

# Human Resources and Compensation Committee report

## Mandate

The Human Resources and Compensation Committee of the Board of Directors (the Compensation Committee or Committee) is responsible for developing the compensation philosophy and guidelines on executive compensation, overseeing succession planning for the executive team, determining CEO goals and objectives relative to compensation, evaluating CEO performance, reviewing and recommending CEO compensation to the Board based on its evaluation, and determining compensation for executives other than the CEO. This Committee also oversees that compensation design and practices do not encourage undue risks. The Committee reviews and administers the supplemental retirement arrangements (other than registered pension plans) for the executive team and all of our equity-based incentive plans. The Committee's mandate includes oversight of executive compensation policies, health and safety policies, procedures and compliance, and certain aspects of our approach to business ethics and corporate conduct.

## Membership

The current membership of the Compensation Committee is as follows:

Name	Independent
Mary Jo Haddad (Chair)	Yes
Ray Chan	Yes
Stockwell Day	Yes
John Lacey	Yes
David Mowat	Yes

Prior to May 11, 2017, Micheline Bouchard was a member of the Compensation Committee. On May 11, 2017, David Mowat became a member of the Committee and Micheline retired from the Board. Effective May 12, 2017, Mary Jo Haddad became Chair of the Compensation Committee, and John Lacey stepped down as Chair. John is retiring as of our May 2018 annual general meeting and will not be seeking re-election.

In accordance with the Compensation Committee's terms of reference, all members of the Committee are required to be independent. Furthermore, 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. None of the members of the Committee are currently serving as CEOs of other public companies.

Members of the Compensation Committee have a range of complementary skills in areas such as human resources, corporate governance, risk assessment, public company leadership and board experience, which enable them to make effective decisions on our compensation practices. All of the Compensation Committee members have served in executive capacities, in cabinet or senior political positions, or on compensation committees with other public issuers and, through those roles, have acquired direct experience relevant to their responsibilities for reviewing and considering executive compensation. The following is a brief description of the experience of each current member of this Committee that is relevant to the exercise of his or her responsibilities as a member of the Committee:

- Mary Jo Haddad** – Mary Jo has more than 30 years of experience in the healthcare industry in Canada and the U.S. In 2013, she retired as President and CEO of The Hospital for Sick Children (SickKids) in Toronto, a position she had held since 2004. As CEO, she established compensation framework programs and policies for SickKids. She is also a member of the compensation committee of the Toronto-Dominion Bank and various non-profit organizations. Mary Jo became a member of the Compensation Committee in 2016.
- Ray Chan** – Ray has more than 30 years of experience in the oil and gas industry, and has held several senior executive positions, including as CFO and CEO. He is currently chair of Baytex Energy Corp. and is a director of TORC Oil & Gas Inc., as well as a member of its compensation committee. Ray also served on the compensation committee of the TMX Group Inc. Through his executive roles, Ray has been involved in a variety of compensation matters, such as the development and financial analysis of compensation plans and leadership succession planning. Ray has been a member of the Compensation Committee since 2013 and is also a member of our Pension Committee.

- **Stockwell Day** – Now a strategic consultant and advisor, Stockwell enjoyed a successful political career for over 30 years, serving in senior roles with the Government of Alberta and holding various positions in the federal government, including Leader of the Official Opposition, Minister of Public Safety, Minister of International Trade, Minister for the Asia-Pacific Gateway, senior Minister responsible for British Columbia and President of the Treasury Board. In these roles, Stockwell gained experience in governance and was responsible for the oversight of senior-level executive compensation. Stockwell has been a member of the Compensation Committee since 2013 and Chair of our Pension Committee since May 7, 2015.
- **John Lacey** – John is currently a director of Brookfield Business Partners (formerly Chairman, Brookfield Private Equity Fund) and is a seasoned executive who also acts as consultant to the Chairman of the Board of George Weston Ltd. John has a total of 11 years of service on TELUS' Compensation Committee, including six years as its Chair, and has also served on the compensation committee of the Canadian Imperial Bank of Commerce. As a result, he has extensive expertise in governance and compensation practices and programs.
- **David Mowat** – David is currently President and CEO of ATB Financial, a Crown corporation owned by the Province of Alberta, and has held three chief executive posts. He has 30 years of experience in the banking industry in Canada. As CEO of ATB, he has experience in compensation matters, such as the re-design of certain compensation plans and the introduction of an employee share ownership program for ATB's securities firm. Also, David has served on the compensation committee of Visa Canada and, as Chair of that committee, was involved in the re-design of its short-term and long-term executive compensation program. David became a member of our Compensation Committee on May 12, 2017 and is also a member of our Audit Committee.

Further information about the Compensation Committee members can be found under *Director profiles* starting on page 12.

## Meetings

The Compensation Committee meets at least once each quarter and reports to the Board on its activities. The matters reviewed at each quarterly meeting are based on the Committee's mandate and annual work plan. At each meeting, the Committee also holds an in-camera session without management present and an in-camera session with only the executive compensation consultant present. The Committee Chair meets by teleconference with the executive compensation consultant before each quarterly Committee meeting and at other times on an as-needed basis. The Compensation Committee also holds an in-camera session with the Executive Vice-President (EVP), People and Culture and Chief Human Resources Officer at each meeting. The Compensation Committee held a total of four meetings in 2017.

## Compensation Committee advisors

The Compensation Committee has retained Meridian as its independent executive compensation consultant. Meridian provides counsel to boards and management on executive and board compensation. The Committee first retained Meridian in 2010. The mandate of the executive compensation consultant is to serve the Company and to work for the Compensation Committee in its review of executive compensation, including advising on the competitiveness of pay levels, executive compensation design issues, market trends and technical considerations. The nature and scope of services provided by Meridian to the Compensation Committee in 2017 included:

- Analyses of market pay and trends for executive compensation, including pay analyses for the CEO and Executive Leadership Team (all EVPs who are officers of the Company) (ELT)
- An independent risk assessment of pay policies and practices
- Ongoing support with regard to the latest relevant regulatory, technical and accounting considerations impacting executive compensation and executive benefits programs, including proxy disclosure
- Advice on the comparator group used for benchmarking compensation
- Advice on CEO and ELT compensation
- Advice on the development of the corporate scorecard metrics and on adjustments to the scorecard results
- Preparation for, and attendance at, Compensation Committee meetings and selected management meetings, including meetings with the Chair of the Compensation Committee

- Advice on special projects throughout the year relating to review and analysis of equity plans and grants, CEO pay for performance analysis, review and drafting of the information circular, preparation of an executive compensation education session, and a benchmarking review of named executive officer (NEO) compensation.

As an independent advisor, Meridian does not receive direction from the Compensation Committee to perform any of these services in any particular manner or under any particular method. The Chair of the Committee approves all invoices for executive compensation work performed by Meridian. This Committee has the authority to hire and terminate Meridian as its executive compensation consultant and is responsible for determining the scope of services performed by Meridian. It assesses Meridian's performance annually and approves a letter of engagement each year.

Meridian also assisted in determining a comparator group and gathering market information regarding director compensation in 2017, which the Corporate Governance Committee used in making its recommendation for directors' compensation. The Corporate Governance Committee also used this information to make its recommendations for compensation of the independent Chair of the Board.

Meridian is required to obtain prior approval from the Compensation Committee Chair (or his or her delegate) for any material work for the Company or members of management, other than, or in addition to, compensation services provided in connection with our directors or executive officers. In 2017, the only services Meridian provided to TELUS or our directors or management were executive and director compensation services.

### Executive and director compensation related fees

The following table lists the fees billed by Meridian for the past two years.

Type of work	2017 (\$)	2016 (\$)
Services related to determining director and executive officer compensation	349,696	269,663
All other fees	Nil	Nil
<b>Total</b>	<b>349,696</b>	<b>269,663</b>

The increase in fees from 2016 to 2017 is largely due to the additional work completed by Meridian in 2017 that related to the special projects noted on page 50.

## Highlights

### Succession planning

Executive succession planning is fully integrated with the Company's overall strategic planning process, which covers all management positions to ensure the development of a strong talent pipeline.

In 2017, the Committee invested significant time focusing on the succession planning process and discussing the CEO and ELT positions. In addition, the top talent and future leaders across the organization were reviewed. The Compensation Committee leveraged the strategic framework that has been in place for over a decade and is used as the best-in-class model at all levels across the Company.

All ELT succession plans were reviewed with the Committee. These plans highlight 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.

Given the importance of CEO succession, and that it is one of the highest priorities for the Board, the succession planning process and plan, as well as the candidates for this role, were discussed with the entire Board in great detail. Candidates for the CEO position were assessed relative to their leadership capabilities, sustained operational results and proven ability to drive strategy. The Board and CEO recommended additional development opportunities, mentorship and enhanced responsibilities to accelerate candidates' growth. The Board's review of the succession plan for the CEO is also discussed on page 25.

### Performance-contingent RSU payout factors

The Committee approved the payout factors associated with the performance-contingent restricted stock units (RSUs) that were granted in 2015 and vested on November 20, 2017 for the ELT, and provided its recommendation to the Board for the CEO. Further information about the performance-contingent RSUs and payout awards can be found on page 65.

## Additional highlights

The Compensation Committee took the following actions in 2017 (or with respect to 2017 performance) in accordance with its annual work plan:

### CEO

- Reviewed and recommended to the Board for approval the granting of long-term incentive (LTI) awards to the CEO (in respect of 2017 performance) where 50 per cent of the LTI granted is time-vested and 50 per cent is performance-contingent (see page 65 for details)
- Reviewed and approved the corporate goals and objectives relevant to CEO compensation (personal performance objectives and corporate scorecard)
- Reviewed and approved the 2017 corporate scorecard (targets at the beginning of the year and the final scorecard multiplier after year-end)
- Assessed the performance of the CEO, with the input of the Board
- Reviewed and recommended to the Board for approval the size of the performance bonus profit-sharing pool allocation for the CEO
- Reviewed and recommended to the Board for approval the CEO's compensation, based on its evaluation of his performance and its review of the form and adequacy of compensation, as well as a consideration of market trends and data
- Compared the CEO total direct compensation to that of the second highest paid NEO, and concluded that the CEO total direct compensation was no greater than four times that of the next highest paid NEO
- Reviewed and approved the expenses of the CEO and his office staff
- Received an update on the CEO's share ownership relative to target
- Reviewed and recommended to the Board for approval the payouts resulting from the approved payout factors in respect of the 2015 performance-contingent RSUs that vested in 2017
- Reviewed and recommended to the Board for approval the performance criteria for performance-contingent RSUs granted in respect of 2017 performance.

### Executive Leadership Team

- Reviewed and recommended to the Board for approval the aggregate dollar amount of RSU awards for the ELT (in respect of 2017 performance) where 50 per cent of the RSUs granted are time-vested and 50 per cent are performance-contingent
- Reviewed the degree of stretch in the financial targets on the corporate scorecard for compensation purposes and validated the measures relative to financial reporting
- Reviewed and recommended to the Board for approval the proposed appointment of individuals as executives and as corporate officers of the Company
- Reviewed and approved the 2017 corporate scorecard (targets and final scorecard multiplier)
- Reviewed the compensation philosophy and guidelines for executives by assessing (i) the linkage of the executive compensation philosophy and incentive plans to the Company's financial and non-financial performance and business strategy, and (ii) the alignment with our employee compensation philosophy
- Reviewed and approved an independent assessment conducted by Meridian of the following key compensation parameters to determine the extent to which there are appropriate mitigation safeguards in place: pay philosophy and governance, pay structure, performance metrics/ measurement and risk mitigation practices. The Compensation Committee concluded that our compensation practices do not encourage undue risk-taking
- Reviewed and approved the selection of a Canadian comparator group for benchmarking executive compensation and the selection of a U.S.-based telecom comparator group to be used as a secondary reference, as identified by Meridian
- Reviewed and approved the appropriate compensation for executives other than the CEO, after considering market trends and data
- Reviewed the CEO's evaluation of the performance of each executive
- Reviewed and approved the compensation of individual executives other than the CEO (including salary, bonus, executive performance stock units (EPSUs), and LTIs), after considering the evaluation and recommendations of the CEO and applying the Company's compensation philosophy as described on page 58
- Received updates on the share ownership of each ELT member relative to established ownership targets

- Reviewed and approved the performance criteria for the performance-contingent RSUs granted in respect of 2017 performance
- Reviewed and approved the payouts resulting from the approved payout factors in respect of the 2015 performance-contingent RSUs that vested in 2017
- Reviewed and approved the key terms and conditions in relation to amendments to the executive employment agreement with the EVP and President, TELUS Consumer and Small Business Solutions.

### Equity plans

- Reviewed and recommended to the Board for approval the total spend on annual grants of RSUs to management below the ELT level under the Restricted Stock Unit Plan for 2017 performance
- Approved the total annual grants of EPSUs to ELT members and management performance stock units (MPSUs) to management under the Performance Stock Unit Plan for 2017 performance
- Reviewed and recommended to the Board for approval 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 2017 discretionary grants under the Restricted Stock Unit Plan to certain members of non-executive management for reward, retention or recognition purposes
- Received reports on the status of the option share reserves.

### Governance

- Approved the engagement agreement with Meridian and reviewed Meridian's independence letter
- Reviewed and approved the Compensation Committee's annual work plan
- 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
- Approved the annual work plan, budget and fees of Meridian and conducted an annual assessment of its performance and independence
- Conducted a review of all components of TELUS executive compensation
- Received compliance reports on a quarterly basis from the Respectful Workplace Office, which include an overview of relevant education and training activities and analysis of complaints related to discrimination, harassment (including sexual harassment) and bullying
- Received compliance reports on a quarterly basis in respect of business ethics at the Company, conducted an annual review of our code of ethics and conduct, and recommended changes to the Board for approval
- Considered reports on our business continuity planning, including work stoppage, pandemic and disaster recovery plans for the first and second quarters; thereafter the review of business continuity disaster recovery plans was assumed by the Audit Committee as part of its risk review
- Reviewed reports on employee health and safety programs and results
- Received a report on gender pay practices and analysis
- Received a report and reviewed the results of an internal audit of the Company's sales incentive program
- Received an annual labour relations update from management
- Received an annual team engagement update from management
- Reviewed and amended various executive policies with minor language changes only.

### Public disclosure

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