

## **APPENDIX E – TERMS OF REFERENCE FOR THE AUDIT COMMITTEE**

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The Board has established an Audit Committee (the “Committee”) to assist the Board in fulfilling its oversight responsibilities regarding the integrity of the Company’s accounting and financial reporting, the Company’s internal controls and disclosure controls, the Company’s legal and regulatory compliance, the Company’s Code of Ethics and Conduct and timeliness of filings with regulatory authorities, the independence and performance of the Company’s external and internal auditors, the identification and management of the Company’s risks, the Company’s credit worthiness, treasury plans and financial policy and the Company’s whistleblower and complaint procedures.

### **1. MEMBERSHIP**

- 1.1 The Committee will have a minimum of three members, including the chair of the Committee. The Board, upon the recommendation of the Corporate Governance Committee, will appoint and remove the members of the Committee by a majority vote. The members will sit on the Committee at the pleasure of the Board.
- 1.2 The Board, upon the recommendation of the Corporate Governance Committee, will appoint the chair of the Committee from the Committee’s members by a majority vote. The chair of the Committee will hold such position at the pleasure of the Board.
- 1.3 All members of the Committee will be Independent Directors.
- 1.4 All members of the Committee will be financially literate, as defined in accordance with applicable securities laws and standards of the stock exchanges on which the Company’s securities are listed.
- 1.5 At least one member of the Committee will be an audit committee financial expert, as defined in accordance with applicable securities laws, and at least one member of the Committee will have accounting or related financial management expertise, as defined in accordance with applicable securities laws.

### **2. MEETINGS**

- 2.1 The Committee will meet at least once each quarter and otherwise as necessary. Any member of the Committee may call meetings of the Committee.
- 2.2 All directors of the Company, including management directors, may attend meetings of the Committee provided, however, that no director is entitled to vote at such meetings and is not counted as part of the quorum for the Committee if he or she is not a member of the Committee.
- 2.3 Notwithstanding section 2.2 above, the Committee will, as a regular feature of each regularly scheduled meeting, hold an in-camera session with the external auditors and separately with the internal auditors, and an in-camera session without management or management directors present at each meeting. The Committee may, however, hold other in-camera sessions with such members of management present as the Committee deems appropriate.
- 2.4 The Chief Governance Officer or his or her nominee will act as Secretary to the Committee.
- 2.5 The Committee will report to the Board on its meetings and each member of the Board will have access to the minutes of the Committee’s meetings, regardless of whether the director is a member of the Committee.

- 2.6 The external auditors of the Company will receive notice of every meeting of the Committee and may request a meeting of the Committee be called by notifying the chair of the Committee of such request.

### 3. QUORUM

The quorum necessary for the transaction of business at Committee meetings will be a majority of the members of the Committee. A quorum once established is maintained even if members of the Committee leave the meeting prior to conclusion.

### 4. DUTIES

The Board hereby delegates to the Committee the following duties to be performed by the Committee on behalf of and for the Board:

#### 4.1 Financial Reporting

Prior to public disclosure, the Committee will review and recommend to the Board, and where applicable, to the boards of the Company's subsidiaries which are reporting issuers, for approval:

- (a) the annual audited consolidated financial statements and interim unaudited consolidated financial statements of the Company and those of its subsidiaries that are reporting issuers, as defined in accordance with applicable securities laws;
- (b) the interim and annual management's discussion and analysis of financial condition and results of operations ("MD&A") of the Company and those of its subsidiaries that are reporting issuers, as defined in accordance with applicable securities laws;
- (c) earnings press releases and earnings guidance, if any; and
- (d) all other material financial public disclosure documents of the Company and those of its subsidiaries that are reporting issuers, including prospectuses, press releases with financial results and the annual information form.

#### 4.2 External Auditors

The external auditors will report directly to the Committee and the Committee will:

- (a) appoint the external auditors, subject to the approval of the shareholders, and determine the compensation of the external auditors;
- (b) conduct an annual review of the external auditors;
- (c) oversee the work of the external auditors and review and approve the annual audit plan of the external auditors, including the scope of the audit to be performed and the degree of coordination between the plans of the external and internal auditors. The Committee will discuss with the internal auditors, the external auditors and management, the adequacy and effectiveness of the disclosure controls and internal controls over financial reporting of the Company and elicit recommendations for the improvement of such controls or particular areas where new or more detailed controls or procedures are desirable. Particular emphasis

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- will be given to the adequacy of internal controls to prevent, identify or detect fraud, or any payments, transactions or procedures that might be deemed illegal or otherwise improper;
- (d) meet regularly with the external auditors without management present and ask the external auditors to report any significant disagreements with management regarding financial reporting, the resolution of such disagreements and any restrictions imposed by management on the scope and extent of the audit examinations conducted by the external auditors;
  - (e) pre-approve all audit, audit-related and non-audit services to be provided to the Company or any of its subsidiaries, by the external auditors (and its affiliates), in accordance with applicable securities laws. The Committee may also delegate the pre-approval of audit, audit-related and non-audit services to any one member of the Committee, provided, however, a report is made to the Committee on any pre-approval of such services at the Committee's first scheduled meeting following the pre-approval;
  - (f) annually review the qualifications, expertise and resources and the overall performance of the external audit team and, if necessary, recommend to the Board the termination of the external auditors or the rotation of the audit partner in charge;
  - (g) at least annually, obtain and review a report by the external auditors describing: the firm's internal quality-control procedures; any material issues raised by the most recent internal quality control review, or peer review of the firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the firm, and any steps taken to deal with such issues; and all relationships between the external auditors and the Company;
  - (h) annually assess and confirm the independence, objectivity and professional skepticism of the external auditors and require the external auditors to deliver an annual report to the Committee regarding its independence, such report to include disclosure regarding all engagements (and fees related thereto) by the Company and relationships which may impact the objectivity and independence of the external auditors;
  - (i) require the external auditors to deliver an annual acknowledgement in writing to the Committee that the shareholders, as represented by the Board and the Committee, are its primary client;
  - (j) review post-audit or management letters, containing recommendations of the external auditors and management's response;
  - (k) review reports of the external auditors; and
  - (l) pre-approve the hiring of employees and former employees of current and former auditors in accordance with applicable securities laws and TELUS policies.

### 4.3 Internal Auditors

The internal auditors will report functionally to the Committee and administratively to the Chief Financial Officer and the Committee will:

- (a) review and approve management’s appointment, termination or replacement of the Chief Internal Auditor;
- (b) review and consider the annual performance objectives, performance evaluation and compensation treatment of the Chief Internal Auditor;
- (c) oversee the work of the internal auditors including reviewing and approving the annual internal audit plan and updates thereto;
- (d) review the report of the internal auditors on the status of significant internal audit findings, recommendations and management’s responses and review any other reports of the internal auditors;
- (e) review the scope of responsibilities and effectiveness of the internal audit team, its reporting relationships, activities, organizational structure and resources, its independence from management, its credentials and its working relationship with the external auditors; and
- (f) review and approve the internal audit charter and updates thereto at a minimum on a biennial basis.

The internal auditors will report quarterly to the Committee on the results of internal audit activities and will also have direct access to the chair of the Committee when the internal auditors determine it is necessary.

#### 4.4 Whistleblower, Ethics and Internal Controls Processes

The Committee will ensure that the Company has in place adequate procedures for:

- (a) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal controls or auditing matters; and
- (b) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

The CEO or CFO will report to the Committee, and the Committee will review such reports, on any fraud, whether or not material, that involves management or other employees who have a significant role in the Company’s internal controls. Where the CEO, CFO and/or the Chief Internal Auditor are named in a complaint, the Director of Ethics will speak directly with the Chair of the Committee.

The Committee will review:

- (a) annually and recommend to the Board for approval, together with the Human Resources and Compensation Committee, the Code of Ethics and Conduct and material changes thereto; and
- (b) quarterly reports on ethics breaches pertaining to internal controls over financial reporting or fraud involving management or other employees who have a role in the Company’s internal controls over financial reporting.

The Chief Internal Auditor will report to the Committee, and the Committee will consider such reports, on the results of the investigation of whistleblower, ethics and internal controls complaints.

### **4.5 Accounting and Financial Management**

The Committee will review:

- (a) with management and the external auditors, the Company's major accounting policies, including the impact of alternative accounting policies and key management estimates, risks and judgments that could materially affect the financial results and whether they should be disclosed in the MD&A;
- (b) emerging accounting issues and their potential impact on the Company's financial reporting;
- (c) significant judgments, assumptions and estimates made by management in preparing financial statements;
- (d) the evaluation by either the internal or external auditors of management's internal control systems, and management's responses to any identified weaknesses;
- (e) the evaluation by management of the adequacy and effectiveness in the design and operation of the Company's disclosure controls and internal controls for financial reporting;
- (f) audits designed to report on management's representations on the effectiveness and efficiency of selected projects, processes, programs or departments;
- (g) management's approach for safeguarding corporate assets, data and information systems, the adequacy of staffing of key financial functions and their plans for improvements; and
- (h) internal interim and post implementation reviews of major capital projects.

### **4.6 Credit Worthiness, Treasury Plans and Financial Policy**

The Committee will review with management:

- (a) the Company's financial policies and compliance with such policies;
- (b) the credit worthiness of the Company;
- (c) the liquidity of the Company; and
- (d) important treasury matters including financing plans.

### **4.7 Legal/Regulatory Matters**

The Committee will review:

- (a) with management, the external auditors and legal counsel, any litigation, claim or other contingency, including any tax assessment, that could have a material effect upon the financial position or operating results of the Company;
- (b) annually, management’s relationships with regulators, and the accuracy and timeliness of filings with regulatory authorities;
- (c) quarterly reports from the Chief Legal Officer on compliance with laws and regulations;
- (d) quarterly reports from the Vice-President, Chief Data and Trust Officer (“Chief Compliance Officer”) on legal, privacy and regulatory compliance activities; and
- (e) the anti-bribery and corruption policy and recommend to the Board for approval any material changes thereto.

#### **4.8 Risk Management**

The Committee will:

- (a) consider reports on the annual enterprise risk assessment and updates thereto;
- (b) except to the extent that responsibility is reserved to the Board or delegated to another Board committee, review management’s implementation of risk policies and procedures, and assess the appropriateness and comprehensiveness of those policies and procedures;
- (c) consider reports on security;
- (d) consider reports on financial risk management including derivative exposure and policies;
- (e) consider reports on tax risk management and governance;
- (f) consider reports on business continuity disaster recovery plan(s) for the Company including reports on external threats and hazards; and
- (g) review other risk management matters from time to time as the Committee may consider suitable or the Board may specifically direct.

#### **4.9 Other**

The Committee will review:

- (a) the expenses of the Chair of the Board;
- (b) significant related party transactions and actual and potential conflicts of interest relating thereto to verify their propriety and that disclosure is appropriate;
- (c) the disclosure policy of the Company and recommend any material changes thereto to the Board for approval;

- (d) and evaluate, at least once annually, the adequacy of these Terms of Reference and the Committee’s performance, and report its evaluation and any recommendations for change to the Corporate Governance Committee.

The Committee will also have such other duties and responsibilities as are delegated to it and review such other matters as, from time to time, are referred to it by the Board.

**5. AUTHORITY**

The Committee, in fulfilling its mandate, will have the authority to:

- (a) engage and set compensation for independent counsel and other advisors;
- (b) communicate directly with the Chief Financial Officer, internal and external auditors, Chief Compliance Officer, Chief Legal Officer and Chief Governance Officer and any other member of management the Committee deems appropriate;
- (c) delegate tasks to Committee members or subcommittees of the Committee; and
- (d) access appropriate funding as determined by the Committee to carry out its duties.