

## Human Resources and Compensation Committee report

### Committee members

Mary Jo Haddad (Chair) ✓  
 Ray Chan ✓  
 Stockwell Day ✓  
 Kathy Kinloch<sup>1</sup> ✓  
 Marc Parent<sup>2</sup> ✓

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.

### 4 meetings in 2018

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.

<sup>1</sup> Kathy Kinloch became a member of the Compensation Committee effective May 10, 2018.

<sup>2</sup> Marc Parent became a member of the Compensation Committee effective November 6, 2018.

### 2018 Committee highlights

#### Succession planning

In 2018, the Committee continued to invest significant time focusing on the succession planning process and discussing the CEO and Executive Leadership Team (ELT) (all EVPs who are appointed officers of the Company) positions. In addition, the top talent and future leaders across the organization were reviewed.

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. As result of this review, Zainul Mawji was appointed as President, Home and Small Business Solutions and Jim Senko was appointed as President, Mobility Solutions in October 2018. The timing of these appointments came as a result of David Fuller's decision to leave TELUS in January 2019 to allow for transition of his portfolio to Zainul and Jim.

Given the importance of CEO succession, which 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 36.

#### Compensation philosophy

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

- The comparator group used for 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 vehicles used to deliver ELT compensation.

#### CEO compensation and performance

- Reviewed and recommended to the Board for approval the CEO's compensation, 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 granting of long-term incentive (LTI) awards to the CEO (in respect of 2018 performance)
- Reviewed and approved the corporate goals and objectives relevant to CEO compensation (personal performance objectives and corporate scorecard)
- Assessed the performance of the CEO, with the input of the full Board
- Reviewed and recommended to the Board for approval the size of the performance bonus profit-sharing pool allocation for the CEO
- Reviewed and approved the expenses of the CEO and his office staff
- Reviewed and recommended to the Board for approval the payouts resulting from the approved payout factors in respect of the 2016 performance-contingent restricted share units (RSUs) that vested in 2018
- Reviewed and recommended to the Board for approval the performance criteria for performance-contingent RSUs granted in respect of 2018 performance.

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### ELT compensation and performance

- Reviewed and approved the appropriate compensation for executives other than the CEO, 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 2018 performance)
- Reviewed the CEO's evaluation of the performance of each executive
- Reviewed and approved the compensation of individual executives
- Reviewed and approved the payouts resulting from the approved payout factors in respect of the 2016 performance-contingent RSUs that vested in 2018
- Reviewed and approved the performance criteria for the performance-contingent RSUs granted in respect of 2018 performance.

### Performance bonus plan

- Reviewed and recommended to the Board for approval the 2018 performance bonus pool size
- Reviewed and approved the 2018 corporate scorecard (targets at the beginning of the year and the final scorecard multiplier after year-end)
- 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 associated with the performance-contingent RSUs that were granted in 2016 and vested on November 20, 2018
- 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 Share Unit Plan for 2018 performance
- Received updates on the share ownership of each ELT member relative to established ownership targets
- Approved the total annual grants of executive performance share units (EPSUs) to ELT members and management performance share units to management under the Performance Share Unit Plan for 2018 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 2018 discretionary grants under the Restricted Share Unit Plan to certain members of non-executive management for reward, retention or recognition purposes
- Received reports on the status of the share option reserves.

### Governance

- Reviewed and approved a more streamlined Compensation Committee annual work plan, designed to give the Committee more time to focus on strategic issues
- Reviewed and approved an independent assessment conducted by Meridian Compensation Partners LLC (Meridian) of the key compensation parameters to determine the extent to which there are appropriate mitigation safeguards in place
- 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 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 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

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- 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, gender pay practices, and 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.

**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



Stockwell Day



Kathy Kinloch



Marc Parent