

TELUS 2006 Annual Report
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Need/Opportunity / TELUS Corporation is the largest telecommunications company in western Canada and the second largest in Canada. As a public company, it is required to produce and distribute annual shareholder information. As part of these requirements for 2006, TELUS produced an annual report that was distributed in both English and French to investors and other stakeholders. This report was also available online. Producing a complete annual report on time (within 90 days of year-end) and on budget is critical to TELUS' ongoing success and operations. Failure to deliver can result in tremendous risk to TELUS' reputation, share price, and compliance with laws and regulations.

TELUS is firmly committed to fair, accurate and complete disclosure to investors in financial reporting and corporate governance. The annual report presents an opportunity to demonstrate this in action by ensuring full and transparent disclosure, unquestionable clarity, and comprehensive information that inspires investor confidence.

Based on the prior year's report, the company knew there was an urgent need to manage the weight of the 2006 report. The prior report weighed 495 grams; exceeding 500 grams would put the package in a different Canada Post mailing category and would result in an extra CAN\$125,000 in mailing costs. Knowing that increased disclosure requirements would add pages and weight, the team had to find ways to keep the weight down while still adding necessary information.

TELUS is also dedicated to balancing environmental sustainability with economic growth. The annual report provides an opportunity to communicate what the company is doing in this regard and to demonstrate its commitment with actions.

Another need identified was to ensure TELUS maintained the strength of its nature-based brand by keeping its visual communications recognizable, with imagery and an overall look that customers are able to identify as TELUS. The brand promise—the future is friendly—is to keep things simple for stakeholders. The report helped fulfill the need to be true to the brand by providing information and imagery in a familiar and easy-to-understand manner.

Intended Audiences / Shareholders

At the time of production, institutional shareholders held 70 percent of the shares, retail shareholders held 28 percent and employees held 2 percent. In addition, at the end of 2006, TELUS had an estimated 64,000 registered shareholders and more than 120,000 non-registered shareholders of common and nonvoting shares combined. While most shareholders speak English, about 3,500 speak French (demographics are confidential).

- **Institutional shareholders:** This group includes portfolio managers and related analysts, acting on behalf of institutional investors or fund managers, located in Canada (63 percent), the U.S. (30 percent) and internationally (7 percent). They

- required both high-level information on strategy, goals and activities, and detailed financial information and analysis.
- **Retail shareholders:** This group required general information to help them make investment decisions. Information needed to be high-level and conveyed in simple terms. It needed to give a report card on what the company had achieved, where it was going and how it planned to get there. According to external research (R. Repetto, Environment Canada Policy Research Seminar, 2003), retail shareholders also have a heightened interest in the environmental performance and commitment of companies in which they are considering investing.
 - **Employees:** 77 percent of TELUS employees participated in the employee share plan. They needed high-level information relating to the company's goals, achievements, strategy and plans. As ambassadors of TELUS, this understanding would also help them communicate information to family and friends.
 - **Investment analysts:** Located primarily in Canada, with a few in the U.S., members of this audience analyze financial information on the telecommunications industry and are strong influencers for investors. Their opinions and recommendations can help shape markets and affect share prices. They were looking for detailed information regarding the company's strategy, results and plans. External research (A. Pharoah, *Return on Reputation*, Hill & Knowlton, 2007) indicates that the key nonfinancial factors considered by investor analysts include the company's execution of strategy, transparent disclosure and strong governance, and clear and consistent communications.
 - **Potential investors:** This audience required information relating to the company's strategy, accomplishments and plans. They were also looking for detailed information to help determine future potential and trends.

Goals and Objectives /

1. To be recognized as one of the top corporations in Canada for corporate reporting and disclosure excellence by the Canadian Institute of Chartered Accountants (CICA) in the annual *CICA Corporate Reporting Awards*.
2. To be recognized as one of the top corporations in the world for superior corporate and financial reporting by ranking in the top 10 percent of companies globally in the *2006 Annual Report on Annual Reports* by e.com.
3. To effectively communicate corporate governance disclosure and financial reporting excellence in the annual report in a way that results in TELUS receiving additional recognition in this regard.
4. To deliver the report within the CAN\$1,325,000 budget and on time, by 30 March 2007, as per legal requirements.
5. To migrate an additional 500 shareholders to electronic delivery of the report by 31 January 2007.
6. To ensure that 80 percent of annual general meeting (AGM) survey respondents agree that the visual appearance of and information in the report are consistent with the brand (i.e., user-friendly and easy to understand). They should also be aware of the importance TELUS places on corporate governance and financial reporting.

Solution Overview / The approach was highly collaborative, proactive and creative. TELUS established a high-performing cross-functional team with a clear and defined focus. As project manager, Miriam Trottier's role was to develop the strategy and approach, gain commitment from key players, direct agencies in the creative development and production, manage budgets and schedules, and liaise with senior management.

As the report is highly complex and time-sensitive, a multi-month modular approach, where each team member became responsible for a section, was adopted. This helped the team focus on critical dates and achieve content approvals. They also determined what sections could be completed earlier than others, allowing for effective time management.

In September, the team began theme development and the overall approach for the report. The theme, "Growing together," was based on the fact that, with TELUS' winning strategy, the company is advancing as a top-performing communications provider for all stakeholders—investors, team members, customers and communities. Key messages were:

- Creating future opportunities (building on strong financial foundation with superior growth profile).
- Reaping the benefits of integration and striving for customer simplicity.
- Expanding service offerings and working with customers to meet and exceed their needs.
- Making a difference for team members and their families in the communities where they live, work and serve.

In keeping with the future-friendly brand, the design was simple, clean, and easy to read, and reflected recognizable nature-based imagery used in current advertising. TELUS chose tree frogs to illustrate the heights the company jumped to in 2006 and, where possible, showed two frogs to indicate that TELUS reached these heights together with its stakeholders.

The audiences had diverse information needs—some needed general information, while others required extensive financial information. To satisfy both, the team produced two books. The *Business Review* (BR) was designed to make information easy to find and read, and gave a summary of financial highlights, accomplishments, challenges and goals. The *Financial Review* (FR) included detailed financial information, statistics, and financial statements and notes.

In November, TELUS did extensive benchmarking to gather ideas for enhancing corporate governance and disclosure, and for presenting the information. The team added many ideas, such as increased statistical information, headings in financial statements, an organizational chart, sidebars to drive traffic to the online report, and information on board committees.

Coupled with information to be added from benchmarking, TELUS also had additional disclosure requirements, which alone would add about 13 pages. Factoring in the weight

restriction, the team had to effectively manage the amount of content while ensuring full disclosure. They attacked this problem from many angles. They could have reduced the text paper thickness, but they rejected this solution as it would have produced a lower quality product with ink bleed-through. They did choose a lighter cover stock, saving a bit of weight. More important, they looked for opportunities to reduce duplication and streamline content. In the FR, they eliminated five pages by removing a two-page “TELUS at a glance” section, reducing both the glossary and investor information by one page, and reordering content to remove a summary page. In the BR, the team eliminated four pages by reducing both the Q&As and investor information by one, and the operational review by two.

To demonstrate environmental commitment, the team took a fresh look to see how they could include that philosophy in their decisions. They chose paper that was certified by the Forest Stewardship Council (FSC), demonstrating sustainable and effective forest practices, they actively drove readers to the online report with sidebars promoting more information, and proudly communicated their environmental story on the back covers. For new shareholders, direct mail was used to promote e-delivery, enabling them to receive the report electronically and letting TELUS reduce printed quantities.

To sell their solutions, the team actively engaged key people. They first engaged the project team and vice president of investor relations, and got agreement on objectives, theme and approach. Next, they got brand approval on the design. They then gained the support of the CEO and CFO on the goal and design, and provided them with status updates. Going into production, they had buy-in on the objectives, key messages, approach and design, freeing them to focus on content and detail.

From mid-December through February, the team focused on developing and finalizing content and production, with group reviews and approvals on each section. Once they secured senior-level approvals in late February, they printed 45,000 reports over the next three weeks and distributed the report (print and online) on schedule on 30 March 2007.

Implementation and Challenges / One of the biggest challenges was balancing the need for additional information and maintaining a high-quality product, while keeping the weight under 500 grams. Much time and effort was dedicated to finding solutions that would still deliver an award-winning report. By effectively managing the content and amount of pages as outlined above, the final package weighed under 500 grams, saving CAN\$125,000 in mailing costs. More important, the team delivered a first-class annual report that has since won more awards than any previous year.

Time constraints were also a challenge, as there were only 90 days from year-end to mail the report. The strategy to produce two books helped alleviate this challenge, as did the modular approach, as it enabled the team to tackle some sections earlier than others. They were able to complete much of the BR a bit earlier, leaving the last half of February to focus solely on the FR, which contained the analysis and financial statements and notes.

To combat the challenge of team members in different locations across Canada, real-time collaborative team meetings were instituted, whereby copy for various sections was edited using an online meeting tool (NetMeeting). This allowed the team to work together online, getting consensus and finalizing copy more effectively. Building on the trust they had established with the CFO, they gained his final approval for the financial sections (which were not available until mid-February) using Word files, rather than waiting for layout. Combined, these solutions helped streamline the schedule.

The team reduced mailing costs significantly through the electronic delivery program, which allowed them to mail and print 25 percent fewer copies, and by adhering to a cost-effective mailing weight. They were also diligent with cost variances; the total project cost was about CAN\$1,200,000, about 9.4 percent lower than the approved budget of CAN\$1,325,000. The budget consisted of all related costs, including design, writing, production, translation, auditors, printing, mail services, mailing and postage.

Measurement/Evaluation / TELUS delivered a first-class, award-winning annual report that contributed positively to the company's credibility and shareholder value. The report was under budget, on time and on brand. It was a valuable communication tool that was also used for external promotional and speaking opportunities. It enabled investors to clearly understand TELUS' ongoing strategy and financial performance for 2006, which provided them with increased confidence and insight as they made investment decisions. In conversations with analysts, and institutional and retail shareholders, feedback indicated the report was effective, thorough and well organized. In addition, from the 400 people who attended TELUS' AGM, 135 responded to the survey, which asked for feedback on the annual report.

As the results below indicate, TELUS was successful in meeting its objectives and gaining external recognition by third-party industry experts that TELUS is a leader in corporate reporting.

1. In December 2007, the TELUS 2006 annual report was singled out as the best in Canada when the company received the Overall Award of Excellence for Corporate Reporting across all industry sectors in the CICA Corporate Reporting Awards. This met the objective to be recognized as one of Canada's top corporations for excellence in this regard.
2. In September 2007, the TELUS 2006 annual report was among the top 1 percent in the world out of 1,500 international companies reviewed by e.com in its 2006 *Annual Report on Annual Reports*. With this result, TELUS far exceeded its goal to be in the top 10 percent. This is the only international survey and ranking of reports.
3. In December 2007, TELUS received three additional awards from the CICA—Honourable Mention for Excellence in Financial Reporting, Best Corporate Governance Disclosure across all industry sectors, and Award of Excellence for Corporate Reporting in the communications and media sector—fulfilling the objective of gaining additional external recognition in this regard.
4. The project came in under budget and on time. Total cost of the report was CAN\$1,200,000, about 9.4 percent under the budget of CAN\$1,325,000. In terms of timing, annual reports were distributed by mail or electronically to shareholders, and

security regulatory agency filings were completed, on 30 March 2007, meeting legal requirements.

5. A total of 635 additional shareholders signed up for electronic delivery, surpassing the goal of 500.
6. A total of 95 percent of survey respondents agreed that the 2006 annual report was user-friendly, 89 percent agreed that it was easy to understand, and 91 percent were aware of the importance TELUS places on corporate governance and financial reporting. All of these measures surpassed the goals of 80 percent.