Telus Corporation

Primary Contact
RV Viswanathan
Chris Cernich
ca-research@issgovernance.com

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Ticker: T.A | **Exchange:** Toronto Stock Exchange | **Index:** S&P/TSX Composite | **Sector:** Integrated Telecommunication Services | **GICS:** 50101020 | **Meeting Type:** Annual/Special | **Meeting Date:** 9 May 2012 | **Record Date:** 3 April 2012 | **Meeting ID:** 699194

Executive Summary

Items # 1 – 3 : Annual meeting items

Upon analysis of the company's materials, no significant issues are highlighted at this time and support is warranted for all these items.

Item #4 – Plan of Arrangement – Eliminate Dual Class Structure

- The company has proposed a transaction to collapse its voting and non-voting share classes into a single class of common stock.
- The proposed exchange ratio of 1.0 voting share for each non-voting share held is slightly unfavorable to holders of voting shares, and slightly favorable to holders of non-voting shares, compared to the exchange ratio implied by trading prices over a sustained period. Over the past three years, voting shares have traded at an average premium of 4.5 percent to non-voting shares, despite having identical economic and dividend rights.
- The company's Articles of Incorporation provide, however, that upon certain triggering events – such as elimination of regulations restricting foreign ownership to one-third of voting shares – the two classes will automatically be collapsed at an exchange ratio of 1.0.

As the proposed transaction would align voting rights with economic interest, offers shareholders meaningful economic opportunity through increased trading liquidity and a dual listing on the NYSE, and has been ratified by a strong market response – and as the provisions in the company's Articles effectively preclude any exchange ratio other than the proposed one-for-one exchange – a vote FOR the proposal is warranted.

Financial Performance

	1-year	3-year	5-year
Company TSR (%)	31.97	22.13	5.66
GICS 5010 TSR (%)	17.68	18.40	5.53
S&P/TSX Composite TSR (%)	-8.75	13.18	1.28

TSRs are as of closest month end to company's FYE. More information

Profiles and Data

Agenda and Recommendations

Canada Policy

Item	Code	Proposal	Mgt. Rec.	ISS Rec.	Focus
Agenda for Common Shareholders					
1.1	M0201	Elect Director R. H. (Dick) Auchinleck	FOR	FOR	
1.2	M0201	Elect Director A. Charles Baillie	FOR	FOR	
1.3	M0201	Elect Director Micheline Bouchard	FOR	FOR	
1.4	M0201	Elect Director R. John Butler	FOR	FOR	
1.5	M0201	Elect Director Brian A. Canfield	FOR	FOR	
1.6	M0201	Elect Director Stockwell B. Day	FOR	FOR	
1.7	M0201	Elect Director Pierre Y. Ducros	FOR	FOR	
1.8	M0201	Elect Director Darren Entwistle	FOR	FOR	
1.9	M0201	Elect Director Ruston (Rusty) E.T. Goepel	FOR	FOR	
1.10	M0201	Elect Director John S. Lacey	FOR	FOR	
1.11	M0201	Elect Director William (Bill) A. MacKinnon	FOR	FOR	
1.12	M0201	Elect Director Donald Woodley	FOR	FOR	
2	M0136	Approve Deloitte & Touche LLP as Auditors and Authorize Board to Fix Their Remuneration	FOR	FOR	
3	M0550	Advisory Vote on Executive Compensation Approach	FOR	FOR	
4	M0405	Approve Plan of Arrangement: Eliminate Dual Class Share Structure	FOR	FOR	
5	M0060	The Undersigned Hereby Certifies that the Shares Represented by this Proxy are Owned and Controlled by a Canadian	NONE	REFER	

❖Recommendations against management | ● Items deserving attention due to contentious issues or controversy

Financial Profile

Business Description

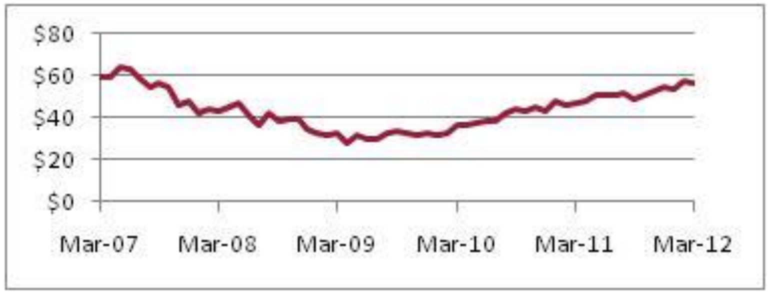
Telus Corp offers wireline and wireless communication products & services including data, IP, voice, TV, and entertainment.

Company Snapshot

Industry: Diversified Telecommunication Services (GICS 50101020)	
Market Cap	$18,274.5M
Shares Outstanding	324.8M
YTD Performance (TSR)	5.8%
Closing Price	$54.64
EPS	$3.76
Book Value/share	$23.13
Sales/share	$31.78
Annual Dividend	$2.21
Dividend Yield	4.0%
Price to Earnings	14.5
Price to Book Value	2.4
Price to Cash Flow	5.9
Price to Sales	1.7

Data as of fiscal year-end. YTD Performance from last FY end to meeting record date.

Stock Performance



Historical Financial Performance

($ millions)

Profit & Loss	2011	2010	2009
Revenue	10,325	9,779	9,606
Operating Income after Dep.	1,924	1,982	1,959
Net Income	1,219	1,034	998
Working Capital	-1,794	-2,559	-1,837
EBITDA	3,719	3,717	3,681
Cash Flow	**2011**	**2010**	**2009**
Operating Activities ($ Flow)	2,550	2,546	2,904
Total Cash from Investing	-1,968	-1,707	-2,128
Total Cash from Financing	-553	-863	-739
Net change in Cash	29	-24	37

Comparative Performance

	T	BCE	RCI.B	MBT	SJR.B	BA
Gross Margin	36.0%	48.8%	37.9%	34.0%	40.0%	99.0%
Profit Margin	15.4%	16.9%	16.9%	13.2%	15.8%	99.0%
Operating Margin	18.6%	22.4%	23.4%	17.1%	26.6%	99.0%
EBITDA Margin	36.0%	39.1%	37.9%	34.0%	40.0%	99.0%
Return on Equity	16.2%	20.8%	43.8%	21.2%	18.4%	9.4%
Return on Investment	9.4%	8.1%	11.5%	9.7%	6.2%	9.4%
Return on Assets	6.1%	5.6%	8.5%	6.2%	4.3%	9.4%
P/E	14.5	14.7	13.6	11.6	18.1	19.9
Debt/Assets	35.0	37.6	55.0	38.6	42.0	0.0
Debt/Equity	92.9	107.6	282.5	131.2	163.4	0.0
Total Return	**T**	**BCE**	**RCI.B**	**MBT**	**SJR.B**	**BA**
1 Yr TSR	31.97%	26.68%	17.85%	9.91%	-2.09%	17.68%
3 Yr TSR	22.13%	25.96%	6.21%	0.43%	3.87%	17.16%
5 Yr TSR	5.66%	11.25%	5.53%	-2.37%	8.82%	11.36%

Peer Companies: BA: Bell Aliant | BCE: BCE | MBT: Manitoba Telecom Services | RCI.B: Rogers Communications | SJR.B: Shaw Communications Source: Standard & Poor's Compustat Xpressfeed.

Figures reported in $(CAD). Compustat data is "standardized data" not "as reported" so there may be a difference from what is reported in company filings. Compustat standardizes the original filings to allow for accurate comparison across companies and industries. For a list of frequently asked questions, go to http://www.issgovernance.com/policy/CompanyFinancialsFAQ

Governance Risk Indicators

As of 18 April 2012

Board Structure LOW CONCERN

Score: 100.0

Factor	Impact
No directors attended less than 75% of the board meetings without a valid excuse	←
Directors are elected on an individual basis	←
The chairman of the board of directors is considered an independent director	←
91.67% of the board of directors is considered independent	←
The board and individual directors are subject to an annual performance evaluation	←
100% of the nomination committee is considered independent	←
100% of the compensation committee is considered independent	←
100% of the audit committee is considered independent	←

Compensation LOW CONCERN

Score: 99.8

Factor	Impact
The company has issued equity plans but option / SAR repricing is expressly prohibited	←
The company has not repriced treasury-based options or exchanged them for shares, options or cash without shareholder approval in the last 3 years	←
Non-employee directors do not participate in equity based plans	←
The company discloses complete performance measure information for the short term variable remuneration it grants to its executives	←
The company does not have any change-in-control agreements with named executive officers excluding the CEO	←
There is no information or there is no employment agreement for the CEO	←
At least one executive is receiving additional service credits toward his or her pension for years not worked	→
The company has issued stock options or SARs to its excutives with a vesting period of 36.00 months	←

Shareholder Rights MEDIUM CONCERN

Score: 58.6

Factor	Impact
The company has a dual class share capital structure	→
All directors are elected annually	←
The board is not authorized to issue blank cheque preferred stock	←
The proportion of non-voting shares relative to the share capital is 46.23%	→
The company has a plurality vote standard with a director resignation policy	←
The dual class share capital structure does not have a sunset provision	→
Quorum for shareholder meetings is less than 2 persons and/or represents less than 25% of the shares	→
The board has not ignored any majority supported shareholder proposals	■

Audit LOW CONCERN

Score: 100.0

Factor	Impact
Non-Audit fees represent 0% of total fees	■
The auditor issued an unqualified opinion in the past year	■
The company has not restated financials in the past two years	■
The company has not made late financial disclosure filings in the past two years	■
The securities regulator has not taken any enforcement action against the company in the past two years	■
The company has not disclosed any material weakness in its internal controls in the past two years	■

→ indicates practices that increase concern, ← indicates practices that reduce concern, ■ indicates practices with no impact on concern.

Analyst Notes: It should be noted that the company is proposing to collapse the dual class share structure in order to have a single class of voting stock, if approved by shareholders at this meeting.

GRId scores and concerns are derived from publicly disclosed data on the company's governance practices. While company practices that raise concerns in GRId are in many cases factors that weigh against the company in analyzing certain proposals, ISS recommendations are based on situational proposals and the related qualitative aspects of our review. GRId category scores range from 0 to 100 (maximum of 75 for Audit). In the US, scores from 0 to 25 points indicate High Concern, >25 to 50 points indicate Medium concern, and scores >50 indicate Low concern. Thresholds for other markets, together with more information, are available in the GRId technical document. For more information on GRId, visit www.issgovernance.com/grid-info

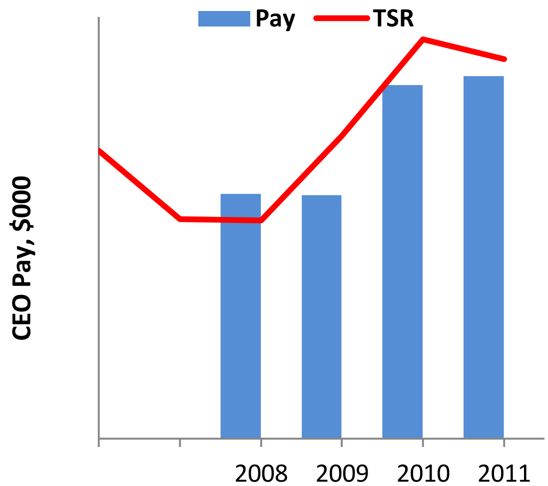
Corporate Governance Profile

	Yes	No
Corporate Governance		
Company has blank cheque preferred shares authorized? The company is authorized to issue first and second preferred shares issuable in series. The designations, rights, privileges, restrictions, and conditions attached to each class and series are determined by the board.	✓	
Company has a share structure with unequal voting rights? Dual-class share capital structure introduced in 1999 includes Common Shares and Non-Voting Shares entitled to one and zero votes, respectively. Coat-tail provision: If an exclusionary offer is made to Common shareholders and not to Non-Voting shareholders, the Non-Voting Shares shall be convertible into Common Shares. At the meeting, the company proposes to eliminate its dual-class structure such that each Non-Voting Shares would be converted into Common Shares on a one-for-one basis by way of a court-approved Arrangement.	✓	
Company provides shareholders with cumulative voting on the election of directors?		X
Company has adopted a majority voting or resignation policy for the election of director? Adopted in 2007. Any nominee receiving more 'withheld' votes than 'for' votes in an uncontested election will tender his or her resignation. The board will announce its decision within 90 days following the shareholders' meeting.	✓	
Company has adopted officer and/or director minimum stock ownership requirements? NEDs (effective 2011): Shares or DSUs worth at least 5x annual retainer within five years of appointment. Executives (effective 2002): Shares worth at least 3x (CEO), and 1x (EVP) annual base salary within three years of appointment. Effective 2011, senior managers below executive level also encouraged to meet the following targets: 75% (SVP) and 50% (VP) of base salary within four years of appointment.	✓	
Company grants stock options to non-employee directors? Company stopped granting options to NEDs in 2002, and formally amended the Directors Plan to eliminate provisions relating to options on March 14, 2012.		X
Company's stock option plan allows for option repricing? Shareholder approval is required for a reduction in the exercise price of an option.		X
Company has additional corporate governance provisions? The company is subject to the Canadian Telecommunications Common Carrier Ownership and Controls Regulations and the Telecommunications Act (Canada): The Act requires the level of non-Canadian ownership of the Common Shares to be less than one-third and the company must not be otherwise controlled by non-Canadians. Shareholder rights plan of none-year term adopted in March 2010.	✓	
Agreements		
Company has golden parachute executive severance agreements?		X
Company has supplemental executive retirement plans? Supplemental executive retirement plan provided to CEO, and top executives.	✓	

Compensation Profile

Overview of CEO Pay

Pay vs. TSR



		2008	2009	2010	2011
Pay($000)		6,890	6,853	9,940	10,191
Indexed TSR	76.15	75.76	105.12	138.72	131.69
CEO	NA	Entwistle	Entwistle	Entwistle	Entwistle

Indexed TSR represents the cumulative total return of the company's stock for a five-year fiscal period based on a $100 investment on the first year, including the reinvestment of dividends.
Executive compensation disclosure requirements changed in FY 2008 and comparable historical values for 2006 and 2007 may not be available.

	2011	% Change	2010
CEO Name	Darren Entwistle		Darren Entwistle
Base salary	1,300,000	6.12	1,225,000
Annual Bonus	444,603	-50.27	893,997
Long term Non-equity Incentives	0	N/A	0
Share-based Awards	6,944,603	0.73	6,893,997
Option Awards	0	N/A	0
Pension	1,447,000	65.56	874,000
All Other Compensation	54,835	2.59	53,451
Total Compensation	10,191,041	2.52	9,940,445
% Pay at Risk*	72.51	-7.45	78.35

*Pay at Risk is defined as sum of short-term and long-term incentives divided by Total Compensation

Darren Entwistle has been the president and CEO of the company since July 10, 2000.

Vote Results for Annual Meeting 5 May 2011

Proposal	Mgmt Rec	Disclosed Result	% For
1.1 Elect Director R. H. (Dick) Auchinleck	For	Approved	99.8
1.2 Elect Director A. Charles Baillie	For	Approved	99.5
1.3 Elect Director Micheline Bouchard	For	Approved	99.9
1.4 Elect Director R. John Butler	For	Approved	99.7
1.5 Elect Director Brian A. Canfield	For	Approved	98.9
1.6 Elect Director Pierre Y. Ducros	For	Approved	99.5
1.7 Elect Director Darren Entwistle	For	Approved	99.4
1.8 Elect Director Ruston E.T. Goepel	For	Approved	91.8
1.9 Elect Director John S. Lacey	For	Approved	99.6
1.10 Elect Director William A. MacKinnon	For	Approved	99.9
1.11 Elect Director Ronald P. Triffo	For	Approved	99.8
1.12 Elect Director Donald Woodley	For	Approved	99.8
2 Approve Deloitte & Touche LLP as Auditors and Authorize Board to Fix Their Remuneration	For	Approved	99.8
3 Advisory Vote on Executive Compensation Approach	For	Approved	80.5

*Items with a majority of votes cast FOR shareholder proposal or AGAINST management proposal or director election

Board Profile

Vote standard: The company has a plurality vote standard for the election of directors, and has a director resignation policy in its governance guidelines.

Director Independence & Affiliations

Executive Directors

On Ballot	Name	Affiliation	ISS Classification	Atten-dance	Age	Tenure	Term Ends	Outside Boards	CEO	Key Committees Audit	Comp	Nom	Gov
☑	Darren Entwistle	CEO/President	Insider		49	12	2013	1					

Non-Executive Directors

On Ballot	Name	Affiliation	ISS Classification	Atten-dance	Age	Tenure	Term Ends	Outside Boards	CEO	Key Committees Audit	Comp	Nom	Gov
☑	Brian A. Canfield	Chair	Independent Outsider		73	23	2013	0					
☑	R.H. (Dick) Auchinleck		Independent Outsider		60	9	2013	2			M	C	C
☑	A. Charles Baillie		Independent Outsider		72	9	2013	2			C		
☑	Micheline Bouchard		Independent Outsider		64	8	2013	1			M		
☑	R. John Butler		Independent Outsider		68	17	2013	1		M			
☑	Stockwell Day		Independent Outsider		61	*	2013	1		M			
☑	Pierre Y. Ducros		Independent Outsider		72	7	2013	0			M	M	M
☑	Ruston (Rusty) E.T. Goepel		Independent Outsider		69	8	2013	2				M	M
☑	John S. Lacey		Independent Outsider		68	12	2013	3		M			
☑	William (Bill) A. MacKinnon		Independent Outsider		65	3	2013	2		C F			
☑	Donald P. Woodley		Independent Outsider		66	14	2013	0				M	M
				Average:	66	10				100% indep	100% indep	100% indep	100% indep

* = has not been previously presented to shareholders for election

M = Member | C = Chair
F = Financial Expert

Board and Committee Summary

	Members	Independence	Meetings
Full Board	12	92%	6
Audit	4	100%	5
Human Resources & Compensation	4	100%	4
Corporate Governance*	4	100%	4

*Also fulfills the duties of a nominating committee

Director Employment & Compensation

Name	Primary Employment	Outside Boards	Total Compensation	Common (000)	Non-Voting (000)	DSUs (000)	Options (000)	Voting Power
Brian A. Canfield	Prof Director	-	466,666	10	11	58	0	<1%
Darren Entwistle	CEO, President - Telus Corp	George Weston Ltd.	0	250	154	0	655	<1%
R.H. (Dick) Auchinleck	Prof Director	ConocoPhillips, Enbridge Income Fund Holdings Inc.	200,500	3	6	46	0	<1%
A. Charles Baillie	Other	Canadian National Railway Company, George Weston Ltd.	201,513	0	69	44	0	0.00
Micheline Bouchard	Other	Harry Winston Diamond Corp.	200,550	2	3	27	0	<1%
R. John Butler	Attorney/Counsel	Liquor Stores NA Ltd.	193,512	1	4	32	0	<1%
Stockwell Day	Consultant	HOMEQ Corp.	100,895	0.13	0	1	0	<1%
Pierre Y. Ducros	Financial Services	-	198,094	0.33	3	30	0	<1%
Ruston (Rusty) E.T. Goepel	Financial Services	Amerigo Resources Ltd., Baytex Energy Corp.	192,628	0	17	27	0	0.00
John S. Lacey	Prof Director	Ainsworth Lumber Co. Ltd., George Weston Ltd., Loblaw Companies Ltd.	197,464	13	3	38	0	<1%
William (Bill) A. MacKinnon	Prof Director	Osisko Mining Corp., Novadaq Technologies Inc.	205,000	10	0	11	0	<1%
Donald P. Woodley	Prof Director	-	202,356	6	3	32	0	<1%
SUMMARY		Average # of Outside Boards: 1.2	Directors Holding Stocks/DSUs: 100%					

Figures in local currency

Meeting Agenda and Proposals

Items 1.1-1.12. Elect Directors FOR

Vote Recommendation

A vote FOR all nominees is warranted as there are no significant concerns identified at this time.

Background Information

Policies: Director Independence (TSX) | Key Committee Independence (TSX) | Audit Fee Disclosure (TSX) | Excessive Audit Fees (TSX) | Director Attendance (TSX) | CEO/CFO on Key Committees (TSX) | Director Accountability (TSX) | S&P/TSX Composite Index Companies (TSX) | Director Overboarding (TSX)

Vote Requirement: The company has a plurality vote standard for the election of directors, and has a director resignation policy in its governance guidelines.

Discussion

Board and Committee Independence

Ronald P. Triffo is not standing for re-election at this meeting, while Stockwell Day is a new nominee to the board.

The election of directors and other notable board practices include:

- Plurality vote standard with a majority voting and director resignation policy;
- Shareholder advisory vote on executive compensation (Say on Pay);
- Majority of independent directors and wholly independent key committees; and
- Separation of Chair/CEO roles and appointment of independent Chair.

Company Performance

Total Shareholder Return (TSR) Comparison (%, annualized for the periods ending December 31, 2011)

	1-Year TSR	3-Year TSR	5-Year TSR
Company	31.97	22.13	5.66
S&P/TSX Composite Index	-8.75	13.18	1.28
S&P/TSX (Telecommunications Sub) Index	24.85	17.63	7.96
GICS Group (5010) Median	17.68	18.40	5.53

Source: Xpressfeed / Bloomberg

Compensation Practices

Director Compensation

	As of April 1, 2011	Prior to April 1, 2011
Annual Retainer:	$60,000 (Chair: $225,000)	$40,000 (Chair: $225,000)
Other Cash Fees:	Committee chair: $10,000-$20,000 Committee member: $5,000-$10,000 Meeting fee: $1,500-$3,000	Committee chair: $6,000-$15,000 Committee member: $3,000-$6,000 Meeting fee: $1,500-$3,000
Equity:	Annual equity grant: NEDs: 100,000 DSUs; Chair: 235,000 DSUs	Annual equity grant: NEDs: 99,000 DSUs; Chair: 135,000 DSUs
	Company stopped granting options to NEDs in 2002, and formally amended the Directors Plan to eliminate provisions relating to options in March 14, 2012.	
Aggregate Remuneration for Last Fiscal Year:	$3,089,634	

Benchmarking of director compensation was done. A peer group of 22 large Canadian companies forms the group. Total compensation is at the 75th percentile of the group.

Analysis

Board and Committee Independence

The board is structured to provide accountability and independent oversight which is consistent with market practices.

Overboarding

In 2012, the company is considering to adopt a policy on limiting the number of boards and interlocking boards for directors to help ensure director objectivity & independence, and time availability.

Committee Composition

The composition of the committees is reviewed annually. The board considers the desirability of rotating directors among committees. As a result of the review, in May 2011, Dick Auchinleck and John Butler were each rotated onto different committees.

Compensation Concerns

Based on TSR and CEO compensation in the last fiscal year, there does not appear to be a disconnect between pay and performance. There are no significant problematic pay practices noted.

Item 2. Approve Deloitte & Touche LLP as Auditors and Authorize Board to Fix Their Remuneration — FOR

Vote Recommendation

A vote FOR the ratification of the company's auditors is warranted as non-audit fees are reasonable relative to audit and audit-related fees.

Background Information

Policies: Ratify Auditors (TSX)

Vote Requirement: Majority of votes cast

Discussion

Proposal Appoint Deloitte & Touche LLP as the company's auditors for the upcoming fiscal year.

Auditors	Deloitte & Touche LLP
Auditors Tenure	10 years
Audit Fees	$3,470,547
Audit-Related Fees	$161,000
*Tax Compliance/Preparation**	$18,001
Other Fees	$0
Percentage of total fees attributable to non-audit ("other") fees	0.00 percent

* If the proxy disclosure does not indicate the nature of the tax services, those fees will be categorized as "Other Fees."

Note: Tax fees were paid for tax compliance, tax advice and tax planning services.

The auditors' report contained in the annual report is unqualified, meaning that, in the opinion of the auditors, the company's financial statements are fairly presented in accordance with generally accepted accounting principles. In addition, in the auditors' opinion, the company maintained an effective internal control over financial reporting.

Item 3. Advisory Vote on Executive Compensation Approach FOR

Vote Recommendation

A vote FOR this non-binding advisory vote is warranted as there are no significant issues at this time. At the last meeting, it was suggested that comparative elements may be introduced to make the time-vesting plans more performance-based. This suggestion does not appear to have been considered.

Background Information

Policies: Management Say on Pay (TSX)

Vote Requirement: Majority of votes cast

Executive Summary

Evaluation Component	**Level of Concern**
Pay for Performance Evaluation	**Low**
Pay Practices	**Low**
Board Communication & Responsiveness	**Low**
Prior Year's Vote Result	80.5% FOR (This is the second year of such a proposal)

Discussion

ISS utilizes a global framework when evaluating management-proposed advisory votes pay programs across several markets. For Canadian companies, this involves a case-by-case analysis, under three broad categories: Pay for Performance, Pay Practices and Board Communication and Responsiveness. The goal of this analysis is to identify companies whose boards have failed to demonstrate good stewardship of investors' interests regarding executive compensation practices.

Proposal

BE IT RESOLVED THAT: On an advisory basis and not to diminish the role and responsibilities of the Board of Directors, that the Shareholders accept the approach to executive compensation disclosed in the Proxy Circular delivered in advance of the 2012 AGM.

I. Pay for Performance Evaluation Concern: Low

Incentive Programs Short Term Incentives

Short term incentives (cash bonus)	50% of base pay paid for target performance, profit pool in 2011 was 7.25% of EBIT. Corporate scorecard multiplier pays 0% to 200% and Individual multiplier 0%-200%. The weighting is 80% corporate + 20% individual.			
Corporate Scorecard	Metric/weight	2011 Target	2011 Actual	Target Achieved
	Customer excellence (50%)	1.00	0.48	Partly
	Profitable growth (40%)	$1,202 M revenue + EPS $4.01	$997 M revenue + EPS $3.79	Partly
	Team (10%)	60%	70%	√
	Total			0.82
Discretionary Component?	No			
Discretionary/Retention Bonuses Paid to NEOs in last FY?	No			
Medium Term Incentives (EPSUs)	Dollar amount equal to the annual bonus. 3 year awards granted, 1/3 vesting each,			

	payout linked to share price. Annual award for CEO decided by the committee.
Change in metrics/ goals?	It is stated that the metrics are structured to become tougher to achieve year after year.
CEO's last FY award Target	50% of salary ($650,000)
Future Performance Metrics	Not disclosed

Incentive Programs Long-Term Incentives

Award type(s)	Options and Restricted Share Units Granted after a company-wide assessment of PVAAM, which is based on results achieved.
Vesting provisions	Options vest on the third anniversary of the grant date (7 year term) RSUs cliff vest in slightly under three years.
Performance-based awards?	No as all awards are time vesting and linked only to the company's own share price.
Current Performance Metrics/Goals	Not externally benchmarked
Current Performance Cycle	None
Performance Metrics Results Adjusted?	Not applicable
Did the company reprice/exchange options in last FY?	No
Equity Pay Mix	CEO: 50% RSUs/Options, 12.5% EPSUs
2012 Grants	Annual grants which are normally made in February each year, have been postponed to May 2012 – after the vote on the Arrangement is known. The dollar amounts for each NEO have, however, been approved.

Pay for Performance Analysis

As shown in the chart below, the company's 1-, 3-, and 5-year total shareholder returns (TSR) were above the median TSR of its 4-digit GICS group, respectively.

Under ISS pay-for-performance analysis, when a company has sustained long-term poor shareholder returns, ISS will examine the company's executive compensation practices. In particular, lagging TSR that is misaligned with the year-over-year compensation of a CEO who has served at least two fiscal years will result in close scrutiny and may lead to a negative recommendation for the say on pay proposal.

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Source: Xpressfeed / Bloomberg

CEO Tenure:	12 years
Total Compensation:	$10,191,041
% Change in Total Compensation:	2.52%
Pay-for-Performance Disconnect:	No

Key elements of CEO pay

- Base salary at 50th percentile, 6% increase in 2011,
- Cash bonus at 34% of basic (target 50%) : $444,603,
- EPSU award at 34% of basic (target 50%) : $444,603,
- LT Awards (3 year RSUs) using PVAAM : $6,500,000.

II. Pay Practices Concern: Low

Assessment of Pay Practices

The company does not have any excessive employment contracts, loans, change-in-control agreements, or perquisites with any of the Named Executive Officers. Below are certain items of note.

Practice	Concern
Guaranteed Incentive Payout	Nil
Supplemental Executive Retirement Plan	The company has a contributory registered pension plan. It also has a Supplementary Retirement Arrangement (like a SERP). Additional years of service are permitted to be granted. The CEO and NEOs will accrue 2 years pensionable service for each full year of employment for a specified 5-year block each. CEO has a 16.5 year credited service, with the accrual at $9,329,000.
Perquisites	$54,835 paid, including vehicle $40 k
Internal Pay Disparity	CEO is paid 2.48x the second highest paid executive, Joe Natale, EVP and Chief Commercial Officer

CEO Severance/Change in Control Arrangement

Trigger:	Double Trigger
Multiple:	2x
Basis:	Salary + bonus for termination without cause. Additionally, options and RSUs if there is a CIC
Treatment of Equity:	Options, EPSUs, and RSUs vest immediately
Total Estimated CIC Severance:	$5,258,971 severance + CIC $26,958,578

Compensation and Risk Alignment Discussion

In 2011, the committee was formally mandated to consider risk elements.

Certain practices such as clawbacks, personal hedging prohibitions, and executive ownership guidelines were adopted with the intention of mitigating risk factors.

Risk Mitigators

Clawback Policy	Clawback policy under consideration, may be implemented in 2012
Stress testing	Targets are stress tested (performance metrics in the corporate scorecard)
Personal Hedging	Executives are prohibited from short selling or trading in hedging instruments on Telus securities. In 2011, the prohibition was expanded to all equity awards prior to vesting.
CEO Stock Ownership guideline	3 times salary (Actual: 17 x)
Bonus Deferrals	Nil

Company Peer Group

Number of Peer Group constituents	Primary Comparator Group: 19 Canadian companies Secondary Comparator Group: 11 US-based companies
Compensation Benchmarking Target:	NEOs: 50th percentile for base salary, Outstanding performers at 75th percentile
Review of Peer Group	Comparator group used in fiscal 2011 is the same as the group used in fiscal 2010.

III. Board Communication and Responsiveness Concern: Low

Clarity of Compensation Disclosure

The company's compensation programs and its Compensation Discussion and Analysis are simple and straightforward. There were no major changes to the compensation programs, company's approach, or disclosure of such.

Compensation Rationale

The role of the Human Resources and Compensation Committee (HRCC) was expanded in 2011 to include aspects of risk management. Succession planning is an ongoing process. The corporate goals and objectives for the CEO and senior executives. The compensation philosophy aims to pay for performance, with payments linked to actual contributions made by the executives to the business objectives. Actual pay is aligned to performance and shareholder value. 75 percent of an executive's pay is at-risk. The programs aim to align compensation to corporate strategy. For 2011, the corporate strategies were:

- Deliver on future-friendly brand promise to clients;
- Optimize wireless and wireline networks;
- Drive market leadership position in small and medium business and healthcare segments;
- Continuous improvement to operational efficiency;
- Raise team engagement and drive the philosophy "our business, our customers, our team, our community, my responsibility."

Disclosure of Fees paid to Compensation Committee Advisor

Compensation Committee Advisor:	Meridian
Committee/Board Mandated Fees:	$345,877
Company Mandated Fees:	$0
Percentage of Total Fees Attributable to Company Mandate:	0%

The Chair of the Committee pre-approves any non-compensation related work performed by Meridian.

Board's Responsiveness to Investors

Board Responsiveness	Non-binding Say on Pay adopted voluntarily by the board
Prior Year MSOP vote	80.5 % FOR
Shareholder Communication	Ongoing dialogue with certain shareholders and advocacy groups. Feedback received was assessed and disclosure was improved in certain areas.

Analysis

I. Pay for Performance

There is no pay for performance disconnect as defined by ISS proxy guidelines.

II. Pay Practices

Upon review of the company's compensation programs and practices ISS finds no significant problematic pay practices. The comment made in the last year's report is still valid and bears repetition:

"It should, however, be pointed out that most of the company's plans are inwardly focused, and based on the company's share price only. In order to make the plans more performance based, it would be useful to introduce some peer group comparative elements, perhaps by converting the time vesting RSU plan into a PSU type plan."

III. Board Communication and Responsiveness

Upon review, there are no concerns with the board's communication and responsiveness to be noted.

Conclusion

The board has demonstrated good stewardship of investors' interests regarding executive compensation practices. Upon review of the company's compensation programs and practices ISS finds no significant issues of concern; therefore a vote FOR this proposal is warranted.

On balance, 2011 has been a satisfactory year for the company, in terms of its performance. As such, the compensation programs may be viewed as adequate for the current needs. It must be noted, however, that the company operates in a somewhat protected environment (the same is true also for its chief competitors) and if and when the market opens up, more imaginative programs would be needed to maintain growth.

Item 4. Approve Plan of Arrangement: Eliminate Dual Class Share Structure FOR

Vote Recommendation

As the proposed transaction would align voting rights with economic interest, offers shareholders meaningful economic opportunity through increased trading liquidity and a dual listing on the NYSE, and has been ratified by a strong market response – and as the company's Articles effectively preclude any exchange ratio other than the proposed one-for-one exchange –a vote FOR the proposal is warranted.

Background Information

Policies: M&A (TSX)

Vote Requirement: Two-thirds of votes cast by each class of shares

Transaction Summary

Announcement Date:	Feb. 21, 2012
Expected Closing:	May 16, 2012
Process	
Board Approval:	Yes; unanimous
Special Committee:	Yes; unanimous
Conflicts	
Change in Control Payments:	None; however, all outstanding options in non-voting shares will be exchanged, without change in exercise price, for options in voting shares.
Fairness Opinion	
Fairness Opinion:	Yes
Financial Advisor:	Scotia Capital Inc.
Opinion Fee:	Not disclosed
Contingent Portion:	None
Valuation	
Voting Shares Outstanding (Common):	174,915,546
Non-Voting Shares Outstanding:	150,399,596
Consideration:	Each non-voting share will be exchanged for one voting share

Exchange Ratio:	1.0			
Premium at Announcement (measured as premium of Voting Share trading price to Non-Voting Share trading price)				
1 Day Prior:	3.8 percent			
2 months Prior:	5.5 percent			
Market Reaction	***Voting Shares***	***Non-Voting Shares***	***Peer: BCE***	***Baseline: TSX***
First Day after Announcement:	2.4 percent	5.5 percent	1.2 percent	0.6 percent
Through April 19, 2012:	6.2 percent	8.1 percent	0.4 percent	(3.7) percent
Deal Structure				
Shareholder Vote Required:	2/3 votes cast	2/3 votes cast		
Dissent Rights:	No	Yes		

Holders of non-voting shares who oppose the transaction are entitled to exercise their right to dissent and to seek fair value for their shares through the Courts. The statutory provisions dealing with the right of dissent are technical and complex. For example, voting against or giving proxy instructions or a proxy the right to vote against the resolution may not be sufficient to exercise this right. Any shareholders wishing to exercise dissent rights should seek legal advice, as failure to strictly comply may prejudice their right to dissent.

Background

Evolution of the dual-class structure

Transaction Summary

Announcement Date:	Feb. 21, 2012			
Expected Closing:	May 16, 2012			
Process				
Board Approval:	Yes; unanimous			
Special Committee:	Yes; unanimous			
Conflicts				
Change in Control Payments:	None; however, all outstanding options in non-voting shares will be exchanged, without change in exercise price, for options in voting shares.			
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Fairness Opinion:	Yes			
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Opinion Fee:	Not disclosed			
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Background

Evolution of the dual-class structure

The 1999 merger-of-equals between BC Telecom and TELUS AB provided for the creation of a second, non-voting class of common shares to comply with government restrictions on foreign ownership of Canadian telecom companies.

At the same time TELUS was merging with BC Telecom, GTE, which owned approximately 50.7 percent of BC Telecom, was itself in the process of merging with Bell Atlantic, which also held shares in BC Telecom, to create what is now Verizon. The Canadian Telecommunications Act restricted foreign ownership of telecom companies to no more than one-third of outstanding shares. While GTE's ownership of BC Telecom shares had been grandfathered in, the combination of those shares with Bell Atlantic's stake gave Verizon 26 percent of what is now TELUS. Coupled with the other non-Canadian holders, however, TELUS' aggregate foreign ownership exceeded the limit established by the Telecommunications Act. The Articles of the new TELUS were then amended to

- Create a second class of common shares without voting rights, but otherwise identical to the existing common shares, through which Verizon could maintain its economic ownership without violating the provisions of the Telecommunications Act;
- Impose constraints on transfer of shares to foreign owners, to ensure the company's ongoing compliance with the Telecommunications Act;
- Provide certain protections ("coattail protections") to ensure the non-voting shares were treated equally with the voting shares in mergers and other economic transactions; and
- Provide holders of non-voting shares the opportunity to convert their shares to voting shares, on a one-for-one basis, upon a change in the Telecommunications Act which eliminated the restrictions on foreign ownership.

A year later, TELUS issued a significant number of non-voting shares in connection with its acquisition of Clearnet. As part of that acquisition, the non-voting shares were listed on the NYSE, in addition to their existing listing on the TSX. The voting shares remain listed only on the TSX.

In 2004 Verizon divested its then-20.5 percent equity interest in the company through a public secondary offering, significantly reducing the aggregate foreign ownership of the voting shares.

In 2006, amid a wave of Canadian firms converting from a corporate to an income trust structure, the company proposed a reorganization into a mutual fund trust. Under that proposal, both existing classes of common stock would also be converted on a one-for-one basis into a single class of voting stock. The proposal never reached shareholders, however, once the federal Minister of Finance announced a change in the tax plan that would have increased taxation on income trusts, and the board determined the transaction was no longer in the best interests of shareholders.

In the first quarter of 2012, the Federal government announced it would amend the Telecommunications Act to remove restrictions on foreign ownership for telecoms with less than 10 percent Canadian market share. Though TELUS, as the second largest telecom in Canada, has significantly higher than 10 percent share of the Canadian market, the company anticipates the rollback of foreign ownership restrictions could continue in the future, potentially removing those restrictions from TELUS as well.

Development of the proposal to collapse the dual-class structure

The proposed transaction evolved in response to:

- Discussions with shareholders urging the dual class structure be eliminated,
- Strong signals from regulators that restrictions on foreign ownership would be relaxed, potentially triggering the automatic repeal of the dual-class structure as per the Articles of Incorporation, and

- Awareness of additional economic and governance benefits available by eliminating the dual-class structure.

Management began analyzing the issue in December 2011. The board reviewed the matter on January 25, 2012, after which it appointed a special committee of six independent directors. The special committee retained a financial advisor to evaluate the merits of the proposal, recommend appropriate terms including the conversion ratio, and provide an opinion on the fairness of a proposed transaction to each class of shareholders.

In particular the special committee looked for a proposed transaction which would enhance the liquidity and marketability of voting shares through a listing on the NYSE, and address shareholder concerns about the impact of the existing dual-class structure on liquidity and trading volumes, without affecting earnings per share and the dividend paid to either the voting or non-voting shares. The committee also viewed a potential transaction as an opportunity to align the capital structure "with what is generally viewed as best practice," enhancing the company's reputation for leadership in good corporate governance, while also maintaining its ability to comply with regulatory restrictions on foreign ownership.

In four subsequent meetings the special committee reviewed analyses and options presented by the financial advisor, before eventually settling on the terms of the proposed transaction. The board points out that the financial advisor was unable to identify a compelling explanation as to why the non-voting shares have traded at a discount to the voting shares. Both classes already enjoy significant trading liquidity. There is no controlling shareholder to suggest a "controlled company" risk and corresponding discount. The governance regime is redolent with shareholder-friendly governance practices, suggesting little reason to believe the board will act adversely to the interests of shareholders of either class. Non-voting shares have economic rights identical to the voting shares, including coat-tail protections which ensure equal compensation in the event the company is sold and identical dividend rights. Lacking any evidence the market discount of the non-voting shares was in some way justified, and aware the Articles mandate a 1.0 exchange ratio upon certain triggering events, the board determined an exchange ratio of 1.0 was appropriate for the transaction.

The special committee, and then the full board, approved the transaction on February 21, 2012, and announced it after the close of markets.

Analysis

Economic Analysis

Market response

Market response

Shares of both classes rallied at the announcement, closing with one-day gains which outstripped both the broader markets and the company's close peers.

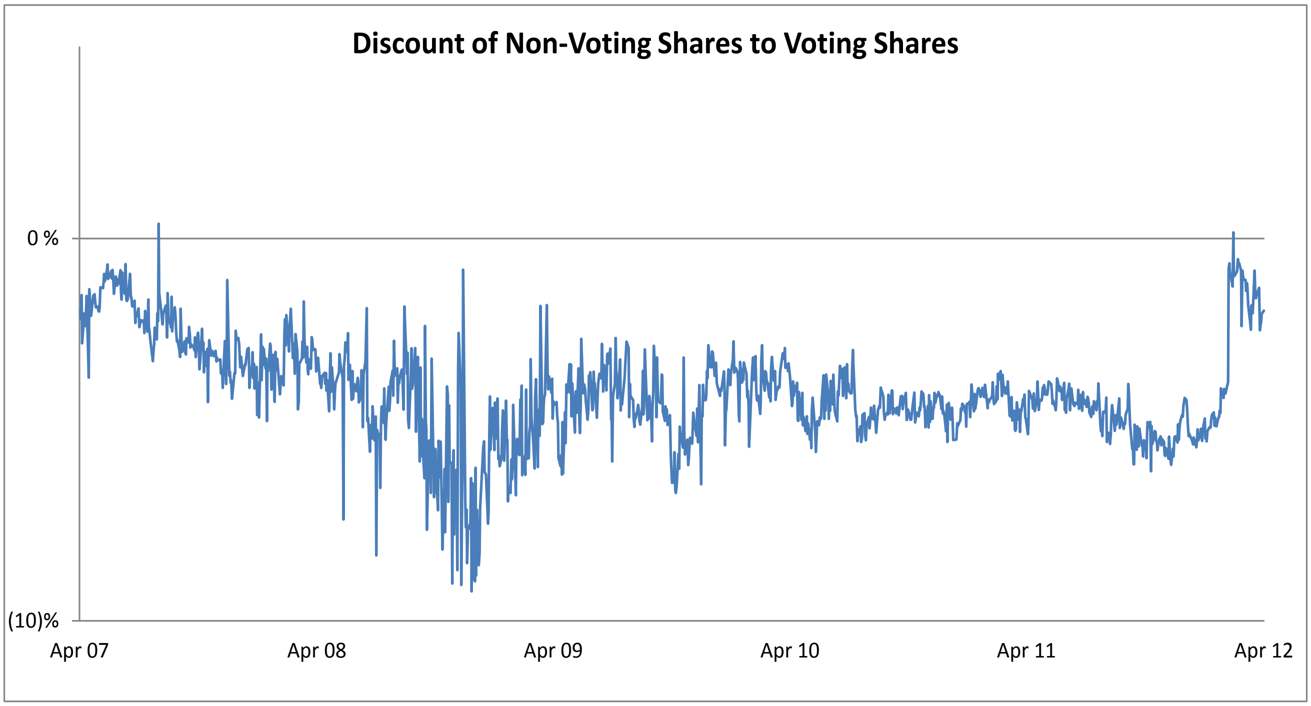
Voting shares closed up 2.4 percent, and non-voting shares closed up 5.5 percent, on Feb. 22, while peers BCE and Rogers closed up 1.2 percent and 1.0 percent, respectively. The broader markets were further behind: the TSX closed up just 0.6 percent, while the MSCI Index fell 0.7 percent.

Market Price Change	Feb 21 to:	
	Feb 22	**Apr 19**
TELUS shares		
Voting	2.4 %	6.2 %
Non-Voting	5.5 %	8.1 %
Peers		
BCE	1.2 %	0.4 %
Rogers	1.0 %	5.0 %
Broader Market		
TSX	0.6 %	(3.7)%
MSCI Index	(0.7)%	(3.7)%

The market gains have proven durable. On April 19, voting shares had appreciated 6.2 percent, and non-voting shares had increased 8.1 percent, from the unaffected closing price on Feb. 21. BCE and Rogers were up 0.4 percent and 5.0 percent, respectively, over the same period, while both the broader indices fell 3.7 percent.

Proposed exchange ratio and embedded premium

The board has proposed the dual classes be collapsed at a ratio of 1.0 voting share per non-voting share held. This is meaningfully different from the exchange ratio the market has established over a number of years. As the graph below indicates, the non-voting shares have long traded at a discount to the voting shares. This discount was exacerbated during the economic tumult of 2008 and early 2009, but as the table at right indicates, the discount has been increasing – if still at a glacial speed – over the past five years. At the same time the standard deviation (an indicator of the volatility, and in that sense the unreliability, of that measurement) has been decreasing.



In 2007 the average discount was 2.3 percent. That increased to 4.4 percent in 2008, and has increased almost uniformly every year since, to an average of 4.8 percent in 2012 prior to the announcement of the transaction. The standard deviation of the measurement, meanwhile – looking past the wild increases in 2008 and even 2009 which reflect the broader economic turmoil of those years – has decreased from 0.85 percentage points in 2007 to just 0.46 percentage points in 2012 prior to the announcement of the transaction.

Discount of Non-Voting to Voting Shares				
	Mean	Low	High	Standard Deviation
2007	(2.3)%	0.4 %	(4.3)%	0.85
2008	(4.4)%	(0.8)%	(9.2)%	1.66
2009	(4.5)%	(1.7)%	(7.5)%	1.00
2010	(4.2)%	(2.7)%	(5.6)%	0.59
2011	(4.6)%	(3.5)%	(6.1)%	0.56
2012*	(4.8)%	(3.8)%	(5.5)%	0.46

* to date of announcement

Because the collapse of the dual-class structure – unlike an increase in revenues or earnings or the company's business prospects – would not itself have any impact on equity value of the company, the proposed exchange ratio of 1.0 effectively transfers a premium from the voting to the non-voting shares, as compared to the exchange ratio available in the open market. Using closing prices on Feb. 21, 2012, the day prior to the announcement, this amounted to a premium of approximately 3.8 percent. Measured over the past three years – a longer period which helps control for the noise of daily volatility in trading prices – the premium is approximately 4.5 percent.

For holders of voting shares, who already face voting dilution in the proposed transaction, paying a premium for the privilege through an exchange ratio higher than that already established in the market makes little sense on its own merits. If – as the argument for one-vote-per-share implies, voting rights have value, it would be more appropriate to pay the premium instead to the share class which suffers dilution of its voting rights. In the hands of controlling shareholders at some companies, this has clearly been abused, resulting in minority shareholders paying what seem exorbitant premiums to obtain voting rights commensurate with their economic interests. The fact that some controlling shareholders have acted abusively, however, does not itself demonstrate that voting rights have no value, or that some compensation to a class of shareholders in exchange for the dilution of those rights is inappropriate.

Other potential economic benefits

In companies with dual classes of common shares, where one class frequently suffers from poor trading liquidity, the prospect of increased trading liquidity can have significant economic potential. In this case, as the board points out, both classes already enjoy significant trading liquidity. Collapsing the dual-class structure, however, will also allow the voting shares to be listed on the NYSE, bringing additional liquidity through an additional market. It will also eliminate any overhang from having a more complicated capital structure (though generally this overhang is thought to afflict the non-voting class more than the voting class).

Governance Analysis

One-vote-per-share

ISS, like many shareholders, believes that giving all shareholders a voting interest commensurate with their economic interest – the principle of one-vote-per-share – is a foundation of good corporate governance, and ISS is therefore broadly in favor of efforts to eliminate impediments such as dual class structures with uneven voting rights. This is particularly the case when a proposal to eliminate a dual class structure recognizes, generally through the exchange ratio or some other mechanism, that the class of shareholders which will suffer voting dilution is giving up value in the transaction.

Authority of governing articles

In the case at hand – where the proposed exchange ratio would have the voting shares pay, rather than receive, a premium along with suffering voting dilution – it is both unusual and significant that the governance provisions which established the dual class structure also provided for the elimination of the structure at an exchange ratio of 1.0. Assuming they did their due diligence, shareholders who bought into either class of shares did so with the knowledge the structure might under certain circumstances be collapsed at this prescribed ratio. The value of the provision in the Articles is that it lays out in advance what the expectations for each class should ultimately be. It should be pointed out, moreover, that this pre-ordained exchange ratio in the company's Articles provides the same protection for both classes of shares. In some cases of dual-class stock, the voting share class often lacks liquidity, and ends up trading at a discount to the non-voting class; while over the past five years the TELUS voting shares have overwhelmingly traded at a premium to the non-voting shares, they have sometimes traded at a discount as well.

Process

The process by which the board analyzed and developed the terms of the proposed transaction appears clean – particularly in the use of a special committee of independent directors, and the retention of a financial advisor to assist in developing the proposal and assessing its fairness to shareholders of each class. The strategic rationale, moreover, appears sound, both for its recognition of an opportunity to enhance the corporate governance regime and its apparent responsiveness to shareholder concerns about both governance and trading liquidity issues.

One large holder of voting shares, which has publicly announced its intention to vote against the proposal, has criticized the directors for, among other things, being conflicted by having most of their beneficial ownership, individually and collectively, in the non-voting shares which are to receive a market premium in the transaction. As the table below shows, on average about 90 percent of the board's collective beneficial ownership is in shares or deferred share units of non-voting stock. The average for directors who served on the special committee is relatively lower, at 88 percent, than for the remaining independent directors, at 93 percent, but is still overwhelmingly skewed to the non-voting shares. The CEO, by contrast, has about 70 percent of his beneficial ownership tied to non-voting shares.

It is conceivable a board could skew an exchange ratio, as this shareholder has implied, to the benefit of the class to which the directors have significantly greater exposure. It would be a long row to hoe for so little crop. The board's realistic options for an exchange ratio were likely limited to somewhere between the long-term average market discount of 4.5 percent for the non-voting shares, and the flat parity of the 1.0 exchange ratio it ultimately selected. Given that the 1.0 exchange ratio is also what the Articles prescribe in the event of an automatic share collapse triggered by changes in the foreign ownership restrictions, it is hard to argue the board made an unreasonable or unprecedented decision on the exchange ratio.

Director Shareholdings by Class	Non-Voting Stock				Voting Stock			Percentage of Total Holdings in Non-Voting Shares
Special Committee	**Shares**	**DSUs**	**Options***	**Total**	**Shares**	**DSUs**	**Total**	**Shares**
Brian Canfield (Chair)	11,095	52,392	-	63,487	9,926	5,784	15,710	80%
Charles Baillie	68,600	44,089	-	112,689	-	-	-	100%
John Butler	4,263	32,204	-	36,467	984	-	984	97%
Rusty Goepel	16,500	27,390	-	43,890	-	-	-	100%
John Lacey	3,120	37,584	-	40,704	13,446	-	13,446	75%
Bill MacKinnon	-	11,101	-	11,101	10,000	-	10,000	53%
	103,578	204,760	-	308,338	34,356	5,784	40,140	88%
Other Directors								
Dick Auchinleck	6,000	46,154	-	52,154	3,185	-	3,185	94%
Micheline Bouchard	3,085	27,485	-	30,570	1,713	-	1,713	95%
Stockwell Day	-	1,044	-	1,044	126	-	126	89%
Pierre Ducros	2,539	30,263	-	32,802	329	-	329	99%
Donald Woodley	3,364	32,204	-	35,568	6,178	-	6,178	85%
	14,988	137,150	-	152,138	11,531	-	11,531	93%
CEO**		**RSUs***						
Darren Entwistle	218,421	216,092	303,180	737,693	312,831	-	312,831	70%

* All RSU/EPSU/ESU awards are pegged to the value of the non-voting shares

**Based on recent option exercises and share purchases between March 27-29, 2012, which are filed on SEDI.

On a related note, however, the terms of the transaction do stipulate that employee stock options for non-voting shares will be exchanged for options on voting shares – which already traded at a higher price – without adjusting the strike price. This effectively grants a bonus, if not quite a windfall, to holders of those options, who saw their option value appreciate simply through the mechanism of the option exchange, before any organic price appreciation. Deriving the exact amount of appreciation due strictly to the option exchange itself might have been challenging, but even the conservative approach of splitting the difference – raising strike prices by half the difference in market prices between the share classes – would have signaled more careful attention to the issue. (It should be pointed out that the independent directors have no stock options, and thus did not themselves benefit from this issue.) The company did defer issuing 2012 long term equity incentives to management until after the vote on the proposed share consolidation.

Conclusion

This proposal represents another meaningful step forward in the company's governance regime, in resuscitating the principle that voting rights should be commensurate with economic interest. The proposed exchange ratio, however, in veering off from the well-established, enduring market ratio, is a cause for concern. The fact that the special committee's financial advisor could not explain why the non-voting shares trade at a discount to the voting shares does not change, much less dismiss, the demonstrable facts that the discount does exist in market prices, and that any exchange ratio other than the market ratio affords a market premium – real economic value – to one class of shares or the other. An exchange ratio which forces the voting shares to suffer voting dilution, then cede a market premium to the other share class as well, flies in the face of the principle that voting rights themselves have value.

There are additional economic benefits to be realized from the transaction which would benefit both classes of shares – particularly the expectations of additional trading liquidity, including that which would come with listing on the NYSE. Anticipation of these effects is likely driving the strong market performance, relative to both peers and broader indices, of both share classes since announcement. But these potential benefits are unrelated to the exchange ratio itself – they are available at the pre-announcement market ratio as well – so that while they provide additional economic logic to support a transaction, they do not necessarily provide logical justification for a transaction at this particular exchange ratio.

The provisions in the company's Articles which establish a one-for-one exchange ratio for certain triggering events, however, do provide both share classes with powerful support for this transaction at this particular ratio. This is not simply because they predate the issuance of the non-voting shares, and thus provide a context for any shareholders' expectations of what the appropriate exchange ratio should be. They also have created a situation in which, if a triggering event like the elimination of foreign ownership restrictions appears even marginally possible, this 1.0 ratio is inevitable, even without the occurrence of the triggering event itself.

For holders of the voting shares who may wish to vote down this proposal, in the expectation a different transaction with a more favorable ratio will follow, it is worth unspooling that scenario.

There is no compelling economic reason for both classes of shareholders to collapse the dual class structures at this moment. But if holders of voting shares can then vote down a ratio they dislike, so too can holders of non-voting shares. Given that holders of the lower-priced non-voting shares have an endgame, however – once foreign ownership restrictions are eliminated their shares will automatically convert into voting shares at the same 1.0 exchange ratio currently on the table – they can be expected to vote down any proposal which offers them a ratio less than 1.0. Holders of voting shares, by the same logic, would never accept an exchange ratio more adverse than 1.0, since they too could simply wait for a triggering event and an exchange ratio of 1.0.

As this means that the proposed 1.0 exchange ratio is inevitable, shareholders of each class should rationally now ask whether the other potential benefits of collapsing the dual class structure are sufficiently favorable that they justify pulling ahead the inevitable. Here the recent trading history of both shares – which have each outstripped the performance of the broader markets and the company's peers since announcement – provides an immediate economic impetus. If announcement of the transaction itself increased the company's market value higher, voting down the transaction should logically result in the loss of some or all of that incremental market value. Beyond the current market prices, moreover, are the additional economic opportunities which may have helped fuel the market performance since announcement but cannot yet be fully realized in the market price: increased trading liquidity of a single, larger class of common shares; the additional market opportunity from a listing on the NYSE; and the elimination of any lingering investor uncertainty associated with a more complicated capital structure. Finally, there is the benefit of moving to one-vote-per-share, which tightly aligns economic interest with voting interest and control.

As the proposed transaction would align voting rights with economic interest, offers shareholders meaningful economic opportunity through increased trading liquidity and a dual listing on the NYSE, and has been ratified by a strong market response – and as the company's Articles effectively preclude any exchange ratio other than the proposed one-for-one exchange –a vote FOR the proposal is warranted.

Item 5. The Undersigned Hereby Certifies that the Shares Represented by this Proxy are Owned and Controlled by a Canadian — REFER

Vote Recommendation

No recommendation is provided for this 'voting' item, as the response is dependent upon a shareholder's residency.

Vote Requirement: Not applicable

Discussion

Proposal Shareholders are required indicate whether they are Canadian or non-Canadian.

Failure to so indicate 'may invalidate the proxy'. If the shareholder does not complete the Declaration of Canadian status or it is determined by the company or its transfer agent that the shareholder incorrectly indicated (through inadvertence or otherwise) that the shares represented by the proxy are owned and controlled by a Canadian, the shares represented by the proxy may not be tabulated.

Background

Under Canadian regulations, non-Canadian ownership of voting shares of reporting issuers in this industry is limited to 33 1/3 percent of the outstanding voting shares. A “non-Canadian” is a person or entity that is not Canadian.

Under the Telecommunications Act, a “Canadian” is, among other things, defined as:

i. an individual who is (i) a Canadian citizen who is ordinarily resident in Canada or (ii) a permanent resident of Canada who is ordinarily resident in Canada and has been so for not more than one year after the date he or she was eligible to apply for Canadian citizenship;
ii. a corporation (i) with not less than 66 2/3 per cent of the issued and outstanding voting shares beneficially owned and controlled by Canadians and which is not otherwise controlled by non-Canadians or (ii) without share capital, with a majority of directors and officers appointed or designated by a provincial or federal government;
iii. a partnership with not less than 66 2/3 per cent of the beneficial interest in the partnership beneficially owned or controlled by partners who are Canadians and which is not otherwise controlled by non-Canadians;
iv. a trust with not less than 66 2/3 per cent of the beneficial interest held by Canadians and a majority of trustees who are individual Canadians • a pension fund society, the majority of whose members of its board of directors are individual Canadians, and that is established under applicable federal legislation or any provincial legislation relating to the establishment of pension fund societies;
v. a mutual insurance company with a head office and principal place of business in Canada and not less than 80% of the board and each committee of its directors are individual Canadians;
vi. a Canadian government body, whether federal, provincial or local

Voting Options

Shareholders faxing or mailing an original hardcopy document directly to the company, or its transfer agent, have the option of checking the appropriate 'Yes' or 'No' box.

Canadian shareholders voting electronically using an ADP generated ballot should select 'For' while non-Canadians should select 'Abstain'.

Equity Ownership Profile

Type	Votes per Share	Issued
Common Equity	1.00	174,915,546
Non-Voting Shares	0.00	150,399,596

The company is also authorized to issue 1,000,000,000 First and 1,000,000,000 Second Preferred Shares, issuable in series. As of March 16, 2012, there are no first or second preferred shares outstanding.

Additional Information

Meeting Location	Winspear Centre, 4 Sir Winston Churchill Square, Edmonton, Alberta
Meeting Time	10:00
Solicitor	Laurel Hill Advisory Group
Security IDs	87971M103(CUSIP), 87971M996(CUSIP)

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