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VIA EMAIL: dbinet@woodbridge.com

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Re Thomson Reuters Shareholder Proposal

Dear David,

The B.C. Government and Service Employees' Union (BCGEU) has submitted a shareholder proposal to be considered at Thomson Reuters Corporation's 2020 annual general meeting of shareholders (Proposal). The Proposal asks the Thomson Reuters Board of Directors to investigate and disclose whether certain business risks are being adequately addressed at Thomson Reuters. Thomson Reuters points to the Trust Principles as evidence that it is mindful of the human rights matters that give rise to these business risks.

Specifically, the Proposal calls on the Thomson Reuters Board of Directors to produce a report addressing

- (i) how Thomson Reuters assesses and mitigates its role in contributing to and being directly linked to human rights impacts by end users of its products,
- (ii) whether Thomson Reuters remains in compliance with the Ten Principles of the UN Global Compact, and
- (iii) whether Thomson Reuters's failure to invoke the UN Guiding Principles on Business and Human Rights (UNGPs) is out of step with market practice.

Summary

Thomson Reuters points to the Trust Principles to support the recommendation to vote against the Proposal. However, its position is inconsistent with the nature of the Trust Principles themselves, and the Thomson Reuters Board of Directors needs to assess whether the Trust Principles in their current form adequately cover Thomson Reuters's business. This business is much changed from the time when the Trust Principles were adopted after the Reuters

acquisition in 2008 – particularly since the Refinitiv transaction – and will change even further once the transaction to sell Refinitiv to the London Stock Exchange Group is completed. Thomson Reuters has made the Proposal a referendum on how the Trust Principles are being applied and whether they remain appropriate in scope.

Woodbridge has agreed with the Thomson Reuters Founders Share Company to support the Trust Principles and to use its voting power in a manner consistent with the Trust Principles, thus making it the caretaker of the Trust Principles. If Woodbridge votes against the Proposal, it would be forestalling an effort to evaluate how the Trust Principles are used by Thomson Reuters, and whether their current scope is appropriate.

The Trust Principles have changed over the years, and they need to keep changing in order to stay relevant and responsive. The evaluation of the changes needed can only be determined after a full investigation by the Thomson Reuters Board of Directors, as is called for by the Proposal. Thus, the BCGEU is calling on Woodbridge to abstain from voting on the Proposal, and to so advise the Thomson Reuters Founders Share Company.

Reliance on Trust Principles

As each of the matters raised by the Proposal intersects with the Trust Principles, Thomson Reuters has rightfully made the Proposal a referendum on the Trust Principles, specifically whether and how the Trust Principles are applied to Thomson Reuters's contracts with U.S. federal government's department of Immigration and Customs Enforcement (ICE), as well as the continued suitability of the Trust Principles to Thomson Reuters's business as a whole.

Application of Trust Principles – Relationship with ICE

With regards to Thomson Reuters's relationships with ICE, Thomson Reuters states that users of its products must certify (by clicking a mouse button) that the products will be used in a lawful manner, and it states that its products are used to support the rule of law. However, this reliance on "clickwrap" is inadequate, and the focus on using a "check the box" exercise as sufficient to declare compliance with values runs counter to the Trust Principles themselves.

In our discussions with Thomson Reuters's management, we were advised that Thomson Reuters could not "take sides" on an issue such as Thomson Reuters's relationship with ICE, as this may be seen as compromising the independence called for by the third Trust Principle. This is reflected in Thomson Reuters's response to the Proposal, where it states:

As part of our commitment in the Trust Principles to integrity, independence and freedom from bias, we endeavor to be impartial and not to take sides and we seek to provide news, information, software, services and solutions upon which individuals, businesses and governments can rely.

...

As stated above, as part of our commitment in the Trust Principles to integrity, independence and freedom from bias, we endeavor to be impartial and not to take sides. The Trust Principles have guided our company for almost 80 years and they continue to help us operate fairly.

But this is essentially turning a blind eye to a potentially harmful situation that is thought by the international community to constitute violations of human rights including children's rights, due process, equal protection, freedom from persecution and torture, and the rights of asylum seekers. Refusing to acknowledge an issue does not constitute transparency; it is an abdication of responsibility.

Evolution of the Trust Principles

Like any set of corporate values or mission statement, the Trust Principles must be subjected to regular scrutiny and review. We note that there have been amendments and updates to the Trust Principles:

- While in their original post-Reuters acquisition form the Trust Principles each referred to the “TR Group”, we see that in January 2018, in connection with entering into a strategic partnership with Blackstone, the first and third Trust Principles were amended to refer to “Reuters” only.
- Pursuant to the terms of the Reuters Support Agreement, beginning in 2024 Thomson Reuters and the Thomson Reuters Founders Share Company have agreed that the parties may evaluate Thomson Reuters’s performance to assess compliance with the fifth Trust Principle. The parties may propose amendments to the Reuters Support Agreement based on that evaluation.
- David Crundwell, SVP, Global Head Communications & Corporate Affairs at Thomson Reuters stated that the following:

It is worth pointing out that the Trust Principles have had a number of sensible adjustments since 1941 to respond to evolving corporate structure[.]¹

So, Thomson Reuters acknowledges that the Trust Principles cannot be static, and nor should they be. The Thomson Reuters Code of Business Conduct and Ethics is revised at least every three years. The Thomson Reuters Board of Directors should undertake a similar regular review process with respect to the Trust Principles.

¹ <https://www.thebaron.info/news/article/2018/02/08/trust-principles-two-changes-if-the-blackstone-deal-goes-through>

Suitability of the Trust Principles

In order to be effective, the Trust Principles must be robust enough to apply to all of Thomson Reuters's business, and in particular they must capture the essence of where the company is headed.

Relative Size of Reuters Business

The 2018 sale of a controlling block in Refinitiv for \$17 billion and the strategic partnership with Blackstone marked a watershed moment for Thomson Reuters.

In the years following the 2008 Reuters acquisition, the Markets segment, and later the Financial & Risk segment, contributed between 52% and 58% of total revenue on annual basis. These segments were made up of the Reuters businesses as well as the Thomson Financial business that was conducted prior to the Reuters acquisition.

In the 2019 financial year, the first full year of being a minority holder of the Refinitiv business, the reportable segments had undergone further change, with there being a total of five segments, including Reuters News. The equivalent revenue calculation shows that the Reuters News segment and the minority position in Refinitiv represented 39% of total revenue on an annual basis.²

But this does not tell the full story.

Recall the 2018 amendments to the Trust Principles. The first and third Principles were amended to refer to "Reuters" only, with such changes perhaps necessitated by the fact that Thomson Reuters would no longer control the former Financial & Risk business. In losing control over the former Financial & Risk business, Thomson Reuters also lost the ability to ensure that such business is operated in a manner that complies with the Trust Principles. We must also be cognizant of the impending transaction to sell Refinitiv to the LSEG.

So, to quantify the financial contribution of the Reuters assets remaining in Thomson Reuters's control, one must assess only the Reuters News segment results against all segments, since only the Reuters News segment remains in Thomson Reuters control.

In the 2019 financial year, the Reuters News segment contributed only 10.7% of total revenue on annual basis. This is a drastic and alarming drop from a business that contributed over 50% of total revenues a decade earlier. Furthermore, the Reuters News segment represents only ~2% of the adjusted EBITDA of all segments. The 2019 MD&A also clearly spells out the marginalization of the Reuters News business:

² See Annex A for additional background on the evolution of Thomson Reuters's segment reporting as it relates to the businesses acquired in the Reuters acquisition, together with the data used to generate the foregoing figures.

Relative to our Reuters News business, the media sector continues to transform, with the traditional news agency business declining. While demand in the financial professional segment is growing, Reuters is limited in its ability to participate in a number of sectors due to its exclusive agreement with Refinitiv.

How can such a small segment, one that Thomson Reuters itself describes as a declining business, drive and define the values for the entire business?

Key Operating Segment and Growth Driver – Legal Professionals Segment

We refer back to Thomson Reuters's position that it cannot take sides, and that this is required or supported by the Trust Principles. If this is in fact the case, we submit that the Trust Principles in their current form are unsuitable for the nature the business Thomson Reuters conducts today, and the areas of business growth it expects in the future.

Over 60% of Thomson Reuters's adjusted EBITDA for the 2019 financial year is derived from the Legal Professionals segment (with the next highest segment contributing 29%)³, which is described as follows:

The Legal Professionals segment serves law firms and governments with research and workflow products, focusing on intuitive legal research powered by emerging technologies and integrated legal workflow solutions that combine content, tools and analytics.

Within the Legal Professionals segment, the focus appears to be on Thomson Reuters's software-as-a-service offerings, and in particular the growth of that component of the Legal Professionals segment, as opposed to traditional content offerings. During Thomson Reuters's earnings call for the third quarter 2019, after Thomson Reuters's CFO reports that software-as-a-service offerings make up 31% of the revenues for the Legal Professionals segment, Thomson Reuters's CEO states the following:

And I would just reiterate what I said before, I think the appetite for technology spend is going up, and I think that's what you're seeing in a lot of our investment, and what we are seeing certainly in our dialog with our clients. So I think that's -- as I said earlier, where the game is moving and I would expect that percentage to grow.

Earlier on the call, Thomson Reuters's CEO states:

I would say the biggest change I have seen, is the willingness to accept technology solutions, and the eagerness really to embrace technology solutions over the last couple of years and particularly this year. ... But I think where we're making even more gains, is

³ If the effect of corporate costs is removed, the Legal Professionals segment contributes over 45% of adjusted EBITA for the 2019 financial year, with the next highest segment contributing 21%.

on the areas where we are working to become the kind of technology platform partner of choice in this space, and I think that's where the next kind of big battleground will play out, over the next five years or so.

This emphasis on Thomson Reuters's technology offerings clearly reflected in its MD&A for the 2019 financial year, and the focus on technology is Thomson Reuters's top priority:

Priorities

We plan to continue Thomson Reuters' evolution into a platforms-based business information software and services leader by leveraging our core capabilities in content and technology, bringing our solutions together for our customers, and building an open ecosystem where legal, tax and accounting professionals collaborate and transact.

In describing financial highlights and key accomplishments, the MD&A begins by stating:

We met or exceeded our guidance on all our key financial metrics. Most notably, we achieved 4% organic revenue growth due to demand for our artificial intelligence powered solutions...

And in describing future trends in its business, Thomson Reuters's MD&A states:

The needs of our professional customers continue to evolve, and we believe we are well positioned to serve them. Technology is modernizing the legal, tax and accounting professions, making our customers more efficient. Law firms are transitioning away from time-based billing and accounting firms are moving into more advisory services, as traditional audit and tax compliance become more commoditized. To optimize their efficiency, our customers want to integrate their workflows with our content and technology, as well as with third party applications. They are increasingly focused on using technology to collaborate with their clients, as well as on the impact of advanced technologies like artificial intelligence and machine learning. Open ecosystems increase efficiency because they allow tax and accounting professionals to access all their tools, including solutions from other vendors, in a single place, and to collaborate with their clients.

Unsuitability of the Trust Principles – Risk Management Failure

With respect, the Trust Principles in their current form are not an adequate encapsulation of the principles of a technology-based business that strives to uphold human rights. The unsuitability of the Trust Principles is Thomson Reuters's risk management failure.

To illustrate this point, consider LexisNexis, Thomson Reuters's main and direct competitor for its Legal Professionals business. LexisNexis is owned by RELX PLC, and Thomson Reuters lists RELX as one of its peers for executive compensation benchmarking purposes. Like Thomson Reuters,

RELX is a signatory of the UN Global Compact and is working toward compliance with the UN's Sustainable Development Goals (SDGs). However, RELX goes one step further and has aligned its business practices with the UN Guiding Principles on Business and Human Rights:

In accordance with the UN's Guiding Principles on Business and Human Rights, we have considered where and how we operate to ensure we uphold human rights.⁴

To further support this view, we point to the human rights position statements for the leading software-as-a-service companies in North America, Microsoft, Amazon, Google, Oracle, Cisco and Salesforce.com. Each of these companies has indicated that its approach to human rights is either informed or guided by the UN Guiding Principles on Business and Human Rights.

To illustrate the disparity in practices when it comes to assessing and mitigating human rights impacts and employing adequate due diligence, consider Microsoft's approach⁵:

Engagement: We can more effectively respect human rights through our presence in, rather than absence from, countries with significant human rights challenges. Responsible engagement with people and governments in these difficult environments often holds greater promise for advancement of human rights, especially in the medium- and long-term.

Key factors in making this approach a success include the use of a multi-stakeholder engagement, including engagement with local stakeholder groups, using our leverage to influence other primary actors, and undertaking due diligence to identify and mitigate potential human rights impacts.

The Shift organization, which is chaired by John Ruggie, the author of the UN Guiding Principles on Business and Human Rights, states the following about the obligations of businesses where states and governments fail to protect human rights⁶:

The corporate responsibility to respect human rights does not increase or decrease depending on whether states meet their own duty to protect human rights. It is, of course, much more challenging for companies to meet this responsibility when states do not have adequate standards and regulations in place, fail to enforce them effectively or even have laws that directly conflict with international human right standards. Yet while we can all recognize that challenge, the Guiding Principles nonetheless expect business to be prepared for it.

That means that all businesses should put in place appropriate policies and processes in a proactive effort to respect human rights. And those businesses that operate or have

⁴ <https://www.relx.com/investors/corporate-governance/code-of-ethics>

⁵ <https://www.microsoft.com/en-us/corporate-responsibility/human-rights-statement>

⁶ <https://www.shiftproject.org/un-guiding-principles/>

parts of their value chain in countries where governments fail to fulfill their own duties to protect human rights will need to make additional efforts to respect human rights in light of the risky environment.

Thomson Reuters has not disclosed any engagement with affected stakeholders, and clearly a box-checking exercise of relying on clickwrap is not a substitute for enhanced due diligence on human rights matters.

Woodbridge and the Trust Principles

Woodbridge's views on the importance of the Trust Principles are evident from these statements:

"Woodbridge admired the Principles and what they stood for. Indeed, Woodbridge concluded that the Principles were essentially a codification of the way it and Thomson had conducted business over many years. Woodbridge and Thomson therefore agreed that the Principles should apply to the whole of the combined Thomson Reuters business. Woodbridge agreed to support the Principles and to exercise its voting rights to give effect to this support."⁷

"The directors [of Reuters] were given assurances by Thomson and Woodbridge, the Thomson family's private investment company and controlling shareholder of Thomson Co, that they would uphold the principles."⁸

"Woodbridge admired the Principles and what they stood for. Indeed, Woodbridge concluded that the Principles were essentially a codification of the way it and Thomson had conducted business over many years. Woodbridge and Thomson therefore agreed that the Principles should apply to the whole of the combined Thomson Reuters business. Woodbridge agreed to support the Principles and to exercise its voting rights to give effect to this support."⁹

Woodbridge is in a unique position.

We understand that pursuant to the October 2018 Support Agreement with the Thomson Reuters Founders Share Company,

- (i) Woodbridge has agreed to vote its Thomson Reuters shares in a manner consistent with the Trust Principles, and

⁷ <https://www.thomsonreuters.com/content/dam/openweb/documents/pdf/corporate/misc/thomson-reuters-founders-share-company-limited.pdf>

⁸ <https://www.reuters.com/article/us-thomsonreuters-f-r-blackstone-trust/factbox-thomson-reuters-the-history-and-purpose-of-the-trust-principles-idUSKBN1FK08R>

⁹ <https://www.thomsonreuters.com/content/dam/openweb/documents/pdf/corporate/misc/thomson-reuters-founders-share-company-limited.pdf>

(ii) Woodbridge is required to advise the Thomson Reuters Founders Share Company “whether and, if so, the manner in which, it intends to vote” its shares in Thomson Reuters.

Should Woodbridge vote against the Proposal, it would be forestalling an effort to have the Thomson Reuters Board of Directors evaluate how the Trust Principles are used by Thomson Reuters and whether their current scope is appropriate. The Proposal should be used to assess the Trust Principles as a whole, the manner in which they are being applied, and the continued suitability of the Trust Principles for Thomson Reuters’s evolving business.

History has shown that the Trust Principles are adapted where necessary. An assessment of the need for further adaptations is now required to ensure that shareholders, employees and other stakeholders can continue to have faith that Thomson Reuters’s business is governed by values that not only are relevant to all of its businesses, but also which help to mitigate the risks of such businesses.

Woodbridge – Abstaining from Voting on the Proposal

As a result, BCGEU believes that in order to preserve its covenant to support the Trust Principles, Woodbridge should abstain from voting on the Proposal, and it should so advise the Thomson Reuters Founders Share Company.

We are available at your convenience for further discussion.

Very truly yours,

A handwritten signature in blue ink, appearing to read "Paul Finch".

Paul Finch
Treasurer

cc: Sherry Brydson, shareholder of The Woodbridge Co. Ltd.

ANNEX A

After acquiring Reuters, Thomson Reuters re-aligned its reportable segments into two segments, Markets and Professional. The Markets segment combined the businesses operated by Reuters and Thomson Financial prior to the Reuters acquisition. The Professional segment was comprised of Thomson's existing businesses, Legal, Tax & Accounting, Scientific and Healthcare. Thomson Reuters reported its financial results in this manner from the 2008FY until and including the 2011FY.

Commencing for the 2012FY, Thomson Reuters re-aligned its reportable segments into four segments, Financial & Risk, Legal, Tax & Accounting and Intellectual Property & Science. The Financial & Risk segment was described as follows:

The Financial & Risk segment is a provider of critical news, information and analytics, enabling transactions and bringing together financial communities. Financial & Risk also provides regulatory and operational risk management solutions.

At this point, the results of Reuters News division neither qualified as a component of another reportable segment nor as a separate reportable segment, and so the Reuters News results were aggregated into a line item for "Corporate & Other (includes Reuters News)". Thomson Reuters reported its financial results in this manner until and including the 2017FY.

After selling a 55% interest in its Financial & Risk segment to Blackstone, Thomson Reuters re-branded the unit as Refinitiv, and Refinitiv's results were reported using the equity method. For the 2018FY, the results from the Financial & Risk segment from January 1, 2018 until September 30, 2018 were reported as discontinued operations. Commencing for the 2018FY, Thomson Reuters once again re-aligned its reportable segments into five segments, Legal Professionals, Corporates, Tax Professionals, Reuters News and Global Print. Thomson Reuters has reported its financial results in this manner for the 2019FY as well. Refinitiv's revenues for the 2018FY and 2019FY were \$1,550M and \$6,250M, respectively, with Thomson Reuter's 45% portion of such revenues constituting \$697.5M (2018FY) and \$2,812.5M (2019FY).

The financial metrics referenced in the letter are derived from data provided on the following pages.

Revenue	2008 FY	Revenue	2009 FY
Professional	5,507	Professional	5,470
Legal	3,639	Legal	3,586
Tax & Accounting	926	Tax & Accounting	1,006
Healthcare & Science	942	Healthcare & Science	878
Markets	6,210	Markets	7,535
Segment Totals	11,717	Segment Totals	13,005
Revenue	2010 FY	Revenue	2011 FY
Professional	5,638	Professional	5,435
Legal	3,677	Legal	3,434
Tax & Accounting	1,079	Tax & Accounting	1,149
Healthcare & Science	882	Healthcare & Science	852
Markets	7,441	Markets	7,494
Segment Totals	13,079	Segment Totals	12,929
Revenue	2012 FY	Revenue	2013 FY
Financial & Risk	7,193	Financial & Risk	6,648
Legal	3,286	Legal	3,351
Tax & Accounting	1,206	Tax & Accounting	1,243
Intellectual Property & Science	894	Intellectual Property & Science	982
Segment Totals	12,579	Segment Totals	12,224
Corporate & Other (incl. Reuters News)	331	Corporate & Other (incl. Reuters News)	331
Segment Totals and Corporate, etc.	12,910	Segment Totals and Corporate, etc.	12,555

Revenue	2014 FY	Revenue	2015 FY
Financial & Risk	6,538	Financial & Risk	6,148
Legal	3,379	Legal	3,354
Tax & Accounting	1,379	Tax & Accounting	1,417
Intellectual Property & Science	1,011	Intellectual Property & Science	1,005
Segment Totals	12,307	Segment Totals	11,924
Corporate & Other (incl. Reuters News)	319	Corporate & Other (incl. Reuters News)	296
Segment Totals and Corporate, etc.	12,626	Segment Totals and Corporate, etc.	12,220
Revenue	2016 FY	Revenue	2017 FY
Financial & Risk	6,057	Financial & Risk	6,112
Legal	3,367	Legal	3,390
Tax & Accounting	1,452	Tax & Accounting	1,551
Segment Totals	10,876	Segment Totals	11,053
Corporate & Other (incl. Reuters News)	304	Corporate & Other (incl. Reuters News)	296
Segment Totals and Corporate, etc.	11,180	Segment Totals and Corporate, etc.	11,349
Revenue	2018 FY	Revenue	2019 FY
Legal Professionals	2,373	Legal Professionals	2,419
Corporates	1,238	Corporates	1,321
Tax Professionals	794	Tax Professionals	844
Reuters News	370	Reuters News	630
Global Print	728	Global Print	693
Segment Totals	5,503	Segment Totals	5,907
Financial & Risk (Discontinued)	4,677	Refinitiv (45%)	2,812.5
Refinitiv (45%)	697.5	Segment Totals and Refinitiv	8,719.5
Segment Totals, F&R and Refinitiv	10,878		