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Alberta Securities Commission
Financial and Consumer Affairs Authority of Saskatchewan
Manitoba Securities Commission
Ontario Securities Commission
Autorité des marchés financiers
Financial and Consumer Services Commission (New Brunswick)
Superintendent of Securities, Department of Justice and Public Safety, Prince Edward Island
Nova Scotia Securities Commission
Securities Commission of Newfoundland and Labrador
Registrar of Securities, Northwest Territories
Registrar of Securities, Yukon Territory
Superintendent of Securities, Nunavut

The Secretary
Ontario Securities Commission
20 Queen Street West
19th Floor, Box 55
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Autorité des marchés financiers
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Dear Sirs and Mesdames:

Re: TELUS Corporation Inc. Reply to CSA Second Notice and Request for Comment – Proposed National Instrument 52-112 Non-GAAP and Other Financial Measure Disclosure

TELUS Corporation (“TELUS”) is pleased to submit the following comments in response to the CSA’s Second Notice and Request for Comment on Proposed National Instrument 52-112 “Non-GAAP and Other Financial Measures Disclosure”.

TELUS is a leading national telecommunications company in Canada, with \$14.8 billion of annual revenue and 15.3 million customer connections. TELUS provides a wide range of communications

products and services, including wireless, data, Internet protocol (IP), voice, television, entertainment and video, and is Canada's largest healthcare IT provider.

TELUS is a reporting issuer in each of the provinces of Canada (and a foreign private issuer reporting in the United States pursuant to the Canada-United States Multijurisdictional Disclosure System) and its corporate reporting and annual reports have been recognized with many awards over the last two decades. The TELUS team strives to continually improve the quality and value of TELUS's stakeholder disclosures and is firmly committed to providing full and fair financial disclosures for the benefit of TELUS's investors and other stakeholders.

TELUS would like to offer the following comments on the Proposed Materials:

1. General Comments:

- 1.1. Although improvements have been made to the Original Materials, the reference to five different categories of specified financial measures (six when counting historical and forward-looking non-GAAP financial measures separately) within the scope of the Proposed Instrument, each with different disclosure requirements, is still complex, will require the application of significant judgment and will constitute a source of transitional and ongoing uncertainty for both issuers and investors and create potential exposure for issuers. TELUS would suggest that it would be valuable to provide a roadmap with a general overview of the application process to adequately categorize financial measures, as was done in the Original Materials.

Notwithstanding the internal application testing of the Proposed Instrument performed by the CSA, given the significance of the changes to existing practice, TELUS would strongly suggest that additional field-testing by reporting issuers be used to inform the final drafting of the Proposed Instrument so as to ensure the practicability of the final instrument and that the desired outcomes are achieved, including to ensure that the expectation of substantially less disclosure than expected under SN 52-306 is realized. TELUS would suggest that field-testing also would highlight whether or not there were appropriately consistent results (disclosures) across reporting issuers (for example, would "free cash flow" generate comparable disclosure across all issuers?), with a view to such consistency diminishing the time and effort investors spend on understanding certain financial information.

- 1.2. It is currently not clear in the Proposed Instrument, whether the term "entity" implies a legal entity, or whether the IASB's concept of a reportable entity should be applied to the Proposed Instrument. The concept of what constitutes an "entity" is fundamental to the Proposed Instrument's framework and is required to accurately classify specified financial measures into the correct categories.

As an example, in the context of a consolidated reportable entity with a non-controlling interest, any reported adjustments to results of operations attributable to the shareholders of the parent corporation would not be a specified financial measure as such adjusted results are not reflective of the historical financial performance of the consolidated reportable entity.

- 1.3. The Proposed Instrument requires the explanation of the composition for any non-GAAP measure, non-GAAP ratio, capital management measure and supplementary financial measure. In some instances, the composition is explicitly disclosed in the measure's label. For example, "Same store sales" as a line item may be classified as supplementary financial measure. In this example, the composition of the measure is explicit in its label. TELUS would suggest clarification be made as to whether a separate explanation of the specified financial measure's composition, which may be repetitive, is still required in these cases.
- 1.4. The Proposed Instrument does not seem clear with respect to the classification of financial measures that are presented as subtotals of two or more specified financial measures. For example, if two non-GAAP financial measures are disclosed separately and a subtotal of the two measures is presented in a table, it is not clear if this total would then also be subject to the

requirement of the Proposed Instrument. By definition, this subtotal may be considered a specified financial measure, however, providing the required accompanying disclosure would then be redundant.

- 1.5. TELUS would suggest additional guidance would be useful, as it relates to whether qualitatively defined measures meet the presentation requirements stipulated by paragraph (c) of the definition of a non-GAAP measure, paragraph (b) of the definition of a capital management measure, and/or paragraph (b) of a total of segments measure.

For example, a qualitatively defined measure of what an entity considers capital, which may be composed of a combination of line items from the primary financial statements and is qualitatively presented in the financial statement notes, could enable a reasonable investor applying a not unreasonable effort to calculate the measure. In this scenario, TELUS would not expect this measure to meet the definition of a non-GAAP measure as the measure is qualitatively presented in the financial statement notes, however, the guidance does not appear clear.

- 1.6. The Proposed Companion Policy provides a non-exhaustive list of what is considered to be non-financial information. In TELUS's view, the following items on the list may or may not include financial information and it is not clear if this list would then exclude this information from being in scope. Application guidance for such items would be useful as it should not be a matter of judgment as to whether or not an item includes or excludes financial information:

- *Environmental measures*: When expressed as a ratio or percentage, where a component of the ratio is a financial measure (e.g. Domestic energy intensity measured as a percentage of adjusted revenue), this would be considered financial information.
- *Information on major shareholdings*: Where quantitative information is disclosed on material subsidiaries, this would be considered financial information.
- *Acquisition or disposal of the issuer's own shares*: Where share price information is disclosed, for example, related to a Normal Course Issuer Bid, this would be considered financial information.

- 1.7. Section 5 of the Proposed Instrument provides for incorporating information by reference. TELUS would suggest the following clarifications or amendments to this section:

- 1.7.1. TELUS would suggest that paragraph 5(1) be amended such that the reference be to the financial statements if the information is included therein, or to the MD&A if not included in the financial statements so as to reduce duplication, and resulting possible investor confusion, arising from the MPM disclosures required by the IASB Exposure Draft.

- 1.7.2. Paragraph 5(2)(a) requires a statement indicating that the required information is incorporated by reference. Clarification as to whether the specific information that is incorporated by reference must be explained or whether a general statement cross-referencing to the financial statements or MD&A is acceptable. For example, when cross-referencing to the MD&A for information as to why a non-GAAP financial measure is useful to investors and additional purposes of the measure per subparagraph 6(e)(iv), it is not clear if a general statement referring to the MD&A for "more information", would be acceptable under the Proposed Instrument.

- 1.7.3. TELUS notes that pursuant to paragraph 5(3)(b) of the Proposed Instrument, cross-references to the financial statements or MD&A are not permitted in news releases issued or filed by the issuer. This exclusion is not warranted in all instances, for example earnings releases, in TELUS's view and should either be amended (or removed) or the policy reasons behind this choice explained.

- 1.8. TELUS has reviewed the Proposed Instrument in conjunction with the IASB's Exposure Draft on General Presentation and Disclosures. As the MD&A is a discussion of the financial statements, it is TELUS's view that definitions and metrics should be aligned to the maximum extent possible across all in-scope documents so as to diminish the time and effort investors spend on understanding certain financial information.

While both the Proposed Instrument and the IASB Exposure Draft set out standards in response to demand for consistency and comparability in performance reporting, the definitions of financial performance measures vary across the proposals. This applies in particular to reconciling items that are described as "non-recurring", "infrequent", "unusual" or using a similar term. Whereas the Proposed Instrument looks 2 years into the future and 2 years into the past, the IASB Exposure Draft purposely does not specify a period, is solely prospective, and defines income and expenses that have limited predictive value as unusual when it is reasonable to expect that similar items (in type or amount) will not arise for several future annual reporting periods.

These distinctions will create duplicate variations of nuanced disclosure, including explanations and reconciliations, necessary for ostensibly a single measure to meet the requirements set out by both the Proposed Instrument and the IASB Exposure Draft. In TELUS's view, this duplication will create obfuscation of information, reduction in comparability, contribute to investor confusion and may, at times, be onerous for the preparer to ensure the specific requirements of each standard are being met in the respective documents.

Recommendations:

Align the definition of "unusual" in the Proposed Instrument with that of the IASB Exposure Draft
With a view to diminishing the time and effort investors spend on understanding "unusual" items, TELUS would suggest that broad alignment of definition over multiple geographies (via the IASB Exposure Draft) would be preferable to having Canadian issuers being "outliers".

Prevent obfuscation of information due to duplicate versions of disclosure for a single measure
Where the IASB Exposure Draft proposes to define management performance measures ("MPM") as subtotals of income and expenses that are used in public communications outside the financial statements, the Proposed Instrument defines non-GAAP financial measures as measures not presented in the financial statements. Therefore, any measure classified as a MPM under the IASB Exposure Draft, would not be included as a non-GAAP measure under the Proposed Instrument as the measure would be presented in the MPM note, would not meet paragraph (c) of the Proposed Instrument's definition and would not be subject to section 6 of the Proposed Instrument.

TELUS would be supportive of keeping this definition in place to prevent duplicate versions of the same disclosure such that MPMs are outside the scope of the Proposed Instrument.

Additional guidance:

TELUS would suggest that additional guidance on the application of two (or more) standards with conflicting definitions or requirements be provided. In particular, TELUS would suggest it helpful to address how such disparities between an applied financial reporting framework, self-regulatory organization ("SRO"), and securities legislation (i.e. CSA) should be resolved.

2. Specific Comments: Non-GAAP Financial Measure

- 2.1. The Proposed Companion Policy gives an example of component information and states that when an issuer presents a financial statement line item in a more granular way outside the financial statements, it may be a component of a line item for which the component has been calculated in accordance with the accounting policies used to prepare the line item presented in the financial statements. Such a measure would not be a non-GAAP financial measure. However, such a measure, may still meet the requirements of paragraphs (a) – (d) of the

non-GAAP financial measure definition. TELUS would suggest clarifying this in the definition that such a component, as described, would not be a non-GAAP measure.

Further, TELUS would suggest clarifying whether a financial statement line item, in this context, would include subtotals or totals specified and required by an issuer's GAAP (e.g. Net Income).

- 2.2. Some financial measures presented by an entity may be measures specific to a single reportable segment (and an entity may in fact have only one reportable segment). As these measures would not be a total or subtotal of two or more reportable segments, they would not meet the definition of a total of segments measure, however, they may meet the definition of a non-GAAP financial measure under the Proposed Instrument.

Where an entity reports non-GAAP financial measures, specific to each reportable segment, and also presents the same non-GAAP measure, determined using the same composition, on a consolidated basis, the requirements under section 6 may create duplicative disclosure and resulting investor confusion. For example, the reconciliation of EBITDA for each individual reportable segment to consolidated net income presented in the primary financial statements, would include in its presentation the same information as a reconciliation of consolidated EBITDA to consolidated net income presented in the primary financial statements. TELUS would suggest limiting the disclosure requirements under section 6 for non-GAAP measures that are specific to a single reportable segment where the same non-GAAP measure is presented on a consolidated basis to avoid duplication and resulting investor confusion.

- 2.3. When an issuer's GAAP requires an issuer to make a selection as to how cash flows from operating activities are reported (i.e. direct method or indirect method), the financial measures presented on the statement of cash flows will vary based on the selected method of presentation. As such, certain cash flow measures would be classified as either non-GAAP financial measures or not, depending on the method selected. For example, where a financial measure that is a cash flow measure depicts a class of gross cash receipts, this measure may be derived from a measure presented in the statement of cash flows under the direct method, but not under the indirect method.

In TELUS's view, the selected method of reporting cash flows from operating activities in the statement of cash flows, or any other accounting policy selection from permitted options, should not determine whether or not a financial measure should be classified as a non-GAAP financial measure.

- 2.4. Paragraph (d) of the definition of a non-GAAP financial measure requires that a non-GAAP financial measure, with respect to its composition, excludes an amount that is included in, or includes an amount that is excluded from, the composition of the most comparable financial measure presented in the primary financial statements of the entity. TELUS suggests added guidance as to whether a measure that includes an amount that is expected to be included in a *future* period, where the right to recognize the amount in the future is conditional on the passage of time, or amount that has been included in the measure in a *prior* period, would be still be classified as a non-GAAP measure. For example, where an entity that recognizes a contract asset on its balance sheet, a cash-based metric may be used by management to measure amounts billed, requiring an adjustment to revenue for amount previously recognized.

3. **Specific Comments: Non-GAAP Ratios**

- 3.1. Subparagraph 8(d)(i) requires the document to explain the composition of the non-GAAP ratio and identify each non-GAAP financial measure that is used as a component of the non-GAAP ratio. However, it is not clear if the identification of each non-GAAP financial measure as a component of a ratio would then require separate application of section 6.

For example, paragraph 6(b) and subparagraph 6(e)(v) would then require reference and reconciliation to the nearest measure in the Primary Financial Statements. This could then cause

duplicative disclosure and investor confusion. For example, reason for change per subparagraphs 6(e)(vi) and 8(d)(iv) could be the same explanation.

4. Specific Comments: Capital Management Measures

- 4.1. TELUS would suggest that the Proposed Instrument or the Proposed Companion Policy clarify whether a component of a capital management measure, which is also presented in the financial statement notes, would be considered a capital management measure. The component measure may not be intended to enable a person to evaluate an entity's objectives, policies and processes for managing the entity's capital on a stand-alone basis, however, is intended to do so when viewed in juxtaposition with the capital management measure of which it is a component.

Further, the Proposed Companion Policy states that if a capital management measure was calculated using one or more non-GAAP financial measures, the issuer must comply with section 6 of the Proposed Instrument, in respect of each non-GAAP financial measure used. Oftentimes, measures used to calculate a capital management measures are presented in the financial statement notes (e.g. in the capital management note) when they are accompanying the capital management measure of which they are a component. These measures would not meet the definition of a non-GAAP measure, however, TELUS would suggest clarifying this in the Proposed Companion Policy.

- 4.2. Paragraph (b) of the definition of a capital management measure refers to a financial measure presented in the financial statement notes of the entity, but not presented in the primary financial statements. TELUS would suggest that the Proposed Companion Policy clarify whether this definition refers only to the capital management note to meet the requirements of IAS 1 of IFRS, or if paragraph (b) of the definition of a capital management measure should be applied to the complete set of the financial statement notes.

5. Specific Comments: Total of Segment Measures

- 5.1. In paragraph (b) of the definition of a total of segment measure, a total of segment measure must be presented in the financial statement notes of the entity, but not presented in the primary financial statements. TELUS would like to clarify whether this definition implies only the segment note needs to meet the requirements of IFRS 8, or if paragraph (b) of the definition of a total of segment measures should be applied to the complete set of financial statement notes.

If the intent of the CSA is to apply the total of segment requirement to all financial statement notes, TELUS would suggest that there is an inconsistency between the classification of a financial measure at a consolidated level presented in the financial statement notes, which may be a total of segments measure, and the classification of a financial measure that is presented in the financial statement notes for a single reportable segment, which would not meet any classification requirements and would not be considered a specified financial measure. For example, if consolidated restructure expense is presented in the financial statement notes, but not the primary financial statements, this would be considered a total of segments measure. However, restructure costs at the segment level would not be a total of segments measure because it is not a subtotal or total of two or more segments. TELUS would suggest that segmented and consolidated measures that follow the same calculation and have the same composition be classified in the same category.

6. Specific Comments: Scope Exclusions

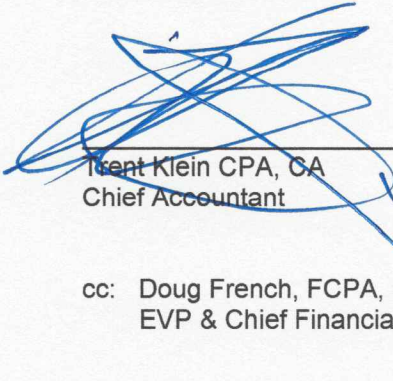
- 6.1. The Draft Policy states that "[i]f a reporting issuer uses social media to provide links to publications (e.g., analyst reports), such publications are within the scope of the Instrument." TELUS considers that so broadening the scope of the Proposed Instrument so as to impose its requirements onto third party publications is impractical and overly broad. TELUS would suggest removing publications referred to in links provided in social media from the scope of the Proposed Regime, or alternatively, adding a provision that would allow links to such references

if accompanied by a disclaimer stating that such third party publications are outside of the organization's purview as it relates to non-GAAP and other specified financial measures.

Please feel free to contact us at your convenience if additional clarification on TELUS's response is required.

Yours truly,

TELUS Corporation



Trent Klein CPA, CA
Chief Accountant

cc: Doug French, FCPA, FCA
EVP & Chief Financial Officer, TELUS