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June 28, 2007

British Columbia Securities Commission
Alberta Securities Commission
Saskatchewan Securities Commission
Manitoba Securities Commission
Ontario Securities Commission
Autorité des marches financiers
Nova Scotia Securities Commission
New Brunswick Securities Commission
Office of the Attorney General, Prince Edward Island
Securities Commission of Newfoundland and Labrador
Registrar of Securities, Government of Yukon
Registrar of Securities, Department of Justice, Government of the Northwest Territories
Registrar of Securities, Legal Registries Division, Department of Justice, Government of Nunavut

Ontario Securities Commission (OSC)
20 Queen Street West
Suite 1900, Box 55
Toronto, Ontario M5H 3S8
Attention: John Stevenson, Secretary

Autorité des marches financiers
Tour de la Bourse
800, square Victoria
C.P. 246, 22e étage
Montréal Québec, H4Z 1G3
Attention: Anne-Marie Beaudoin, Directrice du secrétariat

Re: TELUS Reply to NI 52-109 Request for Comments

Dear Ladies and Gentlemen:

TELUS was pleased to see the CSA release the proposed National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings ("52-109"). TELUS (TSX: T, T.A; NYSE: TU) is a leading national telecommunications company in Canada, with $8.8 billion of annual revenue and 10.8 million customer connections including 5.1 million wireless subscribers, 4.5 million wireline network access lines and 1.1 million Internet subscribers. TELUS provides a wide range of communications products and services including data, Internet protocol (IP), voice, entertainment and video. Committed to being Canada's premier corporate citizen, we give where we live.

We have responded to your specific requests as well as providing our general comments on the proposal. If required, we would be happy to provide clarification.

1) TELUS is supportive of the general spirit of the document and the harmonization between Canadian and U.S. regulations

With the changing nature of companies and the international investor, the economy has never been more global than it is today. This evolving marketplace makes understandability and comparability of financial statements and related financial disclosure amongst global capital markets highly desirable. TELUS applauds the CSA for establishing regulations that, in spirit, are similar to the provisions within the U.S. regulations. The reality is that the U.S. capital market is the world's largest and most respected in terms of securities regulation. It is also the dominant non-domestic capital market for Canadian issuers.

Harmonization between Canadian and U.S. disclosure regulations is consistent with an objective of regulation efficiency from a cost benefit perspective. With new 52-109 regulation we have an excellent opportunity to avoid creating unnecessary duplication and associated compliance costs for issuers that would otherwise result from different approaches to regulation in this area. TELUS believes this general harmonization will reap the following benefits:

- It will be easier for Canadian issuers to access U.S. capital markets as Sarbanes Oxley (SOX) compliance will not act as a barrier to entry;
- It will reduce aggregate compliance costs for Canadian companies who are already issuers in the Canadian and U.S. capital markets;
- It will increase North American market synergies regarding raising capital; and
- It will increase confidence in Canadian capital markets and thereby benefit both issuers and investors.

We acknowledge that no regulatory requirements established can provide absolute assurance that there are no weaknesses in the design and effectiveness of internal control over financial reporting. The relevant question is whether there is reasonably adequate assurance and how this can be accomplished in the most effective and efficient manner. In this regard, TELUS especially welcomes the recommended approach of a top-down risk-based model with a strong internal control environment as the foundation to provide reasonable assurance. TELUS believes that irrespective of the size of the issuer, effective internal control begins at the top with senior management demonstrating and promulgating ethical behavior that is visible to the entire organization and to its investors. Our belief is consistent with emerging best practices in the

areas of corporate governance and enterprise risk management (ERM) which provide a strong foundation to support a top-down risk-based approach.

TELUS also supports the movement to enhance management's ability to apply professional judgment. We feel this will improve the efficiency of required documentation and reduce the extent of testing, yet at the same time allows the company to focus on matters that are material to their internal controls over financial reporting (ICFR) and in turn are important to the investor. Both the top-down risk-based approach and emphasis on professional judgment will better enable management and auditors to implement a sustainable program that is effective and more efficient in assessing and reporting on ICFR.

2) TELUS is not supportive of the removal of the requirement for certifying officers to disclose significant deficiencies to the Audit Committee and External Auditor (Appendix A, Part 4, page 2888)

If we assume that a reportable deficiency is equivalent to a material weakness under SOX legislation, we understand that the Audit Committee's and External Auditors' review of the MD&A would ensure they are apprised of material weaknesses. However, with this assumption, under 52-109, management would not be required to disclose a significant deficiency to the Audit Committee and External Auditors. TELUS views the Audit Committee function as having a critical role to play in enabling effective corporate governance, proactive ERM, a strong ethical culture and a healthy system of internal controls all of which, we believe, ultimately leads to reliable capital markets. For Audit Committees to effectively carry out their mandate they must be provided with the requisite information to assess the adequacy of the control environment. We feel the Audit Committee's understanding of the company's ICFR is one of the basic elements in their assessment of management. Further, when there is an internal control deficiency of significance, the Audit Committee should be informed of the issue, its implications, the basis for the determination that such "significant deficiency" was not a "material weakness", as well as the nature of management's remediation plans. The Audit Committee must monitor remediation efforts to ensure risks are mitigated to an acceptable level, and if the remediation is not implemented there should be compelling reasons as to why not. Based on this, we strongly feel the CSA should not have removed the requirement that certifying officers must disclose to the Audit Committee all significant deficiencies in the design or operation of ICFR.

On a similar note, the proposal indicates that there will be no requirement to disclose to the External Auditor significant deficiencies in the design or operation of ICFR. TELUS feels that not disclosing significant deficiencies represents withholding information from the External Auditors. This leads to the question of how management can, with clear conscience, sign the management representation letter. Accordingly, we believe there should be a requirement for such aforementioned disclosure.

3) TELUS is not supportive of the absence of a requirement for an external audit opinion

The absence of a mandatory audit opinion concerns TELUS, especially given the proposed document is not prescriptive enough on the matter of notifying the Audit Committee and External Auditor on significant deficiencies (discussed above) and increased emphasis on management judgement. Serious weaknesses in a company's ICFR, especially in its tone at the top and financial close and report process, are silent killers that without detection and remediation can lead to eventual ruination of multi-billion dollar companies, resulting in shattered investor confidence. This is not idle speculation but rather a reflection of the experience of the past few years both in the U.S. (e.g. Enron, Worldcom, etc.) and Canada (e.g. Nortel).

Many companies base their criticism of an external ICFR audit opinion requirement due to cost. TELUS, however, feels that the benefits of the audit services outweigh the costs of an audit. The incremental costs of a mandatory external audit opinion are best addressed through (i) appropriate guidance on methodology consistent with the top-down risk-based approach to financial statement materiality as opposed to fully substantive based audit approaches regardless of materiality; and (ii) clearly specifying an established framework for ICFR evaluation so there is a commonality of experience and clarity as the acceptable approach for assurance of ICFR certifications (see Comment #4 below). As for the benefit of an external audit opinion, TELUS believes that the external audit opinion enhances confidence in financial filings and is important not only to the investor but to all stakeholders. Further, by eliminating the audit requirement, there is potential to create new liabilities for issuers and directors. The reality is that an external audit opinion also provides certifying officers with comfort as well as additional assurance in their certification. TELUS strongly advocates the need for an independent review in the marketplace for management's assessment on ICFR. Both the U.S. and Japan, in their legislations around ICFR, have required an external audit opinion and we feel Canada should also follow this direction.

4) TELUS does not support the lack of a requirement for management to use a recognized framework (Companion Policy, Part 5, Section 5.1, page 2953)

We believe the proposed instrument should provide additional guidance around the use of a suitable framework for ICFR evaluation. In fact, we feel the framework used by management should meet the following criteria (excerpt from AS2, paragraph 13):

- Free from bias;
- Permits reasonably consistent qualitative and quantitative measurements of a company's internal control over financial reporting;
- Is sufficiently complete so that those relevant factors that would alter a conclusion about the effectiveness of a company's internal control over financial reporting are not omitted; and
- Is relevant to an evaluation of internal control over financial reporting.

TELUS feels that 52-109 should go further and require issuers to choose from a set of two or three recognized frameworks, such as COSO or COCO. There are several benefits to having issuers follow a unified approach:

- Learnings across companies can be shared and communicated more effectively;
- Enhanced comparability of assessments across issuers;
- Standardization facilitates enhanced economies of scale and scope for the development of requisite expertise to conduct ICFR compliance and assurance activites;
- Improved investor understandability and confidence in the evaluation process and management's certification; and
- Allows more consistent application of professional judgement.

Specific Requests for Comments

1. Do you agree with the definition of "reportable deficiency" and the proposed related disclosures? If not, why not and how would you modify it?

No, we do not agree with the definition of "reportable deficiency" as stated in Part 1 – Definitions and Application, Section 1.1 and have noted that the definition is not consistent throughout the proposed Instrument and Companion Policy. We have the following concerns:

- We support the emphasis on professional judgement and consistent focus on reasonableness proposed within the definition. However, clarification and accompanying guidance on qualitative materiality is required. We feel there should be a balance in the requirement between professional judgement, qualitative factors, and quantitative factors. We feel the proposed 52-109 ignored an emphasis on quantitative factors. Both U.S. guidance and Japanese guidance maintained levels of materiality in the assessment of deficiency and we feel Canada should follow suit.
- As identified in the responses contained within Appendix C – Summary of Comments, Section 6 – Part 1 – Definitions, Subsections 4 and 5, material weakness and significant deficiency are no longer used and have been replaced with the concept of a reportable deficiency. As a SOX compliant entity, we find the lack of comparability between the Canadian terminology (reportable deficiency) and the U.S. terminology (material weakness/significant deficiency) confusing. Specifically, it is not clear whether or not a deficiency classified as a significant deficiency under SOX 404 is deemed to be a "reportable deficiency".

TELUS is not supportive of this new terminology, especially its lack of harmonization with the U.S. TELUS recommends the CSA adopt the SOX terminology and definitions for deficiencies.

2. Do you agree that the ICFR design accommodation should be available to venture issuers? If not, please explain why you disagree.

Yes, we agree there should be a design accommodation available to venture issuers. This is to ensure that cost of compliance with 52-109 does not act as a barrier for smaller private companies wishing to become public. TELUS wishes to continue to see a healthy capital market for smaller organizations.

3. Do you agree that our proposal to provide a scope limitation in the design of DC&P and ICFR for an issuer's interest in a proportionately consolidated investment or variable interest entity is practical and appropriate? If not, please explain why you disagree.

Yes, we agree with the proposed scope limitation as in some cases the reporting issuer may not have influence over the controls, policies and procedures of a proportionately consolidated investment or variable interest entity. However, 52-109 should be expanded to incorporate the disclosure expectations regarding portfolio and investment entities and whether or not a scope limitation should be disclosed in regards to work performed as aligned with the Companion Policy guidelines Part 10, Section 10.3 (5).

4. Do you agree that our proposal to allow certifying officers to limit the scope of their design of DC&P or ICFR within 90 days of the acquisition of a business is practical and appropriate? If not, please explain why you disagree.

No, we do not agree with the proposed 90 day timeframe. This section of the proposal appears geared towards smaller issuers and venture issuers. The 90 day period is not a realistic timeframe for mid to large sized issuers to perform an adequate assessment over ICFR for the acquired business during the post merger integration phase. As a result, this proposal would interfere with an efficient working of the market for corporate control by placing undue obligations and consequence for acquirors that could be better dealt with by a more reasonable timeframe. Since TELUS currently files as a U.S. foreign private issuer and is a reporting issuer is all jurisdictions in Canada,, the inconsistency between U.S. and the proposed Canadian requirement in this area will impact our scoping and could result in differing material disclosures within

Canada and the U.S. We recommend the CSA harmonize with U.S. guidance and extend the proposed 90 day period to up to one year.

Additional clarification is also required within the policy to define “acquisition”. For example, it is unclear if this is the date the contract was signed, the closing date, the date of transfer of the assets to the acquirer or if the date can be selected by the issuer.

5. Do you agree that our proposal not to require certifying officers to certify the design of ICFR within 90 days after an issuer has become a reporting issuer or following the completion of certain reverse takeover transactions is practical and appropriate? If not, please explain why you disagree.
Yes, we agree that the certifying officers should not be required to certify the design of ICFR immediately following an IPO or reverse take over. However, we do not agree with the proposed 90 day timeframe as it is not a sufficient timeframe for management to perform an adequate assessment. We recommend the CSA harmonize with U.S. guidance and extend the 90 days to 1 year.

Additional clarification is also required within the policy to define the date from which this period begins: “IPO end” or reverse takeover completion date.

6. Do you agree that the nature and extent of guidance provided in the Proposed Policy, particularly in Parts 6, 7 and 8, is appropriate? If not, please explain why and how it should be modified.
Detailed guidelines related to ICFR and DC&P are generally well written and provide effective guidance on executing a top-down risk-based approach.

7. Are there any specific topics that we have not addressed in the Proposed Policy on which you believe guidance is required?
Yes. Please refer to general comments above and other comments below.

- Form 52-109F1, 6 (b) (page 2938):
  - States the MD&A should include “a description of the process [management] used to evaluate the effectiveness of ICFR”. We feel that there should be additional guidelines detailing minimum requirements for the disclosure of management’s process for evaluating the effectiveness of ICFR. This will assist companies in preparing an adequate and useful disclosure as well as increase consistency among issuers and therefore decrease investor confusion.

- Parts 7.1 and 7.2 exemptions from annual and interim requirements for issuers that comply with U.S. laws respectively (page 2935):
  - Additional clarification with respect to exemptions should be provided for companies such as TELUS who are required to certify under the U.S. legislation as foreign private issuer.

- Full Annual Certificate (52-109F1) is “as at the financial year end” and Full Interim Certificate (52-109F2) is “as at the end of the period covered by the interim filings”:
  - Clarification is required with respect to what the “as at” date means for management’s assessment. For example, if a control is working effectively four months prior to the financial year end, does management need to reassess on the financial year end? We recommend the CSA mimic U.S. guidance and provide additional clarification as to when

management must evaluate the effectiveness of their internal controls. That is, under SOX guidance (Section 302 (a)(4)(C)), management is to "have evaluated the effectiveness of the issuer's internal controls as of a date within 90 days prior to the report".

- Use of Service Organizations:
  - It is very common for an organization to outsource activities that have an impact on ICFR. The 52-109 proposal materials do not contemplate or provide guidance on the use service organizations and how they impact management's assessment of ICFR. The U.S. guidance continues to maintain the requirement for management to assess controls at service providers who perform significant processes. We feel that the CSA needs to address this scenario in its proposals and consider the following questions:
    - How can management assess the controls at a service organization if there is no SAS70/CICA 5970 report available and access to the service providers is not permitted under contract?
    - How should management assess the sufficiency and findings in SAS70/CICA 5970 reports?
    - What should management do if their assessment period differs from the period covered by the SAS70?

- Antifraud Program and Controls:
  - Although fraud is mentioned throughout 52-109 there is little guidance as to what is expected from an issuer for a fraud assessment. Many detrimental financial statement frauds have been perpetrated by senior management and therefore we feel there should be increased guidance on what a company should do to assess and mitigate fraud risks, especially the risks related to fraudulent manipulation by senior executives.

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- Ethics Hot Line:
  - We recommend there be specific guidance requiring the implementation of an ethics hot line that is safe and confidential to use. We see this as an example of a cost effective tool to promote and enforce accountability within an organization.

Final Comments

Compliance with SOX 404 was a major undertaking for TELUS and there still is a considerable amount of important work to complete in order to make SOX a properly sustainable program at TELUS. We are still learning and intend to use our learnings to further enhance our goal of sustainability. We are confident that the TELUS team will satisfy its compliance requirements related to this proposed regulation and hopefully derive related operational benefit as well. Our comments herein are reflective of this first-hand experience with SOX compliance and the progressive reformation and progression of its related SOX404 regulation in the past few years. So we know and have experienced what we speak of with regards to the subject of ICFR. We encourage you to give serious consideration to such informed viewpoints as opposed to those respondents with little or no experience in this matter..

It is well known that SOX404 was a rushed implementation where ambiguity in regulation led to excessively substantive based and costly compliance activities. The CSA can learn from this precedent experience and now is in a timely position to implement a harmonized approach to ICFR in Canada building off an improved and positive approach now represented by PCAOB's Audit Standard 5 (AS5).

We are very pleased to see the CSA addressing the financial reporting issues that have plagued investor confidence and for considering the comments of TELUS on the proposed 52-109. TELUS is supportive of the primarily principle based, top-down risk-based guidance issued by the CSA and note it is in the direction which the SEC and PCAOB are driving towards with the recent SEC and PCAOB proposals. We feel a meaningful risk based approach should improve the reputation of Canadian issuers, align and optimize the compliance investment with payback that can be obtained by issuers and investors. The payback to issuers would be from a focused effort on effective and efficient controls over financial reporting, promotion of an ethical environment and clear ownership and accountability for managements' actions.

Our TELUS SOX team or I will be happy to discuss any questions or clarification you require.

Sincerely,

Robert G. McFarlane
Executive Vice President &
Chief Financial Officer

c. -Brian MacNeil, Chairman, TELUS Corporation Audit Committee
-Darren Entwistle, President and CEO, TELUS Corporation
-Nelson Kwan, SVP-Corporate Controller
-Kasey Reese, VP- Risk Management and Chief Auditor
-Kerry Merriman, VP Corporate Accounting & Financial Reporting, TELUS Corporation
-Audrey Ho, VP Legal Services, General Counsel & Corporate Secretary
-Karen Keilty, Deloitte & Touche