

Thomson Reuters Corporation (fka The Thomson Corporation)

Toronto Stock Exchange: TRI

Industry: Financial Publishing/Services

Meeting Date: May 13, 2009

Record Date: May 11, 2009

Lead Analyst

Cason Fayles, cfayles@glasslewis.com

**2009 ANNUAL GENERAL
MEETING**

Proposal	Issue	Board	GL&Co.
1.00	Election of Directors	For	Split
1.01	Elect David Thomson	For	For
1.02	Elect W. Geoffrey Beattie	For	Withhold
1.03	Elect Niall FitzGerald	For	Withhold
1.04	Elect Thomas Glocer	For	For
1.05	Elect Manvinder Banga	For	For
1.06	Elect Mary Cirillo	For	Withhold
1.07	Elect Steven Denning	For	Withhold
1.08	Elect Lawton Fitt	For	For
1.09	Elect Roger Martin	For	For
1.10	Elect Sir Deryck Maughan	For	For
1.11	Elect Ken Olisa	For	For
1.12	Elect Vance Opperman	For	For
1.13	Elect John Thompson	For	For
1.14	Elect Peter Thomson	For	For
1.15	Elect John Tory	For	Withhold
2.00	Appointment of Auditor and Authority to Set Fees	For	For
3.00	Accounts and Reports	For	For
4.00	Authorisation of Routine Business Items	For	For
4.01	Accounts and Reports	For	For
4.02	Directors' Remuneration Report	For	Against
4.03	Authority to Issue Shares w/ Preemptive Rights	For	For
4.04	Authority to Issue Shares w/o Preemptive Rights	For	For
4.05	Authority to Repurchase Shares	For	For
4.06	Authority to Set General Meeting Notice Period at 14 Days	For	Against

NOTE

Glass Lewis has a commercial relationship with Thomson Reuters for the provision of data.

Except as noted, £1.00 = US\$1.4615 (exchange rate as of December 31, 2008)

Company Profile

ADDRESS / STOCK

3 Times Square New York, 10036 United states
 www.thomsonreuters.com
 Phone: +1 646 223-4000
 Fax: +1 646 223-7719

Quote Symbol: TRI
 Exchange: Toronto Stock Exchange
 SEDOL: 2126067
 ISIN: CA8849031056
 Benchmark Index: S&P/TSX COMPOSITE INDEX

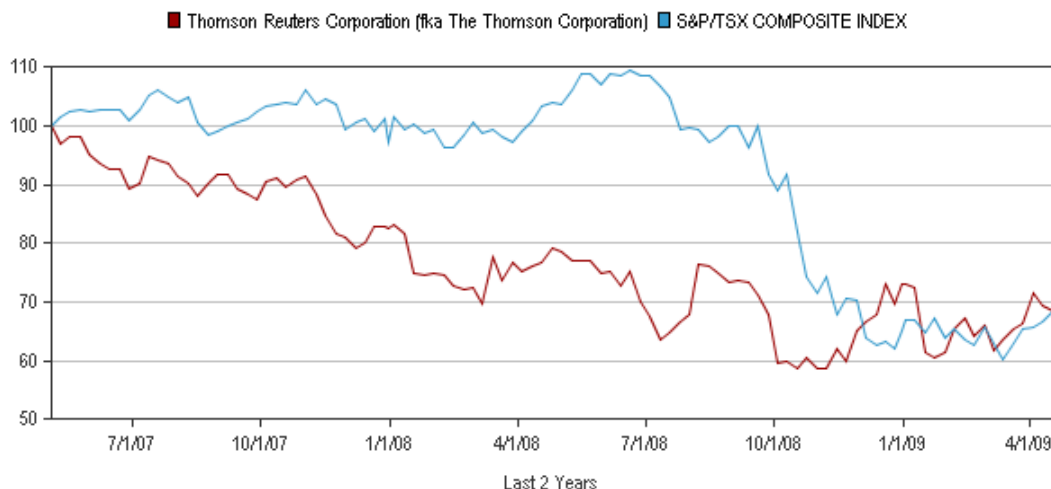
Industry: Financial Publishing/Services
 Employees: 53,700

Auditor: PriceWaterhouseCoopers

COMPANY DESCRIPTION

Thomson Reuters Corporation Formerly known as Thomson Corporation (The). The Group's principal activity is to provide integrated information solutions to business & professional customers worldwide. The Group operates in two divisions: The Markets division consists of Thomson Financial & Reuters and includes Sales & Trading, Enterprise, Investment & Advisory and Media. Major brands include Kondor, RMDS, Datascope, PORTIA, Omgeo, Lipper, First Call, Reuters Knowledge, DataStream & Thomson One. The Professional division consists of Thomson Legal, Thomson Tax & Accounting, Thomson Scientific & Thomson Healthcare. Major brands include Westlaw, Aranzadi, BAR/BRI, Carswell, Thomson CompuMark, Thomson Elite, FindLaw, LIVEDGAR, Sweet & Maxwell, Checkpoint, Creative Solutions, RIA, Derwent World Patents Index, MicroPatent, Thomson Pharma, Web of Science, ISI Web of Knowledge, Medstat, Micromedex, PDR & Solucient. It acquired CrossBorder Solutions, Deloitte Tax LLP Property Tax Services & Prous Science in 2007 & Reuters Group & TaxStream in 2008.
 Source: Worldscope

INDEXED STOCK PRICE



Source: Thomson Financial and Glass, Lewis & Co., LLC

MARKET INFORMATION / STATISTICS

Currency:	USD
Price Close (as of 04/22/09):	26.74
52 Week High:	39.75
52 Week Low:	19.30
No. of Shares Outstanding:	647m
Market Capitalization:	22,854m
Enterprise Value:	21,120m

INCOME STATEMENT (LTM)

As of Dec 2008	(millions - USD except per share data)
Revenue:	11,707
Net Income:	1,416
EPS:	1.81

MARKET PERFORMANCE

1 Year Stock Performance:	-24.12%
3 Year Stock Performance:	-32.06%
5 Year Stock Performance:	-13.01%

BALANCE SHEET

As of Dec 2008	(millions - USD)
Total Assets:	36,020.00
Total Liabilities:	15,822.00
Total Common Equity:	20,016.00

Voting Results from Last Annual Meeting (May 7, 2008)

ELECTION OF DIRECTORS

No.	Proposal	Votes Withheld
1	Re-elect David Thomson	0.24%
2	Re-elect W. Geoffrey Beattie	1.40%
3	Re-elect Mary Cirillo	0.42%
4	Re-elect Steven Denning	1.36%
5	Re-elect Roger Martin	0.10%
6	Re-elect Vance Opperman	0.12%
7	Re-elect John Thompson	0.08%
8	Re-elect Peter Thomson	0.40%
9	Re-elect John Tory	1.39%
10	Elect Niall FitzGerald	0.08%
11	Elect Thomas Glocer	0.14%
12	Elect Lawton Fitt	0.08%
13	Elect Deryck Maughan	0.43%
14	Elect Ken Olisa	0.13%
15	Elect Richard Olver	0.12%

Voting Results from Last Annual Meeting (May 7, 2008)

OTHER ITEMS

No.	Proposal	Votes			
		For	Against	Abstain	Broker Non-Votes
3	Appointment of Auditor and Authority to Set Fees	640,562,856	1,684,451	N/A	N/A

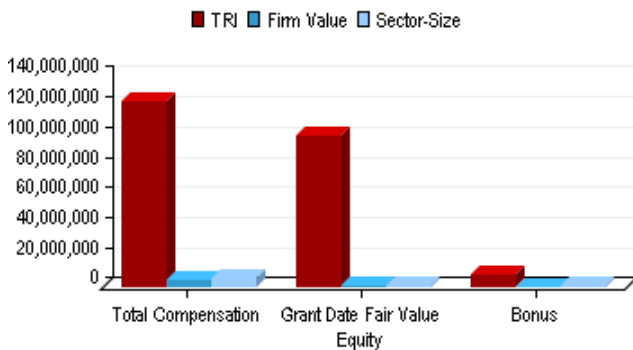
Compensation Details

Thomson Reuters Corporation

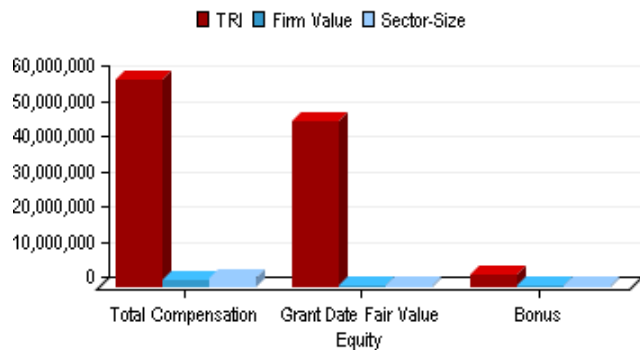
	CEO	Top Officers
Base Salary	C\$3,709,880	C\$8,038,895
Bonus	C\$3,709,289	C\$8,865,767
Long Term Incentive	C\$47,686,731	C\$101,396,819
All Other	C\$3,899,574	C\$5,396,907
Total Compensation	C\$59,005,474	C\$123,698,388

The Company paid: more compensation to its top officers (as disclosed by the Company) than the median compensation for 40 similarly sized companies with an average enterprise value of C\$3 billion; and more than a sector group of 13 Mid Sized Consumer Discretionary companies with enterprise values ranging from C\$1.0 billion to C\$4.5 billion. (Note: The amount listed for CEO compensation reflects portions paid to multiple individuals who served as CEO during the fiscal year.)

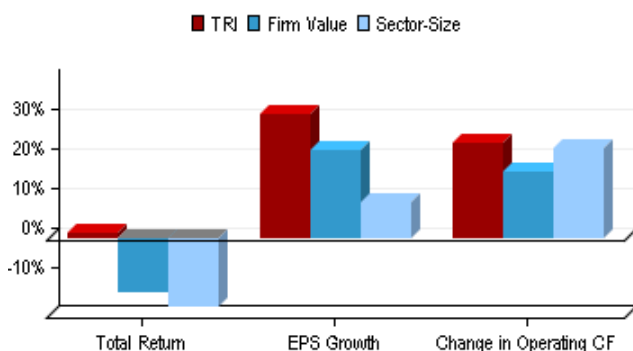
Company Compared with Median



CEO Compared with Median

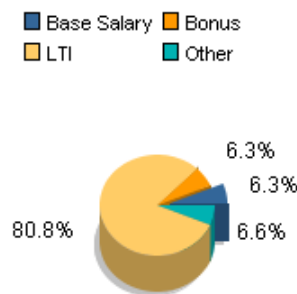


Shareholder Wealth and Business Performance

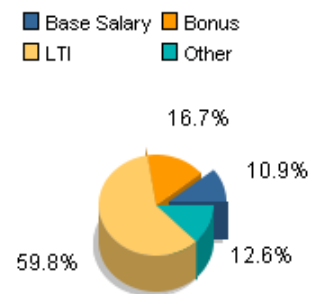


Composition of Compensation

Company's CEO



Sector Size Peer CEO



Note: Compensation analysis for period ending 12/2008. Performance measures based on weighted average of annualized 1, 2, and 3 year data.

BOARD OF DIRECTORS

Name	Up	Age	GLC Classification	Committees				Term Start	Term End	Years on Board	Attended at least 75% of Meetings
				Audit	Rem	Gov	Nom				
Manvinder S. Banga	✓	54	Independent		✓			2009	2009	0	N/A
W. Geoffrey Beattie	✓	49	Affiliated 1		✓	✓	✓	1998	2009	11	Yes
Mary A. Cirillo	✓	61	Independent		✓	✓	✓	2005	2009	4	Yes
Steven A. Denning	✓	60	Independent		C			2000	2009	9	Yes
Lawton W. Fitt	✓	55	Independent	✓				2004	2009	5	Yes
Niall FitzGerald	✓	63	Affiliated 2		✓	C	C	2003	2009	6	Yes
Thomas H. Glocer	✓	49	Insider 3					2000	2009	9	Yes
Roger L. Martin	✓	52	Independent	✓				1999	2009	10	Yes
Sir Deryck C. Maughan	✓	61	Independent			✓	✓	2005	2009	4	Yes
Ken Olisa	✓	57	Independent	✓				2004	2009	5	Yes
Vance K. Opperman	✓	66	Independent	C				1996	2009	13	Yes
John M. Thompson	✓	66	Independent	✓		✓	✓	2003	2009	6	Yes
Peter J. Thomson	✓	43	Affiliated 4					1995	2009	14	Yes
David K.R. Thomson	✓	51	Affiliated 5					1988	2009	21	Yes
John A. Tory	✓	79	Affiliated 6		✓			1978	2009	31	Yes

C = Chair

1. Deputy chairman. President of Woodbridge, which controls approximately 55% of the Company's total voting power.
2. Deputy chairman. Former chairman of Reuters plc.
3. CEO.
4. Co-chairman of Woodbridge, which controls approximately 55% of the Company's total voting power. Brother of David Thomson and son of Kenneth Thomson, who, before his death in June 2006, controlled the Company through Woodbridge.
5. Chairman. Co-chairman of Woodbridge, which controls approximately 55% of the Company's total voting power. Brother of Peter Thomson and son of Kenneth Thomson, who, before his death in June 2006, controlled the Company through Woodbridge.
6. Current director and former president (until 1998) of Woodbridge, which controls approximately 55% of the Company's total voting power. Not considered independent by the board.

Fifteen candidates are standing for election as directors to serve a one-year term each. If elected, their terms would expire at the Company's 2010 annual meeting of shareholders.

Companies listed on the Toronto Stock Exchange are encouraged to abide by the guidelines of the Ontario Securities Commission's National Policy 58-101, which states, among other things, that a majority of the board should be independent. Companies should maintain audit, compensation, nominating and governance committees comprising only independent directors. Audit committees must consist of a minimum of three directors, all of whom must be financially literate. In addition, the board should appoint an independent chairman or lead director to ensure proper oversight.

We believe shareholders should be mindful of the following issues:

Dual Listed Structure

Following last year's acquisition of Reuters plc, the Company now operates under a dual listed structure, whereby two parent companies - Thomson Reuters plc and Thomson Reuters Corporation (together, "the Company") - operate as a unified group. Shares of Thomson Reuters plc are listed on the London Stock Exchange, while shares of Thomson Reuters Corporation are listed on the Toronto Stock Exchange.

Shareholders of each company have a stake in the overall Company, with equal entitlement to cash dividends, capital distributions and voting rights. The board of directors and senior management of each company is composed of the same individuals and all shareholders will ordinarily vote as a single decision making body.

The Company states that its corporate governance structure is generally consistent with the best practice guidelines of the Canadian securities regulatory authorities and the provisions of the UK Combined Code. In addition, given the Company's additional listing on the NYSE, the Company states that its corporate governance structure is also generally consistent with the rules of the Sarbanes-Oxley Act of 2002 and the listing rules of the NYSE and Nasdaq.

Woodbridge

As of March 26, 2009, Woodbridge and its affiliated firms beneficially owned 55% of the Company's voting common stock. We suspect that most, if not all, shareholders both understand and accept the nature and extent of Woodbridge's control over the Company. Thus, while we would ordinarily recommend voting against some nominees on the basis of affiliate or insider status in the case of committee membership, we decline to make voting recommendations in this report based on a strict notion of independence.

Legal Issues

Copyright Lawsuit

As noted in our 2008 Proxy Paper, in November 2007 a federal appellate court dismissed an agreement between publishers and freelance writers concerning the writers' payment for electronic publication of their work. The ruling from the US Court of Appeals held that courts had no jurisdiction over the case and that a lower court's acceptance of the settlement was unfounded. Thomson Corporation was one of several defendants in the original class-action suit, which, after several years of negotiation, ended in a settlement potentially worth US\$18 million. Judge Chester J. Straub found that under federal copyright law, claims for damages are valid only if the reproduced work has been registered with the US Copyright Office. A group of publishers, including the Company, appealed the reversal and in March 2009, the US Supreme Court announced that it would hear the case ("Supreme Court Hears Case Involving Writers Online." *Eweek.com*. March 2, 2009).

Patent Lawsuit

In July 2008, a federal appeals court reversed a decision in a patent infringement case related to a business formerly owned by Thomson Financial. The Company had posted a US\$95 million letter of credit following the initial court decision, which was cancelled following the appellate court's ruling. In March 2009, the US Supreme Court declined to hear the plaintiff's appeal of the verdict from the appellate court ("Supreme Court lets ruling stand." *Pittsburgh Tribune Review*. March 10, 2009).

Board Issues

We recommend withholding votes from the following nominees up for election this year based on the following issue:

Nominee **DENNING** served as chairman and nominees **BEATTIE**, **CIRILLO**, **FITZGERALD** and **TORY** served as members of the HR committee during fiscal year 2008. As further discussed in Proposal 4.02, we find certain aspects of the Company's compensation philosophy to be wholly inadequate. In addition, the aforementioned directors approved certain awards that resulted in substantial quantum compensation levels for the Company's executive officers, as shown on page 6 of this report. The vast majority of these awards will not be subject to performance conditions. The members of the HR committee have the responsibility of reviewing all aspects of the compensation program and to ensure that such policies and structure are appropriately aligned with best practice and shareholders' best interests. It appears to us that members of this committee have not fulfilled their duties.

We do not believe there are substantial issues for shareholder concern as to any other nominee.

Accordingly, we recommend that shareholders vote:

WITHHOLD: Beattie; Cirillo; Denning; FtizGerald; Tory

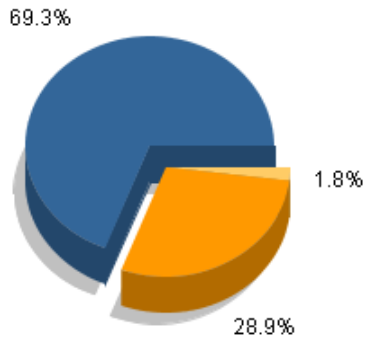
FOR: All other nominees

Proposal 2.00: Appointment of Auditor and Authority to Set Fees

FOR

Thomson Reuters Corporation (fka The Thomson Corporation) Auditor Fees

■ Audit/Audit Related ■ Tax
■ All Other



This proposal seeks shareholder approval to ratify the appointment of PricewaterhouseCoopers as the Company's independent auditor, and to authorise the board to set the auditor's fees for the next fiscal year.

During the last fiscal year, the Company paid PricewaterhouseCoopers audit fees of US\$23,000,000, audit-related fees of US\$3,800,000 and tax fees of US\$11,200,000. All other fees totaled US\$700,000.

Glass Lewis' Analysis

We believe that the fees paid for non-audit-related services are reasonable and that the Company has a track record of disclosing the appropriate information about these services in its filings.

Accordingly, we recommend that shareholders vote **FOR** this proposal.

Proposal 3.00: Accounts and Reports

FOR

Shareholders will receive and consider the Company's financial statements and directors' and auditor's reports for the fiscal year ended December 31, 2008. Shareholders are voting to approve receipt of the statements and reports, not to approve their substance and content.

Glass Lewis' Analysis

We believe that all of the necessary financial statements and reports are present in the Company's annual report. We note that in the opinion of PricewaterhouseCoopers, the Company's independent auditor, the financial statements and the directors' remuneration report have been properly prepared in accordance with Canadian Generally Accepted Accounting Practice and the standards of the Public Company Accounting Oversight Board (United States) and that the Company maintained effective internal control over financial reporting as at December 31, 2008.

Accordingly, we recommend that shareholders vote **FOR** this proposal.

Proposal 4.01: Accounts and Reports

FOR

Shareholders will receive and consider the Company's statutory directors' report for the fiscal year ended December 31, 2008. Shareholders are voting to approve receipt of the report, not to approve the substance and content.

Glass Lewis' Analysis

We believe that all of the necessary financial statements and reports, including the directors' report, are present in the Company's annual report.

Accordingly, we recommend that shareholders vote **FOR** this proposal.

This proposal seeks shareholder approval of the directors' remuneration report for the fiscal year ended December 31, 2008. Listed UK companies, excepting those listed on the AIM, are required to prepare a directors' remuneration report and present it for shareholder approval. The report sets out the board's compensation policy for its employees, executives and directors.

In general, Glass Lewis' analysis is centred on four major aspects of a company's remuneration: (i) disclosure of policies; (ii) overall compensation structure; (iii) performance-based incentive schemes; and (iv) the quantum amounts paid to executives as well as non-executive directors ("NEDs").

We note that for the past fiscal year, compensation for the Company's executive directors comprised:

- (i) base salary;
- (ii) annual cash bonus;
- (iii) long-term incentives;
- (iv) pension contributions; and
- (v) other benefits.

Named Executive Officers

Director	Base Salary	Annual Bonus: Actual / Maximum (as percentage of base salary)	Total Remuneration (excluding equity-based incentives)
Thomas Glocer, <i>CEO</i>	US\$1,499,271	212% / 400%	US\$4,934,332
Robert Daleo, <i>Executive Vice President and CFO</i>	US\$965,000	132% / 250%	US\$3,920,973
James Smith, <i>President and CEO, Professional Division</i>	US\$946,154	132% / 250%	US\$3,097,392

Annual bonuses in the past fiscal year were based on pre-established performance goals, including revenue growth (45%), operating profit before amortisation (45%) and free cash flow (10%).

Effective April 2008, all named executive officers ("NEOs") received salary increases ranging from 10% to 25%, while Mr. Glocer received a salary cut of approximately 7%.

We note that for fiscal year 2008, the total remuneration of the Company's CEO, excluding long-term incentives, grew by approximately 30% from the previous fiscal year. Please see page 6 for information on the compensation of named executive officers, including comparisons with the Company's market peers.

Stock Incentive Plan

Participants	Executive directors and key executive officers
Awards	Performance restricted share units ("PRsUs") and stock options
Administrator	HR committee
	Each type of award will vest according to the following schedule:
Performance Conditions ¹	Stock options: All options granted in 2008 will vest 25% per year over four years, with an expiration date no later than 10 years from the date of grant. PRsUs: PRsUs will vest upon completion of a three-year performance cycle, subject to the achievement of performance goals. For awards granted in 2008, the final number of PRsUs that will vest will vary from 0% to 150% of the initial number awarded. Vesting of awards will be subject to the Company's adjusted earnings per share ("EPS") growth and return on investment capital ("ROIC") performance over the three-year performance period.
Retesting	Not permitted
Vesting Terms	Stock option awards vest 25% per year beginning on the first anniversary of the date of grant. PRsU awards may only vest following the three-year performance period. No option will be exercisable more than 10 years after its date of grant.
Individual Limits	The maximum number of shares that may be held by any one person must not exceed 5% of the aggregate number of outstanding shares. The maximum number of shares that may be held by all insiders must not exceed 10% of the aggregate number of outstanding shares, or 5% during any one-year period.
Plan Limits	50,000,000 shares, provided that not more than 5,000,000 shares may be issued under grants other than stock options, stock appreciation rights or RSUs.
Notes	Due to the material impact of the Reuters acquisition, long-term incentive awards granted in 2006 and 2007 were determined to be no longer measurable on a comparable basis relative to the performance goals initially established. The Company's board therefore decided that all PRsUs issued in 2006 and 2007 as long-term incentive awards will vest at the end of their respective performance period at the target amount (100%).

¹Awards will be based equally on each performance condition for PRsU awards

Glass Lewis' Analysis

Glass Lewis believes executive compensation should generally include short-term and long-term equity-based incentives that link an employee's pay to a Company's performance, thereby aligning their interests with those of shareholders. Further, we believe NEDs should receive reasonable compensation for their time and effort. However, we note that excessive director compensation represents a financial cost to the Company and may, in the case of NED pay, threaten to compromise director objectivity and independence.

UK firms are required to fully disclose and explain all aspects of their executives' and directors' compensation so shareholders can analyse how their policies compare with similar firms. In this case, the Company's remuneration report appears to be lacking disclosure of key elements of its pay policy. Please see our analysis below for further details on these disclosure failures, as well as other concerns which we believe should be brought to shareholders' attention when contemplating support of this proposal.

Compensation Issues

General Policy

Service Contract Length. We note that Mr. Glocer and the other named executive officers currently each have a service contract (or notice period) of 24 months, which is double the 12 month guideline suggested by the Combined Code. We believe that employing executives with service contracts (or notice periods) lasting longer than 12 months is not in the best interests of shareholders.

Equity-Based Schemes

Stock Incentive Plan

Tractable Performance Metrics. The Company has failed to disclose a clear description of the performance hurdles for its PRSU awards and the vesting schedules in relation to these hurdles. We believe clearly defined performance hurdles are essential for shareholders to fully understand and evaluate an incentive plan. The Company should fully disclose its methods for determining its performance metrics so as to ensure that all awards are granted in a fair and objective manner.

No Performance Targets. We are concerned that option awards granted under the stock incentive plan are not linked to any performance targets, but are solely subject to a time-vesting requirement. While this practice is common in Canada, it is viewed as contravening best practice in the UK.

Combined EPS Metric and Repurchase Authority. We note that the Company includes an EPS performance target in its long-term incentive plan. Further, the Company is requesting the authority to repurchase up to 15% of its issued share capital in fiscal year 2009 (see Proposal 23).

We are concerned that some companies may be abusing such repurchase authorities in order to artificially inflate EPS, potentially allowing executives to receive unmerited remuneration through EPS-based incentive strategies. We have no reason to suspect that the Company has any intention of pursuing such a strategy; however, if the Company continues to use this hurdle, undeserved rewards may be granted. We note that the Company repurchased 17.4 million shares in the past year as part of a larger US\$500 million repurchase program.

Quantum

One-Off Awards. Following the acquisition of Reuters plc in 2008, the committee approved one-time RSU grants to each of the six NEOs. The awards were granted by the committee with the intention of motivating NEOs to "succeed in executing the Company's integration plan" and to realise the Company's "maximum growth potential," as well as further align executive interests with those of shareholders. The aggregate value of the one-off awards totaled US\$61.4 million, with CEO Thomas Glocer receiving roughly US\$26.1 million and Devin Wenig, CEO of the markets division, receiving more than US\$15.8 million in recognition that these executives would not be participating in the Company's supplemental executive retirement plan. All awards will vest in one-third increments each year over three years, with the exception of Mr. Glocer's award, which will vest in 20% increments each year over a five-year term. The awards are not subject to the satisfaction of any performance requirements.

Glass Lewis is generally skeptical of one-off awards such as these, as we find the subjective nature of such awards makes it difficult for shareholders to determine their appropriateness. In addition, we view any type of extra annual bonus that rewards individuals for actions that we view as intrinsic to an executive's duties, such as negotiating sales and acquisitions, to be somewhat unnecessary. In this instance, we are further concerned with the opaque nature of the committee's disclosure with respect to the expected costs associated with these directors not participating in the Company's SERP. Given that these awards are expected to serve as a replacement for the Company's SERP, we would expect such awards to have a vesting schedule similar to that of a SERP scheme, whereby awards are not vested until the executive retires. Given that these awards only vest over three and five years, we believe that some shareholders may find it hard to support the committee's justification that these awards align executive interests with their own.

Deputy Chairmen. W. Geoffrey Beattie and Niall FitzGerald, who serve as deputy chairmen of the board, both received significant share-based awards in fiscal year 2008. Mr. Beattie, who also serves as president of Woodbridge, the Company's controlling shareholder, received an RSU award of US\$3,571,210 as recognition

for "his exceptional service as Deputy Chairman in overseeing [the Company's] strategic realignment," while Mr. FitzGerald, who served as chairman of Reuters prior to the acquisition, received an RSU award of US\$707,986, which, when combined with his fees for 2008, totals almost US\$1.3 million. The Company states that Mr. FitzGerald's compensation is comparable to the fees that he received as chairman of Reuters and, indeed, for fiscal 2007, Mr. FitzGerald received compensation of approximately US\$1,056,000.

According to the UK Combined Code, the Company's chairman is not considered independent. We believe this is especially true for chairmen of larger-listed companies, as they receive significantly higher compensation than those of non-executive directors, somewhat comparable to the compensation received by executives. In addition, as stipulated by best practice, chairmen in the UK do not receive equity-based awards, as such awards are interpreted as forcing them to weigh their own vested interests in the Company when making board decisions. As such, given the Company's dual listed structure and the intention to compensate Mr. FitzGerald on terms substantially similar to those that he received from Reuters, we will continue to consider him an affiliated director until such compensation levels fall into line with those of the Company's Canadian peers.

Vesting of 2006/2007 Awards. For PRSU grants made as long-term incentive awards in 2006 and 2007, the board has decided that such awards will automatically vest in 2009 and 2010, respectively, at the target amount of 100% due to the material impact of the Reuters acquisition on the comparability of the Company's performance relative to the performance goals initially established. Given the level of disclosure provided with respect to the performance conditions for PRSU awards, shareholders may find it difficult to ascertain the appropriateness of automatically awarding target level awards solely due to an acquisition. In addition, this level of disclosure, in our opinion, is unacceptable, as shareholders should not be left to take the board's word that such performance would have warranted a target-level payout.

Summary

As with many dual-listed companies, there are substantial differences between the compensation standards of each market in which the Company operates. In this instance, we note that the Company, prior to the acquisition of Reuters, was solely subject to the compensation standards of Canada. A primary difference among the two markets, is that it is common for Canadian firms not to utilize explicitly disclosed performance metrics and associated vesting schedules for long term equity awards. Moreover, incentive limits for annual and long term awards, which are generally clearly disclosed in the UK remuneration report, are not structured in the same manner in Canada and, as such, can be more difficult to ascertain for Canadian listed companies.

In light of these differences, we believe there are concerns with the Company's compensation structure and disclosure that the board can still afford to address and/or change in order to comply with best practice guidelines in both markets. First, we question the level of disclosure provided with regard to the performance metrics, or lack thereof, for long term equity awards. While we commend the Company for implementing performance metrics for PRSU awards, we question the decision to not disclose a vesting schedule for such awards. Without such information, shareholders cannot determine the appropriateness of vested awards, whereby executives may receive unwarranted or undeserved compensation for poor or mediocre performance. In addition, shareholders should note that stock option awards are not subject to any performance conditions. While not uncommon for Canadian issuers, leaving long term equity awards solely subject to time-based vesting requirements is an inadequate and inefficient method of aligning executive compensation with company performance. Such awards may significantly increase in value solely based on market forces, rather than improvements in the Company's underlying financial performance. While the Company has performed well over the past year, we note that such performance should leave no question that the implementation of performance metrics would not significantly alter the current remuneration levels and would only provide a stronger justification for the current quantum levels of executive compensation, which, as displayed in our page 6 compensation data, outpaces the Company's peers by a *significant* margin.

Furthermore, we must note our concern with the significant one-off awards made to executives in 2008. Given our general skepticism of such awards, as well as the actual quantum levels and opaque disclosure provided by

the board in this case, we find the justification for such awards to be somewhat lacking.

In short, we encourage the Company to consider the implementation of the aforementioned structural changes to its compensation structure, as such changes would bring the Company's overall compensation policies into line with both UK and Canadian best practice. In its present form, we cannot support the remuneration report or the Company's compensation practices at this time.

Accordingly, we recommend that shareholders vote **AGAINST** this proposal.

This proposal seeks shareholder approval to authorise the board to issue shares on a preemptive basis subject to the following limits of up to:

- (i) a maximum nominal value of £15,102,436 (US\$22,072,210) for general corporate purposes; and
- (ii) an additional maximum nominal value of £15,102,436 (US\$22,072,210), for a total of £30,204,872 (US\$44,144,420), if issued in connection with a rights issue.

If approved, the authority will expire on July 1, 2010 or, if earlier, at the conclusion of the 2010 annual general meeting.

Glass Lewis' Analysis

Pursuant to this proposal, the board's general authority to issue shares will be limited to a nominal value of £15,102,436 (US\$22,072,210), which represents 33% of the Company's issued ordinary share capital. This limit meets the guidelines issued by the Association of British Insurers ("ABI") and other UK investor bodies.

This limit will be increased to £30,204,872 (US\$44,144,420) in connection with a rights issue, offered to current shareholders in proportion to their current holdings, which represents two-thirds of the Company's issued ordinary share capital. Best practice in the UK, which is largely influenced by the ABI, has traditionally limited this authority to one-third of issued share capital; however, recent difficulties in raising capital have opened this issue to criticism and debate among a wide range of UK investor groups.

Many UK companies sought additional fundraising via rights issues during the economic downturn of 2008, and this trend has continued into 2009. These companies, including Bradford & Bingley, HBOS, Imperial Tobacco Group and The Royal Bank of Scotland Group, have had mixed take-up results ranging from only 8% for HBOS to an impressive 97% for Imperial Tobacco Group. To examine the process, a Rights Issue Review Group (the "Group") was created, co-chaired by the Financial Services Authority ("FSA") and HM Treasury. The Group also comprises 17 other bodies including the ABI, Barclays, The British Bankers Association, Goldman Sachs, The Royal Bank of Scotland Group and The Pre-Emption Group. In a consultation paper released in November 2008, this group acknowledged that "take-up rates were unusually low" in 2008 and attributed this primarily to the lengthy duration of the rights issue process in this specific market.

Among the key recommendations outlined in the report was a request for the ABI "to review its guidance on the ceiling on allotments in light of the Group's recommendations that it be increased from one-third to two-thirds of an issuer's issued share capital." The ABI subsequently updated its policies in accordance with this recommendation.

The Group also suggested certain safeguards that could be put in place, including the required annual election of all directors, with the intent that shareholders could vote against directors in the event of any perceived abuse of this increased authority.

We generally believe that the authority to issue shares on a preemptive basis benefits shareholders by providing the Company with the flexibility to finance operations and future business opportunities. However, we are concerned that this increased authority will grant directors a dangerously high level of control over the Company's share capital, possibly to the detriment of current shareholders. Moreover, we note that the 2006 Companies Act allows issuers to abolish the concept of an authorised share capital. We are concerned that these two authorities leave very little shareholder control over capital management.

We believe shareholders should be mindful of these concerns, and of the considerable additional power they could be granting to directors in this proposal. However, the Company already requires all directors to stand for

election on an annual basis. Given such an assurance, we believe shareholders should support this otherwise standard proposal and if the board takes advantage of its additional authority over shares to the Company's detriment, all directors can be held accountable at the next annual general meeting.

Given such an assurance, we believe shareholders should support this otherwise standard proposal and if the board takes advantage of its additional authority regarding shares to the Company's detriment, all directors can be held accountable at the next annual general meeting.

Accordingly, we recommend that shareholders vote **FOR** this proposal.

Proposal 4.04: Authority to Issue Shares w/o Preemptive Rights

FOR

This proposal seeks shareholder approval to authorise the board to issue shares for cash by way of a right issue or other preemptive offer or to issue shares, for general corporate purposes, having a maximum nominal value of £2,265,365 (US\$3,310,831) without first offering the securities to existing shareholders on a pro rata basis. If approved, the authority will expire on July 1, 2010 or, if earlier, at the conclusion of the 2010 annual general meeting.

Glass Lewis' Analysis

Pursuant to this proposal, the board's authority to issue shares without preemptive rights will be limited to a nominal value of £2,265,365 (US\$3,310,831), which represents 5% of the Company's issued ordinary share capital. This limit meets the guidelines issued by the Association of British Insurers and other UK investor bodies.

We believe that this authority will benefit shareholders by providing the Company with the flexibility to finance operations and future business opportunities. We also note that the dilution to current shareholders will be capped at 5%, which we consider reasonable.

Accordingly, we recommend that shareholders vote **FOR** this proposal.

Proposal 4.05: Authority to Repurchase Shares

FOR

This proposal seeks shareholder approval to authorise the Company to repurchase its own shares.

The authority to repurchase shares will be subject to the following conditions:

- (i) the number of ordinary shares purchased will not exceed 27,184,386, representing 15% of the Company's issued share capital;
- (ii) the maximum purchase price will be an amount equal to 105% of the average of the middle-market quotations for an ordinary share according to the Daily Official List of the London Stock Exchange for the five business days immediately preceding the day on which the purchase contract is made;
- (iii) the minimum purchase price will be the nominal value of each share; and
- (iv) the authority will expire on July 1, 2010 or, if earlier, at the conclusion of the 2010 annual general meeting.

The UK Listing Authority permits a company to repurchase up to 15% of its issued share capital and to deal with such shares, including selling them, subject to certain limitations, for cash, transferring them for use in employee stock plans or canceling them.

We note that the Company purchased 17.4 million of its own shares during fiscal year 2008 as a part of a US\$500 million repurchase programme commenced in April 2008.

Glass Lewis' Analysis

As a general rule, we believe that buyback programs and associated share cancellation programs are in shareholders' best interests, so long as the Company is left with a sufficiently strong balance sheet in light of its capital requirements. Typically, a repurchase is used to return surplus capital to shareholders, increase earnings per share, or provide shares for equity compensation plans.

We believe that the terms under which the Company is considering a repurchase of its shares are reasonable.

Accordingly, we recommend that shareholders vote **FOR** this proposal.

Proposal 4.06: Authority to Set General Meeting Notice Period at 14 Days

AGAINST

This proposal seeks shareholder approval to set the notice period for a general meeting, also commonly known as a special or extraordinary meeting, at 14 days. Historically, the general meeting notice period in the UK has been set at 21 days. This reduction is allowed under both the Companies Act 2006 (the "Act") and also the EU Shareholder Rights Directive, which will come into effect in August 2009. If approved, the authority will expire at the conclusion of the 2010 annual general meeting.

We note that the notice period for an annual general meeting will remain unchanged.

Glass Lewis' Analysis

Glass Lewis generally supports regulatory changes that do not act contrary to shareholders' interests.

However, in this case, we are concerned with the effect of reducing the notice period for a general meeting from 21 to 14 days, as we believe the amendment may limit the ability of some shareholders, particularly those located overseas, from participating at a meeting in a fully-informed manner. While this shortened notice period is also permitted by the EU Shareholders Rights Directive, provided a company conforms to specific electronic voting and communication requirements, we continue to believe 14 days is simply insufficient time for shareholders to receive a ballot, weigh the issues and vote. Further, issues raised at extraordinary general meetings are by their nature often more complex than routine annual general meeting proposals, thereby requiring a deeper and more time-consuming level of review.

We note that the Company has adopted electronic disclosure and voting provisions for shareholder meetings, mitigating to some extent the negative aspects of a shortened notice period. However, we still believe that a shortened notice period does not provide shareholders with sufficient time to adequately review proposals being presented at an extraordinary general meeting, and thus we are inclined to oppose any reduction in the notice period.

Accordingly, we recommend voting **AGAINST** this proposal.

Disclosure

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