

Human Resources and Compensation Committee report

Committee members

Mary Jo Haddad (Chair)	✓
Ray Chan	✓
Kathy Kinloch	✓
John Manley	✓
Marc Parent	✓

100% independent ✓

The Board has determined that all members of the Compensation Committee meet the compensation committee independence requirements of the New York Stock Exchange (NYSE).

This Committee has a formal policy limiting the number of currently serving CEOs of other public companies on the Committee to no more than one-third of its members.

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meetings in 2020

At each meeting, the Committee meets in-camera with the Executive Vice-President (EVP), People and Culture and Chief Human Resources Officer and also in-camera without management present. The Committee also meets with the executive compensation consultant without management present at each meeting.

2020 Committee highlights

Performance assessment

In 2019, TELUS evolved its individual performance assessment approach for the broader TELUS team, driven by the following:

- The changing nature of our business, including a generational shift in TELUS' demographics and increasing expectations for faster career growth, a compelling and flexible workplace, and a deep sense of purpose at work
- Feedback from team members that an evolution of TELUS' performance development approach could further enhance team member engagement and performance. Team members wanted a new approach that offered a focus on what matters most and provided real-time and dynamic coaching and feedback, as well as flexible goal-setting
- A growing trend in simplification of performance management practices.

As a result of the successful adoption of this new program for the broader TELUS team, for the 2020 performance year we transitioned the individual performance bonus assessment framework for the CEO and ELT (Executive Leadership Team – all EVPs who are appointed officers of the Company) from the previous personal value-add assessment model (PVAAM) to our new amazing people performance development (APPD) model, which evaluates performance against each executive's goals (*what* you do) and values (*how* you do it). For further details, see page 93.

To complement APPD, we also established our new talent summary approach for the CEO and ELT, which focuses on both the individual executive's retention value, as well as their future potential. These factors directly influenced long-term incentive (LTI) grant allocations. Each executive's targeted compensation position relative to the peer group median was driven by this assessment. For further details, see page 83.

Succession planning

In 2020, the Committee continued to invest significant time focusing on the succession planning process and discussing the positions of the CEO and ELT. In addition, the top talent and future leaders across the organization were reviewed.

Succession planning for all senior leaders highlights immediate and emergency or interim successors, as well as a deep pipeline of next-generation leaders. Top talent successors are candidates with extensive expertise, an understanding of our culture and proven track records in a number of key roles across our business. In line with our diversity and inclusiveness goals, the strong leadership pipeline also reflects the diversity of our customers, communities and team members.

The CEO succession plan and process, as well as the top high-potential candidates for the CEO role, were discussed with the entire Board at two points in the year. With the support of Korn Ferry's CEO succession planning expertise and best practices, CEO succession candidates are undertaking additional assessment exercises and enhanced, specific development plans. Candidates are being assessed on a number of defined attributes, including their leadership capabilities, sustained operational results and proven ability to drive strategy. The CEO, the Compensation Committee and the Board have discussed development opportunities, mentorship and enhanced responsibilities to support potential candidates' growth. The Board's review of the succession plan for the CEO is also discussed on page 39.

Moving forward in 2021, given that CEO succession is one of the highest priorities for the Board, we continue to engage Korn Ferry to assist the CEO and the Board by enhancing the process and accelerating the development of our top candidates.

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Compensation philosophy

The Committee reviewed the compensation philosophy and guidelines for executives by assessing:

- The comparator group used for CEO and ELT compensation benchmarking
- Our target pay positioning within the comparator group
- The linkage of the executive compensation philosophy and incentive plans to the Company's financial and non-financial performance and business strategy
- The alignment with our compensation philosophy that applies to all team members
- The mix of compensation elements used to deliver CEO and ELT compensation.

CEO compensation and performance

- Reviewed and approved the corporate goals and objectives relevant to CEO compensation
- Assessed the performance of the CEO, with input from the full Board
- Reviewed and recommended to the Board for approval the various components of the CEO's compensation for 2020 (including base salary, performance bonus, and restricted share unit (RSU) and performance share unit (PSU) grants), based on its evaluation of his performance and its review of the design and adequacy of CEO compensation, as well as a consideration of market trends and data
- Reviewed and recommended to the Board for approval the size of the performance bonus profit-sharing pool allocation for the CEO.

ELT compensation and performance

- Reviewed the CEO's evaluation of the performance of each ELT member
- Reviewed and approved the appropriate compensation for ELT members (base salary, performance bonus, and RSU and PSU grants), after considering market trends and data
- Reviewed and recommended to the Board for approval the aggregate dollar amount of RSU awards for the ELT (in respect of 2020 performance).

Performance bonus plan

- Reviewed and recommended to the Board for approval the 2020 performance bonus pool size
- Reviewed and approved the performance targets for both the 2020 original corporate scorecard for the first quarter (Q1) and the COVID-revised scorecard for the second quarter (Q2) through the fourth quarter (Q4), as well as the final year-end scorecard multiplier reflecting a blend of both
- Reviewed and approved the integration of the APPD performance assessment model for the CEO and ELT. Assessment under APPD drives individual payout
- Reviewed the degree of stretch in the financial targets on the corporate scorecard for compensation purposes and validated the measures relative to financial reporting.

Equity plans

- Reviewed and approved the payout factors and the actual payouts to the ELT associated with the performance-contingent RSUs that were granted in 2018 and vested on November 20, 2020 (and recommended the same payout factors to the Board with respect to the CEO's performance-contingent RSUs)
- Reviewed and approved the performance criteria for the performance-contingent RSUs granted in respect of 2020 performance
- Reviewed and recommended to the Board for approval the total spend on annual grants of RSUs to management below the ELT level under the RSU Plan for 2020 performance
- Reviewed and approved the implementation of our talent summary approach to determining CEO and ELT individual grant levels

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- Approved the total annual grants of executive performance share units (EPSUs) to ELT members and management performance share units (MPSUs) to management under the PSU Plan for 2020 performance
- Reviewed and approved the replenishment of a discretionary pool of RSUs that the CEO has the authority to grant to non-executive management for reward, retention and recognition purposes, subject to the parameters specified by the Compensation Committee
- Monitored the actual 2020 discretionary grants under the RSU Plan to certain members of non-executive management for reward, retention or recognition purposes
- Received updates on the share ownership of each ELT member relative to established ownership targets.

Governance

- Reviewed and approved the Compensation Committee 2020 annual work plan, including the division of duties between the Board and management executive compensation advisors
- Reviewed and approved an independent assessment conducted by Meridian Compensation Partners LLC (Meridian) of the key compensation parameters to determine the extent to which appropriate compensation risk mitigation safeguards are in place
- Reviewed and recommended to the Board for approval the proposed appointment of individuals as ELT members and as executive officers of the Company
- Reviewed and approved the annual work plan, budget and fees, engagement agreement and independence letter for Meridian
- Received regular updates from management and Meridian on compensation matters, and considered proposed and new Canadian and U.S. regulatory requirements, as well as evolving best practices on executive compensation
- Received reports on a quarterly basis on business ethics and the workplace environment at the Company. The workplace environment report is produced by the Respectful Workplace Office and includes an overview of relevant education and training activities and an analysis of complaints related to discrimination, harassment (including sexual harassment) and bullying.
- Reviewed reports on team member well-being and health and safety programs, as well as gender pay practices
- Reviewed an internal audit of the Company's sales incentive program.

Public disclosure

- Reviewed and approved for publication this report of the Compensation Committee, and the compensation discussion and analysis that follows.

Signed, the members of the Compensation Committee



Mary Jo Haddad (Chair)



Ray Chan



Kathy Kinloch



John Manley



Marc Parent