

## APPENDIX I – DIRECTOR COMPENSATION AND SHARE OWNERSHIP CRITERIA

### 1. INTRODUCTION AND PHILOSOPHY

TELUS Corporation will compensate non-management directors through the payment of an all-inclusive flat fee, in consideration of the services provided by such directors and in recognition of their responsibilities to the Company and certain subsidiary companies, and potential liabilities associated therewith.

Compensation should be reviewed by the Corporate Governance Committee every one to two years with any changes to be recommended for approval by the Board. Generally, overall compensation should be targeted at the 65<sup>th</sup> percentile within a comparator group of companies of comparable size and responsibility to the Company, with the cash component of the compensation targeted at the 50<sup>th</sup> percentile. Compensation should be skewed towards equity more than cash.

### 2. DIRECTORS' FEES

#### 2.1 Basic compensation

Non-management directors are entitled to receive a flat fee as outlined in the table below. Such payments will be made quarterly and adjusted proportionately for appointments or resignations within any quarter. They are also entitled to receive an annual equity grant in the form of Deferred Share Units (“DSUs”) as outlined in the table below. A new director elected at a date other than an annual general meeting will receive a pro-rated equity grant during the first year on the Board. A director who leaves the Board during the year after receiving an annual equity grant shall keep that grant in its entirety.

Management directors, however, are not entitled to receive any directors’ compensation or any of the other benefits for directors referred to in this Appendix.

Tier	Compensation		
	Cash (40%)	Equity (60%)	Total Retainer
Non-Management Directors, including committee service	\$90,000	\$140,000	\$230,000
Chair of Pension Committee or Corporate Governance Committee	\$95,000	\$150,000	\$245,000
Chair of Audit Committee or Human Resources and Compensation Committee	\$100,000	\$160,000	\$260,000
Chair of the Board of Directors	\$200,000	\$310,000	\$510,000

Additional meeting fees may be payable as outlined in section 2.2(b) below.

These payments are made to non-management directors for attendance at Board and committee meetings of the Company and certain subsidiary companies. Separate retainers and meeting fees will not be paid by subsidiary companies, except under special circumstances.

The DSUs granted to non-management directors will vest immediately. When a director retires from the Board, or ceases to be a director for whatever reason, including, without limitation, the death of the director, the removal of the director or the failure to elect the director to the Board, the director (or the director’s legal representative) may redeem his or her DSUs at any time during the period that begins on the termination date and ends on November 30<sup>th</sup> of the calendar year following the termination date (the “Redemption Period”). Any or all of a director’s DSUs can be redeemed by filing an election notice with the Chief Governance Officer (the “Election”) specifying the date of valuation for redemption (the “Valuation Date”) as well as the number

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of DSUs to be redeemed, provided that the Valuation Date cannot be earlier than the date of the Election or later than the last day of the Redemption Period. Payment for any such redeemed DSUs will be made within 31 days of the Valuation Date (and will not be any later than December 31 of the calendar year after termination). If a director has not made an Election by the last day of the Redemption Period, then such director will be deemed to have filed an Election with respect to any DSUs remaining in his or her account with a Valuation Date that is the last day of the Redemption Period. If a director changes his or her mind regarding an Election, the director may file a revocation so long as it is filed with the Chief Governance Officer at least five (5) days prior to the Valuation Date. The above procedures generally apply for directors who are U.S. taxpayers, except that the Redemption Period will end on December 15 of the calendar year during which the termination date falls and as otherwise provided in the Directors Deferred Share Unit Plan (“Directors’ Plan”). Directors should refer to the Directors’ Plan for further details.

Directors of the Board will not receive options.

### **2.2 Additional Fees**

- a) A director whose principal residence is located such that the director must travel in excess of six hours (return) from his or her principal residence to attend a meeting of the Board or a committee of the Board will receive an amount of \$1500 cash in recognition of time lost due to travel. This fee will not apply to directors traveling from holiday or business locations for regularly scheduled meetings, but directors who would otherwise have traveled more than six hours (return) from their principal residence to a meeting will not lose such fee if they actually traveled more than six hours (return) to that meeting but from a location that is not their principal residence.
- b) If the directors are required to attend:
  - i. more than ten Board meetings in a calendar year, or
  - ii. more than ten Audit Committee meetings in a calendar year, or, for committees other than the Audit Committee, more than nine committee meetings in a calendar year,non-management directors will be paid an additional fee of \$1,500 cash for each such additional Board or committee meeting attended.
- c) Additional meeting fees may be paid for service on a special committee as determined by the Board.

### **2.3 Method of Compensation**

- a) Subject to section 3.5 below, under the Directors’ Plan, non-management directors may, at their option, receive the cash component of their compensation, including the additional fees referred to in section 2.2 above, in the form of cash, shares or DSUs or any combination thereof.
- b) The director will provide to the Chief Governance Officer a notice upon request, which indicates the appropriate percentage of such directors’ fees to be paid in cash, shares or DSUs. Payments in cash or shares will be net of appropriate withholdings.

**3. SHARE OWNERSHIP**

- 3.1 Each non-management director is required to attain a level of share ownership of at least 3x the total retainer for non-management directors (i.e. 3x \$230,000).
- 3.2 The Chair is required to attain a level of share ownership of at least 5x the total retainer (i.e. 5x \$510,000).
- 3.3 The levels of share ownership outlined in this section are to be achieved within five years of initial election to the Board. Share ownership includes shares and DSUs.
- 3.4 The market value of each director’s equity position will be determined annually as of December 31 in any year.
- 3.5 If a director has not yet achieved the required level of share ownership, he or she will direct the Company, at his or her election, to:
  - a) use one half of the cash component of his or her total retainer, less required withholdings, to acquire shares of the Company on behalf of the director; or
  - b) take one half of the cash component of his or her total retainer, without deduction for withholdings, in the form of DSUs.

**4. DIRECTORS’ EXPENSES**

- 4.1 A director is eligible for expense reimbursement as applicable under the Company’s expense reimbursement policy for Executive Management.
- 4.2 Expenses incurred by a guest of any director, where the Chair requests the presence of that guest at a function, will be paid under the same reimbursement policy.
- 4.3 A director’s expenses include return airfare from the director’s place of principal residence for regularly scheduled board meetings. The Chair will advise the Chief Governance Officer in advance whether travel expenses from another location will be reimbursed in the event of a special board meeting, or from a retirement residence in the case of regularly scheduled meetings or whether such director should attend by conference call or at their own expense.
- 4.4 The Company will provide travel accident insurance of up to \$500,000 for each director.
- 4.5 A director is eligible for an annual education tuition reimbursement of up to \$5,000 per year for tuition and related costs (which includes any travel expenses) associated with any third party courses he or she may wish to take related to their role on the Board.
- 4.6 The Chief Governance Officer will ensure all expenses are processed and paid expeditiously after being tendered by directors with the required forms and receipts.

**5. SERVICES POLICY**

While serving on the Board and for two years upon retirement, non-management directors are entitled to the benefit of a service program, as described in Schedule 1 to this Appendix.

**6. DIRECTORS' INDEMNIFICATION**

Subject to applicable laws and the charter documents of the Company, the Company will indemnify all directors for claims, legal costs or losses sustained as a result of actions against the directors in respect of their activities as directors of the Company or its subsidiaries. The indemnification will extend to former directors for actions carried out during a former director's term of office. In support of the indemnification, the Company will acquire sufficient liability insurance as determined by the Company. As well, the Company will enter into indemnity agreements with each director, which set out in further detail the extent of such indemnification. The form of indemnity agreements will be reviewed by the Corporate Governance Committee with any material changes recommended to the Board for approval.

## **SCHEDULE 1 TO APPENDIX I – SERVICES POLICY**

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### **1. INTRODUCTION**

This schedule outlines the telecommunications services and equipment to be provided to non-management directors at the Company's expense while serving on the Board of TELUS Corporation and for two years upon retirement.

### **2. SERVICES**

Each director will receive full reimbursement of up to \$6,000 per calendar year on any combination of TELUS services offered to consumers in the director's location, including wireline voice and data (including long distance and Internet), wireless voice and data (including roaming and long distance), and Optik TV.

For greater certainty, directors must acquire the eligible services from the Company or its subsidiaries to be eligible for reimbursement except as follows:

- wireline (home) voice and internet services provided by another service provider are eligible for reimbursement in areas where TELUS does not provide such services.

Unused allowances at the end of the calendar year are forfeited.

### **3. EQUIPMENT**

Each director will receive full reimbursement of up to \$1,200 per calendar year towards the purchase of devices sold by or supported by TELUS. For example, as of October 2015, eligible devices include smartphones, tablet computers, Optik TV set top boxes, fitness trackers and audio equipment. Unused allowances at the end of the calendar year are forfeited.

Each director is entitled to keep all equipment provided to the director by the Company or any predecessor corporation under this schedule.

### **4. POLICY ADMINISTRATION**

- 4.1 Directors will submit expenses at least once each quarter to the Chief Governance Officer. Reimbursement will be made quarterly in arrears by direct deposit into a bank account designated by the director based on copies of relevant bills and an expense report submitted to the Chief Governance Officer.
- 4.2 The Chief Governance Officer will administer this Services Policy, and requests for supply of TELUS services or devices should be directed to the Chief Governance Officer. However, decisions with respect to the interpretation and application of the policy to Company products and services shall be made by the Chair of the Corporate Governance Committee, in conjunction with the Chair and the CEO.
- 4.3 Directors will promptly inform the Chief Governance Officer if any equipment supplied is lost or stolen.