount, and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan, or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

All remeasurement gains and losses of the net defined benefit liabilities or assets, which consist of actuarial gains and losses, return on plan assets (excluding interest), and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, in the period in which they occur.

The group determines the net interest expense or income on the net defined benefit liability or asset for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability or asset, considering any changes in the net defined benefit liability or asset during the period resulting from contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans, like fund administration costs, are recognized in profit or loss, when incurred.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in the defined benefits that relates to past service or the gain or loss on curtailment is recognized directly in profit or loss. The group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs. A curtailment occurs when an entity significantly reduces the number of employees covered by a plan. Amendments to the terms of a defined benefit plan will be considered plan amendments and will be fully accounted for as past service costs. If a plan amendment, curtailment, or settlement occurs, the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement.

Long-term service benefits
The group's net obligation in respect of long-term service benefits, such as jubilee benefits, is the amount of future benefits that employees have earned in return for their service in the current and prior periods. The obligation is calculated using the projected unit credit method and is discounted to its present value, with the fair value of any related assets deducted.

Critical estimates and judgments
The net plan assets or liabilities of the defined employee benefit plans and the costs related to the pension and post-retirement medical plans are based on actuarial and economic assumptions. The main economic assumptions are:
- Discount rate;
- Rate of pension increase;
- Inflation; and
- Medical trend rate.

For actuarial assumptions, the group uses generally accepted mortality rates (longevity risk). The withdrawal rates and retirement rates are based on statistics provided by the relevant entities based on past experiences.

Provisions for retirement and other post-employment benefit plans

The provisions for retirement and other post-employment plans relate to defined employee benefit plans. The group has arranged pension schemes in various countries for most of its employees in accordance with the legal requirements, customs, and local situation of the countries involved. These retirement schemes are partly managed by the group itself and partly entrusted to external entities, such as company pension funds and insurance companies. In addition, the group provides certain employees with other benefits upon retirement. These benefits include contributions towards medical health plans in the United States, where the employer refunds part of the insurance premiums for retirees, or, in the case of uninsured schemes, bears the medical expenses while deducting the participants' contributions.

Characteristics of material plans

	The Netherlands	United States	United Kingdom
Retirement plans			
Type of benefits	Pensions	Pensions	Pensions
Type of plan	Career average	Final salary	Final salary
Status of plan	Open	Frozen	Frozen
Service costs	Yes	No	No
Status of plan funding	Funded	Funded	Funded
Other post-employment plans			
Type of benefits		Post-retirement medical plan	
Type of plan		Annual insurance premium coverage	
Status of plan		Open	
Service costs		Yes	
Status of plan funding		Unfunded	

There are open retirement plans for new entrants in the Netherlands and Belgium.

The group has closed plans in Belgium, Canada, and Australia. A closed plan means that no new members can join the pension plans. However, current participants in the plan can still accrue for future service benefits, and therefore the plan incurs service costs for the active participants.

If a plan is frozen, the plan is closed to new entrants and existing participants do not build up future service benefit accruals. The group has frozen plans in the U.S., U.K., and Canada. These plans will have an annual service cost of zero.

Retirement plans

The group has its largest defined benefit retirement plan in the Netherlands with defined benefit obligations of €1.3 billion as of December 31, 2020, followed by the United Kingdom and the United States with defined benefit obligations of €127 million and €99 million respectively. There are also retirement plans in Belgium, Canada, and Australia. All plans are funded schemes. The defined benefit plans in the Netherlands, the U.S., and the U.K. are insured with the company's self-administrated pension funds, which are separate legal entities with plan assets being held independently of the group.

The Netherlands

In the Netherlands, the scheme is a career average salary scheme; members accrue a portion of their current salary at a rate calculated to enable them to reach a pension level based on their average salary. The Dutch pension plan falls under the supervision of the Dutch Central Bank (DNB). The scheme funding level is determined by the new Financial Assessment Framework (nFTK), whereby funding liabilities are determined based on a 120-month moving average of the 20-year forward rate. Benefit reductions, if necessary, will be smoothed over time when recovery to full funding within eight years is not expected. Reductions will amount to one-eighth of the deficit at the measurement date. Indexation of pension entitlements will not be allowed at funding ratios below 110%, while full indexation will be allowed only at funding ratios higher than approximately 125% (these are year- and plan-specific).

The Dutch pension scheme has an unaudited 12-month rolling average coverage ratio – as determined under the nFTK – of 106.0% at December 31, 2020 (2019: 108.0%). If this ratio is below 104%, a rolling eight-year recovery plan should be submitted to the DNB, on an annual basis. The pension premiums are based on contributions by the employer (two-thirds) and employees (one-third). The total annual pension contribution is determined at 27.2% of base salary for 2020, of which the employer contributed the excess above the 24.0% basic premium. The pension base is capped but will be corrected for inflation annually.

United States

The U.S. retirement scheme has an annual statutory valuation which forms the basis for establishing the employer contribution each year (subject to ERISA and IRS minimums). The U.S. scheme was a final average pay plan, based on years of credited service, but is now a frozen plan. The pay and benefit accruals are frozen.

The plan fiduciaries of the U.S. scheme are required by law to act in the interest of the fund's beneficiaries. The fiduciary duties for the scheme are allocated between committees which are staffed by senior employees of the group. The investment committee has the primary responsibility for the investment and management of plan assets.

United Kingdom

The U.K. retirement scheme is a final salary-based scheme, but it is a frozen plan. The trustees of the pension fund are required by law to act in the interest of the fund's beneficiaries and are responsible for the investment policy regarding the assets of the fund. The board of trustees consists of an equal number of company-appointed and member-nominated directors.

The level of funding is determined by statutory triennial actuarial valuations in accordance with pension legislation. Where the scheme falls below 100% funded status, the group and the scheme trustees must agree on how the deficit is to be remedied. Pension rate increase is usually a fixed promise and is built into the funding requirement. The U.K. Pensions Regulator has significant powers and sets out in codes and guidance the parameters for scheme funding. At December 31, 2020, the future deficit contribution commitments are larger than the surplus in the U.K. plan and therefore there is an additional balance sheet liability of €2 million (2019: €4 million) recognized in respect of these contributions.

Other post-employment plans

Other post-employment plans exist in the United States, Canada, and Italy. These plans have no plan assets and are unfunded. The main plan is the post-employment medical plan in the U.S. The group funds the U.S. post-employment medical plan obligations on a pay-as-you-go basis. If healthcare costs in the future increase more than anticipated, the actuarially determined liability – and as a result the related other post-employment benefit plan expense – could increase along with future cash outflows.

Funding requirements

Funding requirements of the plans are based on local legislation and separate actuarial valuations for which the assumptions differ from the assumptions used under IAS 19. The funding requirements are based on each pension fund's actuarial measurement framework set out in the funding policies of the individual plans.

In the Netherlands, there is no formal requirement to fund deficits of the plan by the employer.

In the United States, there are minimum contribution requirements. In case the statutory funded status falls below certain thresholds, the U.S. Pension Protection Act requires the deficit to be rectified with additional minimum employer contributions, spread over a seven-year period, to avoid restrictions on the ability to pay some accelerated benefit forms, such as lump sums. These funding levels are reassessed annually.

The trustees of the U.K. plan and the group finalized the latest triennial valuation in 2017 for funding purposes in 2018. The parties agreed to have a continuation of the funding of £1.4 million per annum for the years 2019 up to and including 2021. The U.K. Pensions Regulator has the power to demand more funding and support where a pension scheme has been exposed to an unacceptable level of risk. As part of the 2017 actuarial funding valuation, the parent company issued a guarantee of £18 million, with a negative pledge issued by a Wolters Kluwer U.K. group company. In addition, it has been agreed to continue with any annual deficit contributions. The funding will be reassessed based on a new triennial valuation to be finalized in 2021.

Risk management of main plans in the group
The retirement and other post-employment plans expose the group to actuarial risks, such as longevity risks, interest rate risks, investment and market risks, and currency risks.

The group has restructured employee benefit plans in the past by moving existing and newly hired employees to defined contribution plans or by freezing the plans (either with no future service benefit accruals and/or no new participants entering the plan). These redesigns reduce or cancel future benefit accruals in the plans and consequently reduce the pace of liability growth. The group also reviews periodically its financing and investments policies (liability-driven investments) and its liability management (lump sum offerings).

The various plans manage their balance sheet to meet their pension promise. By using asset liability management (ALM) studies, major risk sources are identified, and the impact of decisions is assessed by quantifying the potential impact on elements like future pensions, contributions, and funded ratio. These ALM studies also determine risk and return measures that consider the interests of all stakeholders. The outcome of these studies results in a risk-return trade-off, taking the duration of pension liabilities into account, which will be an integral part of the investment strategy. The investment strategy covers the allocation of asset classes and hedging strategies, and also decisions on new and alternative asset classes, passive versus active investments, leverage, and the use of derivatives.

Actuarial assumptions for retirement and other post-employment benefit plans
The discount rate is the yield rate at the end of the reporting period on high-quality corporate bonds that have maturity dates approximating the terms of the group's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The calculation is performed annually by qualified actuaries.

The following weighted average principal actuarial assumptions were used to determine the pension expense and other post-employment plans' expense for the year under review, and defined benefit obligations at the end of the reporting period:

in %	2020	2019
Retirement plans		
Discount rate to discount the obligations at year-end	0.8	1.3
Discount rate for pension expense	1.3	2.1
Expected rate of pension increases (in payment) at year-end	1.5	1.3
Expected rate of pension increases (in deferral) at year-end	1.4	1.3
Expected rate of inflation increase for pension expense	1.9	1.9
Other post-employment benefit plans		
Discount rate to discount the obligations at year-end	1.6	2.4
Discount rate for pension expense	2.4	3.7
Medical cost trend rate	3.0	3.0

For most of the retirement and other post-employment schemes, the discount rate is determined or validated using the 'Towers Watson Rate: Link methodology', which uses mid-price AA corporate bond data from Bloomberg. Bonds with options are excluded, as are bonds whose yields are among the top and bottom 10% within each maturity category (outliers). The 30-year spot rate is assumed constant beyond 30 years. For the U.S. plans, the discount rate is based on the yield curve/cash flow matching approach which uses spot yields from the standard FTSE and the timing of the cash flows of the plan.

Mortality assumptions for the most important plans are based on the following retirement mortality tables:

- The Netherlands: AG projection table 2020, including fund specific 2019 experience loading (2019: AG projection table 2018, including fund-specific 2019 experience loading);
- U.S.: Pri-2012 Mortality Table with MP 2020 projections, being the current standard mortality table (2019: Pri-2012 Mortality Table with MP 2019 projections); and
- U.K.: SAPS S3 (Year of Birth) CMI 2019 projections with 1.25% long-term improvement rate (2019: SAPS S2 (Year of Birth) – CMI 2017 projections with 1.5% long-term improvement rate).

Assumptions regarding future mortality experience are set based on actuarial advice and best estimate mortality tables in the applicable countries.

The current life expectancies underlying the value of the defined benefit retirement obligations at December 31, 2020, are as follows:

in years	The Netherlands	United States	United Kingdom
Life expectancy at age of 65 now – Male	21.5	20.4	22.1
Life expectancy at age of 65 now – Female	23.9	22.4	23.8
Life expectancy aged 65 in 20 years – Male	23.4	22.5	23.1
Life expectancy aged 65 in 20 years – Female	25.7	24.8	25.1

Given the nature of the defined benefit obligations in Belgium, Italy, and Australia, with lump sum benefit payments at retirement date instead of annuity payments, the impact of changing life expectancy after the retirement age on the plan liabilities is limited in these countries.

Sensitivity retirement plans

in millions of euros	Gross service cost		Defined benefit obligations	
2020 Baseline		22		1,652
Change compared to baseline	***Decrease of assumption***	***Increase of assumption***	***Decrease of assumption***	***Increase of assumption***
Discount rate (change by 1%)	9	(6)	347	(268)
Pension increase rate (change by 0.5%)	(3)	3	(124)	141
Inflation increase rate (change by 0.5%)	(2)	3	(100)	110
Mortality table (change by one year)	n/a	1	n/a	72

Gross service cost represents the annual accrual of liability due to another year of service, excluding any interest or offsetting employee contributions, and therefore differs from the current service cost included in the calculation of the pension expense.

Sensitivity of the defined benefit obligations (DBO) of retirement plans in the statement of financial position and the defined benefit expense of the retirement plans in the statement of profit or loss (P&L)

	The Netherlands		United States		United Kingdom	
	DBO	P&L	DBO	P&L	DBO	P&L
Discount rate sensitivity	✓	✓	✓	n/a	✓	n/a
Pension increase sensitivity	✓	✓	n/a	n/a	✓	n/a
Inflation rate sensitivity	✓	✓	n/a	n/a	✓	n/a
Mortality sensitivity	✓	✓	✓	n/a	✓	n/a

Pension rate increases are only applicable for the plans in the Netherlands and the United Kingdom. Pension increases in the Netherlands are related to price inflation. However, these increases are conditional and depend on the funding position of the Dutch pension fund. Pension increases are therefore capped. The pension increase assumption is based on the liability ceiling approach and determined as the rate of increase such that the present value of vested benefits, including the assumed rate of pension increases, is not greater than the fair value of plan assets. For 2020, this resulted in a Dutch pension increase assumption of 1.36% compared to 1.19% at year-end 2019.

Since the retirement plans in the United States and the United Kingdom are frozen, the service cost is zero and not sensitive for changes in discount rate, pension increases, inflation, or longevity.

Sensitivity of other post-employment plans

in millions of euros	Gross service costs	Defined benefit obligations
2020 Baseline	1	58
Change compared to baseline		
Discount rate (by -1%)	0	6
Discount rate (by +1%)	0	(5)

The actual medical cost trend rate in the United States exceeds the applied medical cost trend rate for its main medical plan, which is capped at 3% (2019: 3%) according to the plan rules. The main U.S. medical plan is therefore hardly sensitive to medical cost increases.

Plan liabilities and assets

		Defined benefit retirement plans		Other post-employment plans	
		2020	2019	2020	2019
Plan liabilities					
Fair value at January 1		1,565	1,415	61	75
Settlements		–	(34)	–	–
Employer service cost		16	13	1	3
Interest expense on defined benefit obligations		20	29	1	3
Administration costs and taxes		2	2	–	–
Benefits paid by fund		(52)	(52)	–	–
Benefits paid by employer		–	–	(3)	(3)
Remeasurement (gains)/losses		122	179	1	(2)
Divestments of operations		(5)	–	–	–
Contributions by plan participants		3	3	–	–
Plan amendments and curtailments		(2)	–	0	(16)
Foreign exchange differences		(17)	10	(3)	1
Fair value at December 31		1,652	1,565	58	61
Plan assets					
Fair value at January 1		1,533	1,373	0	0
Settlements		–	(33)	–	–
Interest income on plan assets		19	28	–	–
Return on plan assets greater than discount rate		122	188	–	–
Benefits paid by fund		(52)	(52)	(3)	(3)
Contributions by employer		18	16	3	3
Contributions by plan participants		3	3	–	–
Divestments of operations		(4)	–	–	–
Foreign exchange differences		(18)	10	–	–
Fair value at December 31		1,621	1,533	0	0
Funded status					
Deficit/(surplus) at December 31		31	32	58	61
Irrecoverable surplus		14	16	–	–
Transfer to liabilities classified as held for sale	*Note 9*	–	(1)	–	–
Net liability at December 31		45	47	58	61
Pension expenses					
Employer service cost		16	13	1	3
Settlement gain		–	(1)	–	–
Past service costs – plan amendment		0	–	0	–
Past service costs – curtailment		(2)	–	–	(16)
Interest expense on irrecoverable surplus		0	0	–	–
Interest expense on defined benefit obligations		20	29	1	3
Interest income on plan assets		(19)	(28)	–	–
Administration costs and taxes		2	2	–	–
Total pension expense		17	15	2	(10)
Of which is included in:					
Personnel expenses	*Note 13*	16	14	1	(13)
Other finance (income)/costs	*Note 15*	1	1	1	3

In 2020, there was an asset ceiling of €12 million (2019: €13 million) in the U.K. pension plan. The surplus is not recognized as a pension asset as there is no unconditional right to a refund of this surplus from the U.K. scheme. In addition, the U.K. pension fund has a liability in respect of minimum funding requirements of €2 million (2019: €4 million).

The divestiture of the plan assets and defined benefit obligations related to the sale of the Belgian training assets in February 2020.

Plan amendments/curtailments
In 2020, there were curtailment gains of €2 million in total on pension plans, following the announcement of restructurings in Belgium and the Netherlands.

In 2019, there was a retiree pension annuity lift-out performed on the U.S. pension plan, for the small in-payment pensions in the plan, affecting approximately 1,000 members. The net impact of the annuity lift-out has been recognized as a settlement gain (€1 million) in the statement of profit or loss.

In 2019, the U.S. post-employment medical plan was closed for future accrual and closed for new entrants from December 31, 2019. This curtailment of benefits has been recognized in the statement of profit or loss as a past service cost gain of €16 million. A small service cost will continue to be recognized in the statement of profit or loss, from 2020 and onwards for members with grandfathered benefits.

Employer contributions
The group's employer contributions to be paid to the defined benefit retirement plans in 2021 are estimated at €19 million (2020: actual employer contributions of €18 million).

Remeasurements
The pre-tax cumulative amount of remeasurement gains/losses recognized in the statement of comprehensive income is as follows:

Remeasurements

	2020	2019
Position at January 1	(154)	(162)
Recognized in other comprehensive income	0	8
Cumulative amount at December 31	(154)	(154)

Remeasurement gains/(losses) for the year

	2020	2019
Remeasurement gains due to experience adjustments	12	6
Remeasurement gains due to changes in demographic assumptions	30	47
Remeasurement losses due to changes in financial assumptions	(166)	(230)
Remeasurement losses on defined benefit obligations	(124)	(177)
Return on plan assets greater than discount rate	122	188
Change in irrecoverable surplus, other than interest and foreign exchange differences	2	(3)
Recognized gains in other comprehensive income	0	8

Experience adjustments result from changes, such as changes in plan populations, data corrections, and differences in cash flows.

Changes in demographic assumptions relate to differences between the current and previous actuarial assumptions in mortality tables, rate of employee turnover, disability, and early retirement.

Changes in financial assumptions relate to differences between the current and previous actuarial assumptions, such as discount rate, pension rate increase, price increases, and future salary and benefit levels.

In 2020, there were remeasurement losses mainly due to financial assumption losses following the ongoing decrease in discount rates compared to the prior year.

The actual consolidated return on plan assets for the year ended December 31, 2020, was a gain of €141 million (2019: gain of €216 million).

Duration

Duration is an indicator of the plan liabilities' sensitivity for changes in interest rates. The liability-weighted duration for the defined benefit plan liabilities at year-end is as follows:

number of years	2020	2019
Retirement plans		
The Netherlands	19.1	18.8
United Kingdom	15.6	17.2
United States	12.4	12.2
Other post-employment plans		
United States	9.4	9.7

Investment mix

The breakdown of plan assets as of December 31 is as follows:

	2020	Quoted	Unquoted	2019	Quoted	Unquoted
Equity						
Equity	424	424	–	405	405	–
Private equity	3	–	3	4	–	4
Bonds						
Government bonds	532	532	–	486	486	–
Corporate bonds	425	424	1	414	413	1
Other						
Insurance contracts	70	–	70	71	–	71
Real estate	87	42	45	95	47	48
Derivatives and other securities	52	52	–	33	33	–
Cash	28	28	–	25	25	–
Total	1,621	1,502	119	1,533	1,409	124

At December 31, 2020, 93% of the plan assets relate to quoted financial instruments (2019: 92%). Plan assets do not include any direct investments in the group or financial instruments issued by the group, nor do they include any property or other assets used by the group. However, pension plans invest in index funds and as a result these plans may indirectly hold financial instruments issued by the group.

Proportion of plan assets

in %	2020	2019
Equity	26	27
Bonds	59	59
Other	15	14
Total	100	100

Note 32 – Provisions

	2020	2019
Provision for restructuring commitments	39	13
Provision for acquisition integration	1	1
Subtotal restructuring provisions	40	14
Legal provisions	7	9
Other provisions	5	6
Total	52	29
Of which short-term	48	24

Accounting policies
A provision is recognized when: (1) the group has a present legal or constructive obligation because of a past event; (2) it is probable that an outflow of resources in the form of economic benefits will be required to settle the obligation; and (3) the amount of the obligation can be reliably estimated.

Restructuring provision
The provisions for restructuring include liabilities arising from changes in the organizational structure, integration of activities, expected redundancy payments, and onerous contracts. A provision for restructuring is recognized only when the general recognition criteria are met. Redundancy payments are recognized as an expense when the group is demonstrably committed – without realistic possibility of withdrawal – to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy.

Acquisition integration provision
The acquisition integration provision relates to non-recurring expenses to be incurred for the integration of activities acquired through business combinations, and mainly consists of expected redundancy payments, IT migration costs, and onerous contracts.

Legal provisions
For legal and judicial proceedings against the company and its operating entities, a legal provision is recognized only if an adverse outcome is probable and the amount of the loss can be reliably estimated. If one of these conditions is not met, the proceeding or claim is disclosed as a contingent liability, if material.

Other provisions
Other provisions primarily include provisions for dilapidation commitments on real estate.

Estimates and judgments
Restructuring provisions
COVID-19 resulted in the implementation of cost reduction plans aiming to protect margins while sustaining key product and strategic investments. The group developed a structured program, which amongst others includes the acceleration of restructuring programs across the operating segments.

Legal provisions
The group is involved in legal and judicial proceedings in the ordinary course of business. Provisions and contingencies relating to these matters are periodically assessed based on the latest information available, usually after consultation and with the assistance of lawyers and other specialists.

The actual outcome of a proceeding or claim may differ from the estimated liability and consequently may affect the actual result. The prediction of the outcome and the assessment of a possible loss by management are based on management's judgments and estimates.

Refer to *Note 37 – Commitments and Contingent Liabilities*.

Movements in provisions

	Restructuring provisions	Legal provisions	Other provisions	2020	2019
Position at January 1	0	1	4	5	11
Add: short-term provisions	14	8	2	24	21
Total at January 1	14	9	6	29	32
Movements					
Additions for restructuring of stranded costs *Note 8*	4	–	–	4	0
Additions to acquisition integration *Note 12*	2	–	–	2	0
Other additions	38	4	1	43	20
Total additions	44	4	1	49	20
Appropriation of provisions	(17)	(1)	(1)	(19)	(20)
Release of provisions	(1)	(6)	–	(7)	(4)
Exchange differences and other movements	0	1	(1)	0	1
Total movements	26	(2)	(1)	23	(3)
Total at December 31	40	7	5	52	29
Less: short-term provisions	(39)	(6)	(3)	(48)	(24)
Position at December 31	1	1	2	4	5

Other additions to the restructuring provision of €38 million mainly relate to restructuring programs announced in Legal & Regulatory and Governance, Risk & Compliance.

Note 33 – Capital and Reserves

Share capital and number of shares
The authorized share capital amounts to €143.04 million, consisting of €71.52 million in ordinary shares (596 million of ordinary shares with a nominal value of €0.12 per ordinary share) and €71.52 million in preference shares (596 million of preference shares with a nominal value of €0.12 per preference share).

Ordinary shares
The issued share capital consists of ordinary shares.

On September 30, 2020, the company completed the reduction in ordinary share capital approved by shareholders at the Annual General Meeting of Shareholders held on April 13, 2020. In 2020, the company cancelled 5,500,000 ordinary shares previously held as treasury shares (2019: 6,700,707 ordinary shares were cancelled). Consequently, in 2020, the total number of issued ordinary shares is reduced to 267,516,153, with a nominal value of €32 million (2019: 273,016,153 shares, with a nominal value of €33 million).

Shares repurchased by the company are added to and held as treasury shares. Part of these treasury shares is retained and used to meet future obligations under share-based incentive schemes. At December 31, 2020, share buybacks have not yet been executed for an amount of €50 million under the existing mandate.

Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity, net of any tax effects.

Preference shares
Preference share capital is classified as equity if it is non-redeemable, or redeemable only at the company's option, and any dividends are discretionary. There are no preference shares issued.

Repurchase and reissue of share capital (treasury shares)
When share capital recognized as equity is repurchased (treasury shares), the amount of the consideration paid, including directly attributable costs, is recognized as a change in equity.

For a reconciliation of the weighted-average number of shares and earnings per share, see *Note 7 – Earnings per Share*.

Number of shares

in thousands of shares, unless otherwise stated	**Number of ordinary shares**		**Minus: number of treasury shares**		**Total number of ordinary shares outstanding**	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**
At January 1	273,016	279,717	(6,361)	(8,553)	266,655	271,164
Cancellation of shares	(5,500)	(6,701)	5,500	6,701	0	0
Repurchased shares	–	–	(5,116)	(5,487)	(5,116)	(5,487)
Long-Term Incentive Plan	–	–	905	978	905	978
At December 31	267,516	273,016	(5,072)	(6,361)	262,444	266,655
Issued share capital at €0.12 (€'000)	32,102	32,762				
Proposed dividend per share (€)					1.36	1.18
Proposed dividend distribution (€'000)					356,924	314,653

Treasury shares
Treasury shares are measured at cost, representing the market price on the acquisition date. This reserve is not available for distribution. Treasury shares are deducted from retained earnings. The group will offset the dilution of its performance share issuance annually via share repurchases.

In 2020, the group executed a share buyback of €350 million (2019: €350 million). The group repurchased 5.1 million (2019: 5.5 million) of ordinary shares under this program at an average stock price of €68.41 (2019: €63.80). In 2020, the group used 0.9 million shares held in treasury primarily for the vesting of the LTIP grant 2017-19.

Legal reserve participations
Legal reserve participations contain appropriations of profits of group companies, which are allocated to a legal reserve based on statutory and/or legal requirements. The legal reserve is not available for distribution.

Hedge reserve
Hedge reserve relates to the effective portion of the changes in fair value of the hedging instruments used for cash flow hedging and net investment hedging purposes. The hedge reserve is a legal reserve and not available for distribution.

Translation reserve
Translation reserve contains foreign exchange differences arising from the translation of the net investments in foreign operations. When a foreign operation is sold, accumulated exchange differences that were recognized in equity prior to the sale are reclassified from equity to profit or loss as part of the gain or loss on divestment. The translation reserve is a legal reserve and is not available for distribution.

Dividends
Dividends are recognized as a liability upon being declared. Pursuant to Article 29 of the Articles of Association, and with the approval of the Supervisory Board, a proposal will be submitted to the Annual General Meeting of Shareholders to make a total distribution of €1.36 per share over financial year 2020 (dividend over financial year 2019: €1.18 per share).

The group applies a semi-annual dividend frequency. On February 26, 2020, the Supervisory Board and the Executive Board resolved to distribute an interim dividend of €0.47 per share, equal to 40% of prior year's dividend (2019 interim dividend: 40% of prior year's dividend). The interim dividend was paid on September 24, 2020. Subject to the approval of the Annual General Meeting of Shareholders, a final dividend of €0.89 per ordinary share will be paid in cash on May 19, 2021.

The group has a progressive dividend policy under which it expects to increase the total dividend per share each year.

Free distributable reserves
The share premium reserve, retained earnings, and undistributed profit for the year are available for dividend distribution.

Option preference shares
The company has granted an option to purchase preference shares to the Wolters Kluwer Preference Shares Foundation (Stichting Preferente Aandelen Wolters Kluwer). The dividend on these shares would equal a normal market rate of return, based on a weighted average interest rate applied by the European Central Bank. Therefore, the fair value of the option is deemed to be zero.

Shareholder's equity movement schedule
For the equity movement schedule, refer to *Note 47 – Shareholders' Equity.*

Note 34 – Share-based Payments

Accounting policies

The Long-Term Incentive Plan (LTIP) qualifies as an equity-settled share-based payments transaction. Executive Board members and senior management are awarded shares under the LTIP with performance conditions based on Diluted Earnings per Share (EPS) at constant currencies and Total Shareholder Return (TSR).

The fair value of shares awarded is recognized as an expense with a corresponding increase in equity. The fair value is measured at the grant date and spread over the period during which the employees become unconditionally entitled to the shares. The amount recognized as an expense is adjusted for the actual forfeitures due to participants' resignations before the vesting date.

TSR-condition

The fair value of the shares based on the TSR performance condition, a market condition under IFRS 2, is measured using a Monte Carlo simulation model, considering the terms and conditions upon which the shares were awarded.

EPS-condition

The fair value of the shares based on the non-market performance condition of EPS is equal to the opening share price of the Wolters Kluwer shares of the year of the grant, adjusted by the present value of the future dividend payments during the three-year performance period.

The amount recognized as an expense in each year is adjusted to reflect the number of share awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that meet the related service and non-market conditions at the vesting date.

Long-Term Incentive Plan

General

For the Executive Board, the LTIP awards depend partially on the TSR performance (50% of the value of the conditionally awarded rights on shares) and partially on the EPS performance (50% of the value of the conditionally awarded rights on shares).

For senior management, the LTIP awards depend partially on the TSR performance (50% of the conditionally awarded rights on shares) and partially on the EPS performance (50% of the conditionally awarded rights on shares).

The TSR-related LTIP awards for the Executive Board and senior management are based on the same payout schedules.

In 2020, €24 million has been recognized within personnel expenses in profit or loss (2019: €25 million) related to the total cost of the LTIP grants for 2018-20, 2019-21, and 2020-22, see *Note 13 – Personnel Expenses*.

Conditionally awarded TSR-related LTIP shares

For the conditional TSR awards that were awarded up to and including 2020, the payout of shares after three years fully depends on the group's TSR relative to a pre-defined group of 15 peer companies. Vesting of these conditional grants is subject to the condition that the participant stays with the group until the plan's maturity. The performance period of the LTIP is three years, at the beginning of which a base number of shares (norm payout) is conditionally awarded to each beneficiary.

The expense of the TSR-related LTIP is recognized ratably in profit or loss over the performance period. Actual awards at the end of the performance period will range from 0% to 150% of the norm payout.

There will be no payout for the Executive Board and senior management if the group ends below the eighth position in the TSR ranking, while other payouts will be made as follows: 150% for first or second position, 125% for third or fourth position, 100% for fifth or sixth position, and 75% for seventh or eighth position.

Conditionally awarded EPS-related LTIP shares

The amount recognized as an expense in a year is adjusted to reflect the number of share awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that meet the related service and non-market conditions at the vesting date. For the EPS-related shares, there will be no payout if the performance over three years is less than 50% of the target. In case of overachievement of the target, the Executive Board members and senior management can earn up to a maximum of 150% of the conditionally awarded shares.

Key assumptions to the TSR shares
The fair value of TSR shares is calculated at the grant date using the Monte Carlo model. For the TSR shares granted in the LTIP 2020-2022, the fair value is estimated to be €40.85 as of January 1, 2020. The inputs to the valuation were the Wolters Kluwer share price of €65.02 on the grant date (January 1, 2020) and an expected volatility of 16.5% based on historical daily prices over the three years prior to January 1, 2020. Dividends are assumed to increase annually (from the 2019 dividend) based on historic trend and management plans. The model assumes a contractual life of three years and uses the risk-free rate on Dutch three-year government bonds.

Fair value summary of conditionally awarded LTIP shares
The fair value of each conditionally awarded share under the running LTIP grants for the Executive Board and senior management of the group, as determined by an external consulting firm, is as follows:

in euros	**Fair value EPS shares at grant date**	**Fair value TSR shares at grant date**
LTIP 2020-22	60.68	40.85
LTIP 2019-21	48.18	35.12
LTIP 2018-20	40.72	30.00

The fair values of the conditionally awarded shares under the LTIP 2020-22 grants increased compared to the previous year, mainly because of the higher share price of Wolters Kluwer at January 1, 2020, compared to January 1, 2019.

LTIP 2017-19
The LTIP 2017-19 vested on December 31, 2019. Total Shareholder Return (TSR) ranked third relative to the peer group of 15 companies, resulting in a payout of 125% of the conditional base number of shares awarded to the Executive Board and senior management. The EPS-related shares resulted in a payout of 150%.

A total of 903,309 shares were released on February 27, 2020. At that date, the volume-weighted average price of Wolters Kluwer N.V. was €69.3917.

LTIP 2017-2019: number of shares vested and the cash equivalent thereof

number of shares, unless otherwise stated	**Outstanding at December 31, 2019**	**Increase in conditional number of TSR shares (25%)**	**Increase in conditional number of EPS shares (50%)**	**Payout/ vested shares December 31, 2019**	**Cash value vested shares***
Executive Board	179,291	25,847	37,953	243,091	16,869
Senior management	480,110	60,031	120,077	660,218	45,814
Total	659,401	85,878	158,030	903,309	62,683

* Cash value in thousands of euros; calculated as the number of shares vested multiplied by the volume average price on February 27, 2020.

LTIP 2018-20

The LTIP 2018-20 vested on December 31, 2020. On Total Shareholder Return (TSR), Wolters Kluwer ranked fourth relative to its peer group of 15 companies, resulting in a payout of 125% of the conditional base number of shares awarded to the Executive Board and senior management. The EPS-related shares resulted in a payout of 135%. The shares will be released on February 25, 2021. The volume weighted average price for the shares released will be based on the average exchange price of the shares traded on Euronext Amsterdam N.V. on February 25, 2021, the first day following the company's publication of its annual results.

Number of performance shares outstanding, corrected for the actual performance of the respective LTIP grants

LTIP 2018-20

number of shares	**Total**	**EPS-condition**	**TSR-condition**
Conditionally awarded grant 2018	611,122	294,775	316,347
Forfeited in previous years	(32,251)	(16,125)	(16,126)
Shares outstanding at January 1, 2020	578,871	278,650	300,221
Forfeited during the year	(28,703)	(14,352)	(14,351)
Effect of 135% vesting based on EPS-ranking	92,521	92,521	
Effect of 125% vesting based on TSR-ranking	71,496		71,496
Vested at December 31, 2020	714,185	356,819	357,366

LTIP 2019-21

base number of shares at 100% payout	**Total**	**EPS-condition**	**TSR-condition**
Conditionally awarded grant 2019	563,283	272,172	291,111
Forfeited in previous years	(2,094)	(1,047)	(1,047)
Shares outstanding at January 1, 2020	561,189	271,125	290,064
Forfeited during the year	(34,027)	(17,013)	(17,014)
Shares outstanding at December 31, 2020	527,162	254,112	273,050

LTIP 2020-22

base number of shares at 100% payout	**Total**	**EPS-condition**	**TSR-condition**
Conditionally awarded grant 2020	448,223	213,365	234,858
Forfeited during the year	(4,733)	(2,367)	(2,366)
Shares outstanding at December 31, 2020	443,490	210,998	232,492

Overview of outstanding performance shares: LTIP 2020-22 and LTIP 2019-21

base numbers of shares at 100% payout	**LTIP 2020-22**	**LTIP 2019-21**	**Total**
Conditionally awarded grant 2019		563,283	563,283
Forfeited in previous years		(2,094)	(2,094)
Shares outstanding at January 1, 2020		561,189	561,189
Conditionally awarded grant 2020	448,223		448,223
Forfeited during the year	(4,733)	(34,027)	(38,760)
Shares outstanding at December 31, 2020	443,490	527,162	970,652

Note 35 – Related Party Transactions

The company has a related party relationship with its subsidiaries, equity-accounted investees, the pension funds, and members of the Supervisory Board and the Executive Board.

Wolters Kluwer N.V. has filed a list of the subsidiaries at the Dutch Commercial Register in The Hague, the Netherlands. Related party transactions are conducted at arm's length with terms comparable to transactions with third parties.

For transactions with key management, refer to *Note 38 – Remuneration of the Executive Board and the Supervisory Board* and the *Remuneration Report*.

The group has no significant transactions or outstanding balances with its equity-accounted investees other than its equity-interest holdings.

Note 36 – Audit Fees

With reference to Section 2:382a (1) and (2) of the Dutch Civil Code, the following fees for the financial year have been charged by Deloitte Accountants B.V. to the company, its subsidiaries, and other consolidated entities. Deloitte is not involved in most of the statutory audits of operating companies that are outside the scope of the group audit.

Audit fees 2020

	Deloitte Accountants B.V.	Other Deloitte member firms and affiliates	Total Deloitte
Statutory audit of annual accounts	0.9	2.0	2.9
Other assurance services	0.1	0.1	0.2
Tax advisory services	–	0.0	0.0
Other non-audit services	–	–	0.0
Total	1.0	2.1	3.1

Audit fees 2019

	Deloitte Accountants B.V.	Other Deloitte member firms and affiliates	Total Deloitte
Statutory audit of annual accounts	0.8	2.3	3.1
Other assurance services	0.0	0.0	0.0
Tax advisory services	–	0.0	0.0
Other non-audit services	–	0.1	0.1
Total	0.8	2.4	3.2

The audit fees for 2020 and 2019 include final invoicing with respect to the statutory audits of 2019 and 2018, respectively.

Note 37 – Commitments, Contingent Assets, and Contingent Liabilities

Guarantees

The group has the following outstanding guarantees at December 31:

		2020	2019
Bank credit facilities		101	199
Parental performance guarantees to third parties		12	13
Guarantee to the trustees of the U.K. retirement plan	*Note 31*	20	21
Other guarantees (mainly real estate)		19	20
Royalty guarantees to health societies		3	4
Total		155	257

Of the guarantees issued for bank credit facilities on behalf of several subsidiaries, €1 million have been utilized (2019: €2 million).

Contingent assets

A part of the divestment-related consideration is contingent on future events. The related contingent asset amounted to a maximum of €3 million in total at December 31, 2020.

Legal and judicial proceedings

The group is involved in legal and judicial proceedings in the ordinary course of business. Provisions and contingencies relating to these matters are periodically assessed based upon the latest information available, usually with the assistance of lawyers and other specialists. While it is not practically possible to estimate the success-rate of claims against the group, the group has a policy to insure the operating units against such claims.

Other commitments

For any commitments with respect to the group's share buybacks, refer to *Note 33 – Capital and Reserves*.

Note 38 – Remuneration of the Executive Board and the Supervisory Board

Remuneration Executive Board

The table below provides the total compensation of the Executive Board recognized in the statement of profit or loss:

in thousands of euros	2020	2019
Fixed compensation:		
Salary	2,073	2,047
Social security	44	44
Contribution defined contribution plan	121	96
Other benefits	357	459
Total fixed compensation	2,595	2,646
Variable compensation:		
STIP	2,406	2,367
LTIP[1]	5,926	6,100
Total variable compensation	8,332	8,467
Subtotal fixed and variable compensation	10,927	11,113
Tax related costs	717	1,565
Total remuneration Executive Board	11,644	12,678

[1] LTIP share-based payments are based on IFRS accounting policies and therefore do not reflect the actual payout or value of performance shares released upon vesting.

Shares owned by Executive Board members

At December 31, 2020, the Executive Board jointly held 498,767 shares of the company (2019: 498,767 shares).

Remuneration Supervisory Board

The total remuneration of the Supervisory Board members was €673 thousand in 2020 (2019: €628 thousand).

Shares owned by Supervisory Board members

At December 31, 2020, none of the members of the Supervisory Board owned shares of the company (2019: none of the members owned shares).

For further details, refer to the *Remuneration Report*.

Note 39 – Overview of Significant Subsidiaries

Below is a list of significant subsidiaries at December 31, 2020, in alphabetical order (legal entity name and the division it belongs to). The group has a 100% interest in all these subsidiaries.

Australia
- Wolters Kluwer Australia Pty Limited (Tax & Accounting)

Belgium
- Wolters Kluwer Belgium NV (Tax & Accounting and Legal & Regulatory)
- Wolters Kluwer Financial Services Belgium NV (Governance, Risk & Compliance)

Canada
- Wolters Kluwer Canada Limited (Tax & Accounting)

France
- Enablon S.A.S. (Legal & Regulatory)
- Holding Wolters Kluwer France S.A.S. (Legal & Regulatory)
- Wolters Kluwer France S.A.S. (Legal & Regulatory)

Germany
- Wolters Kluwer Deutschland GmbH (Legal & Regulatory)
- Wolters Kluwer Software und Service GmbH (Tax & Accounting)

Ireland
- Wolters Kluwer Finance Ireland DAC (Corporate Office)
- Wolters Kluwer Ireland Holding Limited (Corporate Office)

Italy
- Tagetik Software S.r.l. (Tax & Accounting)
- Wolters Kluwer Italy S.r.l. (Tax & Accounting and Legal & Regulatory)

Luxembourg
- Wolters Kluwer Financial Services Luxembourg S.A. (Governance, Risk & Compliance)

Poland
- Wolters Kluwer Polska SP. z o.o. (Legal & Regulatory)

Spain
- Wolters Kluwer España S.A. (Tax & Accounting and Legal & Regulatory)

The Netherlands
- eVision Holding B.V. (Legal & Regulatory)
- eVision Industry Software B.V. (Legal & Regulatory)
- Wolters Kluwer Global Business Services B.V. (Global Business Services)
- Wolters Kluwer Holding Nederland B.V. (Legal & Regulatory)
- Wolters Kluwer International Holding B.V. (Corporate Office)
- Wolters Kluwer Nederland B.V. (Legal & Regulatory)
- Wolters Kluwer Technology B.V. (Digital eXperience Group)
- Wolters Kluwer USA Holding B.V. (Corporate Office)

United Kingdom
- Wolters Kluwer Holdings (UK) PLC (Tax & Accounting)
- Wolters Kluwer (UK) Limited (Tax & Accounting)

United States
- CCH Incorporated (Tax & Accounting and Legal & Regulatory)
- CCH Legal Information Services, Inc. (Governance, Risk & Compliance)
- C T Corporation System (Governance, Risk & Compliance)
- eOriginal, Inc. (Governance, Risk & Compliance)
- Emmi Solutions, LLC (Health)
- Health Language, Inc. (Health)
- LDI Operations, LLC (Health)
- National Registered Agents, Inc. (Governance, Risk & Compliance)
- Ovid Technologies, Inc. (Health)
- Universal Tax Systems, Inc. (Tax & Accounting)
- UpToDate, Inc. (Health)
- Wolters Kluwer Clinical Drug Information, Inc. (Health)
- Wolters Kluwer DXG U.S., Inc. (Digital eXperience Group)
- Wolters Kluwer ELM Solutions, Inc. (Governance, Risk & Compliance)
- Wolters Kluwer Financial Services, Inc. (Tax & Accounting and Governance, Risk & Compliance)
- Wolters Kluwer Health, Inc. (Health)
- Wolters Kluwer North America, Inc. (Corporate Office)
- Wolters Kluwer R&D U.S. LP (Digital eXperience Group)
- Wolters Kluwer United States, Inc. (Global Business Services and Corporate Office)
- Wolters Kluwer U.S. Corporation (Corporate Office)

In addition to these significant subsidiaries, the group has other consolidated entities in the countries listed, and also in the following countries: Austria, Brazil, China, Czech Republic, Denmark, Hong Kong, Hungary, India, Indonesia, Japan, Malaysia, Mexico, New Zealand, Norway, Portugal, Qatar, Romania, Russia, Singapore, Slovakia, South Africa, Sweden, Switzerland, and Ukraine.

The group also has branches in Finland, Saudi Arabia, South Korea, Taiwan, Thailand, and United Arab Emirates.

Apart from certain cash restrictions, (refer to *Note 26 – Cash and Cash Equivalents*), there are no significant restrictions on the group's ability to access or use assets, and to settle liabilities within these subsidiaries. There are no interests in consolidated structured entities.

Refer to *Note 8 – Acquisitions and Divestments* for the consequences of losing control of subsidiaries during 2020 and 2019.

The financial statements of the parent and the subsidiaries used in the preparation of the consolidated financial statements have the same reporting date.

Note 40 – Events after Balance Sheet Date

The following subsequent events were evaluated up to February 23, 2021, which is the date the consolidated financial statements were authorized for issuance by the Executive Board and the Supervisory Board:

On February 22, 2021, Wolters Kluwer Tax & Accounting agreed to combine certain Prosoft assets in Brazil with those of Alterdata Tecnologia em Informática Ltda, in exchange for an 11.7% interest in the newly combined entity. In 2020, Prosoft was fully consolidated and generated revenues of €10 million and had 210 employees. The transaction is subject to customary closing conditions. Upon completion, we expect to recognize an unrealized foreign exchange loss of approximately €27 million (non-cash) related to the devaluation of the Brazilian real against the euro.

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Statement of Profit or Loss of Wolters Kluwer N.V.

in millions of euros, for the year ended December 31		2020		2019	
General and administrative (costs)/income			78		55
Operating profit			78		55
Financing income third parties		8		11	
Financing income related parties		5		4	
Financing costs third parties		(52)		(72)	
Financing costs related parties		(4)		(9)	
Total financing results			(43)		(66)
Profit/(loss) before tax			35		(11)
Income tax expense			(28)		(24)
Profit/(loss) after tax			7		(35)
Results from subsidiaries, net of tax	*Note 42*		714		704
Profit for the year			721		669

Statement of Financial Position of Wolters Kluwer N.V.

in millions of euros and before appropriation of results, at December 31		2020		2019	
Non-current assets					
Financial assets	*Note 42*	6,838		6,862	
Deferred tax assets		12		15	
Total non-current assets			6,850		6,877
Current assets					
Other receivables	*Note 43*	202		215	
Cash and cash equivalents	*Note 44*	109		285	
Total current assets			311		500
Total assets			7,161		7,377
Equity					
Issued share capital	*Note 33*	32		33	
Share premium reserve		87		87	
Legal reserves		(118)		242	
Other reserves		1,365		1,349	
Undistributed profit		721		669	
Shareholders' equity	*Note 47*		2,087		2,380
Non-current liabilities					
Bonds	*Note 29*	2,126		1,629	
Private placements	*Note 29*	157		163	
Derivative financial instruments	*Note 29*	8		–	
Total non-current liabilities			2,291		1,792
Current liabilities					
Short-term private placements	*Note 29*	–		250	
Trade and other payables	*Note 45*	2,783		2,955	
Total current liabilities			2,783		3,205
Total liabilities			5,074		4,997
Total equity and liabilities			7,161		7,377

Notes to the Company Financial Statements

Note 41 – Significant Accounting Policies

General
Unless otherwise indicated, the amounts in these financial statements are in millions of euros.

Accounting policies
The company financial statements of Wolters Kluwer N.V. are prepared in accordance with the Dutch Civil Code, Book 2, Title 9, with the application of the regulations of section 362.8 allowing the use of the same accounting policies as applied for the consolidated financial statements. These accounting policies are described in the *Notes to the Consolidated Financial Statements*.

Subsidiaries are valued using the equity method, applying the IFRS accounting policies as endorsed by the European Union.

The company will, upon identification of a credit loss on an intercompany loan and/or receivable, eliminate the carrying amount of the intercompany loan and/or receivable for the value of the identified credit loss.

Any related party transactions between Wolters Kluwer N.V. and the subsidiaries, associates, investments, or with members of the Supervisory Board and the Executive Board are conducted at arm's length with terms comparable to transactions with third parties.

For the following disclosures reference is made to the notes to the consolidated financial statements:
- *Note 29 – Long-term Debt;*
- *Note 33 – Capital and Reserves;*
- *Note 34 – Share-based Payments;*
- *Note 35 – Related Party Transactions;*
- *Note 38 – Remuneration of the Executive Board and the Supervisory Board;*
- *Note 39 – Overview of Significant Subsidiaries; and*
- *Note 40 – Events after Balance Sheet Date.*

Comparatives
Certain immaterial reclassifications have been made to the comparative statement of financial position and the related notes to conform to the current year presentation and to improve insights. These reclassifications have had no impact on the comparative shareholders' equity and comparative profit for the year.

Note 42 – Financial Assets

		2020	2019
Equity value of subsidiaries		6,838	6,846
Derivative financial instruments	*Note 29*	–	16
Total		6,838	6,862

Movement equity value of subsidiaries

	2020	2019
Position at January 1	6,846	6,161
Results from subsidiaries, net of tax	714	704
Dividends received from subsidiaries	(374)	(97)
Remeasurement gains/(losses) on defined benefit plans, net of tax	0	7
Foreign exchange differences	(348)	71
Position at December 31	6,838	6,846

Note 43 – Other Receivables

		2020	2019
Receivables from subsidiaries		195	209
Derivative financial instruments	*Note 29*	0	2
Current income tax assets		0	2
Miscellaneous receivables and prepayments		7	2
Total		202	215

Note 44 – Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances and on demand deposits that are readily convertible into cash. There is no restricted cash.

Note 45 – Trade and Other Payables

	2020	2019
Debts to subsidiaries	2,283	2,246
Euro Commercial Paper program	100	200
Bank overdrafts	350	458
Interest payable	35	32
Other liabilities	15	19
Total	2,783	2,955

Note 46 – Personnel Expenses

		2020	2019
Salaries and wages		29	30
Social security charges		2	4
Costs of defined contribution plans		0	0
Expenses related to defined benefit plans		1	1
Equity-settled share-based payment transactions	*Note 34*	24	25
Total		56	60
Employees			
In full-time equivalents at December 31		139	152
Thereof employed outside the Netherlands		20	39
In full-time equivalents average per annum*		138	152

* Average full-time equivalents per annum include temporary help and contractors, whereas full-time equivalents at December 31 only relate to staff on the payroll of the company.

Note 47 – Shareholders' Equity

			Legal reserves			Other reserves			
	Issued share capital	Share premium reserve	Legal reserve participations	Hedge reserve	Translation reserve	Treasury shares	Retained earnings	Undistributed profit	Shareholders' equity
Balance at January 1, 2019	34	87	134	(113)	161	(323)	1,618	656	2,254
Items that are or may be reclassified subsequently to the statement of profit or loss:									
Exchange differences on translation of foreign operations					71				71
Exchange differences on translation of equity-accounted investees					0				0
Net gains/(losses) on hedges of net investments in foreign operations				(9)					(9)
Effective portion of changes in fair value of cash flow hedges				(4)					(4)
Net change in fair value of cash flow hedges reclassified to the statement of profit or loss				(5)					(5)
Items that will not be reclassified to the statement of profit or loss:									
Remeasurements on defined benefit plans							8		8
Tax on other comprehensive income:									
Income tax on other comprehensive income				2	0		(2)		0
Other comprehensive income for the year, net of tax				(16)	71		6		61
Profit for the year								669	669
Total comprehensive income for the year				(16)	71		6	669	730
Appropriation of profit previous year							656	(656)	0
Transactions with owners of the company, recognized directly in equity:									
Share-based payments							25		25
Cancellation of shares	(1)					343	(342)		0
Release LTIP shares						51	(51)		0
Final cash dividend 2018							(174)		(174)
Interim cash dividend 2019							(105)		(105)
Repurchased shares						(350)			(350)
Other movements			5		0		(5)		0
Balance at December 31, 2019	33	87	139	(129)	232	(279)	1,628	669	2,380

			Legal reserves			**Other reserves**			
	Issued share capital	Share premium reserve	Legal reserve participations	Hedge reserve	Translation reserve	Treasury shares	Retained earnings	Undistributed profit	Shareholders' equity
Balance at January 1, 2020	33	87	139	(129)	232	(279)	1,628	669	2,380
Items that are or may be reclassified subsequently to the statement of profit or loss:									
Exchange differences on translation of foreign operations					(348)				(348)
Exchange differences on translation of equity-accounted investees					0				0
Net gains/(losses) on hedges of net investments in foreign operations				11					11
Effective portion of changes in fair value of cash flow hedges				(24)					(24)
Net change in fair value of cash flow hedges reclassified to the statement of profit or loss				6					6
Items that will not be reclassified to the statement of profit or loss:									
Remeasurements on defined benefit plans							0		0
Tax on other comprehensive income:									
Income tax on other comprehensive income				1	0		0		1
Other comprehensive income/(loss) for the year, net of tax				(6)	(348)		0		(354)
Profit for the year								721	721
Total comprehensive income for the year				(6)	(348)		0	721	367
Appropriation of profit previous year							669	(669)	0
Transactions with owners of the company, recognized directly in equity:									
Share-based payments							24		24
Cancellation of shares	(1)					346	(345)		0
Release LTIP shares						61	(61)		0
Final cash dividend 2019							(210)		(210)
Interim cash dividend 2020							(124)		(124)
Repurchased shares						(350)			(350)
Other movements			(6)		0		6		0
Balance at December 31, 2020	32	87	133	(135)	(116)	(222)	1,587	721	2,087

The legal reserves and treasury shares reserve are not available for dividend distribution to the owners of the company.

Note 48 – Commitments and Contingent Liabilities

Guarantees
Pursuant to section 403 of the Dutch Civil Code, Book 2, the company has assumed joint and several liability for the debts arising out of the legal acts of several subsidiaries in the Netherlands. The relevant declarations have been filed with and are open for inspection at the Dutch Commercial Register for the district in which the legal entity respective to the liability has its registered office.

The company has the following outstanding guarantees at December 31:

	2020	2019
Bank credit facilities	101	199
Parental performance guarantees to third parties	12	13
Guarantee to the trustees of the U.K. retirement plan	20	21
Total guarantees outstanding	133	233

Of the guarantees issued for the bank credit facilities on behalf of several subsidiaries, €1 million have been utilized (2019: €2 million).

At December 31, 2020, share buybacks have not yet been executed for an amount of €50 million under the existing mandate.

The company forms part of a Dutch fiscal unity and pursuant to standard conditions has assumed joint and several liability for the tax liabilities of the fiscal unity.

Note 49 – Details of Participating Interests

A list of subsidiaries and affiliated companies, prepared in accordance with the relevant legal requirements (Dutch Civil Code, Book 2, Part 9, Section 379) is filed at the offices of the Chamber of Commerce of The Hague, the Netherlands.

An overview of significant subsidiaries is included in *Note 39 – Overview of Significant Subsidiaries*.

Note 50 – Profit Appropriation

	2020	2019
Proposed cash distribution	357	315

At the 2021 Annual General Meeting of Shareholders, the company will propose a final dividend distribution of €0.89 per share, to be paid in cash on May 19, 2021. This will bring the total dividend for 2020 to €1.36 per share (2019: €1.18 per share), an increase of 15% over the prior year.

Authorization for Issuance

Alphen aan den Rijn, February 23, 2021

Executive Board
N. McKinstry, CEO and Chairman of the Executive Board
K.B. Entricken, CFO and Member of the Executive Board

Supervisory Board
F.J.G.M. Cremers, Chairman
A.E. Ziegler, Vice-Chairman
B.J.F. Bodson
J.A. Horan
J.P. de Kreij
C.F.H.H. Vogelzang
S. Vandebroek

Other Information on the Financial Statements

Independent Auditor's Report

To the shareholders and the Supervisory Board of Wolters Kluwer N.V.

Report on the audit of the financial statements for the year ended December 31, 2020, included in the 2020 Annual Report.

Our opinion

We have audited the accompanying financial statements for the year ended December 31, 2020, of Wolters Kluwer N.V., based in Alphen aan den Rijn, the Netherlands. The financial statements include the consolidated financial statements and the company financial statements as set out on pages 96 to 200 of the annual report.

In our opinion:
- The accompanying consolidated financial statements give a true and fair view of the financial position of Wolters Kluwer N.V. as at December 31, 2020, and of its result and its cash flows for the year ended December 31, 2020, in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and with Part 9 of Book 2 of the Dutch Civil Code; and
- The accompanying company financial statements give a true and fair view of the financial position of Wolters Kluwer N.V. as at December 31, 2020, and of its result for the year ended December 31, 2020, in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The consolidated financial statements comprise:
1. The consolidated statement of financial position as at December 31, 2020;
2. The following statements for the year ended December 31, 2020: the consolidated statement of profit or loss, the consolidated statements of comprehensive income, changes in total equity, and cash flows; and
3. The notes comprising a summary of the significant accounting policies and other explanatory information.

The company financial statements comprise:
1. The company statement of financial position as at December 31, 2020;
2. The company statement of profit or loss for the year ended December 31, 2020; and
3. The notes to the company financial statements comprising a summary of the significant accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the *Our responsibilities for the audit of the financial statements* section of our report.
We are independent of Wolters Kluwer N.V. in accordance with the EU Regulation on specific requirements regarding statutory audit of public-interest entities, the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence), and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).
We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Materiality
Based on our professional judgment, we determined the materiality for the financial statements as a whole at €50 million (2019: €50 million). The materiality is based on 5.3% of profit before tax (2019: 5.8%). We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

Materiality overview

Materiality for the financial statements as a whole	€50 million
Basis for materiality	5.3% of profit before tax
Threshold for reporting misstatements	€2.5 million

Audits of the group entities (components) were performed using materiality levels determined by the judgment of the group engagement team, considering the materiality for the consolidated financial statements as a whole and the reporting structure within the group. For the significant components, the audits are performed using a materiality level of €19.25 million (2019: €19.25 million). For the other components, the materiality levels are in the range of €10.5 million to €17.5 million (2019: €8.75 million to €17.5 million).

We agreed with the Supervisory Board that misstatements in excess of €2.5 million, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the group audit

Wolters Kluwer N.V. is at the head of a group of entities. The financial information of this group is included in the consolidated financial statements of Wolters Kluwer N.V. Our group audit mainly focused on significant group entities. Our assessment of entities that are significant to the group was done as part of our audit planning and was aimed to obtain sufficient coverage of the risks of material misstatement for significant account balances, classes of transactions, and disclosures that we have identified. In addition, we considered qualitative factors as part of our assessment. In establishing the overall group audit strategy and plan, we determined the type of work that needed to be performed at the components by the group engagement team and by component auditors. We responded to changes relevant to the group in 2020 in determining the components in our scope and the nature of procedures to be performed. Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those components to be able to conclude whether sufficient and appropriate audit evidence had been obtained as a basis for our opinion on the financial statements as a whole. All except for two component auditors are Deloitte member firms. The group engagement team directed the planning, reviewed the work performed by component auditors (in North America, Italy and Belgium), and assessed and discussed the results and findings with the component auditors. Due to the COVID-19 pandemic, we were not able to execute the tentatively planned visits to group entities. Consequently, we revised our strategy for the direction and supervision of the component auditors. The group engagement team held multiple virtual meetings with all the individual component auditors, and management of the relevant group entities, and participated at a minimum in the component auditor closing calls. For selected component auditors, remote file reviews were conducted to evaluate the work undertaken and to assess their findings.

The group consolidation, financial statement disclosures, and a number of central accounting and/or reporting items were audited by the group engagement team. These items include impairment testing on goodwill and acquired identifiable intangible assets, the acquisition and divestment of certain assets and businesses, group accounting for current and deferred income taxes, share-based payments, and certain critical accounting positions subject to management estimates. Specialists were involved amongst others in the areas of information technology, accounting and reporting, pensions, forensic, and valuation.

As part of our year-end audit procedures, we have considered our assessment of significant group entities in order to ensure we have obtained appropriate coverage of the risks of material misstatement for significant account balances, classes of transactions, and disclosures that we have identified.

In summary, the group engagement team has:
- performed procedures at a group level on the centralized key audit matters;
- performed audit procedures at Wolters Kluwer N.V. company-only;
- used the work of Deloitte component auditors, or performed specific audit procedures ourselves, when auditing the components in the Netherlands (5), Europe (9), and North America (10) and used the work of non-Deloitte component auditors in Europe (1) and the Netherlands (1); and
- performed analytical procedures at group level on the other group entities.

The group entities subject to full-scope audits and audits of specified account balances and classes of transactions comprise approximately 81% of consolidated revenues and approximately 90% of consolidated total assets. For the remaining entities, we performed a combination of specific audit procedures and analytical procedures at group level relating to the risks of material misstatement for significant account balances, classes of transactions, and disclosures that we have identified.

Audit coverage

Audit coverage of consolidated revenues	81%
Audit coverage of consolidated total assets	90%

By performing the procedures mentioned above at group entities, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion on the consolidated financial statements.

Scope of fraud and non-compliance with laws and regulations

In accordance with Dutch Standards on Auditing, we are responsible for obtaining reasonable assurance that the financial statements taken as a whole are free from material misstatements, whether due to fraud or error. Non-compliance with law and regulation may result in fines, litigation, or other consequences for the group that may have a material effect on the financial statements.

Consideration of fraud

In identifying potential risks of material misstatements due to fraud, we obtained an understanding of the group and its environment, including the entity's internal controls. We evaluated the group's fraud risk assessment and made inquiries with management, those charged with governance and others within the group, including but not limited to the Corporate Risk Committee and Internal Control department. We evaluated several fraud risk factors to consider whether those factors indicated a risk of material misstatement due to fraud. We involved our forensic specialists in our risk assessment and in determining the audit responses.

Following these procedures, and the presumed risk under the prevailing auditing standards, we considered the fraud risks in relation to management override of controls, including evaluating whether there was evidence of bias by the Executive Board, the executive leadership team, and other members of management, which may represent a risk of material misstatement due to fraud.

As part of our audit procedures to respond to these fraud risks, we evaluated the design and implemenation and, where considered appropriate, tested the operating effectiveness of the internal controls relevant to mitigate these risks. We performed substantive audit procedures, including detail testing of journal entries and supporting documentation in relation to post-closing adjustments. Data analytics, including analyses for high risk journals, are part of our audit approach to address fraud risks, which could have a material impact on the financial statements. The procedures prescribed are in line with the applicable auditing standards and are not primarily designed to detect fraud.

We refer to the audit procedures as described in the separate section *Our key audit matters* below in addressing fraud risks in connection with revenue recognition and potential management override on specific estimates, such as those applied in the valuation of goodwill and acquired identifiable intangible assets.

Consideration of laws and regulations

We assessed the laws and regulations relevant to the group through discussions with management, reading minutes and reports of internal audit, and inspection of selected documents regarding compliance with laws and regulations. We involved our forensic specialist in this evaluation.

As a result of our risk assessment procedures, and while realizing that the effects from non-compliance could considerably vary, we considered the following laws and regulations: adherence to (corporate) tax law and financial reporting regulations, the requirements under the International Financial Reporting Standards as adopted by the European Union (IFRS-EU), and Part 9 of Book 2 of the Dutch Civil Code with a direct effect on the financial statements as an integrated part of our audit procedures, to the extent material for the related financial statements.

Apart from these, the group is subject to other laws and regulations where the consequences of non-compliance could have a material effect on amounts and/or disclosures in the financial statements, for instance through imposing fines or litigation. Given the nature of the group's business and the complexity of the laws and regulations, we considered data and privacy legislation. In addition, we considered certain laws and regulations applicable to listed companies.

Our procedures are more limited with respect to these laws and regulations that do not have a direct effect on the determination of the amounts and disclosures in the financial statements. Compliance with these laws and regulations may be fundamental to the operating aspects of the business, the group's ability to continue its business, or to avoid material penalties (e.g., compliance with the terms of licenses, permits, or intellectual property rights) and therefore non-compliance with such laws and regulations may have a material effect on the financial statements. Our responsibility is limited to undertaking specified audit procedures to help identify non-compliance with those laws and regulations that may have a material effect on the financial statements. Our procedures are limited to (i) inquiry of management, the Supervisory Board, the Executive Board, and others within the group as to whether the group is in compliance with such laws and regulations and (ii) inspecting correspondence, if any, with the relevant licensing or regulatory authorities to help identify non-compliance with those laws and regulations that may have a material effect on the financial statements.

Naturally, we remained alert to indications of (suspected) non-compliance throughout the audit.
Finally, we obtained written representations that all known instances of (suspected) fraud or non-compliance with laws and regulations have been disclosed to us.

Because of the characteristics of fraud, particularly when it involves sophisticated and carefully organized schemes to conceal it, such as forgery, intentional omissions, misrepresentation, and collusion, an unavoidable risk remains that we may not detect all fraud during our audit.

Our key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the Supervisory Board. The key audit matters are not a comprehensive reflection of all matters discussed.

Management evaluated the impact of the COVID-19 pandemic on the group's business in *Note 3*. We assessed the impact of COVID-19 on our audit approach. For our specific considerations on our group audit, refer to *Scope of the group audit* above. Our specific considerations related to the valuation of acquired identifiable intangible assets and internal controls over financial reporting are included in the respective key audit matters below. In 2020, we considered the accounting for complex current and deferred income taxes (including uncertain tax positions) no longer a key audit matter, since there were no significant changes to the group's structure and/or its corporate income tax positions.

The key audit matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How the key audit matter was addressed in the audit
Valuation of goodwill and acquired identifiable intangible assets The group has €3,969 million of goodwill and €1,118 million of acquired identifiable intangible assets (December 31, 2019: €3,990 million and €1,130 million respectively), as disclosed in *Note 18*. Goodwill and acquired identifiable intangible assets represent 61% (2019: 58%) of total assets and 244% (2019: 215%) of total equity. Goodwill is subject to an annual impairment test. The value-in-use of goodwill and acquired identifiable intangible assets is dependent on expected future cash flows from the underlying group of Cash Generating Units (CGUs) for goodwill and individual CGUs for acquired identifiable intangible assets. The impairment assessment prepared by management includes a variety of internal and external factors, which represents significant estimates that require the use of valuation models and a significant level of management judgment, potentially subject to management override, particularly the assumptions related to the weighted average cost of capital, the perpetual growth rates, and the adjusting operating profit margin. At the end of the interim reporting period, management performed a triggering event analysis, also including the impact of the COVID-19 pandemic, for its assets, including goodwill and acquired identifiable intangible assets. For acquired identifiable intangible assets in one individual CGU in the Health operating segment, triggers for impairment were identified. The impairment test performed did not result in any impairment adjustment. For goodwill, an annual impairment test was performed. Both the annual impairment test for goodwill and the impairment triggering event assessment for the acquired identifiable intangible assets did not result in impairments. The sensitivity analysis has been disclosed in *Note 18*.	We obtained an understanding of the process in place and identified controls in the impairment assessment of the group for goodwill and acquired identifiable intangible assets as a basis for our mainly substantive audit approach. We obtained management's impairment assessment and have evaluated the impairment test models. We involved valuation specialists to assess the models used and the key assumptions applied as outlined in *Note 18*. Our valuation specialists assisted us specifically in challenging the weighted average cost of capital, the perpetual growth rates, and other rates applied by benchmarking against independent data and peers in the industry. We challenged management's key assumptions used for cash flow projections (including adjusted operating profit margins), weighted average cost of capital, and perpetual growth rates. We compared rates in use with historical trends and external data and performed sensitivity analyses. We reconciled forecasted cash flows per group of CGUs to authorized budgets and obtained an understanding how these budgets were compiled. For one CGU in the Health operating segment, where impairment triggers were identified for acquired identifiable intangible assets, these procedures were performed for the individual CGU. We also evaluated the adequacy of the disclosures provided by the group in *Note 18* in relation to its impairment assessment. ***Observations*** We did not identify any reportable matters in management's valuation of goodwill and acquired identifiable intangible assets, and the corresponding disclosures included in *Note 18*.

Key audit matter	How the key audit matter was addressed in the audit
Revenue recognition Revenue (transactions) may be subject to manual adjustments outside the fulfillment systems. There is a risk of material misstatement that these revenue adjustments are based on non-valid, inaccurate, and improper period allocation manual journal entries. The group's revenue recognition policies are disclosed in *Note 6*. Significant complex new and/or amended revenue arrangements may also require careful consideration and judgment in determining the correct revenue recognition pattern in accordance with IFRS 15. For such contracts, the group may fail to defer revenue recognition, or allocate the incorrect selling price to the different elements in the arrangements, in accordance with IFRS 15 requirements resulting in inaccurate and improper revenue recognition. Our risk assessment in connection with revenue recognition did not change, since the overall product portfolio of the group remained materially unchanged as compared to the prior year.	Component auditors were involved in performing audit procedures on the identified risk on revenue recognition. The revenue recognition audit procedures performed on existing contracts were focused on manual adjustments, which could impact the accuracy, occurrence, and cut-off of recorded revenue, especially around period-end. We obtained an understanding of the revenue processes, and tested design and implementation of controls in place, including segregation of duties, relevant to our audit. Manual entries to revenue recorded were challenged with authorized source documents such as the underlying contract, customer acceptance form, and/or third-party delivery confirmation. The recognition of revenue, contract assets, and contract liabilities, including deferred income, was challenged with the underlying contract, customer acceptance form, and/or third-party delivery confirmation. We evaluated proper allocation of the contract value to the different performance obligations and evaluated the revenue recognition patterns applied, in accordance with IFRS 15. We also evaluated the adequacy of the disclosures provided by the group in *Note 6*. ***Observations*** Based on our procedures performed, we did not identify any reportable matters in manual adjustments to revenue, significant new and/or amended revenue arrangements, and corresponding disclosures included in *Note 6.*
Internal controls over financial reporting The group has its businesses in a large number of countries and locations. The group operates various IT systems, processes, and procedures locally that are important for the continuity of its business operations and for the reliability of its financial reporting. In addition, the group is exposed to IT-related risks and cyber threats that could affect their IT infrastructure and system availability, applications, and company and customer data. As a result of the COVID-19 pandemic, substantially all of the group's employees have been working remotely since March 2020. Local Internal Control officers were involved in evaluating the implications on a day-to-day basis.	We have considered the group's internal controls over financial reporting as a basis for designing and performing the audit activities that are deemed appropriate for our audit. We are, however, not required to perform an audit on internal controls over financial reporting and accordingly we do not express an opinion on the effectiveness of the group's controls over financial reporting. We have tailored our audit procedures to the diverse (local) IT landscapes and the implemented internal controls. We have included specialized IT auditors in our audit teams to test the reliability and continuity of the automated data processing, solely to the extent necessary within the scope of the financial statements audit. Where relevant to the audit, we have tested the operating effectiveness of (IT) controls and performed additional audit procedures. We also instructed our local audit teams to pay specific attention to the effectiveness of controls during the COVID-19 pandemic. We refer to section *Risk management* of the annual report, where the Internal Control Framework for financial reporting is described. ***Observations*** The impact of the COVID-19 pandemic on the remote execution of controls appears limited, since many controls were already executed digitally. We have reported our observations on internal controls over financial reporting to the Audit Committee and have performed additional audit procedures, where deemed needed, with satisfactory results.

Key audit matter	How the key audit matter was addressed in the audit
Purchase price allocation for significant new business combinations During the year ended December 31, 2020, the group completed a number of business combinations as detailed in *Note 8*. The most significant business combinations were XCM and eOriginal for a purchase consideration (net of cash acquired) of €137 million and €244 million, respectively. No deferred or contingent considerations have been agreed for either of the transactions. The group assessed, with the assistance of third-party valuation specialists, the fair value of acquired identifiable intangible assets and liabilities assumed in the acquirees. This assessment also included the determination of the purchase price. The purchase price allocations for the business combinations are not yet completed per December 31, 2020. In 2021, within the measurement period, management may retrospectively adjust the provisional amounts included in the December 31, 2020, financial statements. The determination and recognition of the fair value of the acquired identifiable intangible assets require significant management judgment. The critical accounting judgments with respect to the identification, recognition, and measurement of acquired identifiable intangible assets are disclosed in *Note 8*. Further information with respect to completed and preliminary purchase price allocations is described in *Note 8*.	We have considered the main processes and procedures in place at the group for business combinations and tested design and implementation of controls relevant to our audit. We assessed and evaluated for material business combinations the share purchase agreements and challenged the purchase price allocations conducted by management with the assistance of third-party valuation specialists. Our audit procedures included the involvement of internal valuation specialists to assess the appropriateness of the methodology applied by management in allocating the purchase price and determining the fair value of acquired identifiable intangible assets and other assets acquired and liabilities assumed. Key assumptions challenged were the discount rates, (terminal) growth rates, cash flow projections, and useful lives assigned. We also assessed the completeness of the fair value adjustments recognized by reading, amongst others, sale and purchase agreements, board papers, and due diligence reports. We evaluated whether material adjustments are expected from completing the purchase price allocations of XCM and eOriginal by performing a sensitivity analysis. We also evaluated the adequacy of the disclosures provided by the group in *Note 8* in relation to business combinations completed during the year. ***Observations*** We did not identify any reportable matters in management's allocation of the purchase price for significant new business combinations, and the corresponding disclosures included in *Note 8*.

Report on the other information included in the Annual Report 2020

In addition to the financial statements and our auditor's report thereon, the annual report 2020 contains other information that consists of:
- Report of the Executive Board;
- Report of the Supervisory Board;
- Corporate Governance and Risk Management; and
- Other Information as required by Part 9 of Book 2 of the Dutch Civil Code.

Based on the following procedures performed, we conclude that the other information:
- Is consistent with the financial statements and does not contain material misstatements.
- Contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard on Auditing 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the other information, including the Report of the Executive Board in accordance with Part 9 of Book 2 of the Dutch Civil Code, and the other information as required by Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Engagement
We were appointed by the General Meeting of Shareholders as auditor of Wolters Kluwer N.V. on April 23, 2014, for the audit of the financial year 2015 and have operated as statutory auditor ever since that financial year. In the General Meeting of Shareholders on April 19, 2018, we were re-appointed for a period of four years for the financial years 2019 through 2022.

No prohibited non-audit services
We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audit of public-interest entities.

Description of responsibilities regarding the financial statements

Responsibilities of management for the financial statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS-EU and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the group's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the group or to cease operations or has no realistic alternative but to do so.

Management should disclose events and circumstances that may cast significant doubt on the group's ability to continue as a going concern in the financial statements.
The Supervisory Board is responsible for overseeing the group's financial reporting process.

Our responsibilities for the audit of the financial statements
Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing, and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgement and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements, and independence requirements. Our audit included e.g.:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.
- Evaluating the overall presentation, structure, and content of the financial statements, including the disclosures.
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising, and performing the group audit. In this respect, we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identified during our audit. In this respect we also submit an additional report to the Audit Committee in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide the Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Supervisory Board, we determine the key audit matters: those matters that were of most significance in the audit of the financial statements. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Amsterdam, February 23, 2021
Deloitte Accountants B.V.
B.E. Savert

Articles of Association Provisions Governing Profit Appropriation

Article 29 of the Articles of Association

Paragraph 1

From the profit as it appears on the annual accounts adopted by the General Meeting, a dividend shall be distributed on the preference shares, whose percentage – calculated on the paid part of the nominal amount – is equal to that of the average of the interest rate on Basis Refinancing Transactions (Refi interest of the European Central Bank). These are weighted according to the number of days over which this rate of interest applies during the financial year over which the dividend was paid, increased by a debit interest rate to be determined by the large Dutch banks and also increased by a margin determined by the Executive Board and approved by the Supervisory Board of one percentage point (1%) minimum and four percentage points (4%) maximum. The dividend on the preference shares shall be calculated on an annual basis on the paid part of the nominal amount. If in any financial year the distribution referred to in the first full sentence cannot be made or can only be made in part because the profits are not sufficient, the deficiency shall be distributed from the distributable part of the company's equity. No further dividend shall be distributed on the preference shares.

Paragraph 2

Subsequently such allocations to reserves shall be made as the Executive Board shall determine, subject to the approval of the Supervisory Board.

Paragraph 3

Any balance remaining after that shall be distributed at the disposal of the General Meeting of Shareholders.

Paragraph 5

Distribution of profit shall be made after adoption of the annual accounts showing that it is permitted.

Paragraph 6

Subject to approval of the Supervisory Board, the Executive Board may resolve on distribution of interim dividend, provided the requirements of paragraph 4 have been met, according to an interim statement of assets and liabilities. It shall relate to the position of the assets and liabilities no earlier than on the first day of the third month before the month in which the resolution on distribution of interim dividend is made known. It shall be drawn up with observance of valuation methods considered generally acceptable. The statement of assets and liabilities shall include the amounts to be reserved by virtue of the law. It shall be signed by the Members of the Executive Board; if the signature of one or more of them is lacking this shall be stated with reasons. The statement of assets and liabilities shall be deposited at the office of the Commercial Register within eight days after the day on which the resolution on distribution is made known.

Paragraph 7

If a loss is suffered for any year, that loss shall be transferred to a new account for set-off against future profits, and for that year no dividend shall be distributed. Based on the proposal of the Executive Board that has been approved by the Supervisory Board, the General Meeting of Shareholders may resolve, however, to delete such a loss by writing it off on a reserve that need not be maintained, according to the law.

Article 30 of the Articles of Association

Paragraph 1

On the proposal of the Executive Board that has been approved by the Supervisory Board, the General Meeting of Shareholders may resolve that a distribution of dividend on ordinary shares shall be made entirely or partially not in money but in ordinary shares in the capital of the company.

Paragraph 2

On the proposal of the Executive Board that has been approved by the Supervisory Board, the General Meeting of Shareholders may resolve on distributions in money or in the manner as referred to in Paragraph 1 to holders of ordinary shares against one or more reserves that need not be maintained under the law.

Other Information

Report of the Wolters Kluwer Preference Shares Foundation

Activities
The Board of the Wolters Kluwer Preference Shares Foundation met once in 2020. Due to COVID-19, the meeting was virtual. The matters discussed included the company's results, the execution of the strategy, the impact of COVID-19, the financing of the company, acquisitions and divestments, developments in the market, and the general course of events at Wolters Kluwer. Representatives of the Executive Board of the company, the Chairman of the Supervisory Board, and corporate staff attended the meeting to give the Board of the Foundation information about the developments within Wolters Kluwer.

The Board of the Foundation also followed developments of the company outside of board meetings, among other through receipt by the board members of press releases. As a result, the Board of the Foundation has a good view on the course of events at Wolters Kluwer. The Board of the Foundation also closely monitored the developments with respect to corporate governance and relevant Dutch legislation and discussed that topic during the meeting. Furthermore, the financing of the Foundation and the composition of the Board of the Foundation were discussed. The Foundation acquired no preference shares during the year under review.

Exercise of the preference shares option
Wolters Kluwer N.V. and the Foundation have concluded an agreement based on which preference shares can be taken by the Foundation. This option on preference shares is at present a measure that could be considered as a potential protection at Wolters Kluwer against exercising influence by a third party on the policy of the company without the consent of the Executive Board and the Supervisory Board, including events that could threaten the strategy, continuity, independence, identity, or coherence between the activities of the company. The Foundation is entitled to exercise the option on preference shares in such a way that the number of preference shares taken will be no more than 100% of the number of issued and outstanding ordinary shares at the time of exercise. Among other things by the exercise of the option on the preference shares by the Foundation, the Executive Board and the Supervisory Board will have the possibility to determine their position with respect to, for example, a party making a bid on the shares of Wolters Kluwer N.V., and its plans, or with respect to a third party that otherwise wishes to exercise decisive influence, and enables the boards to examine and implement alternatives.

Composition of the Board of the Wolters Kluwer Preference Shares Foundation
The composition of the Board remained unchanged in 2020.

The Foundation is a legal entity that is independent from the company as stipulated in clause 5:71 (1) sub c of the Dutch Act on Financial Supervision (Wet op het financieel toezicht). All members of the Board of the Foundation are independent from the company.

Alphen aan den Rijn, February 23, 2021

Board of Wolters Kluwer Preference Shares Foundation
R.P. Voogd, Chairman
P. Bouw, Vice-Chairman
J.H.M. Lindenbergh
J.S.T. Tiemstra

Wolters Kluwer Shares and Bonds

Additional information regarding Wolters Kluwer shares and bonds is provided in this chapter.

Ordinary shares and ADRs

Wolters Kluwer N.V. ordinary shares are listed on Euronext Amsterdam under the symbol WKL. Alternative trading venues include Chi-X Exchange, BATS Europe, Turquoise MTF, and others. During 2020, the average daily trading volume of Wolters Kluwer shares on Euronext Amsterdam was 677,347 shares (2019: 642,783), according to Euronext.

American Depositary Receipt (ADR) program

Wolters Kluwer has a sponsored Level I American Depositary Receipt (ADR) program. Each Wolters Kluwer ADR represents one ordinary share (ADR ratio 1:1). The ADRs are denominated in U.S. dollars and are traded on the over-the-counter (OTC) securities market in the U.S. The ADRs receive the same dividends as the ordinary shares converted into U.S. dollars at the prevailing €/$ exchange rate. For more information contact our ADR depositary bank: Deutsche Bank Trust Company Americas, c/o American Stock Transfer & Trust Company, Peck Slip Station, P.O. Box 2050 New York, N.Y. 10272-2050, United States or visit www.adr.db.com.

Securities codes and ticker symbols

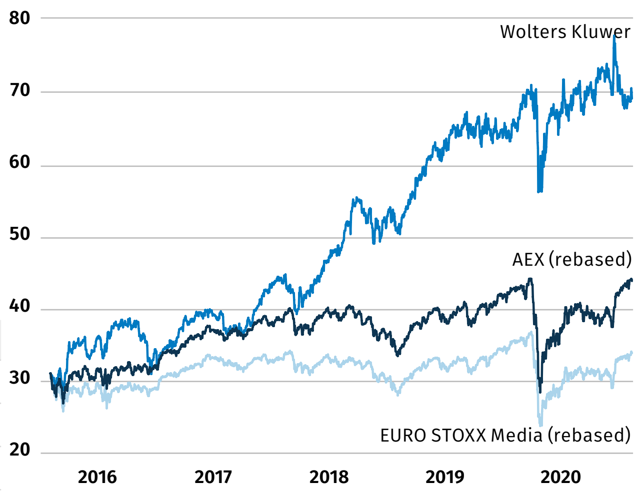
System	**Ordinary shares**	**ADRs**
ISIN	NL0000395903	US9778742059
Sedol	5671519	2977049
Bloomberg	WKL:NA	WTKWY:US
Reuters RIC	WLSNc.AS	WTKWY
CUSIP	-	977874205
Exchange	Euronext	Over-the-counter (OTC)

Share price performance

After recovering from the COVID-19 stock market correction in early March, Wolters Kluwer shares ended the year 2020 up 6%, closing the year at €69.06. Over the five-year period ending December 31, 2020, Wolters Kluwer shares have increased by 123%, significantly outperforming the Amsterdam AEX index and the EURO STOXX 600, which increased 41% and 9%, respectively, over the same period. The ADRs (quoted in U.S. dollars) appreciated 151% over this five-year period, significantly outperforming the S&P 500, which rose 84% over that time frame.

Five-year share price performance 2016-2020

€



Source: Nasdaq/FactSet data. Indices rebased to Wolters Kluwer share price.

Dividend policy and dividend proposal

Dividend policy

For more than 30 years, Wolters Kluwer has increased or maintained its annual dividend per share in euros (or euro equivalent). In 2007, the company established a progressive dividend policy. Since 2011, all dividends are paid in cash following the termination of the stock dividend. In 2015, we introduced an interim dividend payment, aligning cash distributions closer to our seasonal cash flow pattern.

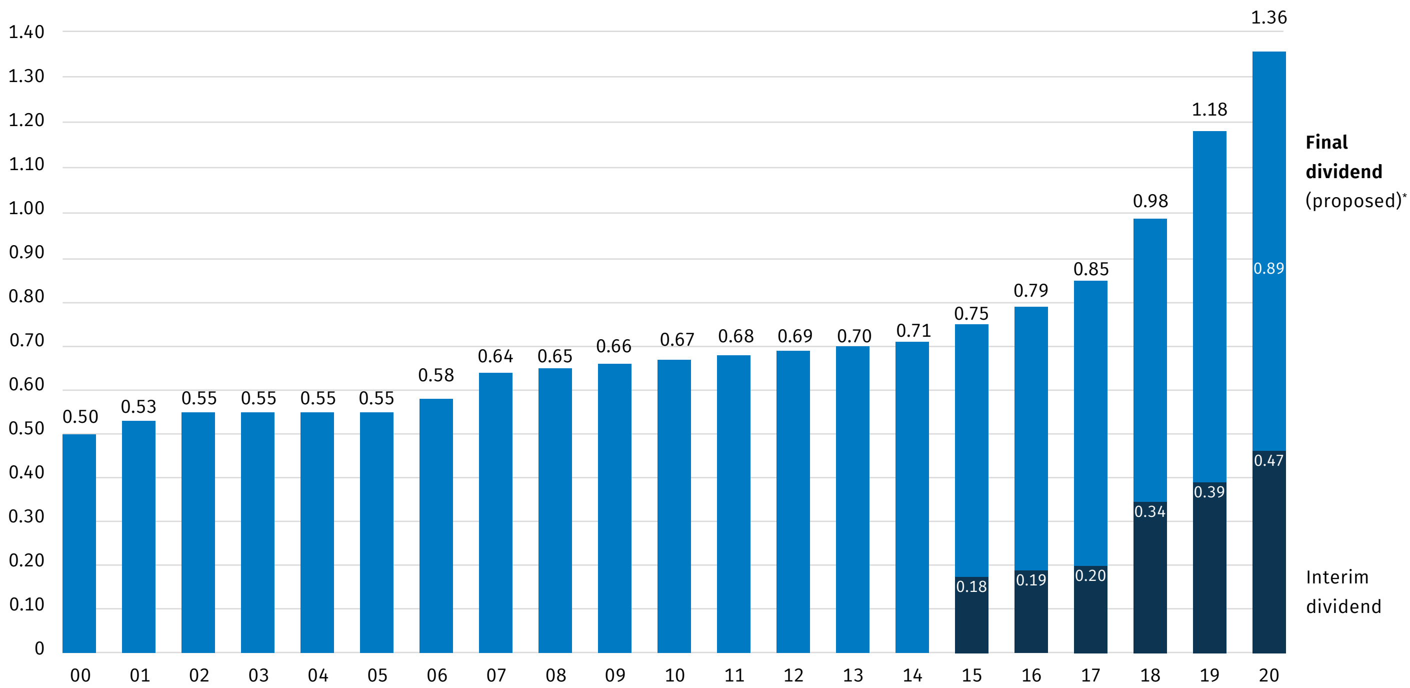
Wolters Kluwer is committed to a progressive dividend policy, under which we aim to increase the dividend per share in euros each year, independent of currency fluctuations. The payout ratio can therefore vary from year to year. Proposed annual increases in the dividend per share take into account our financial performance, market conditions, and our need for financial flexibility. The policy takes into consideration the characteristics of our business, our expectations for future cash flows, and our plans for organic investment in product development, innovation, and productivity, or for external investment in acquisitions. We balance these factors with the objective of maintaining a strong balance sheet.

Proposed 2020 dividend

In view of our strong financial position and expected capital needs for the near term, we are proposing to increase the total dividend for financial year 2020 by 15% (2019: increase 20%) to €1.36 per share (2019: €1.18). We will therefore recommend a final dividend of €0.89 per share, subject to approval of shareholders at the Annual General Meeting in April 2021.
For 2021, we intend to maintain the interim distribution at 40% of prior year total dividend. Assuming the 2020 dividend is approved, this will result in a 2021 interim dividend of €0.54 per share. Shareholders can choose to reinvest interim and final dividends by purchasing additional Wolters Kluwer shares through the Dividend Reinvestment Plan (DRIP) administered by ABN AMRO Bank N.V.

Dividend per share

€



*Proposed final and total dividend for 2020 is subject to shareholder approval.

Share buyback programs

As a matter of policy since 2012, Wolters Kluwer offsets the dilution caused by our annual incentive share issuance with share repurchases (Anti-Dilution Policy). In addition, when appropriate, we return capital to shareholders through further share buyback programs. Shares repurchased by the company are added to and held as treasury shares. Treasury shares are either cancelled or are held to meet future obligations under share-based incentive plans.

During 2020, we repurchased 5.1 million shares for a total consideration of €350 million, including 0.9 million shares to offset incentive share issuance (2019: 1.0 million). On October 1, 2020, we cancelled 5.5 million of the treasury shares accumulated as a result of share repurchases during 2019 and 2020. As of December 31, 2020, we held 5.1 million shares in treasury. A summary of amounts repurchased and cancellations over the past few years is shown below.

Share repurchases and cancellations 2016-2020

	Shares repurchased *million*	Total consideration *€ million*	Average share price *€*	Treasury shares cancelled *million*	Treasury shares released for LTIP *million*
2020	5.1	350	68.41	5.5	0.9
2019	5.5	350	63.80	6.7	1.0
2018	11.5	550	47.81	10.6	1.3
2017	7.8	300	38.62	11.6	1.4
2016	5.8	200	34.28	–	1.8

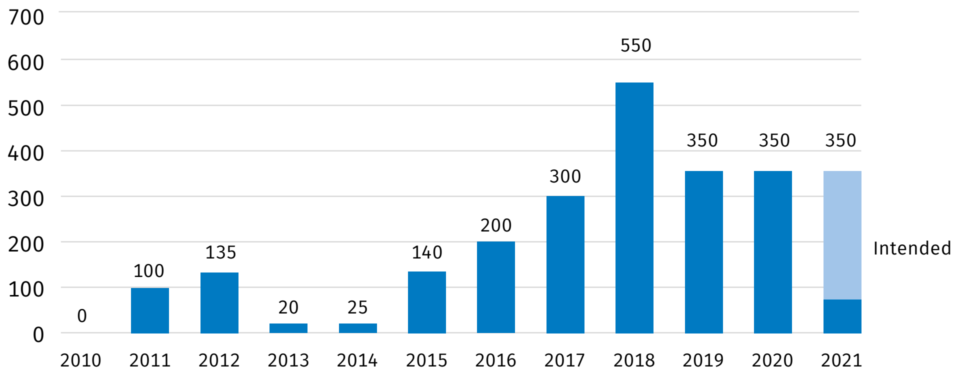
Share buyback 2021

On February 24, 2021, we will announce our intention to spend up to €350 million on share repurchases during 2021, including repurchases to offset incentive share issuance. As of February 22, 2021, €50 million of this 2021 buyback had already been completed.

Having considered the effect of the COVID-19 pandemic and assuming global economic conditions do not deteriorate substantially from here, we believe this level of cash return leaves us with ample headroom to support our dividend plans, to sustain organic investment, and to make selective acquisitions. The share repurchases may be suspended, discontinued, or modified at any time. At the Annual General Meeting in April 2021, we will propose cancelling any or all treasury shares that are not used for share-based incentive plans.

Share buybacks

€ million



Share capital and market capitalization

Shares issued and outstanding

The number of issued ordinary shares on December 31, 2020, was 267.5 million (2019: 273.0 million), of which 5.1 million were held in treasury. The 2% reduction in issued ordinary shares in 2020 was due to the cancellation on October 1, 2020 of 5.5 million of shares held in treasury. During 2020, 5.1 million shares were repurchased and added to treasury, while 0.9 million shares were released for long-term incentive programs. The diluted weighted average number of ordinary shares used to compute the diluted earnings per share figures was 266.6 million in 2020.

Market capitalization

Based on issued ordinary shares (including 5.1 million treasury shares), the market capitalization of Wolters Kluwer as of December 31, 2020, was €18.5 billion (December 31, 2019: €17.8 billion).

Shares issued and outstanding

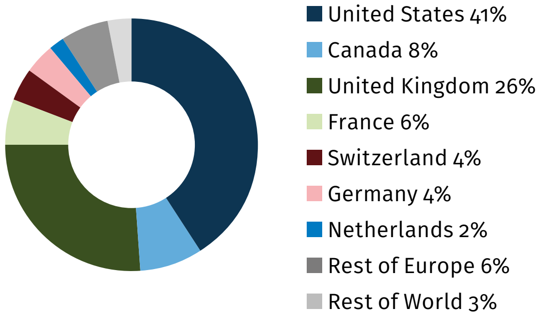
number of shares in millions	**2020**	**2019**
Issued ordinary shares, December 31	267.5	273.0
Treasury shares, December 31	(5.1)	(6.4)
Issued ordinary shares outstanding, December 31	262.4	266.7
Weighted average number of ordinary shares outstanding	265.0	270.3
Diluted weighted average number of ordinary shares	266.6	272.2

Shareholder structure

Wolters Kluwer has 100% free float and a widely-distributed, global shareholder base. Approximately 90% of the issued ordinary shares of Wolters Kluwer is held by institutional investors. The remaining 10% is held by retail investors, broker-dealers, or held in treasury by Wolters Kluwer.

As of November 2020, nearly half of institutionally-owned shares is held by investors in North America, mainly the United States and Canada. Institutions based in the United Kingdom held 26%, while institutions based in continental Europe owned 21%. The remainder is held mainly in Asia Pacific. Approximately 29% of institutionally-held shares are held in ESG funds while some 21% of institutionally-held shares were held in passive, index, or quant funds.

Geographical distribution of Wolters Kluwer shares held by institutions



Source: Nasdaq Corporate Solutions, as of November 2020

Significant shareholders

Shareholder notifications to the Dutch Authority for the Financial Markets (AFM) indicating a capital interest exceeding the AFM's reporting thresholds are listed below. Updates and further information can be found on the AFM website (www.afm.nl).

AFM notifications of substantial holdings

Institution	Capital interest	Date of notification
Lazard Asset Management Company, LLC	5.09%	October 24, 2015
Mawer Investment Management Ltd	5.02%	November 23, 2020
FIL Limited	4.93%	November 23, 2018
BlackRock, Inc.	4.19%	January 7, 2021
Massachusetts Financial Services Company	3.03%	September 9, 2020

Source: AFM website, as of February 23, 2021. Capital interest as indicated in the AFM notification.

Wolters Kluwer is included in the Amsterdam AEX index and numerous other stock market indices. Some of the most widely followed indices are shown below.

Wolters Kluwer weight in selected indices

Index	Weight %
AEX®	2.97%
Euronext® 100	0.59%
Euronext® Eurozone ESG Leaders Select 40	2.51%
EURO STOXX®	0.41%
EURO STOXX® MEDIA	32.70%
STOXX® Europe 600	0.21%
STOXX® Europe 600 Media	14.73%
STOXX® Europe 600 ESG-X	0.22%
MSCI Europe Commercial & Professional Services	11.57%

Sources: Euronext, STOXX, MSCI. Weights as of December 31, 2020.

Industry classifications and indices

Wolters Kluwer was historically classified as a publishing company as part of the media industry. The company's transformation into a digital information solutions, software and services business for professionals has led some global index providers to classify the company in the Technology Software & Services sector or in the Commercial & Professional Services – Research & Consulting Services sub-industry.

Industry classification by main index providers

Main index provider	System used	Wolters Kluwer Industry Classification (Code)
Bloomberg	BICS	Technology: Software & Technology Services (1814)
STOXX, FTSE Russell	ICB	Consumer Discretionary: Media: Media: Publishing (40301030)
MSCI, S&P, Dow Jones	GICS	Industrials: Commercial & Professional Services: Research & Consulting Services (20202020)

Sources: Bloomberg, FTSE Russell, MSCI, S&P Global, STOXX

Research ratings

Wolters Kluwer is covered by around two dozen sell-side financial analysts, of which, to our knowledge, 18 are regularly publishing recommendations, estimates, and research. Of the active analysts, as of February 1, 2021, seven analysts have a Buy rating, eight have a Hold rating, and three rate the shares a Sell. A list of analysts can be found on the Wolters Kluwer Investor Relations website.

A diverse range of firms produce environmental, social, and governance (ESG) research and ratings on Wolters Kluwer based on different methodologies. A selection of publicly-available ESG ratings is shown below.

Selected ESG ratings

ESG rating	2020	2019	Description
MSCI ESG Rating	AAA	AAA	MSCI rating uses a scale of AAA – CCC. AAA is the top score.
ISS Governance Quality Score	1	–	ISS quality scores (introduced 2020) are on a scale of 1 – 10, with a lower score denoting lower risk.
ISS Social Quality Score	4	–	
ISS Environment Quality Score	3	–	
Sustainalytics ESG Risk Score	9.6	–	Sustainalytics risk score (introduced in 2020) is on a scale of 0 – 100. A lower score signals lower unmanaged ESG risk. A score of 9.6 is considered negligible risk.

Sources: MSCI, ISS, Sustainalytics, as of February 1, 2021

Bonds and other fixed income securities

Wolters Kluwer currently has five Eurobonds listed on the official list of the Luxembourg exchange, with a total face value of €2,136 million. This includes the €500 million Eurobond issued in July 2020. The nominal interest rates on the bonds are fixed until redemption.

Wolters Kluwer listed fixed-income issues

Debt security	Due	Amount *€ million*	Listing	ISIN
2.875% senior bonds	March 2023	700	Luxembourg	XS0907301260
2.500% senior bonds	May 2024	400	Luxembourg	XS1067329570
1.500% senior bonds	March 2027	500	Luxembourg	XS1575992596
6.748% senior bonds	August 2028	36	Luxembourg	XS0384322656
0.750% senior bonds	July 2030	500	Luxembourg	XS2198580271

Commercial Paper

Wolters Kluwer has a Euro Commercial Paper (ECP) program (established May 7, 2019) under which the company may issue unsecured, short-term debt (ECP notes) up to a maximum of €1.0 billion. The program provides flexible funding for short-term cash needs at attractive rates. The outstanding amount per December 31, 2020, is €100 million (December 31, 2019: €200 million) and is included in borrowings and bank overdrafts.

Type	As of	Amount *€ million*	Total facility *€ million*
Euro Commercial Paper (ECP)	December 31, 2020	100	1,000

Credit facility

On July 10, 2020, we signed a new €600 million multi-currency revolving credit facility, replacing an existing facility which was due to expire in July 2021. The new facility has a tenure of three years with two one-year extension options.

Type	Term	Drawn *€ million*	Total available *€ million*
Multi-currency revolving credit facility	July 2020 – July 2023	Nil	600

Bond and credit ratings

Credit ratings on Wolters Kluwer senior long-term debt have been provided by Moody's Investor Services and S&P Global Ratings for many years. Maintaining investment grade credit ratings is a core policy of Wolters Kluwer.

Agency	Long-term	Short-term	Outlook	Date of rating	Date affirmed
Moody's	Baa1	–	Stable	September 12, 2013	April 29, 2020
S&P	BBB+	A-2	Stable	March 7, 2013	October 13, 2020

Source: Moody's, S&P Global

Investor Relations

Shareholder engagement

Wolters Kluwer places great importance on a constructive dialogue with the investment community. We manage a comprehensive investor relations program designed to maintain regular interaction with investors and sell-side analysts. We communicate through our half-year and full-year earnings releases and presentations, trading updates, the annual report, and other information published on our investor relations website. We host live webcast presentations of our half-year and full-year results, hold the Annual General Meeting of Shareholders, and interact with investors on roadshows and at conferences.

During 2020, due to the COVID-19 pandemic, all investor meetings and events from mid-March onwards were conducted in a virtual format. We held nearly 250 meetings during 2020 (including group meetings), engaging with over 175 different investment firms. The Executive Board met with shareholders representing around 40% of our issued share capital. Over the past 18 months, members of the Remuneration Committee and other executives consulted extensively with shareholders on the topic of remuneration. During two governance roadshows in September and November 2020, meetings were held with 60 different institutional investment firms whose holdings totaled approximately 57% of the company's issued share capital as of October 2020. For a more extensive discussion, please refer to the *Remuneration Report*.

Investor Relations is focused on helping the market understand our business, our strategy, our markets, as well as our financial performance. We aim to be responsive and proactive and welcome direct feedback from investors. Wolters Kluwer is committed to a high degree of transparency in its financial reporting and strives to be open with its shareholders and the wider investment community.

Investor relations policy

Wolters Kluwer is strict in its compliance with applicable rules and regulations on fair disclosure to shareholders. Presentations are posted publicly on the company's website at the same time as they are made available to analysts and investors. In adherence with fair disclosure rules, meetings and presentations do not take place during 'closed periods' before the publication of annual and quarterly financial information. The company does not assess, comment upon, or correct, other than factually, any analyst report or valuation prior to publication. The company is committed to helping investors and analysts become better acquainted with Wolters Kluwer and its management, as well as to maintaining a long-term relationship of trust with the investment community at large.

Financial calendar 2021-2022

2021	
April 22	Annual General Meeting of Shareholders
April 26	Ex-dividend date: 2020 final dividend
April 27	Record date: 2020 final dividend
May 5	First-Quarter 2021 Trading Update
May 19	Payment date: 2020 final dividend, ordinary shares
May 26	Payment date: 2020 final dividend, American Depositary Receipts
August 4	Half-Year 2021 Results
August 31	Ex-dividend date: 2021 interim dividend
September 1	Record date: 2021 interim dividend
September 23	Payment date: 2021 interim dividend, ordinary shares
September 30	Payment date: 2021 interim dividend, American Depositary Receipts
November 3	Nine-Month 2021 Trading Update
2022	
February 23	Full-Year 2021 Results
March 9	Publication of 2021 Annual Report

Five-Year Key Figures

in millions of euros, unless otherwise stated	2020	2019	2018*	2017**	2016
Revenues	4,603	4,612	4,259	4,368	4,286
Operating profit	972	908	967	830	766
Profit for the year, attributable to owners of the company	721	669	656	636	489
Adjusted EBITDA	1,422	1,382	1,274	1,179	1,129
Adjusted operating profit	1,124	1,089	986	970	950
Adjusted net financing costs	(46)	(58)	(77)	(109)	(107)
Adjusted net profit	835	790	682	639	618
Adjusted free cash flow	907	807	762	746	708
(Proposed) dividend/cash distribution	357	315	266	239	227
Acquisition spending	395	34	166	313	450
Net capital expenditure	231	226	214	210	224
Amortization and impairment of other intangible assets and depreciation of PPE and right-of-use assets	298	293	288	209	179
Amortization and impairment of acquired identifiable intangible assets	144	182	175	187	181
Shareholders' equity	2,087	2,380	2,254	2,228	2,621
Guarantee equity	2,087	2,380	2,254	2,232	2,626
Net debt	2,383	2,199	2,249	2,069	1,927
Capital employed	5,120	4,966	5,013	4,845	5,637
Total assets	8,383	8,775	8,544	8,477	8,839
Ratios					
As % of revenues:					
Operating profit	21.1	19.7	22.7	19.0	17.9
Profit for the year from continuing operations, attributable to owners of the company	15.7	14.5	15.4	14.6	11.4
Adjusted EBITDA	30.9	30.0	29.9	27.0	26.4
Adjusted operating profit	24.4	23.6	23.1	22.2	22.2
Adjusted net profit	18.1	17.1	16.0	14.6	14.4
ROIC (%)	12.3	11.8	10.6	10.0	9.8
Dividend proposal in % of adjusted net profit	42.8	39.8	39.0	37.4	36.8
Dividend proposal in % of profit for the year, attributable to owners of the company	49.5	47.1	40.5	37.6	46.4
Cash conversion ratio (%)	102	96	104	100	100
Net interest coverage	24.5	18.7	12.8	8.9	8.9
Net-debt-to-EBITDA	1.7	1.6	1.8	1.8	1.7
Net gearing	1.1	0.9	1.0	0.9	0.7
Shareholders' equity / capital employed	0.41	0.48	0.45	0.46	0.46
Guarantee equity to total assets	0.25	0.27	0.26	0.26	0.30

	2020	2019	2018*	2017**	2016
Information per share (€)					
Total dividend proposal in cash per share	1.36	1.18	0.98	0.85	0.79
Basic earnings per share	2.72	2.47	2.37	2.23	1.68
Adjusted earnings per share	3.15	2.92	2.47	2.24	2.12
Adjusted free cash flow per share	3.42	2.98	2.75	2.62	2.43
Based on fully diluted:					
Diluted earnings per share	2.70	2.46	2.35	2.21	1.66
Diluted adjusted earnings per share	3.13	2.90	2.45	2.22	2.10
Diluted adjusted free cash flow per share	3.40	2.96	2.73	2.59	2.40
Weighted average number of shares issued (millions)	265.0	270.3	276.7	285.1	291.6
Diluted weighted average number of shares (millions)	266.6	272.2	278.8	287.7	294.6
Stock exchange (€)					
Highest quotation	78.22	67.72	55.68	44.80	38.69
Lowest quotation	52.04	49.98	39.19	34.25	28.24
Quotation at December 31	69.06	65.02	51.66	43.48	34.42
Average daily trading volume Wolters Kluwer on Euronext Amsterdam N.V. (thousands of shares)	677	643	755	719	912
Employees					
Headcount at December 31	19,169	18,979	18,553	18,830	18,807
In full-time equivalents at December 31	18,785	18,361	18,134	18,315	18,318
In full-time equivalents average per annum	19,180	18,883	18,687	18,982	18,910

* Restated for IFRS 16, IFRIC 23, and certain reclassifications.
** Restated for IFRS 15.

Glossary

Adjusted
'Adjusted' refers to figures from continuing operations, adjusted for non-benchmark items and, where applicable, amortization and impairment of goodwill and acquired identifiable intangible assets.

'Adjusted' figures are non-IFRS compliant financial figures but are internally regarded as key performance indicators to measure the underlying performance of the business.

Adjusted earnings per share
Adjusted net profit divided by the weighted average number of ordinary shares outstanding.

Adjusted EBITDA
EBITDA adjusted for non-benchmark items in operating profit.

Adjusted free cash flow
Net cash from operating activities less net capital expenditure, plus paid acquisition and divestment expenses, plus dividends received, and one-off cash tax items. Adjusted free cash flow is the cash flow available for payments of dividends to shareholders, acquisitions, repayments of debt, and repurchasing of shares.

Adjusted net financing costs
Total financing results adjusted for non-benchmark items in total financing results.

Adjusted net profit
Profit for the period from continuing operations attributable to the owners of the company, excluding the after-tax effect of non-benchmark items, amortization of acquired identifiable intangible assets, and impairment of goodwill and acquired identifiable intangible assets.

Adjusted operating cash flow
Adjusted EBITDA plus or minus autonomous movements in working capital, less net capital expenditure, repayments of lease liabilities, and lease interest paid.

Adjusted operating profit
Operating profit before amortization and impairment of acquired identifiable intangible assets and impairment of goodwill, and adjusted for non-benchmark items.

Adjusted operating profit margin
Adjusted operating profit as a percentage of revenues.

Adjusted profit before tax
Sum of adjusted operating profit, adjusted net financing costs, income from investments, and share of profit of equity-accounted investees (net of tax).

Allocated tax
Adjusted operating profit multiplied by benchmark tax rate.

Basic earnings per share
The profit or loss attributable to the ordinary shareholders of the company, divided by the weighted average number of ordinary shares outstanding during the period.

Benchmark tax rate
Income tax on adjusted profit, divided by adjusted profit before tax.

Capital employed
Total assets, minus current liabilities and non-current deferred income.

Cash conversion ratio
Adjusted operating cash flow divided by adjusted operating profit.

Constant currencies
Income, expense, and cash flows in local currencies are recalculated to euros, using the average exchange rates of the previous calendar year.

Continuing operations
The results of the group, excluding the results of those components that have been presented as discontinued operations.

Diluted adjusted earnings per share
Adjusted earnings per share amended for the effects of all dilutive potential ordinary shares.

Shares conditionally awarded under LTIP-plans are included in the calculation of the diluted weighted average number of ordinary shares outstanding if the vesting conditions are satisfied.

Diluted earnings per share
Basic earnings per share amended for the effects of all dilutive potential ordinary shares.

Shares conditionally awarded under LTIP-plans are included in the calculation of the diluted weighted average number of ordinary shares outstanding if the vesting conditions are satisfied.

EBITA *(Earnings before interest, tax, and amortization)*
Operating profit before amortization and impairment of acquired identifiable intangible assets and impairment of goodwill.

EBITDA *(Earnings before interest, tax, depreciation, and amortization)*
Operating profit before amortization and impairment of acquired identifiable intangible assets and impairment of goodwill, and before amortization and impairment of other intangible assets and depreciation and impairment of PPE, and right-of-use assets.

Guarantee equity
Sum of total equity, subordinated (convertible) bonds, and perpetual cumulative bonds.

Invested capital
Total assets minus current liabilities and non-current deferred income, excluding investments in equity-accounted investees, deferred tax assets, non-operating working capital, and cash and cash equivalents. This total summation is adjusted for accumulated amortization on acquired identifiable intangible assets, goodwill amortized pre-IFRS [2004], and goodwill written off to equity pre 1996 (excluding acquired identifiable intangible assets/goodwill that have been impaired and/or fully amortized), less any related deferred tax liabilities. The average invested capital is based on five measurement points during the year.

Net capital expenditure
Sum of capitalized expenditure on PPE and other intangible assets, less any cash inflows arising from disposal of PPE and other intangible assets.

Net debt
Sum of long-term debt, borrowings and bank overdrafts, and deferred and contingent acquisition payments, minus cash and cash equivalents, divestment receivables, collateral deposited, and the net fair value of derivative financial instruments.

Net-debt-to-EBITDA ratio
Net debt divided by EBITDA, adjusted for divestment-related results on operations.

Net gearing
Net debt divided by total equity.

Net interest coverage
Adjusted operating profit, divided by adjusted net financing costs.

Non-benchmark items
Non-benchmark items relate to expenses arising from circumstances or transactions that, given their size or nature, are clearly distinct from the ordinary activities of the group, and are excluded from the benchmark figures.

Non-benchmark items in operating profit include amortization and impairment of acquired identifiable intangible assets, impairment of goodwill, results from divestments (including directly attributable divestment costs), additions to provisions for restructuring of stranded costs following divestments, acquisition-related costs, additions to acquisition integration provisions, subsequent fair value changes on contingent considerations, and loss on remeasurement on assets classified as held for sale.

Non-benchmark items in total financing results are financing component employee benefits, gains and losses on financial assets at fair value through profit or loss, and divestment-related results on equity-accounted investees.

NOPAT
Net operating profit after allocated tax. Adjusted operating profit less allocated tax.

Operating other receivables
Operating other receivables consist of prepayments and miscellaneous receivables.

Operating other payables
Operating other payables consist of salaries and holiday allowances, social security premiums and other taxation, pension-related payables, royalty payables, and other liabilities and accruals.

Organic revenue growth
Calculated as revenue of the period, excluding the impact of acquisitions above a minimum threshold, divided by revenue of the period in the previous reporting period, adjusted for the impact of divestments of operations above a minimum threshold, all translated at constant currencies.

Tax on adjusted profit
Income tax expense adjusted for tax benefits on amortization and impairment of acquired identifiable intangible assets and impairment of goodwill, tax on non-benchmark items, and the income tax effect of any material changes in (income) tax laws and (income) tax rates in the jurisdictions where the group operates.

Working capital
Current assets less current liabilities.

Working capital: non-operating working capital
Total of receivables/payables of derivative financial instruments, collateral, the short-term part of the restructuring provision, deferred and contingent acquisition payables, interest receivable/payable, current income tax assets/liabilities, divestment receivables, and borrowings and bank overdrafts.

Working capital: operating working capital
Working capital minus non-operating working capital minus cash and cash equivalents.

Contact Information

Wolters Kluwer N.V.
Zuidpoolsingel 2
P.O. Box 1030
2400 BA Alphen aan den Rijn
The Netherlands

info@wolterskluwer.com
www.wolterskluwer.com
www.linkedin.com/company/wolters-kluwer
www.facebook.com/wolterskluwer
www.twitter.com/wolters_kluwer

Chamber of Commerce
Trade Registry No. 33.202.517

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Forward-looking statements and other important legal information

This report contains forward-looking statements. These statements may be identified by words such as “expect”, “should”, “could”, “shall” and similar expressions. Wolters Kluwer cautions that such forward-looking statements are qualified by certain risks and uncertainties that could cause actual results and events to differ materially from what is contemplated by the forward-looking statements. Factors which could cause actual results to differ from these forward-looking statements may include, without limitation, general economic conditions; conditions in the markets in which Wolters Kluwer is engaged; behavior of customers, suppliers, and competitors; technological developments; the implementation and execution of new ICT systems or outsourcing; and legal, tax, and regulatory rules affecting Wolters Kluwer’s businesses, as well as risks related to mergers, acquisitions, and divestments. In addition, financial risks such as currency movements, interest rate fluctuations, liquidity, and credit risks could influence future results. The foregoing list of factors should not be construed as exhaustive. Wolters Kluwer disclaims any intention or obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

About this report

Sustainability information is integrated within the 2020 Annual Report. For more information on sustainability, visit our website.

This Annual Report is available as a PDF on our website.

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