Corporate governance in 2013

At TELUS, we have a strong commitment to effective and sound practices in corporate governance. In 2013, we implemented several new initiatives to enhance our efforts in this important area. These are highlighted below.

Board diversity

We believe that increasing the diversity of our Board to reflect the communities and customers we serve is essential to our success. In 2013, the Corporate Governance Committee recommended, and the Board approved, a board diversity policy. It provides that the Corporate Governance Committee, which is responsible for recommending director nominees to the Board, will consider candidates on merit, based on a balance of skills, background, experience and knowledge. In identifying the highest quality directors, the Committee will take into account diversity considerations such as gender, age and ethnicity, with a view to ensuring that the Board benefits from a broader range of perspectives and relevant experience. The Committee will also set measurable objectives for achieving diversity and recommend them to the Board for adoption on an annual basis. Pursuant to the policy, the Board adopted a target of having diverse members represent between 30 and 40 per cent of its independent members, with a minimum representation of 25 per cent women, by May 2017. The Board also agreed to have TELUS sign the Catalyst Accord and thereby pledge to increase the overall representation of women on the TELUS Board to a minimum of 25 per cent by 2017.

Director term limits

The Corporate Governance Committee considered initiatives aimed at further enhancing succession planning at the Board level this year. As a result, the Board formally adopted a term limit policy for directors who join the Board after January 1, 2013, requiring them to tender their resignation to the Corporate Governance Committee after 15 years of service on the Board. The Corporate Governance Committee has the discretion to recommend that the Board extend a director's term for such period as the Corporate Governance Committee deems appropriate if it is in the best interests of TELUS to do so.

Share ownership by directors and executives

After reviewing market trends and benchmarking data, both the Corporate Governance Committee and the Human Resources and Compensation Committee recommended an increase to the share ownership guidelines for both directors and executives, which the Board approved. Directors are now required to reach an equity ownership target equal to eight times the annual cash retainer paid to such director for service on the Board, in each instance within five years of his or her appointment date. Executives are now required to hold three times their base salary in Shares, while the CEO is required to hold seven times his base salary in Shares and the Executive Chair 12 times his base salary in Shares.

One share, one vote

As we reported to you last year, the replacement of our dual share class structure with a single class of issued and outstanding voting securities became effective February 4, 2013 pursuant to a plan of arrangement under the provision of Division 5 of Part 9 of the *British Columbia Business Corporations Act* (the Arrangement). The Arrangement represented an important step in our governance regime. A single class of voting securities aligns our capital structure with what is generally viewed as best practice, where one share equals one vote. It also aligns voting rights with economic interest and offers shareholders meaningful economic opportunity through increased trading liquidity and a Common Share listing on the New York Stock Exchange (NYSE).

Consistent with TELUS' move to a single class share structure, at the 2013 annual and special meeting, Shareholders approved alterations to the Notice of Articles and the Articles of TELUS to eliminate the class of Non-Voting Shares and increase the maximum number of Common Shares that the Company is authorized to issue from one billion to two billion, to keep the aggregate number of equity shares authorized for issuance the same, and changes to the Company's Articles to, among other things, reflect the elimination of the Non-Voting Shares.

Statement of TELUS' corporate governance practices

We are committed to effective and sound practices in corporate governance and regularly assess emerging best practices. We are also committed to transparent and comprehensive disclosure of our corporate governance practices and to providing voluntary disclosure that goes beyond what is required.

TELUS complies with all applicable Canadian and U.S. corporate governance rules, regulations and policies. Although not required to do so, TELUS has voluntarily adopted the expanded definition of independence in Section 303A of the New York Stock Exchange Governance Standards (the NYSE governance rules). We are also in substantial compliance with most of the provisions of the NYSE governance rules that are not mandatory for foreign private issuers, including the new NYSE requirements regarding the independence of compensation committee members, except as follows:

- With respect to Shareholders' approval of equity-based compensation arrangements, TELUS follows the Toronto Stock Exchange (TSX) rules, which require Shareholders' approval of equity-based compensation arrangements and material amendments only if they involve newly issued securities. This is in contrast to the NYSE governance rules, which generally require Shareholders' approval of all equity-based compensation arrangements regardless of whether they involve newly issued securities or securities purchased in the open market.
- TELUS follows many (but not all) of the incremental disclosure provisions under the NYSE governance rules.

Our efforts to provide transparent disclosure and reporting continue to be externally recognized. In 2013, the Canadian Coalition for Good Governance awarded TELUS its Governance Gavel award for Best Disclosure of Approach to Executive Compensation, while the Canadian Society of Corporate Secretaries recognized TELUS with its inaugural Excellence in Governance award in the category of best sustainability, ethics and environmental governance program. TELUS also won the Overall Award of Excellence for Corporate Reporting for the fourth straight year at the Corporate Reporting Awards presented annually by the Chartered Professional Accountants of Canada (formerly the Canadian Institute of Chartered Accountants).

Disclosure of TELUS' practices against the Governance Disclosure Rule

(NI 58-101 – Disclosure of Corporate Governance Practices)

Board of Directors

Oversight and mandate

The Board is responsible for the stewardship of the Company and overseeing the management of the Company's business and affairs.

The Board has adopted the *TELUS Board Policy Manual* to assist Board members in fulfilling their obligations, both individually and collectively, and to set out the expectations on the Board, Board committees, individual directors, the Chair (including the Executive Chair), the Lead Director, the committee chairs and the CEO. The terms of reference for the Board of Directors, the Executive Chair, the Lead Director and the CEO are contained in the manual and are attached as Appendix A and B to this information circular. A copy of the *TELUS Board Policy Manual* in its entirety is available at **telus.com/governance.**

One of the Board's key mandates is to oversee the Company's objectives and goals. The Board annually reviews and approves the Company's corporate priorities and the strategic plan to achieve those priorities. Critical to this process is the Board's annual Strategic Advance meeting, held over three days at the beginning of August, at which the Board and management hold comprehensive discussions on the strategic plan as well as our progress against operational and financial targets and the Company's key corporate priorities. The meeting also provides an opportunity for the Board to meet and socialize informally with members of the senior leadership team below the executive level, an important part of executive succession planning.

Another key mandate of the Board is to oversee the timely identification of material risks to the Company's business and the implementation of appropriate systems and processes to identify, monitor and manage material risks. To meet its obligations in this regard, the Board annually reviews and assesses the quality and adequacy of risk-related information provided to the Board by management and annually reviews the allocation of risk oversight among the Board and each of its committees, to ensure that the risk oversight function is coordinated. The Board, through its committees, also receives quarterly updates on business risks and key risk mitigation activities. Finally, the directors participate in the identification of the Company's enterprise key risks. Through an internal risk and control assessment survey, each director identifies our key enterprise risks and provides his or her perception of TELUS' risk tolerance in key risk areas. Management incorporates the Board's input into its annual enterprise risk and control assessment, which we use to identify and prioritize key enterprise risks and develop risk mitigation plans annually.

To further delineate the responsibilities of the Board, the Board has adopted a delegation policy under which the Board delegates certain decisions to management. This policy provides guidance to the Board and management on matters requiring Board approval, including major capital expenditures, acquisitions, investments or divestitures.

Committees

To help the Board fulfill its duties and responsibilities, the Board delegates certain powers, duties and responsibilities to committees to ensure full review of certain matters. The committees of the Board are: Audit, Corporate Governance, Pension and Human Resources and Compensation.

The creation of a standing board committee to oversee pension matters was the innovation of BC TELECOM, a TELUS predecessor. TELUS has multiple pension plans that are complex, with a significant amount of pension assets under administration. They impact the financial well-being of TELUS employees and TELUS financial results (assets, liabilities, returns and funding), and are affected by changing capital market conditions. Accordingly, the Board has long believed that a separate board committee whose focus is exclusively dedicated to ensuring the integrity and sound management, investment performance and pension governance of TELUS pension assets is an important element of its overall commitment to excellence in governance and risk management practices. The Pension Committee's specific duties include oversight of the actuarial soundness, investment policy and performance of the pension plans within its mandate, compliance with government legislation and fiduciary responsibilities, and pension governance.

Each committee has terms of reference setting out their mandates, duties and scope of authority and reports to the Board on their activities on a regular basis. In addition, each committee uses an annual work plan to guide its deliberations during the course of the year. Finally, all committees have the authority to retain external advisors at TELUS' expense in connection with their responsibilities. The Human Resources and Compensation Committee retained Meridian Compensation Partners, LLC (Meridian) in 2010 as its independent external executive compensation consultant. A description of their work for the Compensation Committee is on page 43. Since 2011, the Corporate Governance Committee has retained Meridian to assist in the annual market study of directors' compensation (see page 18).

We believe our directors should have exposure to different committees to ensure they develop a broad Company perspective. Accordingly, the Corporate Governance Committee reviews the composition of the committees annually and considers the desirability of rotating directors among committees. For instance, since joining in 2003, Dick Auchinleck has served on each committee, with his longest tenure being on the Corporate Governance Committee (10 years), while John Lacey has served on three of the four committees, with his longest tenure being on the Human Resources and Compensation Committee (10 years). In 2013, the Corporate Governance Committee approved changes to the membership of all Board committees. The following table provides an overview of our current Board committees. Management directors do not serve on any committee.

	Audit Committee	Human Resources and Compensation Committee	Corporate Governance Committee	Pension Committee	Year First Appointed to Board	Independent
Dick Auchinleck		X	X		2003	Yes
Charlie Baillie		X (Chair)		X	2003	Yes
Micheline Bouchard		X		X	2004	Yes
John Butler(1)		X		X	1999	Yes
Brian Canfield(2)					1999	Yes
Ray Chan	X	X			2013	Yes
Stockwell Day		X		X	2011	Yes
Rusty Goepel	X		X (Chair)		2004	Yes
John Lacey	X		X		2000	Yes
Bill MacKinnon	X (Chair)		X		2009	Yes
John Manley	X		X		2012	Yes
Don Woodley(3)		X		X (Chair)	1999	Yes

(1) John served as a director of one of TELUS' predecessor companies from 1995 to 1999.
(2) Brian is the Board Chair and is not currently a member of any Board committee. He served as a director of one of TELUS' predecessor companies from 1989 to 1999.
(3) Don served as a director of one of TELUS' predecessor companies from 1998 to 1999.

For more information about our standing committees, see *Committee reports* starting on page 35.

Independence

The Board determines independence using a set of criteria that goes beyond applicable securities rules and has chosen to voluntarily comply with all elements of the independence test pronounced by the NYSE including those that are not binding on TELUS. Accordingly, the independence tests applied by the Board comply with the applicable Canadian and U.S. governance rules and the NYSE governance rules. The Board's adoption of these criteria is reflected in the *TELUS Board Policy Manual*, which also requires a majority of the Board's members to be independent. Furthermore, all members of the Audit, Corporate Governance and Human Resources and Compensation Committees must be independent, while a majority of the members of the Pension Committee must be independent. Members of both the Audit and the Human Resources and Compensation Committee must also satisfy the more stringent independence tests set out for them under the applicable Canadian and U.S governance rules and the NYSE governance rules.

The Board evaluates the independence of each director by applying these expanded independence criteria to the relationship between each director and the Company based on information updated annually through a comprehensive questionnaire.

As one of Canada's largest telecommunications companies and the incumbent local exchange carrier in several provinces, the Company provides service to its directors and their families, and to many organizations with whom the directors are associated. The Board has determined that the provision of services *per se* does not create a material relationship between the director and the Company. Rather, the Board examines a variety of factors, including the magnitude of the service provided, the monetary and strategic value of those services to each party, the degree of dependence on such relationship by either party, and how easily a service may be replaced, in determining if any such relationship creates a material relationship. The Board considers similar factors in assessing the materiality of any relationship between the Company and any customer, supplier or lender with whom a director is associated.

Applying the above tests and process, the Board is satisfied that, except for Darren Entwistle and Joe Natale, there is no material relationship existing between any of the proposed directors and the Company, either directly or as a partner, shareholder or officer of an organization that has a material relationship with the Company. The Board has determined that Brian Canfield, the current Board Chair, is an independent director under the applicable Canadian and U.S governance rules and the NYSE governance rules.

Brian was CEO of BC TELECOM Inc., predecessor to TELUS, from October 1990 to July 1997. He also served as President and CEO of the Company for a brief period from September 1999 to July 10, 2000 while the Company searched for a new CEO. Brian has long passed the three-year cooling-off period required by the above rules for establishing his independence from management.

The *TELUS Board Policy Manual* provides that the Chair must be independent, but that if it is not desirable in the circumstances, the Board must appoint an independent Lead Director. Following Brian's retirement as Board Chair and Darren's re-election at the Meeting, the Board has approved Darren's appointment as Executive Chair. Darren is not independent and, accordingly, the Board has approved that Dick be appointed Lead Director following his re-election at the Meeting. Applying the above tests and process, the Board is satisfied that Dick is independent. For the background on the Board's decision to appoint Darren as Executive Chair following the Meeting, refer to page 6.

As a regular feature at each Board and standing Committee meeting, there is an in-camera session without the CEO or any other member of management present. The Chair of the Board, or the Committee as the case may be, presides over these in-camera sessions. The following table indicates the number of regularly scheduled meetings, in-camera sessions of the independent directors and total meetings that have been held by our Board and each committee in 2013:

Board/Committee	Regularly scheduled meetings	In-camera sessions	Total number of meetings
Board	6	6	6
Audit Committee	5	5	5
Corporate Governance Committee	4	4	4
Human Resources and Compensation Committee	4	4	4
Pension Committee	4	4	4

Following the leadership succession outlined on page 6, the Lead Director will chair the in-camera session at each Board meeting.

Position descriptions

The Board has developed a description of the role and responsibilities of the Board Chair, and brief position descriptions for the chair of each Board committee, all of which are described in the *TELUS Board Policy Manual* available at **telus.com/governance.** Currently, the Chair's duties include: leading the Board in its management and supervision of the business and affairs of the Company, leading the Board in its oversight of management and promoting effective relations with Shareholders.

The Board has also developed position descriptions of the roles and responsibilities of the Executive Chair, Lead Director and the President and CEO, to delineate clearly the Board's expectations of each, all of which will become effective upon the implementation of the leadership succession plan. Please see Appendix B for these position descriptions.

The Lead Director's primary responsibility will be to facilitate the exercise by the Board of independent judgment in carrying out its responsibilities. His duties will include providing leadership to the Board to ensure it can function independently of management and other non-independent directors as and when required; ensuring the Board understands the boundaries between Board and management responsibilities; chairing in-camera meetings of the independent directors at all Board meetings; and leading the evaluation of the Board, its committees and its members, with input from the Executive Chair.

The Executive Chair will have both Board and executive functions. He will facilitate the effective operation and management of the Board together with the Lead Director; set agendas for Board meetings; and promote the Board's interaction with key management and the engagement with, and feedback from, Shareholders. The Executive Chair will also oversee the Company's operations, led by the President and CEO, including strategic and financial plans, and provide guidance and support in the execution of such plans; pursue, together with the President and CEO, the continued development and progression of the Company's strategy; and support the President and CEO in the execution of significant corporate development activities.

The CEO's duties will include leading the execution of the Company's strategy, together with the Executive Chair; developing annual business plans and budgets that support the Company's long-term business plan and strategies; and fostering a customers first culture that promotes ethical practices and encourages individual integrity, consistent with TELUS' values. In addition, the CEO will report to the Executive Chair and will be responsible for executing on the Company's corporate priorities, approved annually by the Board.

Expectations of our Board – Attendance, caps on outside service, interlocks and term limits

Our Board expects its members to devote the time, energy and effort that will be necessary for them to be effective. They should develop and expand their knowledge and understanding of our products, services and industry; participate in educational and development programs; and, become effective ambassadors of the Company.

In accordance with the *TELUS Board Policy Manual,* the Board expects each director to attend all Board and committee meetings. The Corporate Governance Committee takes a director's attendance into consideration during the nomination process if a director attends less than 75 per cent of Board and committee meetings held in a year (except if due to exceptional circumstances). Our directors had a 100 per cent attendance record in 2013. A breakdown of each director's attendance record is in his or her biography.

Directors who are employed as CEOs, or in other senior executive positions on a full-time basis with a public company, should not serve on the boards of more than two public companies in addition to the Company's Board. Directors who (1) have full-time employment with non-public companies, (2) have full-time employment with public companies but not as CEO or in a senior executive position, or (3) do not have full-time employment, should not serve on the boards of more than four public companies in addition to the Company's Board. TELUS' CEO should not serve on the boards of more than two other public companies and should not serve on the board of any other public company where the CEO of that other company serves on the TELUS Board.

The Board has also limited the number of directors who can serve on the same board or committee of a publicly traded company to two, unless otherwise agreed to by the Board. The table below shows which TELUS directors served together on other public company boards as at March 12, 2014. The interlocks on the George Weston Limited board existed as at March 22, 2012 when the Board adopted the interlock policy and were grandfathered as the Board determined that they did not affect the ability of those directors to contribute effectively to the TELUS Board and exercise independent judgment.

Company	TELUS director	Committees
George Weston Limited	Charlie Baillie	Audit Committee (Chair) Governance, Human Resources, Nominating and Compensation Committee
	John Lacey	Nil
	Darren Entwistle	Audit Committee
Baytex Energy Corp.	Ray Chan	Nil
	Rusty Goepel	Nominating and Governance

Size and composition of the Board and nomination of directors

The Corporate Governance Committee is responsible for making annual recommendations to the Board regarding the size and composition of the Board and its committees. It also proposes new nominees for election as directors.

When considering the Board's size and composition, the Corporate Governance Committee and the Board have two objectives: to form an effectively functioning Board that presents a diversity of views and business experience and to select a size that is sufficiently small for the Board to operate effectively, but large enough to ensure there is enough capacity to fully meet the demands of the Board and its four committees. The Board believes that a board of directors consisting of 14 members promotes effectiveness and efficiency.

The Corporate Governance Committee regularly reviews the current profile of the Board, including the average age and tenure of individual directors and the representation of various areas of expertise, experience and diversity. The objective is to have a sufficient range of skills, expertise and experience to ensure that the Board can carry out its responsibilities effectively. However, the Board strives to achieve a balance between the need to have a depth of institutional experience and knowledge from its members and the need for renewal and new perspectives. Succession planning for the Board in line with those objectives has been a key focus of the Corporate Governance Committee and the Board in recent years. In each of the last four years, including this year if Mary Jo Haddad is elected, a Board member has retired and a new one has joined. Achieving balance between institutional experience and renewal through effective and smooth succession planning is particularly important in light of the significant and continuing changes that the business of the Company experiences, the planned leadership transition described on page 6, the average age and tenure of current Board members and the recent movements in Board membership. The Board does not have a mandatory age limit, but in 2013, it adopted a 15-year term limit policy. See page 22 for further details. The term limit policy will not replace the rigorous annual performance assessment process that takes place under the leadership of the Corporate Governance Committee (see page 29 for further details). In conjunction with the Board evaluation and as part of the succession planning process, directors are also canvassed on their intention to retire from the Board in order to identify impending vacancies as far in advance as possible.

The succession planning process also involves the creation of a skills matrix, which helps the Corporate Governance Committee and the Board identify any gaps in the skills and competencies considered most relevant for the Company. Each director has to indicate the degree to which he or she believes they possess such skill or competency on a scale from 1 to 5 (where 1 means minimal, 2 developing, 3 proficient, 4 advanced and 5 expert). The table below lists the top three competencies of our nominees together with their age range, tenure, official languages spoken and residency.

	Location				Years on Board			Age			Language		Top three competencies								
	British Columbia	Alberta	Ontario	Quebec	0 to 5	6 to 10	11+	59 and under	60 to 69	70+	English	French	Senior executive / strategic leadership	Finance and accounting	Executive comp / human resources	Governance	Technology knowledge	Industry knowledge	Retail / customer experience	Risk management	Government / regulatory affairs
Dick Auchinleck	X						X		X		X		X			X				X	
Charlie Baillie			X				X			X	X		X		X					X	
Micheline Bouchard				X		X			X		X	X	X				X	X			
John Butler		X					X			X	X				X	X				X	
Ray Chan		X			X			X			X		X	X		X					
Stockwell Day	X				X				X		X	X	X	X							X
Darren Entwistle	X						X	X			X	X	X				X	X			
Rusty Goepel	X					X				X	X		X			X			X		
Mary Jo Haddad			X		X			X			X		X		X			X			
John Lacey			X				X			X	X		X						X	X	
Bill MacKinnon			X		X				X		X		X	X						X	
John Manley			X		X				X		X	X	X			X					X
Joe Natale			X		X			X			X		X				X	X			
Don Woodley			X				X		X		X		X				X	X			

In 2013, the Corporate Governance Committee prioritized the following skills and attributes – financial expertise, healthcare and content industry experience, and gender and geographic diversity – in connection with its search for additional directors.

Recruiting new directors

The Corporate Governance Committee maintains an evergreen list of potential candidates. The directors, the President and CEO and an external professional search organization regularly identify additional candidates for consideration by the Corporate Governance Committee.

When recruiting new directors, the Corporate Governance Committee considers candidates on merit taking into account the vision and business strategy of the Company; the skills and competencies of the current directors; the existence of any gaps in Board skills; and the attributes, knowledge and experience new directors should have in order to best enhance the Company's business plan and strategies. In this process, the Corporate Governance Committee will also take into account diversity considerations, such as gender, age and ethnicity, with a view to ensuring that the Board benefits from the broader exchange of perspectives brought by diversity of thought, background, skills and experience (for further details, see a description of the Board's diversity policy on page 22).

The Corporate Governance Committee then uses a scoring model to assess prospective candidates. The scoring model assigns weightings to the desirable skills and attributes, which result in a rating out of 50. The Corporate Governance Committee also classifies candidates as "ready to potentially serve now," "capable of serving but requires time to develop or free up availability" or "removed from consideration." The Committee reviews the matrix at each regularly scheduled meeting to track progress.

Each quarter, the Corporate Governance Committee also identifies top candidates with the President and CEO, who then conducts an initial meeting with the candidates. As the next step, candidates deemed to be a strong fit for the TELUS Board meet with the Chair of the Board, the Chair of the Corporate Governance Committee and, if deemed appropriate, other members of the Board and the TELUS executive team.

Approval

The Corporate Governance Committee reports to the Board throughout the process, and reviews with the Board the identified candidates as well as its recommendations and then puts those names forward to the Board for approval. The Corporate Governance Committee also assesses the financial literacy and independence of the candidates before making its final recommendation to the Board.

Director evaluation

The Corporate Governance Committee, together with the Board Chair, carries out an annual assessment of the Board, the committees, the Chair and each director as required by the *TELUS Board Policy Manual.* The evaluation process assists the Board in:

- Assessing its overall performance and measuring the contributions made by the Board as a whole, by each committee and by each director
- Identifying gaps in skills and educational opportunities for the Board and individual directors in the coming year
- Developing the Board's succession plan and recruitment efforts.

The Corporate Governance Committee annually reviews the adequacy of the evaluation process, with input from the Board Chair, and approves any changes.

How we do it

Each director completes the following surveys at the end of the year:

- In the Board effectiveness evaluation, directors rate the effectiveness of the Board, its processes and its relationship with management, and provide suggestions for improvement
- In the committee effectiveness evaluation, directors rate the effectiveness of the committees on which they sit and assess fellow committee members and the chairs of their committees
- In the peer evaluation, directors evaluate themselves and each of the other directors' effectiveness as Board members. Directors also assess the effectiveness of the Board Chair and each committee chair
- The skills self-assessment, completed by each director, is designed to help determine the strengths and gaps in Board skills as a whole, and to identify skill requirements for recruiting future directors and for succession planning. This self-assessment also assists the Corporate Governance Committee in determining the financial literacy of each director and topics for continuing education.

Members of senior management who frequently interact with directors complete a management assessment survey, designed to evaluate the overall performance of the Board, the effectiveness of the Board and its committees, and the extent to which the Board and management support one another.

The Corporate Secretary assembles the results of the assessments and provides a report to the Board Chair, who interviews each director separately to discuss the results. These interviews, generally lasting at least one hour each, provide an opportunity for frank and constructive discussion of any and all issues, with a view to enhancing Board performance as well as the personal contributions of each individual. The Chair then reports the aggregated results and his findings to the Corporate Governance Committee and the Board, as well as to each committee chair with respect to committee evaluations, and proposes actions where appropriate to respond to the report. The Chair's report and proposed actions are discussed with the CEO, the Corporate Governance Committee and the Board, amended as appropriate and adopted for implementation. Similarly, the Corporate Governance Committee Chair reviews the assessments of the Board Chair, discusses those assessments with him and reports the results, his findings and any proposed actions to the Corporate Governance Committee and the Board for adoption. Following the proposed appointment of the Executive Chair, the Lead Director will lead the evaluation of the Board, its committees and its members, with input from the Executive Chair, and report to the Corporate Governance Committee and the Board. The Lead Director will also lead the Board's evaluation of the Executive Chair and present recommendations to the Human Resources and Compensation and Corporate Governance Committees.

The Corporate Governance Committee and the Board reviewed and discussed the 2013 assessments at their February 2014 meetings. The assessments indicate that our Board is operating effectively, collaboratively and at a very high level, with no significant concern identified.

Orientation and continuing education

Orientation

The Corporate Governance Committee reviews, approves and reports to the Board on the directors' orientation program. New directors receive an orientation session on joining the Board, conducted by various members of senior management. The orientation session provides an overview of TELUS' strategy, business imperatives, plan and risks, financial condition and financing strategy, regulatory matters, board and committee governance including mandates, roles and policies, corporate policies, and compliance and governance philosophy and practices. In addition, the Board's practice is to appoint new directors to the Audit Committee for at least their first year on the TELUS Board. Given the scope of that committee's mandate relative to those of the other committees, Audit Committee members receive a particularly comprehensive view of the Company operations in their entirety, which offers new directors the quickest means of understanding the Company's operations, risks and strategy.

Management also offers orientation and training to new members on Board committees in the form of a customized orientation session. The session typically includes an overview of the committee's mandate and work plan for the year as well as current initiatives, key issues, regulatory trends and best practices relevant to the committee.

Ray Chan was appointed to the Board, the Audit Committee and the Human Resources and Compensation Committee on July 31, 2013 and attended a comprehensive, full-day orientation session covering the topics identified above. The orientation session also included overviews of each committee and the issues that have an impact on them. In addition, the Corporate Governance Committee and Pension Committee both provided an orientation session to members of the Board who joined those committees during the year as part of our policy to rotate directors among the committees. Topics covered included recent developments in corporate governance, proposed changes to the early warning system and shareholder rights plans (for Corporate Governance) and pension finance, investments and administration, pension governance approach and structure, including an overview of the legal and regulatory regime for pensions, and policies and guidelines (for Pension).

Continuing education

The Corporate Governance Committee reviews, approves and reports to the Board on plans for the ongoing development and education of existing Board members. As part of ongoing education, management gives regular presentations and provides topical literature from external experts to the Board and its committees to inform them of developments in legal, regulatory and industry initiatives. The Company has also set up an online portal through which directors can access research and educational materials on a wide variety of topics, including governance, technology, strategy, human resources and regulatory and government affairs. Directors are provided with management contacts for each educational topic so they may request additional information or arrange for further consultation regarding the materials. Directors identify topics for continuing education through discussions at Board and committee meetings, annual evaluations and skills self-assessment surveys.

Directors may also attend external education programs at TELUS' expense. In 2012, the Corporate Governance Committee formally approved an annual tuition credit to encourage directors to attend external courses relevant to their role as a director of TELUS. In 2013, several directors used this credit to take courses from providers such as audit firms and the Institute of Corporate Directors on a range of subjects, including executive compensation, cybersecurity, directors' and officers' liability insurance, and current accounting and responsibilities. Furthermore, all of our directors are members of the Institute of Corporate Directors, which provides them with access to its publications and events to enhance their knowledge of directors' responsibilities and current governance trends.

In 2013, management conducted or organized the education sessions noted below. Management also provided information to directors on available courses. Once again, a key focus for 2013 was to provide regular updates at each quarterly Board meeting on changes in the competitive landscape, customer requirements, technological changes, industry developments, government relations and regulatory matters.

Date	Subject	Attendees	Presented by
February 12 May 8 August 7 November 5	Updates on corporate governance, including emerging best practices (Canadian Coalition for Good Governance, or CCGG), significant case law, developments and proposed amendments to Canadian and U.S. securities rules and regulation (Dodd-Frank implementation), and developments related to say on pay and shareholder engagement	Corporate Governance Committee	■ Executive Vice-President (EVP), Chief Legal Officer and Corporate Secretary ■ Vice-President (VP), Legal Services
February 12 May 8 August 7 November 5	Quarterly updates on audit and tax governance and major accounting policies	Audit Committee	■ VP, Risk Management and Chief Internal Auditor ■ Senior VP and Corporate Controller ■ VP and Controller, Corporate Accounting and Financial Reporting ■ VP, Taxation
February 12 May 8 August 7 November 5	Updates on market trends and strategy in relation to TELUS pension plans	Pension Committee	■ Senior VP and Treasurer ■ Director, Investment Management ■ Senior Portfolio Manager
February 12 May 8 August 7 November 5	Updates on compensation trends, including emerging best practices for executive compensation disclosure (CCGG) and developments related to say on pay	Compensation Committee	■ EVP, Human Resources and Chief Corporate Officer ■ VP, Compensation and Benefits ■ EVP, Chief Legal Officer and Corporate Secretary ■ External compensation consultant
February 12 May 8 August 7 November 5	Quarterly strategic context update, including competitive environment, regulatory updates, technological and industry developments, and peer performance	Entire Board	■ EVP and Chief Commercial Officer
August 6	Regulatory update	Entire Board	■ EVP and Chief Commercial Officer ■ EVP, Human Resources and Chief Corporate Officer ■ EVP, Technology Strategy ■ Senior VP, Federal Government and Regulatory Affairs
August 7	Update on performance contingent long-term incentive awards and market practices related to executive share ownership	Compensation Committee	■ EVP, Human Resources and Chief Corporate Officer ■ External compensation consultant
August 8	Healthcare information technology	Entire Board	■ EVP and Vice-Chair, TELUS Québec, TELUS Health and Financial Solutions, and TELUS Ventures ■ Senior VP and President, TELUS Health
August 8	Technology update and network trends	Entire Board	■ EVP and Chief Commercial Officer ■ EVP, Technology Strategy ■ EVP, Business Transformation
November 6	Enterprise risk management and internal audit overview	Entire Board	■ VP, Risk Management and Chief Internal Auditor
December 3	Updates on directors' duties and secondary market civil liability disclosure Updates on spectrum auction	Entire Board	■ EVP, Chief Legal Officer and Corporate Secretary ■ EVP, Technology Strategy

Ethical business conduct

TELUS has an ethics policy that applies to all TELUS team members including directors, officers and employees. The policy outlines the responsibilities and guidelines that describe the ethical standards expected of all TELUS team members, including how to deal with conflicts of interest and the disclosure required by TELUS team members for actual or potential conflicts. The policy is available at **telus.com/governance.** As part of that policy, TELUS established the TELUS Ethics Line in 2003, which provides the public and TELUS team members with a channel for anonymous and confidential questions or complaints on accounting, internal controls or ethical issues, a summary of which is reported on a quarterly basis to the Compensation Committee and the Audit Committee. In 2007, TELUS enhanced the independence and accessibility of the Ethics Line by engaging a third-party intake provider, EthicsPoint, to run the hotline and forward calls or reports received to the Ethics Office and, for complaints relating to accounting and internal accounting controls, to the EVP, Chief Legal Officer and Corporate Secretary. EthicsPoint also forwards respectful workplace issues to the Company's respectful workplace contact. TELUS team members and external callers from around the world can make an inquiry or complaint online or by phone 24 hours a day, seven days a week in a variety of languages.

TELUS' Ethics Office offers team members assistance in ethical decision-making by providing guidance concerning the ethics policy. The Ethics Office also conducts investigations, establishes appropriate policies and guidelines on TELUS' expected standards of business conduct and closely monitors TELUS' Ethics Line. The Ethics Office oversees ethics training, including an online course called TELUS Integrity that is mandatory for all TELUS team members, including TELUS International team members, and is extended to contractors with access to our information systems. The course combines ethics, respectful workplace, corporate security and privacy modules. The Ethics Office requires each director, as well as each TELUS team member, to acknowledge annually that he or she has reviewed the ethics policy and understands the policy's expectations. The VP, Risk Management and Chief Internal Auditor reports quarterly to the Compensation Committee and the Audit Committee on the results of any investigation of whistleblower, ethics and internal controls complaints received by the Ethics Office and the EVP, Chief Legal Officer and Corporate Secretary (as the case may be). The Compensation Committee and the Audit Committee of the Board are required to review the ethics policy jointly on an annual basis and recommend changes for approval to the Board as appropriate. No waivers of the policy are intended, and any waiver that is granted to an executive officer or director under the policy must be pre-approved by the members of the Board of Directors or their delegate, which must be a Board committee and must be disclosed subject to the TELUS policy on corporate disclosure and confidentiality of information. For all other employees, a waiver of the ethics policy must receive prior approval from the EVP, Chief Legal Officer and Corporate Secretary together with the VP, Risk Management and Chief Internal Auditor and must be promptly reported to the Audit Committee.

In 2013, the Board also approved the adoption of an anti-bribery and corruption policy. The policy applies to all TELUS team members, including the Board of Directors, as well as all third parties engaged by TELUS. It outlines the expectations for all TELUS team members and third parties in relation to anti-bribery and corruption matters in Canada and abroad, and applies to all areas of TELUS' business, including commercial activities in both the public and private sectors.

Under the *British Columbia Business Corporations Act* and the Articles, any director or executive officer who holds any office or possesses any property, right or interest that could result in the creation of a duty or interest that materially conflicts with the individual's duty or interest as a director or executive officer of the Company, must promptly disclose the nature and extent of that conflict. A director who holds a disclosable interest in a transaction or contract into which the Company has entered or proposes to enter may not vote on any directors' resolution to approve that contract or transaction.

Shareholder engagement and say on pay

Our Board of Directors has always believed in the importance of regular and constructive dialogue with our Shareholders. Some of our long-standing shareholder engagement practices include:

- Holding annual general meetings in locations across Canada with an internationally accessible live webcast and feedback survey so that Shareholders, wherever they are, can provide comments
- Maintaining a 1-800 investor line, **ir@telus.com** mailbox, and confidential ethics hotline and website to encourage Shareholders and the public to contact us with questions or concerns
- Holding four quarterly earnings calls with financial analysts and institutional investors to present financial and operating results of the quarter. All calls are webcast and include executive presentations to analysts and institutional investors and open question-and-answer sessions. The webcast, slides, transcripts and audio replays are made available at **telus.com/investors**

- Conducting executive tours and attending industry conferences with our executive officers in Canada and the United States where analysts and investors are in attendance
- Holding meetings with Shareholders and shareholder advocacy groups (for example, the Canadian Coalition for Good Governance) on an ad hoc basis, typically with the EVP, Human Resources and Chief Corporate Officer, Chair of the Board, and Chair of the Human Resources and Compensation Committee or the Corporate Governance Committee, to discuss executive compensation or governance issues
- Inviting analysts and large institutional Shareholders to participate in an annual and confidential investor perception study administered by an independent third party.

Our Board email inbox (**board@telus.com**) provides Shareholders and other stakeholders with a tool to communicate directly with the Board between annual meetings. On a quarterly basis, the Corporate Governance Committee considers all communications sent to the Board inbox and reviews and considers responses in relation to corporate governance matters.

The Board has also adopted a policy on say on pay and Shareholder engagement, and at our annual and special meeting in 2013, we conducted our third vote on say on pay, which received the overwhelming support of 94.7 per cent of votes cast. We continued to engage in dialogue during the year with certain Shareholders and shareholder advocacy groups for feedback about our executive compensation and corporate governance practices. The feedback we received was overall very positive and reinforced the view that our policies continue to align with Shareholder expectations. Nevertheless, we felt it appropriate to further our efforts and adopt the enhanced initiatives described above and on page 22 in support of evolving best practices.

We encourage Shareholders to contact the Board, and specifically members of the Human Resources and Compensation Committee, to discuss any concerns about our approach to executive compensation.