No. S 248620
Vancouver Registry

IN THE SUPREME COURT OF BRITISH COLUMBIA

Between

KAYNE MICHAEL MIDDLETON

PLAINTIFF

and

TELUS INTERNATIONAL (CDA) INC., JEFFREY PURITT, VANESSA KANU, GOPI CHANDE, MICHAEL RINGMAN, BETH HOWEN, DARREN ENTWISTLE, JOSH BLAIR, MADHURI ANDREWS, OLIN ANTON, NAVIN ARORA, DOUG FRENCH, TONY GEHERAN, SUE PAISH, CAROLYN SLASKI and SANDRA STUART

DEFENDANTS

Brought under the *Class Proceedings Act*, RSBC 1996, c 50

NOTICE OF CIVIL CLAIM

This action has been started by the Plaintiff for the relief set out in Part 2 below.

If you intend to respond to this action, you or your lawyer must

(a) file a response to civil claim in Form 2 in the above-named registry of this court within the time for response to civil claim described below, and

(b) serve a copy of the filed response to civil claim on the Plaintiff.

If you intend to make a counterclaim, you or your lawyer must

(a) file a response to civil claim in Form 2 and a counterclaim in Form 3 in the abovenamed registry of this court within the time for response to civil claim described below, and

(b) serve a copy of the filed response to civil claim and counterclaim on the Plaintiff and on any new parties named in the counterclaim.

JUDGMENT MAY BE PRONOUNCED AGAINST YOU IF YOU FAIL to file the response to civil claim within the time for response to civil claim described below.

Time for response to civil claim

A response to civil claim must be filed and served on the Plaintiff,

(a) if you were served with the notice of civil claim anywhere in Canada, within 21 days after that service,

(b) if you were served with the notice of civil claim anywhere in the United States of America, within 35 days after that service,

(c) if you were served with the notice of civil claim anywhere else, within 49 days after that service, or

(d) if the time for response to civil claim has been set by order of the court, within that time.

THE PLAINTIFF'S CLAIM

Part 1: STATEMENT OF FACTS

Overview

1. In response to technology-driven change in the digital customer experience solutions and IT services market, Telus International (Cda) Inc. ("**Telus**" or the "**Company**") sought to gain an upper hand on its competition by developing artificial intelligence ("**AI**") capabilities. For several years, Telus touted its AI strategy and expected resulting profit growth to the investing public. Telus' aspirations of being a forceful player in the market for AI solutions seemed on the brink of becoming reality, with the Company boasting of the progress of its AI capabilities and expected profits in earnings calls, documents filed with securities regulators, and other communications with the investing public.

2. Telus' transition to becoming a profitable provider of AI-driven solutions faced significant barriers, which the Company hid from the investing public. Behind Telus' optimistic statements lay far bleaker prospects that the Company would become a competitive and profitable player in the market for AI solutions. In fact, Telus failed to disclose to investors that its AI offerings were provided on a trial basis, generated lower margins than the Company's legacy offerings, and were cannibalizing some of its higher-margin offerings. Critically, Telus failed to disclose that the Company's drive to develop AI capabilities was eroding its bottom line and was unlikely to generate the promised profits.

3. For years, Telus kept secret the vulnerabilities of its AI-driven business model until its waning profitability forced its management to reveal the significant challenges facing the Company through a series of corrective disclosures. The market reacted swiftly to Telus' admission that its AI transition was fraught with difficulties, with the Company's share price plummeting.

4. Indeed, between May 9, 2024 and August 1, 2024, inclusive, the Defendants made material misrepresentations in Telus' disclosures about:

a) the prospective profitability of Telus' AI offerings;

b) the reason for Telus' declining profitability;

c) Telus' intentions to discount the price of its AI offerings; and

d) the expected resolution of Telus' short-term profitability issues;

and failed to make timely disclosure of the negative changes to Telus' business, operations, and/or capital caused by its profit-killing transition to AI offerings.

5. The Defendants' misrepresentations, failures to make timely disclosure of a material change, and/or breaches of their duty of care to Class Members had the effect of artificially inflating the value of Telus' securities traded on stock markets during the Class Period.

6. The Plaintiff and Class Members purchased Telus' securities at prices artificially inflated by the Defendants' misconduct set out herein. Class Members suffered damages when the Defendants disclosed the deep-seated issues that the Company's transition to AI caused. Through this action, the Plaintiff seeks to hold the Defendants accountable for the damages their misrepresentations, failures to make timely disclosures, and oppressive conduct caused.

The Defendants

7. The Defendant Telus is a company incorporated under the *Business Corporations Act*, SBC 2002, c 57 (the "***Business Corporations Act***"). Telus is headquartered at 510 West Georgia Street Floor 7, Vancouver, British Columbia, V6B OM3, Canada.

8. Telus is a responsible issuer within the meaning of the *Securities Act*, RSBC 1996, c 418 (the "***Securities Act***") and is a reporting issuer in British Columbia, Alberta, Manitoba, New Brunswick, Newfoundland and Labrador, Northwest Territories, Nova Scotia, Nunavut, Ontario, Prince Edward Island, Québec, Saskatchewan, and Yukon. British Columbia is Telus' principal jurisdiction. Telus is a publicly traded company with the stock symbol (ticker) "**TIXT**" on the Toronto Stock Exchange (the "**TSX**"), New York Stock Exchange (the "**NYSE**"), and "**Cboe Canada**" (formerly the NEO Exchange). Telus' securities, specifically, subordinate voting shares, began trading on both the TSX and NYSE on February 3, 2021. 106,830,312 subordinate voting shares of Telus were issued and remain outstanding as of February 9, 2024.

9. Telus purports to design, build, and deliver next-generation digital solutions to enhance the customer experience (“**CX**”) for global brands. Telus asserts that its services support the full lifecycle of its clients’ digital transformation journeys and enables them to quickly embrace next-generation digital technologies that deliver better business outcomes. Telus’ offerings span digital strategy, innovation, consulting and design, digital transformation and IT lifecycle solutions, data annotation and intelligent automation, and omnichannel CX solutions that include content moderation, trust and safety solutions and other managed solutions.

10. The Defendant Jeffrey (Jeff) Puritt (“**Puritt**”) is the Executive Vice Chair of Telus’ Board of Directors. Puritt also served as Telus’ President and Chief Executive Officer and was an officer and director of Telus within the meaning of the *Securities Act,* throughout the Class Period.

11. The Defendant Vanessa Kanu (“**Kanu**”) served as Telus’ Chief Financial Officer and was an officer of Telus within the meaning of the *Securities Act,* from the beginning of the Class Period (February 16, 2023) until March 4, 2024.[1]

12. The Defendant Gopi Chande (“**Chande**”) has served as the Chief Financial Officer of Telus and has been an officer of Telus within the meaning of the *Securities Act*, since March 4, 2024.

13. The Defendant Michael Ringman (“**Ringman**”) has served as Telus’ Chief Information Officer and has been an officer of Telus within the meaning of the *Securities Act,* throughout the Class Period.

14. The Defendant Beth Howen (“**Howen**”) served as Telus’ Chief Transformation Officer and was an officer of Telus within the meaning of the *Securities Act*, from the beginning of the Class Period (February 16, 2023) until December 15, 2023.

15. The Defendant Darren Entwistle (“**Entwistle**”) was a director of Telus within the meaning of the *Securities Act* throughout the Class Period.

[1] In certain documents filed with the U.S. Securities and Exchange Commission (“SEC”), Defendant Kanu is referred to as “Mahawa Vanessa Touray.”

16. The Defendant Josh Blair ("**Blair**") was a director of Telus within the meaning of the *Securities Act* throughout the Class Period.

17. The Defendant Madhuri Andrews ("**Andrews**") was a director of Telus within the meaning of the *Securities Act* from March 9, 2023 until the end of the Class Period (August 1, 2024).

18. The Defendant Olin Anton ("**Anton**") was a director of Telus within the meaning of the *Securities Act* throughout the Class Period.

19. The Defendant Navin Arora ("**Arora**") was a director of Telus within the meaning of the *Securities Act* throughout the Class Period.

20. The Defendant Doug French ("**French**") was a director of Telus within the meaning of the *Securities Act* throughout the Class Period.

21. The Defendant Tony Geheran ("**Geheran**") was a director of Telus within the meaning of the *Securities Act* throughout the Class Period.

22. The Defendant Sue Paish ("**Paish**") was a director of Telus within the meaning of the *Securities Act* throughout the Class Period.

23. The Defendant Carolyn Slaski ("**Slaski**") was a director of Telus within the meaning of the *Securities Act* throughout the Class Period.

24. The Defendant Sandra Stuart ("**Stuart**") was a director of Telus within the meaning of the *Securities Act* throughout the Class Period.

25. Puritt, Kanu, Chande, Ringman, Howen, Entwistle, Blair, Andrews, Anton, Arora, French, Geheran, Paish, Slaski and Stuart are the "**Individual Defendants**".

The Plaintiff and Class Members

26. The Plaintiff, Kayne Michael Middleton, is a resident of British Columbia. Throughout the Class Period, the Plaintiff purchased a total of 69.1299 shares of Telus on the TSX for a total of $1,042.63 CAD. The Plaintiff sold all of these shares on June 10, 2024 at $8.00 CAD per share, taking a loss on his investment.

27. The Plaintiff brings this action on his own behalf and on behalf of:

"**Class Members**" or the "**Class**" consisting of:

> All persons and entities who acquired one or more of Telus' securities between February 16, 2023 and August 1, 2024, inclusive, and held all or a portion of these securities at any moment between May 9, 2024 and August 1, 2024, inclusive (the "**Class Period**"), other than Excluded Persons, including a subclass of all persons and entities who acquired one or more of Telus' securities listed on the NYSE while residing outside of Canada (the "**Foreign Subclass**" and "**Foreign Subclass Members**"),
>
> "**Excluded Persons**" means: the Defendants; Telus' past or present direct or indirect parents, subsidiaries, divisions, affiliates, partners, general partners, limited partners, partnerships, principals, shareholders, joint venturers, members, officers, directors, managers, managing directors, supervisors, employees, attorneys, including Defendants' counsel, auditors, accountants, advisors, investment bankers, representatives, insurers and reinsurers, trusts, trustees, trustors, agents, predecessors, successors, estates, assigns, assignees, heirs, executors, and administrators in their capacities as such; all members of the immediate families of Telus' directors and officers; and any entity in which any of Telus' officers, directors, or their immediate families have or had a controlling interest.

Telus' Shift Towards AI

28. Telus is a subsidiary of Telus Corporation ("**Telus Parent**"), one of Canada's largest telecommunications companies. Before the Class Period, Telus' primary business was running remote call centers. Telus' financial results were reported as a segment of Telus Parent referred to as "wireline".

29. On February 3, 2021, Telus made its secondary market debut as a spin-off of Telus Parent on both the TSX and NYSE, completing the largest (at the time) technology initial public offering in the history of the TSX.

30. Telus has faced significant challenges since becoming a standalone entity. One threat facing Telus is AI. Before the Class Period, Telus saw AI arrive both rapidly and comprehensively. Given the nature of its core offerings, including call center services and customer experience solutions, the Company faced an existential threat from the emergence of AI – which it described

as "becoming ubiquitous" and "pervasive across industries and functions." As AI technologies advanced and became less expensive, Telus' customers were more likely to bring those functions in-house rather than contract with the Company for its core services. Other services, such as live call-center operators and live customer experience chats, faced potential obsolescence in favour of AI chatbots.

31. To combat this existential threat to Telus' business model, the Company added several "new economy services" to its portfolio "in furtherance of [its] overall growth strategy via organic and inorganic investments." Between December 2020 and January 2023, Telus completed the following acquisitions to bolster its AI-related capabilities:

a) on December 31, 2020, Telus acquired Lionbridge AI, the data annotation business of Lionbridge Technologies, Inc., for approximately $935 million USD. As a result of this acquisition, Telus alleged that the Company had "AI enablement competencies of consequence and [was] better positioned than most", analogizing those capabilities to "selling the picks and shovels" during a "gold rush."

b) on July 2, 2021, Telus acquired Playment, a Bangalore, India-based leader in computer vision tools and services specializing in 2D and 3D image, video and LiDAR (light detection and ranging). According to the Company, this second acquisition "buil[t] upon [its] existing domain expertise and experience in data annotation, positioning [it] to support technology and large enterprise clients developing AI-powered solutions across a variety of markets."

32. As a result, Telus' CX management ("**CXM**") services went from accounting for 75% of the Company's revenues in 2019 to only 48% in 2022. Its revenue from its AI Data Solutions increased from 0% to 13% over that same period.

33. On January 4, 2023, Telus acquired the full-service digital product provider WillowTree. Telus boasted of its acquisition of WillowTree as adding key front-end design and build competencies to the Company's suite of end-to-end capabilities across the full customer experience value chain.

34. On February 9, 2023, Telus released its fourth quarter and full year ("**FY**") 2022 results. During the earnings call held that same day, Puritt noted that "AI technology also represents an attractive business opportunity from a supply perspective to [Telus]", adding that the Company would "have more to share on [...] generative AI more broadly at [its] Investor Day next week and in the months ahead." Puritt concluded the call by emphasizing that Telus "just barely scratched the surface of the opportunities ahead of [it], thanks to [its] resilient business model and focus on profitable growth, innovation and [its] unique caring culture."

The Defendants' Positive Statements About Telus' AI Offerings

The February 16, 2023 Analyst/Investor Day Call

35. On February 16, 2023, Telus held its Analyst/Investor Day call (the "**February 16, 2023 Investor Day Call**"), the objective of which was for the Defendants[2] to present AI as a significant long-term net positive opportunity for the Company.

36. Puritt began the February 16, 2023 Investor Day Call by acknowledging that CXM "is continuously evolving," and that he "expect[s] this space to see the greatest transformation in the near term due to rapidly evolving technologies, particularly as more and more simple, predictable, repeatable interactions get automated because they can and because they ought to."

37. Puritt then described Telus as "extremely well positioned to win in this rapidly evolving market." Specifically, Puritt explained that data management and data quality was about 70% to 80% of current AI work across the industry, and that this work was the "differentiator" for Telus because of its ability to deliver quality work in a timely fashion. Puritt further stated that Telus was often asked by its clients to "undo or redo the poor work quality of [its] competitors."

38. Puritt touted that the Company's "unmatched scale" made it "uniquely positioned to properly represent diverse locales and cultures and reduce or remove bias in AI" and that its "diverse ever-growing AI community of contributors is unique and a true differentiator for" Telus. Puritt also trumpeted the Company's "unrivaled annotation capabilities for computer vision" and its "highly sophisticated and proprietary tech" that appealed to "the industry's leading pioneers of

---

[2] Excluding the Defendants Chande and Andrews, who were not yet with Telus at the time of the February 16, 2023 Investor Day Call.

AI tech," including autonomous driving. Puritt further explained that its AI and content moderation services "go together, just like peanut butter and jelly" and that it had a "unique value proposition" in that area, with Accenture Plc as its only key competitor, despite the number of players in the AI industry.

39. During the February 16, 2023 Investor Day Call, Howen stated that Telus "[is] truly in an exciting period for AI-driven growth in competition and demand for services continue to accelerate" as Telus' "AI data solutions is a leader in an ever-evolving, high-quality AI training data space." Howen also highlighted the Company's "AI growth," qualifying it as "impressive." When asked by Howen whether AI was a threat or an opportunity for Telus, Ringman explained that the Company "had so many clients start to reach out to [them] and say, what is—what should our strategy be around ChatGPT". Ringman stated that Telus was a "premium provider […] not here to solve the simple tasks."

40. Kanu highlighted Telus' 20% EBITDA[3] margin, noting "we don't think that's the upper limits per se. We do think that even beyond that, we've got some opportunity for continuing margin expansion and coming from a number of different levers […]." Kanu then discussed the Company's EBITDA margin perspective "over the next 3 years," confirming that she saw EBITDA margin expansion, notably due to Telus' continuous shift to higher margin generating offerings:

> […] we certainly do see a clear path to EBITDA margin expansion. And again, aspirationally, we think 100 to 200 bps expansion over a 3-year horizon should be doable for us. And that will continue to come from operating leverage scale, continuing to shift the mix of our service offerings towards those higher margin, higher value services.

41. In response to an analyst's question concerning the margin profile for Telus' different business segments, Kanu indicated that the Company "actually drive[s] very good margins in CXM" and that she thought it "[could] actually continue to increase that." With respect to the "long-term horizon," Kanu indicated that Telus "can continue to leverage [margin accretion in

---

[3] Earnings Before Interest, Taxes, Depreciation and Amortization.

CXM] and refine that in digital IT through the mix of [the Company's] service offerings and in AI data solutions."

42. The foregoing statements in paras. 37-41 above were materially false and/or misleading at the time they were made because, as the Defendants later admitted, Telus' AI offerings were provided to clients on a trial basis, generated lower margins than the Company's legacy offerings, and were cannibalizing some of the Company's higher-margin offerings, thereby negatively impacting the Company's margin expansion.

43. Additionally, none of these statements in paras. 37-41 above disclosed the change to Telus' business, operations or capital in relation to the negative impact on the Company's profitability caused by its shift towards AI.

The May 4, 2023 News Release, Unaudited Condensed Interim Consolidated Financial Statements, Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") and Earnings Call

44. Before market open on May 4, 2023, Telus released its first quarter 2023 results (the "**Q1 2023 Interim FS**" and "**Q1 2023 Interim MD&A**"). In an accompanying press release (the "**May 4, 2023 Press Release**"), Telus highlighted its $87 million USD revenue growth in Q1 2023 and touted the Company's "solid performance in revenue and profitability" in the quarter. Telus attributed its 1.1% quarter-over-quarter decrease in Adjusted EBITDA Margin (from 23.7% to 22.6%) "largely to changes in [its] revenue mix across industry verticals and geographic regions, higher salaries and benefits costs compared with the prior year, and higher service delivery costs in Europe."

45. The May 4, 2023 Press Release also stated that management – which at the time included Puritt, Kanu, Howen, and Ringman – reiterated the following FY 2023 guidance:

- Revenue in the range of $2,970 million to $3,030 million, including $255 million to $260 million from WillowTree, representing revenue growth of 20.3% to 22.8% on a reported basis, and growth of 10% to 12% excluding WillowTree;
- Adjusted EBITDA in the range of $705 million to $725 million, representing growth of 16% to 19%;

- Adjusted EBITDA Margin in the range of 23.7% to 23.9%; and
- Adjusted Diluted earnings per share (EPS) in the range of $1.20 to $1.25.

46. The Interim FS and Interim MD&A published that same day (May 4, 2023) contain similar information regarding Telus' revenue and Adjusted EBITDA margin.

47. Attached to the filings listed above were Puritt and Kanu's respective Certification of Interim Filings which certified that:

a) Puritt and Kanu reviewed the Interim FS and Interim MD&A;

b) the Interim FS and Interim MD&A do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made;

c) the Interim FS and Interim MD&A fairly present in all material respects the financial condition, financial performance, and cash flow of Telus;

d) Puritt and Kanu are responsible for establishing and maintaining disclosure controls and procedures ("**DC&P**") and internal control over financial reporting ("**ICFR**");

e) Puritt and Kanu designed DC&P, or caused it to be designed under their supervision, to provide reasonable assurance that:

   i) material information relating to Telus is made known to them by others, particularly during the period in which the interim filings are prepared; and

   ii) information required to be disclosed by Telus in its annual filings, interim filings, or other reports filed or submitted by it under securities legislation is recorded, processed, summarized, and reported within the time periods specified in securities legislation; and

f) Puritt and Kanu designed ICFR, or caused it to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principices ("**GAAP**"); and

g) Telus had disclosed in the Interim FS and Interim MD&A any change to its ICFR that occurred during the financial quarter in question that has materially affected or is reasonably likely to materially affect the Company's ICFR.

48. During the earnings call with securities analysts held that same day (the "**May 4, 2023 Earnings Call**"), Puritt stated that Telus was "well positioned" to support its clients' development of the large language models that "fuel generative AI" and that for clients who have already developed an AI model, Telus "lead[s] the work on the validation and evaluation of AI output," among other services. As an example of a current AI project, Puritt described an advanced driver assistance system for an Asian multi-national electronic company – with the project generating approximately $1 million in billings – adding that "[i]n addition to finishing up this project, we're also in talks with this client for an extension of further mileage and across even more countries, leading to a potential tripling of the projects contracted revenue value."

49. Kanu reaffirmed Telus' FY 2023 guidance during the May 4, 2023 Earnings Call, adding that for Adjusted EBITDA, "[they] continue to expect a range of $705 million to $725 million or 16% to 19% growth year-over-year with adjusted EBITDA margins of 23.7% to 23.9%."

50. In response to an analyst's question concerning Google – Telus' third largest client – Puritt stated that Google "continue[s] to be a source of growth for [them]" and that "[they]'re pretty excited about the areas of continued opportunity, particularly around generative AI." Puritt concluded the earnings call by highlighting that they "continue to leverage automation and AI, and [they're] incorporating generative AI into many of [their] existing platforms."

51. The foregoing statements in paras. 44-50 above were materially false and/or misleading at the time they were made because, as the Defendants later admitted, Telus' AI offerings were provided to clients on a trial basis, generated lower margins than the Company's legacy offerings, and were cannibalizing some of the Company's higher-margin offerings, thereby negatively impacting the Company's margin expansion.

52. Additionally, none of these statements in paras. 44-50 above disclosed the change to Telus' business, operations, or capital in relation to the negative impact on the Company's profitability caused by its shift towards AI offerings.

The May 12, 2023 Annual General Meeting

53. On May 12, 2023, Puritt opened Telus' 2023 Annual General Meeting by highlighting the Company's 12% year-over-year growth "with industry leading margins" (the "**May 12, 2023 AGM**"). Puritt also discussed Telus' long-term outlook, emphasizing that the Company "[is] at the beginning of [its] next chapter of growth with disruptive tech like generative AI," that it "is at the center of these opportunities, working with clients who seek to streamline, optimize and modernize their processes to enable scalable digital solutions and premium customer experiences," and that it "[is] equipped to develop and deliver cutting-edge AI solutions."

54. The foregoing statements in para. 53 above were materially false and/or misleading at the time they were made because, as Defendants later admitted, Telus' AI offerings were provided to clients on a trial basis, generated lower margins than the Company's legacy offerings, and were cannibalizing some of the Company's higher-margin offerings, thereby negatively impacting the Company's profitability.

55. Additionally, none of these statements in para. 53 above disclosed the change to Telus' business, operations, or capital in relation to the negative impact on the Company's profitability caused by its shift towards AI offerings.

The July 13, 2023 News Release and Guidance/Update Call

56. After market close on July 13, 2023, Telus issued a press release outlining a preliminary summary of the Company's second quarter 2023 results (the "**July 13, 2023 Press Release**"). Puritt advised in the July 13, 2023 Press Release that Telus was facing a "more cautious outlook for the balance of 2023." The July 13, 2023 Press Release contained the following revised estimates for FY 2023:

- Revenue in the range of $2,700 million to $2,730 million, including $205 million to $215 million from WillowTree, representing revenue growth of 9% to 11% on a reported basis, and growth of 1% to 2% excluding WillowTree. This assumes an average exchange rate of one euro to 1.09 U.S. dollars for 2023;

- Adjusted EBITDA in the range of $575 million to $600 million;
- Adjusted EBITDA Margin in the range of 21.3% to 22.0%; and
- Adjusted Diluted EPS in the range of $0.90 to $0.97.

57. Puritt further claimed that Telus' overall revenue and profitability were negatively impacted by "persistent global macroeconomic pressures" that caused the Company to:

a) "experience[] more pronounced and unexpected reductions in service demand from some of [its] larger clients, particularly within the technology vertical"; and

b) "experience[] delays and lower than expected activity in converting opportunities into spend commitments, as clients continue to address their own cost structures, including successive employee downsizing."

58. Although Kanu noted the magnitude of the "persistent global macroeconomic pressures," she nonetheless indicated that they "see meaningful opportunities as it relates to digital transformation, generative AI adoption, and the continuing critical importance of differentiated digital customer experience solutions in the market that [they] believe will be a tailwind for Telus['] [...] long-term growth and profitability."

59. During the guidance/update call held later that day (the "**July 13, 2023 Guidance/Update Call**"), Kanu touted Telus' consistent growth and profitability track record:

> Although this is a difficult near-term update to share, our view on the critical importance of digital transformation has not changed. As shared at our Investor Day earlier this year, T[elus] has demonstrated a consistent track record of strong revenue growth, profitability and cash flow growth over the past 5 years with historical compound annual growth rates across revenue, adjusted EBITDA, adjusted diluted earnings per share and free cash flow growth each being well over 30%.
>
> Indeed, we see meaningful opportunities being amplified by generated AI adoption and believe in the continuing critical importance of differentiated

> digital customer experience solutions in the market that will be a tailwind of TELUS International's long-term growth and profitability.

60. During the Q&A portion of the July 13, 2023 Guidance/Update Call, Puritt addressed the "heightened price-sensitive environment" as well as the "challenge of [determining] just how much of a trade-off on margin yield through price reductions [they] are [...] willing to tolerate in order to preserve revenue and revenue growth," adding:

> [A]nd we anticipate that because of our unique differentiated AI and part enable capabilities that are really focused on delivering a superior client experience, but we think there's value for money to be recognized in that [and] we'll continue to be able to distinguish ourselves from the competition, but it is absolutely getting more challenging.

61. Puritt also emphasized that he had "complete confidence that [Telus] remains well positioned to continue executing on [its] profitable growth strategy" and that his "plan" is for Telus "to return to perpetuate and to amplify that same growth and profitability profile", adding that the Company's "technology-enabled solutions, including AI, in particular, underpin [his] certainty in that regard."

62. The foregoing statements in paras. 56-61 above were materially false and/or misleading at the time they were made because:

a) as the Defendants later admitted, Telus' AI offerings were provided to clients on a trial basis, generated lower margins than the Company's legacy offerings, and were cannibalizing some of the Company's higher-margin offerings, thereby negatively impacting the Company's profitability; and

b) they gave the incorrect impression that the negative impact on Telus' profitability was solely due to an isolated event, *i.e.,* "global macroeconomic pressures," rather than an enduring deep-seated issue caused by the Company's ongoing shift towards AI.

63. Additionally, none of these statements in paras. 56-61 above disclosed the change to Telus' business, operations, or capital in relation to the negative impact on the Company's profitability caused by its shift towards AI offerings.

The August 4, 2023 News Release, Interim FS, MD&A and Earnings Call

64. Before market open on August 4, 2023, Telus released its second quarter 2023 results (the "**Q2 2023 Interim FS**" and "**Q2 2023 MD&A**"). In an accompanying press release (the "**August 4, 2023 Press Release**"), Telus disclosed that it had generated revenue of $667 million, a net loss of $7 million, diluted EPS of $(0.03), Adjusted EBITDA of $120 million, and Adjusted EBITDA Margin of 18.0% in the quarter. These results were consistent with previously announced guidance for the quarter. The Q2 2023 Interim FS and Q2 2023 Interim MD&A contain similar information.

65. In the August 4, 2023 Press Release, Telus explained the year-over-year decrease in Adjusted EBITDA and Adjusted EBITDA Margin as follows:

> Adjusted EBITDA was $120 million, a decrease of 20% from $150 million in the same quarter of the prior year, due to the increase in salaries and benefits outpacing revenue growth, and higher goods and services purchased. Profitability in the quarter was impacted by cost imbalances arising from reductions in service demand, principally in Europe, from some of our larger clients, as well as higher service delivery costs in our AI business due to higher task complexity — all of these impacts combined were only partially offset by cost efficiency efforts realized during the quarter. Adjusted EBITDA Margin was 18.0%, compared with 24.0% in the same quarter of the prior year, due to the aforementioned higher service delivery costs and changes in our revenue mix across industry verticals and geographic regions. Adjusted Diluted EPS was $0.17, 43% lower year-over-year.

66. Defendants Puritt, Kanu, Howen, and Ringman reaffirmed Telus' FY 2023 guidance in the August 4, 2023 Press Release.

67. Attached to the filings listed above were the Defendants Puritt's and Kanu's respective Certification of Interim Filings, which contain representations similar to those identified in para. 47 above.

68. During the earnings call with securities analysts held that same day (the "**August 4, 2023 Earnings Call**"), Puritt emphasized that the "margin pressures in the second quarter were largely due to isolated issues that we have now either already addressed or have a clear line of sight to remedy." Puritt further explained that "[d]ue to the strong progress and execution of these and other remediation efforts, [they] expect to quickly return to [Telus'] typical 20% plus adjusted

EBITDA margin for the balance of the year." Puritt also reiterated his belief that "[Telus'] long-term investment thesis is very much intact and [its] competitive position remains strong" in light of the "meaningful opportunities ahead in digital transformation and generative AI, in particular [...], areas where [Telus] is uniquely positioned and credentialed to design, build, and deliver differentiated, responsible, and mark et-leading solutions for [their] clients."

69. Puritt also highlighted Telus' involvement in the disruption of the CX industry (which at that point was dominated by AI), stating:

> TI is not merely a backseat passenger in this disruption nor have we been in the past. We invested in Lionbridge AI and Playment years ago to capitalize on the growth in need for AI data annotation and computer vision services, the picks and shovels as I like to call them, to help our clients leverage AI opportunities. More recently, we invested in WillowTree to incrementally grow our digital advisory capabilities and our bench of top tech talent that could help to create market differentiating brand experiences.
>
> [...]. As TI has done during previous tech-fueled iterations, we are simultaneously expanding our range of solutions and upskilling our workforce at an accelerated pace in order to meet the changing demands of our customers. [...]
>
> We see generative AI as a net positive development for our business, thanks to our existing capabilities and the benefits we stand to realize by deploying generative AI solutions within our own operations and on behalf of our clients. To this end, TELUS International has a comprehensive suite of data-driven end-to-end generative AI solutions that integrate the best of GenAI capabilities and human expertise to transform digitally-led customer experiences across the entire customer journey.

70. Puritt then provided analysts with an example of how Telus was using AI in CX:

> For example, we're currently supporting a leading conversational generative artificial intelligence chatbot developed by one of our hyperscaler clients by actively driving the expansion efforts across multiple initiatives. While I'm limited in the level of detail I can provide regarding this engagement, I can share that we're helping our client with prompt research and leveraging TI's global AI community of subject matter experts for the prompt and response creation. Our team is also involved in their generative AI evaluation and data set tuning as well as benchmarking and analytics. We've been providing generative AI support across the span of this client's language coverage and supporting multiple GenAI engineering efforts throughout the year. We anticipate expanding the scope of the

> services we're providing to all of more than the 500 languages and dialects we support.
>
> This is a large-scale complex engagement for our AI data solutions team that builds upon our long-standing partnership with this client that spans well over a decade and also includes CX support services and a joint go-to-market opportunity supporting digital transformation strategies and digital customer experiences.

71. Puritt concluded his remarks by affirming that Telus' "sales funnel continues to be very, very robust" and that the "conversations [he's] personally having with existing and prospective customers continue to indicate a desire to procure from [the Company] the very capabilities that [they've] perfected over the last many years, in particular, more recently [their] exciting new GenAI-enabled capabilities."

72. In response to a question concerning Puritt's allusion to "increased pricing pressure, particularly coming from the customers," Puritt stated that while he "do[esn't] want to miss out on new business opportunities, whether it's net new or growth to existing [...] [he's] also not willing to discount [...] prices so much so that the margin yield implications are catastrophic."

73. Puritt was asked if there is "any way to size maybe how many of [Telus'] clients [the Company is] working with on some type of AI product" and whether "these generative AI projects get priced differently" and/or are "generally higher margin type of work." In response, Puritt stated:

> So it's still early days for us admittedly, although it is dozens and dozens of our clients with whom we are already currently engaged in either actually doing work or consulting in connection with how we're going to leverage generative AI in order to assist they (sic) in achieving better outcomes for their businesses and their customers. And in connection with those multiple conversations, similarly, the business model is equally under evolution, if you will.
>
> So in some cases, it's transaction-based, conversation-based interaction-based, outcome-based with fixed fees for the consulting professional services upfront. Similarly, time and materials in connection with some of the data engineering, data analytics activity in order to structure the clients' data at first instance to make it accessible and meaningful in terms of deriving actionable insights. So I think it's the tip of the iceberg right now, and we're actually quite excited about where this is going to take our

> industry more broadly.
>
> For decades now, there's been talk about outcome-based pricing, gain share, risk/reward pricing and customers, although often historically having expressed an appetite for that, seemed invariably to get cold feet and return to a more predictable time- and materials-based engagement historically. And I think at long last, GenAI is going to force a change across the industry more broadly, and we're looking forward to what that means in terms of opportunity.

74. In responding to a question later in the call, Puritt stated "we see a continued evolution in our service mix and the opportunities to both grow top line and margin expansion that will be plentiful."

75. The foregoing statements in paras. 64-74 above were materially false and/or misleading at the time they were made because:

a) as the Defendants later admitted, Telus' AI offerings were provided to clients on a trial basis at a discounted price, generated lower margins than the Company's legacy offerings, and were cannibalizing some of the Company's higher-margin offerings, thereby negatively impacting the Company's profitability;

b) they gave the incorrect impression that the negative impact on Telus' profitability was solely due to an isolated event rather than an enduring deep-seated issue caused by the Company's ongoing shift towards AI; and

c) they gave the incorrect impression that management would not discount the price of Telus' AI offerings so much so that it would have a negative impact on the margin yield.

76. Additionally, none of these statements in paras. 64-74 above disclosed the change to Telus' business, operations, or capital in relation to the negative impact on the Company's profitability caused by its shift towards AI offerings.

The November 3, 2023 News Release, Interim FS, MD&A and Earnings Call

77. After market open on November 3, 2023, Telus released its third quarter 2023 results (the "**Q3 2023 Interim FS**" and "**Q3 2023 Interim MD&A**"). In an accompanying press release (the "**November 3, 2023 Press Release**"), Telus disclosed that it had generated revenue of $663 million, net income of $9 million, Adjusted EBITDA of $144 million (compared to $120 million in the previous quarter), and Adjusted EBITDA Margin of 21.7% (compared to 18.0% in the previous quarter). The Q3 2023 Interim FS and Q3 2023 Interim MD&A contain similar information.

78. In the November 3, 2023 Press Release, Telus touted these results as "demonstrat[ing] steady revenue growth" and "improved profitability."

79. Adjusted EBITDA and Adjusted EBITDA Margin, while increasing quarter-over-quarter, decreased year-over-year. Telus explained these declines in the November 3, 2023 Press Release:

> Adjusted EBITDA was $144 million, a decrease of 9% from $158 million in the same quarter of the prior year, due primarily to the increase in salaries and benefits outpacing revenue growth, resulting from lower utilization of team members in certain regions. Profitability was impacted by cost imbalances arising from reductions in service demand, principally in Europe, from some of our larger technology clients, which were partially offset by cost efficiency efforts realized during the quarter. Adjusted EBITDA Margin was 21.7%, compared with 25.7% in the same quarter of the prior year, due to the aforementioned factors, as well as changes in our revenue mix across industry verticals and geographic regions. Adjusted Diluted EPS was $0.21, compared with $0.32 in the same quarter of the prior year.

80. None of the reasons the Defendants offered for the year-over-year decreases in Adjusted EBITDA and Adjusted EBITDA Margin related to Telus' lower-margin AI offerings.

81. Puritt, Kanu, Howen, and Ringman reaffirmed Telus' FY 2023 guidance in the November 3, 2023 Press Release.

82. Attached to the filings listed above were Puritt's and Kanu's respective Certification of Interim Filings, which contain similar representations as those identified in para. 47 above.

83. During the earnings call with securities analysts held that same day (the "**November 3, 2023 Earnings Call**"), Puritt highlighted Telus' purported "good progress, improving [its] profitability profile to the second quarter, with [its] Adjusted EBITDA Margin increasing 370 basis

points." Puritt added that Telus positioned its business "as the partner of choice to [its] clients", stating:

> Finally, while the broader near-term operating environment remains challenging, it's been a truly encouraging year for our AI Data Solutions business. It's always been a dynamic space, but we're seeing good momentum and demand this year, in particular, led by the work we do to support market-leading generative AI foundational model builders, and we're now on pace to complete 1 billion tasks in a single year for the first time ever. In 2023, thus far, we've seen a roughly 1,060% increase in generative AI and large language model services with leading use cases, including supervised fine tuning and reinforcement learning from human feedback, data set sourcing and data engineering.

84. Later, in response to a question querying "what portion of [Telus'] customer base is looking at AI work at this point", Puritt emphasized the Company's "AI experience and expertise" which, he asserted, led to (i) conversations with clients about consulting services on an advisory basis, and (ii) upselling additional AI services to those same clients:

> [W]e really do have something quite unique, differentiated because of the AI experience and expertise and because of the comprehensive nature of the offering, where we can engage in a conversation in terms of a consulting advisory basis to really explore, together with our customers, the art of the possible and how their environment might lend itself favorably to GenAI implementation and adoption to help both their own internal team members exploit that capability, as well as to better serve their customers. We can then move to the next phase of that engagement with them and helping to structure their data such that when you're deploying these generative AI capabilities, you're producing more relevant insights and actionable takeaways rather than just garbage in, garbage out.
>
> We can then, again, engage in the next phase of that evolution with them and build the web interface and/or mobile application capability so that both team members and customers alike have access, on a real time basis, to all of that more valuable information that generative AI is now producing, and then, last but not least, having this proprietary platform that gives customers access right now, on day one, to a myriad of capabilities in terms of agent assist bot capabilities and language translation capabilities on a real time basis.

85. When asked to discuss "price competition in the market or pricing," Puritt stated that this "pervasive persistent pressure around more for less [...] creates the necessity for service providers [l]ike [Telus] to find a way to create the headroom in [its] service offering so that we can capture

the demand opportunity at those pressurized price points but still generate our targeted margin yield."

86. The foregoing statements in paras. 77-85 above were materially false and/or misleading at the time they were made because:

a) as the Defendants later admitted, Telus' AI offerings were provided to clients on a trial basis at a discounted price, generated lower margins than the Company's legacy offerings, and were cannibalizing some of the Company's higher-margin offerings, thereby failing to generate Telus' targeted margin yield and negatively impacting the Company's profitability;

b) they gave the incorrect impression that the negative impact on Telus' profitability was solely due to an isolated event rather than an enduring deep-seated issue caused by the Company's ongoing shift towards AI; and

c) they gave the incorrect impression that Telus' profitability was back on track in the near term.

87. Additionally, none of these statements in paras. 77-85 above disclosed the change to Telus' business, operations, or capital in relation to the negative impact on the Company's profitability caused by its shift towards AI offerings.

The February 9, 2024 News Release, Annual Consolidated Financial Statements, Management's Discussion and Analysis of Financial Condition and Results of Operations, Annual Report on Form 20-F and Earnings Call

88. Before market open on February 9, 2024, Telus released its fourth quarter and FY 2023 results (the "**FY 2023 FS**", "**FY 2023 MD&A**" and "**2023 Annual Report**"). In an accompanying press release (the "**February 9, 2024 Press Release**"), Telus disclosed that the Company's:

a) Q4 revenue was $692 million, net income of $38 million, Adjusted EBITDA was $164 million and Adjusted EBITDA Margin was 23.7%; and

b) FY 2023 revenue was $2,708 million, Adjusted EBITDA was $583 million and Adjusted EBITDA Margin was 21.5% – all of which fell within the range provided by the FY 2023 guidance.

89. The FY 2023 FS, FY 2023 MD&A, and 2023 Annual Report contain similar information.

90. In the February 9, 2024 Press Release, Telus claimed to be "delivering solid revenue growth, with resilient profitability and cash flow", announced Kanu's departure from the Company effective March 31, 2024, and outlined the Company's FY 2024 guidance of:

- Revenue in the range of $2,790 million to $2,850 million, representing growth of 3% to 5%;
- Adjusted EBITDA in the range of $623 million to $643 million, representing growth of 7% to 10%;
- Adjusted EBITDA Margin in the range of 22.3% to 22.6%; and
- Adjusted Diluted EPS in the range of $0.93 to $0.98, representing growth of 7% to 13%.

91. Attached to the filings listed above were Puritt's and Kanu's respective Certification of Principal Executive Officer and Certification of Principal Financial Officer which contain representations similar to those identified in para. 47 above. Also attached to the Annual Report were Puritt's and Kanu's respective Sarbanes-Oxley ("**SOX**") Certifications, which certified that the Annual Report "fully complie[d] with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended" and that "the information contained [therein] fairly present[ed], in all material respects, the financial condition and results of operations of [Telus]."

92. During the earnings call with securities analysts held that same day (the "**February 9, 2024 Earnings Call**"), Puritt stated that he "continue[s] to see an exciting and robust landscape for growth, particularly around next-gen AI-enabled solutions in particular." When asked whether the "[20]24 outlook [...] include[s] any material impact from specific AI-related bookings or services that you guys have booked this year," Puritt replied that "AI is going to be the standout for us going forward through the entirety of 2024 and beyond, not just in the back half."

93. Later, in response to a question querying whether the Defendants could provide an update on the competitive pricing environment discussed in August and November 2023, Puritt replied:

> [T]he ongoing investments inside T[elus] to continue to enhance and amplify our ability to serve our customers, not just in terms of quality, but to do it in a way that creates the headroom we need to continue engendering the profitability returns that we're looking for, and again, I think it's a sign of the times, and I don't see that changing anytime soon.

94. The foregoing statements in paras. 88-93 above were materially false and/or misleading at the time they were made because:

a) as the Defendants later admitted, Telus' AI offerings were provided to clients on a trial basis at a discounted price, generated lower margins than the Company's legacy offerings, and were cannibalizing some of the Company's higher-margin offerings, thereby failing to generate Telus' targeted margin yield and negatively impacting the Company's profitability;

b) they gave the incorrect impression that Telus' profitability was back on track; and

c) they gave the incorrect impression that Telus was pricing its offerings in a way that would achieve the Company's profitability target.

95. Additionally, none of these statements in paras. 88-93 above disclosed the change to Telus' business, operations, or capital in relation to the negative impact on the Company's profitability caused by its shift towards AI offerings.

The Truth of the Challenges Facing Telus' Transition to AI Emerges

96. The truth concerning Telus' AI offerings and their impact on the Company's margins and profitability emerged gradually through a series of partial disclosures.

97. Before market open on May 9, 2024, Telus released its first quarter 2024 results (the "**Q1 2024 Interim FS**" and "**Q1 2024 Interim MD&A**"). An accompanying press release (the "**May 9, 2024 Press Release**") quoted Puritt as stating that the financial results were "in line with [...] expectations". In addition, Chande was quoted as stating that Telus "maintained a robust level of

profitability, despite persistent macroeconomic pressures [in Q1 2024]." As a result, Telus' FY 2024 guidance remained unchanged.

98. During the earnings call with securities analysts held that same day (the "**May 9, 2024 Earnings Call**"), Chande was asked to clarify "what margin should look like on a go-forward basis" since Telus was "down year-over-year and [...] below the full year guidance". Chande conceded that Telus was "seeing pressure on [its] margins" and revealed that the margins generated by the Company's AI offerings were below average:

> So a bit of the pressure relates to the mix of business we're doing. So we don't provide margin by service line, but we have said in the past that trust and safety is one of our higher margin businesses. And AI data solutions, depending on the work, can be a bit below average. So we're working through the adjustment of the mix of our work. [...]

99. The Q1 2024 Interim FS, Q1 2024 Interim MD&A, May 9, 2024 Press Release, and the May 9, 2024 Earnings Call (including the citations quoted at paras. 97-98, above), are collectively the "**May 2024 Disclosure**".

100. The May 2024 Disclosure was the first explicit admission that Telus' AI offerings were lower-margin and contrasted starkly with the statements made by the Defendants since February 2023 about the anticipated profitability of Telus' alleged unique AI solutions and how well-positioned the Company was to win in the AI space. That said, as appears from the August 2024 Disclosure (discussed later herein), the May 2024 Disclosure did not reveal the entire truth as a result of which the statements in paras. 97-98 above were materially false and/or misleading at the time they were made because:

a) as the Defendants later admitted, Telus' AI offerings were provided to clients on a trial basis at a discounted price and were cannibalizing some of the Company's higher-margin offerings, thereby failing to generate Telus' targeted margin yield and negatively impacting the Company's profitability;

b) they gave the incorrect impression that Telus' profitability was on track; and

c) they gave the incorrect impression that Telus was pricing its offerings in a way that would achieve the Company's profitability target.

101. Additionally, none of these statements in paras. 97-98 above disclosed the change to Telus' business, operations, or capital in relation to the negative impact on the Company's profitability caused by its shift towards AI offerings.

102. On May 13, 2024, Telus filed a final short form base shelf prospectus (“**Base Shelf Prospectus**”) for the issuance of, from time to time: (i) subordinate voting shares; (ii) preferred shares; (iii) warrants to purchase securities; (iv) rights to acquire securities; (v) units comprised of one or more of any of the other securities described in the Base Shelf Prospectus; (vi) debt securities; and (vii) subscription receipts. The Base Shelf Prospectus incorporates by reference the FY 2023 FS, FY 2023 MD&A, 2023 Annual Report, Q1 2023 Interim FS, Q1 2024 Interim FS, Q1 2023 MD&A, and Q1 2024 MD&A.

103. On May 21, 2024, Puritt presented at the 52nd J.P. Morgan Annual Global Technology, Media & Communications Conference (the “**JPM Conference**”). During the JPM Conference, Puritt provided additional detail on the lower-margin AI offerings, revealing that Telus is “deploying [AI] pilots all over the place” and that “it's hard to charge full freight for a pilot when you're trying to prove out your credentials and capabilities and you're experimenting at a relatively small scale [...].”

104. Later during the JPM Conference, Puritt stated that Telus' Q1 2024 bookings were “[c]ertainly more AI-centric,” reiterating that this resulted in margin pressures since Telus could not “charge full freight” for these bookings:

> Certainly more AI-centric, which, in and of itself, is encouraging given where, I think, the business is going more broadly as we just discussed. But it also comes with a bit of margin pressure because, again, as I mentioned earlier, we don't get to charge full freight on the proof-of-concept pilot. And so we need to be, as ever, and this too is not new, but I think it's intensified right now is finding that elusive balance of revenue growth and margin yield.

105. On June 13, 2024, Telus announced it was rebranding to “Telus Digital Experience.” According to Telus, this rebrand – to be completed in the third quarter of 2024 – “reflects the [C]ompany's evolved business strategy to become the AI-fueled CX partner of choice for global and disruptive brands and fortifies its role as a forward-thinking industry leader focused on continued technological advancement and innovation.”

106. Before market open on August 2, 2024, Telus released disappointing second quarter 2024 results, which disclosed: (i) a $5 million quarter-over-quarter or $15 million year-over-year revenue decrease; (ii) a $23 million or 15% quarter-over-quarter Adjusted EBITDA decrease; and (iii) 14.5% quarter-over-quarter reduction in Adjusted EBITDA Margin, from 23.3% to 19.9% (the "**Q2 2024 Interim FS**" and "**Q2 2024 Interim MD&A**"). In an accompanying press release (the "**August 2, 2024 Press Release**"), Telus reduced its FY 2024 guidance as follows:

- Revenue in the range of $2,610 million to $2,665 million (down from $2,790 million to $2,850 million);
- Adjusted EBITDA in the range of $465 million to $485 million (down from $623 million to $643 million);
- Adjusted EBITDA margins of 17.8% to 18.1% (down from 22.3% to 22.6%); and
- Adjusted Diluted EPS in the range of $0.39 to $0.44 (down from $0.93 to $0.98).

107. During the earnings call with securities analysts held that same day (the "**August 2, 2024 Earnings Call**"), Puritt stated that he "fully acknowledge[d] the impact of how [their] efforts to address the challenges [they] experienced since last year and [their] resulting underperformance has put a tremendous dent into [their] longer-term track record of delivering sustained profitable growth."

108. After discussing Telus' AI-related business, Puritt disclosed that Telus' transition to AI cannibalized some of the Company's higher-margin CX offerings:

> In the near term, however, this transition necessitates some cannibalization of our tenured and higher-margin CX work historically in the mid-20s to mid-30s EBITDA margin range with still nascent and relatively lower margin AI revenue streams. We believe this near-term margin dilutive trade-off will be resolved as our GenAI-focused offerings continue to achieve better scale, generating a much-improved level of profitability, which will bolster the acceleration of our overall enterprise margin profile.

109. Puritt stated later in the August 2, 2024 Earnings Call that Telus was not delivering cost savings through its transition to AI as quickly as the Company should have been, that Telus has

faced challenges in keeping the prices of its AI offerings competitive for several years, and that Telus' historical margin profile would suffer as a result of its transition to AI:

> And I think interestingly, one can bifurcate the CX and the AI universe a little bit in terms of the pricing dynamic. On the latter, on the CX front, I think because of the opportunities for technology substitution and enablement, there is this pervasive downward pressure and expectation, well, with more technology in the solution and less labor, you should be able to deliver more cost effectively. And indeed, whilst we're making progress on that time, it has not been, as I said in my earlier remarks, as quick as we should have been.
>
> On the AI front, remember, a lot of our competitors are either private companies or companies that are clearly not targeting the same kind of profitable margin yield as we and as a consequence, their focus on price has been considerably less important. They're looking for the land grab and just revenue growth. And so it's plus in this annual position of, well, do we allow for this complete eradication of margin yields in order to enjoy the revenue upside or do we try and find that elusive balance. And that's really been the challenge over the last few years.
>
> And I think as you heard from our comments and reflected in our revised guidance, we're going to have to take it on the chin a little bit in terms of our historical margin profile so that we can enjoy the upside on revenue and then rely upon scale and our own, eating our own [indiscernible] internally, as I said, in order to create a headwind in to enjoy the margin yield that we've historically benefited from.

110. In response to a question regarding the recovery of Telus' margins, Puritt conceded that Telus' AI offerings had not been as profitable as expected and that the Company's transition to AI was facing significant pricing pressures:

> So we're going to have to intentionally lower expectations in the near term to the levels that are reflected in the guide that you've seen so that we can get back on track for revenue growth and thereafter in the fullness of time as we continue to see better progression on our cost efficiency efforts that will create the headroom to get our margins back up to where we want them to be is where we think they could be.
>
> I think I'll invite Tobias [Dengel, President of WillowTree] to comment on the AI front. But just as a setup, as I mentioned a moment ago, right now, it's still this land grab period where, again, the price competition is quite fierce. And so we need to once again focus on winning opportunities, getting in the door with these clients. And then when we demonstrate the

> capability set that we have, we can then look to expand the margin yield derived from that.

111. The Q2 2024 Interim FS, Q2 2024 Interim MD&A, August 2, 2024 Press Release, and the August 2, 2024 Earnings Call (including the citations quoted at paras. 106-107, above), are collectively the "**August 2024 Disclosure**".

Telus' Share Price Plummeted After Each Public Correction

112. The May 2024 Disclosure and the August 2024 Disclosure are collectively "**Public Corrections**." Following the issuance of each of the Public Corrections, Telus' share price decreased significantly on the TSX, NYSE, and other trading venues.

113. After the May 2024 Disclosure, Telus' share price on the TSX dropped from the prior day's close of $10.70 CAD to $8.70 CAD at market close on May 9, 2024, a decline of 18.7%. The price of Telus shares on the NYSE also decreased over that period, dropping 18.1% from $7.77 USD to $6.36 USD on heavy trading volume.

114. After the August 2024 Disclosure, Telus' share price on the TSX dropped from the prior day's close of $9.02 CAD to $5.75 CAD at market close on August 2, 2024, a decline of 36.3%. The price of Telus shares on the NYSE also decreased over that period, dropping 36% from $6.48 USD to $4.15 USD on heavy trading volume.

The Defendants' Disclosure Obligations

115. At all material times, Telus was a reporting issuer in British Columbia. Telus elected to become and remain a reporting issuer to render its securities publicly tradeable. To maintain its status as a reporting issuer, Telus was required to issue and file on the System for Electronic Document Analysis and Retrieval ("**SEDAR**"):

a) Quarterly financial statements prepared in accordance with applicable accounting principles and an interim MD&A within 45 days of the end of each quarter pursuant to National Instrument 51-102;

b) Annual financial statements and an MD&A within 90 days of the end of the fiscal year pursuant to National Instrument 51-102;

c) an Annual Information Form or an equivalent disclosure within 90 days of the end of the fiscal year pursuant to National Instrument 51-102;

d) a certificate of interim filings on the same date that the issuer files its interim financial statements and interim MD&A pursuant to National Instrument 52-109. One certificate of interim filings must be filed for each certifying officer;

e) a certificate of annual filings on the same date that the issuer files the later of an Annual Information Form or its annual financial statements and annual MD&A pursuant to National Instrument 52-109. One certificate of annual filings must be filed for each certifying officer; and

f) a management information circular in the case of any solicitation, including a solicitation by or on behalf of management of a reporting issuer pursuant to National Instrument 51-102.

116. During the Class Period, Telus filed the following core documents, *inter alia*, on SEDAR:

a) the Q1 2023 Interim FS;

b) the Q1 2023 Interim MD&A;

c) the Q2 2023 Interim FS;

d) the Q2 2023 MD&A;

e) the Q3 2023 Interim FS;

f) the Q3 2023 Interim MD&A;

g) the FY 2023 FS;

h) the FY 2023 MD&A;

i) the 2023 Annual Report;

j) the Q1 2024 Interim FS;

k) the Q1 2024 Interim MD&A; and

l) the Base Shelf Prospectus,

(collectively, the "**Core Documents**").

117. Additionally, during the Class Period, Telus filed the following documents, *inter alia*, on SEDAR:

a) the May 4, 2023 Press Release;

b) the July 13, 2023 Press Release;

c) the August 4, 2023 Press Release;

d) the November 3, 2023 Press Release;

e) the February 9, 2024 Press Release; and

f) the May 9, 2024 Press Release,

(collectively, the "**Non-Core Documents**").

118. The Core Documents and the Non-Core Documents are collectively the "**Impugned Documents**".

119. Puritt, Kanu, Chande, Ringman, and Howen (collectively, the "**Officer Defendants**") also made disclosures to the market through public oral statements during the Class Period through, *inter alia*:

a) the February 16, 2023 Investor Day Call;

b) the May 4, 2023 Earnings Call;

c) the May 12, 2023 AGM;

d) the July 13, 2023 Guidance/Update Call;

e) the August 4, 2023 Earnings Call;

f) the November 3, 2023 Earnings Call;

g) the February 9, 2024 Earnings Call; and

h) the May 9, 2024 Earnings Call,

(collectively, the "**Public Oral Statements**").

120. In fulfilling the above requirements and in making disclosures to the market generally, Telus was prohibited from making a statement that:

a) was misleading or untrue or did not state a fact that was required to be stated or that was necessary to make the statement not misleading in a material respect and at the time and in light of the circumstances under which it was made; and

b) would reasonably be expected to have a significant effect on the market price or value of its securities.

121. Each of the Officer Defendants knew, from the time that they accepted their respective positions with Telus, that the Company was a reporting issuer and that they would have direct responsibility for ensuring the accuracy of Telus' Impugned Documents and Public Oral Statements.

122. The *Securities Act* and certain instruments and policies promulgated thereunder imposed specific obligations on the Officer Defendants in the preparation of Telus' continuous disclosure documents, including the Core Documents. In addition, securities legislation of the other Canadian provinces and territories, namely the *Securities Act*, RSO 1990, c S.5, *Securities Act*, RSA 2000, c S-4, *The Securities Act*, CCSM c S50, *Securities Act*, SNB 2004, c S-5.5, *Securities Act*, RSNL 1990, c S-13, *Securities Act*, SNWT 2008, c 10, *Securities Act*, RSNS 1989, c 418, *Securities Act*, SNu 2008, c 12, *Securities Act*, RSPEI 1988, c S-3.1, *Securities Act*, RSQ c V-1.1 *The Securities*

Act, 1988, SS 1988-89, c S-42.2, and *Securities Act*, SY 2007, c 16 (the "**Other Canadian Securities Legislation**") and certain instruments and policies promulgated thereunder, and in the alternative, the Securities Exchange Act of 1934, 15 U.S.C. §78 (the "***Securities Exchange Act***") also rules promulgated thereunder, imposed specific obligations on the Officer Defendants in the preparation of Telus' continuous disclosure documents.

123. The Chief Executive Officer and Chief Financial Officer of a reporting issuer are required to certify the quarterly and annual disclosure of an issuer.

124. Puritt, as the Chief Executive Officer of Telus at the time that each of the Core Documents were released, certified each of them prior to their release.

125. Kanu, as the Chief Financial Officer of Telus at the time that the Q1 2023 Interim FS, Q1 2023 Interim MD&A, Q2 2023 Interim FS, Q2 2023 MD&A, Q3 2023 Interim FS, Q3 2023 Interim MD&A, FY 2023 Financials, 2023 FY MD&A, 2023 Annual Report were released, certified each of those documents prior to their release.

126. Chande, as the Chief Financial Officer of Telus at the time that the Q1 2024 Interim FS, Q1 2024 Interim MD&A, Q2 2024 Interim FS, and Q2 2024 Interim MD&A were released, certified each of those documents prior to their release.

127. The directors of a reporting issuer are required to approve each set of financial statements and accompanying MD&A released by an issuer prior to the release of those documents. As such, during the time that they served as directors of Telus, Puritt, Entwistle, Blair, Andrews, Anton, Arora, French, Geheran, Paish, Slaski, and Stuart (collectively, the "**Director Defendants**") reviewed and approved the Q1 2023 Interim FS, Q1 2023 Interim MD&A, Q2 2023 Interim FS, Q2 2023 MD&A, Q3 2023 Interim FS, Q3 2023 Interim MD&A, FY 2023 Financials, 2023 FY MD&A, Q1 2024 Interim FS, Q1 2024 Interim MD&A, Q2 2024 Interim FS, and Q2 2024 Interim MD&A prior to their release.

The Defendants' Misrepresentations Were Material

128. The Defendants' misrepresentations in the Impugned Documents and Public Oral Statements, and the change of which the Defendants did not make timely disclosure, particularized

above, were material. Indeed, a negative impact on Telus' profitability caused by the Company's shift towards AI offerings would reasonably be expected to have (and did have) a significant effect on the market price of Telus' securities, including but not limited to its subordinate voting shares, and would have been viewed by a reasonable investor as significantly altering the total mix of information available in making his or her to decision to invest because of the following non-exhaustive material consequences for Telus' business:

a) Telus' profitability, ability to fund growth, and financial position would be adversely affected in a material way;

b) Telus' ability to meet its guidance would be adversely affected in a material way;

c) Telus would risk defaulting on its debt;

d) Telus' reputation would be adversely affected in a material way;

e) Telus may be unable to compete in the short, medium, and long term with other companies with AI offerings;

f) Telus' failure to obtain a meaningful share of the AI market early could prevent it from increasing its AI market share in the future;

g) clients that expected to rely on Telus for AI offerings could abandon Telus in favour of the Company's competitors; and/or

h) employees working on Telus' AI offerings could abandon Telus in favour of the Company's competitors.

Harm to the Plaintiff and Class Members

129. At all material times, Telus' securities traded in an efficient market that reacted to and incorporated publicly available information about Telus into the prices at which these shares were bought and sold.

130. The Impugned Documents were disseminated, among other places, on SEDAR and, along with the Public Oral Statements, became immediately available to, and were reproduced for

inspection by, the Class Members and other members of the investing public, financial analysts, and the financial press.

131. Telus routinely transmitted the Impugned Documents to the financial press, financial analysts, and certain prospective and actual holders of Telus' securities. Telus posted copies of the Impugned Documents on its website.

132. Telus was the subject of reports by analysts, with the effect that any recommendations to purchase shares of Telus in such reports were based, in whole or in part, upon the information Telus disseminated.

133. The Defendants knew and intended that the market price at which Telus' securities were sold reflected the information, including the misrepresentations alleged by the Plaintiff, that the Defendants communicated to the market through the Impugned Documents and Public Oral Statements.

134. The Plaintiff and Class Members reasonably relied, either directly or indirectly, on the representations in the Impugned Documents and Public Oral Statements. It was reasonably foreseeable to the Defendants that this would be the case.

135. The Plaintiff and Class Members suffered losses and damages as a result of purchasing shares of Telus after the publication of some or all the Impugned Documents and/or making of some or all of the Public Oral Statements and before the Public Corrections were released at a price that was inflated compared to its true value as a result of the misrepresentation(s).

Part 2: RELIEF SOUGHT

136. The Plaintiff claims on his own behalf and on behalf of the Class Members:

a) an order certifying this action as a class proceeding and appointing the Plaintiff as the representative for the class under the *Class Proceedings Act*, RSBC 1996, c 50 (the "***Class Proceedings Act***");

b) if leave under section 140.8 of the *Securities Act* (and, if necessary, under the analogous provisions of the Other Canadian Securities Legislation) is granted in the petition proceeding commenced concurrently with this action:

   i) a declaration that the Impugned Documents and/or Public Oral Statements contained one or more misrepresentations within the meaning of the *Securities Act* (and the Other Canadian Securities Legislation, if necessary);

   ii) a declaration that the Defendants or some of them made the misrepresentations; and

   iii) damages assessed in accordance with section 140.5 of the *Securities Act* (and the analogous provisions of the Other Canadian Securities Legislation, if necessary);

c) general damages for negligent misrepresentation;

d) in relation to the Foreign Subclass, should the *Securities Act* and Other Canadian Securities Legislation not apply to adjudicate their rights, then:

   i) a declaration that Defendants violated §10(b) of the *Securities Exchange Act* and Rule 10b-5;

   ii) damages assessed in accordance with the *Securities Exchange Act* and interest thereon; and

   iii) a declaration that the Individual Defendants acted as controlling persons of Telus within the meaning of §20(a) of the *Securities Exchange Act* and are liable by reason of their conduct;

e) a declaration that Telus is vicariously liable for the acts and/or omissions of the Individual Defendants and, as may be applicable, of its other officers, directors, or employees;

f) if the requested relief with respect to the oppression claim sought in the petition proceeding commenced concurrently with this action is granted:

   i) a declaration under section 227 of the *Business Corporations Act* that:

      1. the affairs of Telus have been conducted in a manner that is wrongful and/or oppressive to one or more Class Members as shareholders; and/or

      2. the acts of Telus are unfairly prejudicial to one or more Class Members as shareholders;

   ii) an order under subsection 227(3)(m) of the *Business Corporations Act* that Telus pay Class Members all or part of the money that they paid to acquire their Telus securities, or otherwise compensate Class Members;

g) pre-judgment and post-judgment interest under the *Court Order Interest Act*, RSBC 1996, c 79 (the "***Court Order Interest Act***");

h) an order directing a reference or giving such other directions as may be necessary to determine the issues, if any, not determined at a trial of the common issues; and

i) such further and other relief as this Honourable Court may deem just.

Part 3: LEGAL BASIS

137. The Plaintiff and Class Members plead and rely on the *Class Proceedings Act*, the *Securities Act*, the *Business Corporations Act*, the *Securities Exchange Act*, the *Court Order Interest Act*, the *Negligence Act*, RSBC 1996, c 333, the *Court Jurisdiction and Proceedings Transfer Act*, SBC 2003, c 28 (the "***Court Jurisdiction and Proceedings Transfer Act***"), and the Supreme Court Civil Rules, BC Reg 168/2009 and related enactments.

Statutory Secondary Market Liability

138. Subject to leave being granted in the petition proceeding commenced concurrently with this action, the Plaintiff, on his own behalf and on behalf of the Class, asserts the right of action

found under section 140.3 of the *Securities Act* (and, if necessary, the equivalent provisions in the Other Canadian Securities Legislation) against the Defendants for misrepresentations in the Impugned Documents and Public Oral Statements.

139. Telus is a "responsible issuer" under section 140.1 of the *Securities Act.*

140. The Director Defendants were, at material times, each a "director" within the meaning of sections 140.1 and 140.3 of the *Securities Act.*

141. The Officer Defendants were, at material times, each an "officer" within the meaning of sections 140.1 and 140.3 of the *Securities Act*. The Officer Defendants authorized, permitted or acquiesced in: (i) the release of some or all of the Core Documents and Impugned Documents; (ii) the making of some or all of the Public Oral Statements; and/or (iii) the failures to make timely disclosure.

142. The Core Documents are "core documents" within the meaning of Part 16.1 of the *Securities Act* (and, if necessary, the equivalent sections of the Other Canadian Securities Legislation).

143. The Impugned Documents are "documents" within the meaning of Part 16.1 of the *Securities Act* (and, if necessary, the equivalent sections of the Other Canadian Securities Legislation).

144. The Public Oral Statements, or some of them, are "public oral statements" within the meaning of Part 16.1 of the *Securities Act* (and, if necessary, the equivalent sections of the Other Canadian Securities Legislation).

145. The Defendants' failures to disclose the negative impact on Telus' profitability caused by the Company's shift towards AI offerings are each a "failure to make timely disclosure" within the meaning of Part 16.1 of the *Securities Act* (and, if necessary, the equivalent sections of the Other Canadian Securities Legislation).

146. The Public Corrections are "public corrections" within the meaning of Part 16.1 of the *Securities Act* (and, if necessary, the equivalent sections of the Other Canadian Securities Legislation).

147. The Impugned Documents and Public Oral Statements contained misrepresentations as described herein, any one of which is a misrepresentation for the purposes of the *Securities Act* (and, if necessary, the equivalent sections of the Other Canadian Securities Legislation).

148. Puritt authorized, permitted, or acquiesced in the making of the misrepresentations in the Impugned Documents and Public Oral Statements and in the failures to make timely disclosure of the material changes set out at paras. 37-41, 44-50, 53, 56-61, 64-74, 77-85, 88-93 and 97-98.

149. Kanu authorized, permitted, or acquiesced in the making of the misrepresentations in the Impugned Documents and Public Oral Statements and in the failures to make timely disclosure of the material changes set out at paras. 37-41, 44-50, 53, 56-61, 64-74, 77-85 and 88-93.

150. Chande authorized, permitted, or acquiesced in the making of the misrepresentations in the Impugned Documents and Public Oral Statements and in the failures to make timely disclosure of the material changes set out at paras. 97-98.

151. Howen authorized, permitted, or acquiesced in the making of the misrepresentations in the Impugned Documents and Public Oral Statements and in the failures to make timely disclosure of the material changes set out at paras. 37-41, 44-50, 53, 56-61, 64-74 and 77-85 .

152. Ringman authorized, permitted, or acquiesced in the making of the misrepresentations in the Impugned Documents and Public Oral Statements and in the failures to make timely disclosure of the material changes set out at paras. 37-41, 44-50, 53, 56-61, 64-74, 77-85, 88-93 and 97-98.

153. Entwistle was a director of Telus at the time the Impugned Documents set out at paras. 37-41, 44-50, 53, 56-61, 64-74, 77-85, 88-93 and 97-98 of this Notice of Civil Claim were released, and he authorized, permitted, or acquiesced in the failures to make timely disclosure of the material changes set out in those paragraphs.

154. Blair was a director of Telus at the time the Impugned Documents set out at paras. 37-41, 44-50, 53, 56-61, 64-74, 77-85, 88-93 and 97-98 of this Notice of Civil Claim were released, and he authorized, permitted, or acquiesced in the failures to make timely disclosure of the material changes set out in those paragraphs.

155. Andrews was a director of Telus at the time the Impugned Documents set out at paras. 44-50, 53, 56-61, 64-74, 77-85, 88-93 and 97-98 of this Notice of Civil Claim were released, and she authorized, permitted, or acquiesced in the failures to make timely disclosure of the material changes set out in those paragraphs.

156. Anton was a director of Telus at the time the Impugned Documents set out at paras. 37-41, 44-50, 53, 56-61, 64-74, 77-85, 88-93 and 97-98 of this Notice of Civil Claim were released, and he authorized, permitted, or acquiesced in the failures to make timely disclosure of the material changes set out in those paragraphs.

157. Arora was a director of Telus at the time the Impugned Documents set out at paras. 37-41, 44-50, 53, 56-61, 64-74, 77-85, 88-93 and 97-98 of this Notice of Civil Claim were released, and he authorized, permitted, or acquiesced in the failures to make timely disclosure of the material change set in those paragraphs.

158. French was a director of Telus at the time the Impugned Documents set out at paras. 37-41, 44-50, 53, 56-61, 64-74, 77-85, 88-93 and 97-98 of this Notice of Civil Claim were released, and he authorized, permitted, or acquiesced in the failures to make timely disclosure of the material changes set out in those paragraphs.

159. Geheran was a director of Telus at the time the Impugned Documents set out at paras. 37-41, 44-50, 53, 56-61, 64-74, 77-85, 88-93 and 97-98 of this Notice of Civil Claim were released, and he authorized, permitted, or acquiesced in the failures to make timely disclosure of the material changes set out in those paragraphs.

160. Paish was a director of Telus at the time the Impugned Documents set out at paras. 37-41, 44-50, 53, 56-61, 64-74, 77-85, 88-93 and 97-98 of this Notice of Civil Claim were released, and she authorized, permitted, or acquiesced in the failures to make timely disclosure of the material changes set out in those paragraphs.

161. Slaski was a director of Telus at the time the Impugned Documents set out at paras. 37-41, 44-50, 53, 56-61, 64-74, 77-85, 88-93 and 97-98 of this Notice of Civil Claim were released, and she authorized, permitted, or acquiesced in the failures to make timely disclosure of the material changes set out in those paragraphs.

162. Stuart was a director of Telus at the time the Impugned Documents set out at paras. 37-41, 44-50, 53, 56-61, 64-74, 77-85, 88-93 and 97-98 of this Notice of Civil Claim were released, and she authorized, permitted, or acquiesced in failures to make timely disclosure of the material changes set out in those paragraphs.

163. With respect to each of the Non-Core Documents and Public Oral Statements, Telus and the Individual Defendants, during the time that they were directors and/or officers of the Company:

a) knew at the time that the document was released and/or the public oral statement was made that it contained a misrepresentation;

b) at or before the time the document was released and/or the public oral statement was made, deliberately avoided acquiring knowledge that it contained a misrepresentation; or,

c) through action or failure to act, are guilty of gross misconduct in connection with the release of the document and/or making of the public oral statement.

164. With respect to their failures to make timely disclosure of a material change, the Director Defendants, during the time that they were directors of Telus:

a) knew of the change at the time that the failure to make timely disclosure first occurred, and that it was material;

b) at or before the failure to make timely disclosure first occurred, deliberately avoided acquiring knowledge of the change or that the change was material; or

c) were, through action or failure to act, guilty of gross misconduct in connection with the failure to make timely disclosure.

165. With respect to the misrepresentations made in the Impugned Documents and Public Oral Statements and failures to make timely disclosure, the Individual Defendants, during the time that they were directors and/or officers of Telus:

a) authorized, permitted, or acquiesced in the making of the misrepresentations and/or the failure to make timely disclosure while knowing that it was a misrepresentation or a failure to make timely disclosure; or

b) influenced the making of the misrepresentation and/or the failures to make timely disclosure while knowing that it was a misrepresentation or a failure to make timely disclosure.

166. Accordingly, pursuant to sections 140.6(2) and (3) of the *Securities Act* (and, if necessary, the equivalent provisions of the Other Canadian Securities Legislation), the Individual Defendants are jointly and severally liable for damages in respect of any misrepresentations made and/or failures to make timely disclosure at the time that they were officers or directors of Telus. In addition, pursuant to section 140.7(2) of the *Securities Act* (and, if necessary, the equivalent provisions of the Other Canadian Securities Legislation) any liability limits do not apply to the Individual Defendants.

167. The Plaintiff and other Class Members are entitled to damages assessed in accordance with section 140.5 of the *Securities Act* (and, if necessary, the equivalent provisions of the Other Canadian Securities Legislation).

Negligent Misrepresentation

168. At all material times, the Defendants had a duty to exercise due care and diligence to ensure that the Impugned Documents and Public Oral Statements fairly and accurately disclosed information about Telus and its AI offerings, and to ensure that any material change in the business, operations, and/or capital of Telus that would reasonably be expected to have a significant effect on the market price or value of Telus' shares was publicly disclosed.

169. The Defendants were responsible for the preparation of the Impugned Documents and Public Oral Statements and the representations therein, and did so for the benefit of, and to be relied upon by, the Plaintiff and Class Members.

170. The Impugned Documents were prepared and disseminated by, and the Public Oral Statements were prepared and made by, the Defendants, in order to: (i) provide material

information to the Plaintiff and Class Members regarding Telus and securities of Telus; (ii) induce the Plaintiff and Class Members to purchase securities of Telus; and (iii) meet and discharge Telus' disclosure obligations and requirements under the *Securities Act* and National Instrument 51-102.

171. At all material times, the Defendants intended and were aware that the Plaintiff and Class Members would reasonably rely on the information contained in the Impugned Documents and Public Oral Statements in purchasing securities of Telus. The Defendants also intended and were aware at all material times that the information contained in the Impugned Documents and Public Oral Statements would be incorporated into the price of Telus' securities such that the price at which these securities were sold would at all material times reflect the information contained in the Impugned Documents and Public Oral Statements.

172. At all material times, the Defendants had exclusive access to information regarding Telus and the Company's AI offerings and were therefore the Plaintiff and Class Members' primary source of information relating thereto.

173. The Defendants heavily touted Telus' AI offerings as integral to Telus' profitability. At all material times, information regarding Telus' AI offerings was relevant and material to each Class Member's decision to acquire shares of Telus and the price at which they would acquire these shares.

174. The Defendants released, made, authorized, permitted, and/or acquiesced to the Impugned Documents and Public Oral Statements when the Defendants knew or ought to have known that they:

a) contained the misrepresentations set out in paras. 37-41, 44-50, 53, 56-61, 64-74, 77-85 and 88-93, above; and/or

b) failed to make timely disclosures set out in paras. 37-41, 44-50, 53, 56-61, 64-74, 77-85 and 88-93, above.

175. The Defendants breached their duty of care to the Plaintiff and Class Members by, *inter alia*:

a) failing to take reasonable steps to ensure that the material information in the Impugned Documents and Public Oral Statements was fair and accurate;

b) failing to ensure that the material changes particularized herein were disclosed in a timely manner;

c) failing to conduct or cause to be conducted a reasonable investigation to gather material information relating to Telus' core business operations (*i.e.*, Telus' AI offerings, including the progress, success, and profitability of said offerings and the Company's shift towards AI);

d) failing to identify a change in the business, operations, or capital of Telus relating to the negative impact on the Company's profitability caused by its shift towards AI; and

e) failing to require that the Impugned Documents and Public Oral Statements disclose the material information referenced in subparagraph (c) above and disclose in a timely manner the material changes referenced in subparagraph (d) above.

176. Had the Defendants not breached their duty of care to the Plaintiff and Class Members, the Impugned Documents and the Public Oral Statements would not have contained misrepresentations and the failures to make timely disclosure would not have occurred.

177. The Plaintiff and Class Members relied, directly or indirectly, on the misrepresentations contained in the Impugned Documents and Public Oral Statements and the Defendants' failures to make timely disclosure and did so reasonably when making the decision to acquire Telus' securities during the Class Period. The Plaintiff and Class Members would not have purchased Telus' securities, or would have purchased them at a lesser price, had the Impugned Documents and Public Oral Statements not contained misrepresentations and had the Defendants disclosed in a timely manner the material changes particularized herein.

178. The misrepresentations contained in the Impugned Documents and the Public Oral Statements and the Defendants' failures to make timely disclosure caused the price of the shares of Telus to trade at artificially inflated prices.

179. The Plaintiff and Class Members suffered loss and/or damages when the misrepresentations in the Impugned Documents and the Public Oral Statements and the Defendants' failures to make timely disclosure were publicly corrected as particularized herein.

180. For Class Members resident in Québec, the Plaintiff specifically pleads that Defendants committed a fault that caused immediate and direct injury to Québec-resident Class Members within the purview of articles 1457 and 1607 of the *Civil Code of Québec*, CQLR c CCQ-1991.

***Relief from Oppression Under the* Business Corporations Act**

181. Subject to the granting of the requested relief with respect to the oppression claim sought in the petition proceeding commenced concurrently with this action, the Plaintiff, on their behalf and on behalf of the Class Members, seeks relief from oppression under section 227 of the *Business Corporations Act* against Telus.

182. Telus is incorporated under the *Business Corporations Act*. The Plaintiff and Class Members are shareholders or other persons for whom it is appropriate to obtain relief from oppression under section 227 of the *Business Corporations Act*.

183. The Plaintiff and Class Members had reasonable expectations about how the business and affairs of Telus would be conducted. The reasonable and legitimate expectations of the Plaintiff and Class Members were that:

a) the business and affairs of Telus would be conducted in accordance with the law, including the disclosure requirements in the *Securities Act*, Other Canadian Securities Legislation and applicable securities regulatory instruments, and the *Securities Exchange Act*;

b) the directors and officers of Telus would act in accordance with section 142 of the *Business Corporations Act*; and/or

c) Telus would pursue its entrance into the AI market in a reasonable and responsible manner, taking into account considerations such as the competitive landscape for AI offerings and the impact on Telus' CX offerings of Telus' transition to AI.

184. Telus violated these reasonable expectations by:

a) making the misrepresentations and failing to make timely disclosure of the material changes particularized herein in non-compliance with the disclosure requirements in the *Securities Act*, Other Canadian Securities Legislation and applicable securities regulatory instruments, and the *Securities Exchange Act*; and/or

b) causing and/or allowing Telus to rapidly transition to AI without proper consideration to, *inter alia,* Telus' ability to compete in the competitive AI market and the negative impact of the profitability of Telus' CX offerings and the Company's overall profitability of Telus' transition to AI.

185. The violation of the reasonable expectations of the Plaintiff and Class Members was wrongful, oppressive and/or unfairly prejudicial to securityholders of Telus, including the Plaintiff and Class Members.

Vicarious Liability

186. Telus is vicariously liable for the acts and omissions of the Individual Defendants and other officers, directors, employees, and agents of Telus.

187. At all material times, the Individual Defendants were Telus' directors and/or officers.

188. The acts and/or omissions particularized and alleged herein to have been done by Telus were authorized, ordered, and/or done by the Individual Defendants and other agents, officers, directors, employees, agents, and/or representatives of Telus while these persons were engaged in the management, direction, control, and/or transaction of Telus' business and affairs.

189. By virtue of the relationship between Telus, the Individual Defendants, and other officers, directors, employees, and/or agents of Telus, such acts and omissions are not only the acts and/or omissions of the Individual Defendants but also the acts and/or omissions of Telus.

190. The Individual Defendants were at all material times officers and/or directors of Telus and, as their acts and omissions are independently tortious, each of the Individual Defendants are personally liable for same to the Plaintiff and Class Members.

Violations of the Securities Exchange Act on Behalf of the Foreign Subclass

191. In the alternative, if the *Securities Act* (or Other Canadian Securities Legislation) does not apply to purchases of Telus securities by the Foreign Subclass Members during the Class Period (which is not admitted), such transactions are subject to the *Securities Exchange Act*.

192. The Defendants' misconduct set above breached §§10(b) and 20(a) of the *Securities Exchange Act* and Rule 10b-5 promulgated thereunder.

193. The Foreign Subclass Members repeat and rely on each allegation contained above as if fully set forth herein.

194. In addition, Item 303 of SEC Regulations S-K imposed upon Telus an affirmative duty to disclose in its 2023 Annual Report "any known trends or uncertainties that have had or that the registrant reasonably expects will have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations, profitability, liquidity or capital resources, or that would cause reported financial information not necessarily to be indicative of future operating results or financial condition."

195. As of the time of the 2023 Annual Report, as discussed above, Telus, Kanu, Ringman, and the Director Defendants knew of the negative impact on Telus' profitability caused by the Company's shift towards AI offerings. Accordingly, these Defendants were required to disclose that known trend in the 2023 Annual Report.

196. The Defendants' failure to disclose this known trend in the 2023 Annual Report violated Item 303 and rendered several statements in the 2023 Annual Report false and/or misleading, including that Telus was "experiencing high demand" for its AI data solutions and that the Company's Fuel iX offering provided "a comprehensive suite of services, combining digital consulting, data services and analytics, web and mobile application development, and an AI-fueled platform."

Additional Scienter Allegations

197. The Foreign Subclass Members additionally allege that each Individual Defendant acted with scienter in that they:

a) knew or recklessly disregarded that the Impugned Documents issued, and the Public Oral Statements made, in the name of Telus were materially false and/or misleading;

b) knew or acted with deliberate recklessness in disregarding that the Impugned Documents and Public Oral Statements would be issued and disseminated to investors; and

c) knowingly and substantially participated and/or acquiesced in the issuance or dissemination of the Impugned Documents and Public Oral Statements as primary violators of U.S. federal securities laws.

198. At all relevant times, the Individual Defendants were the most senior management and/or board members of Telus. The Individual Defendants, because of their positions in Telus, possessed the power and authority to control the contents of Telus' filings, news releases, and presentations to securities analysts as well as its disclosures to the market. The Individual Defendants were provided with copies of the Impugned Documents prior to or shortly after their issuance and were made aware of the Public Oral Statements prior to or shortly after they were made, and had the ability and opportunity to prevent the issuance or making thereof or cause them to be corrected. The Individual Defendants also personally issued and made the materially false and/or misleading Impugned Documents and Public Oral Statements, respectively, to the market as alleged herein.

199. The Individual Defendants had the opportunity to commit and participate in the wrongful conduct complained of herein. Each was a senior executive officer and/or board member of Telus and therefore controlled the information disseminated to investors, *inter alia*, in Telus' news release and filings and during earnings calls with analysts.

200. During the Class Period, the Individual Defendants acted intentionally or recklessly and participated in and orchestrated the misrepresentations, negligent, and other unlawful conduct alleged herein to conceal Telus' true performance, growth prospects, and financial condition. Such actions inflated Telus' financial results, including, *inter alia,* the Company's revenue, Adjusted EBITDA, Adjusted EBITDA Margin, and Adjusted Diluted EPS, as well as the Company's stock price. The Individual Defendants' scienter may be imputed to Telus as the Individual Defendants

were Telus' most senior management and/or board members and were acting within the scope of their employment.

201. As alleged herein, the Individual Defendants knowingly and/or recklessly materially misstated the success and/or profitability of Telus' shift towards AI. In addition, the Defendants filed false SOX Certifications with the SEC representing that the information contained in the 2023 Annual Report fairly presented, in all material respects, the financial condition and results of operations of Telus.

202. During the Class Period, the Individual Defendants closely monitored Telus' AI offerings, margins, and profitability, and therefore knew or were deliberately reckless in not knowing that the Impugned Documents and Public Oral Statements regarding such matters detailed herein contained materially false and/or misleading misrepresentations.

203. Moreover, the Defendants' material misstatements and omissions alleged herein related to Telus' core business operations, including the progress, success, and profitability of its AI offerings, which were vital to Telus' prospects. In fact, Telus' pivot to AI-related offerings was at the center of the Company's turnaround strategy and the profit margin related to that shift was a key metric of its success. These issues were so fundamental to Telus that it would be impossible to conclude that the Individual Defendants, Telus' most senior executives, did not know what was going on. The importance of these matters leads to the logical and strong inference that the Individual Defendants were aware of or willfully blind to the misrepresentations. This is especially true here, where the Defendants closely monitored, disclosed, and discussed the success of Telus' shift towards AI with market participants.

Loss Causation

204. The Defendants' wrongful conduct alleged herein directly and proximately caused the economic losses suffered by the Foreign Subclass Members. During the Class Period, the Foreign Subclass Members purchased Telus' securities at artificially inflated prices caused by the Defendants' misconduct as alleged herein. The price of the Company's securities declined significantly when the facts and risks that were misrepresented and concealed by the Defendants

were disclosed and/or materialized and the Defendants' material misrepresentations and omissions were revealed to the market, causing investors' losses.

205. Before the end of the Class Period on August 2, 2024, investors were unaware of the following material facts about Telus, among others, that were known to the Defendants throughout the Class Period:

a) Telus' AI offerings were provided on a trial basis, generated lower margins than the Company's legacy offerings, and were cannibalizing some of the Company's higher-margin offerings; and

b) Telus' profitability was misstated due to the negative impact caused by the Company's shift towards AI.

206. As alleged above, these material facts were partially revealed to investors for the first time on May 9, 2024 and fully revealed on August 2, 2024:

a) on May 9, 2024, Telus issued financial results for Q1 2024 that reflected pressure on its margins, notably due to below-average margins generated by Telus' AI offerings;

b) on August 2, 2024, Telus issued disappointing second quarter 2024 results and reduced the Company's FY 2024 guidance further disclosing that its transition to AI was, and would continue to, cannibalize Telus' higher-margin legacy offerings.

207. These disclosures were the materialization of the risks previously concealed by the Defendants' material misstatements and omissions as alleged herein.

208. The market reacted swiftly and negatively to these disclosures, as referenced in paras. 113-114 above.

209. The timing and magnitude of the decline in the price of Telus' subordinate voting shares, following the Public Corrections as alleged herein and referenced above, negates any inference that the loss suffered by investors was caused by changed market conditions, macroeconomic, or industry factors, and/or other facts unrelated to the Defendants' actionable conduct. The

Defendants' misrepresentations in the Impugned Documents and Public Oral Statements, as set forth above, proximately caused foreseeable losses to the Foreign Subclass Members.

Presumption of Reliance – Fraud-on-the-Market Doctrine Applies

210. The market for Telus securities, including its subordinate voting shares, was at all relevant times open, well developed, and efficient. As a result of the Defendants' materially false and/or misleading misrepresentations in the Impugned Documents and Public Oral Statements and material omissions, Telus' subordinate voting shares traded at artificially inflated prices during the Class Period. The Foreign Subclass Members purchased Telus' subordinate voting shares, relying on the integrity of the market price of such securities and on publicly available market information relating to Telus, and as a result have suffered loss and/or damage.

211. During the Class Period, the artificial inflation of the value of Telus' subordinate voting shares was caused by the material misrepresentations in the Impugned Documents and Public Oral Statements as well as the Defendants' failures to make timely disclosure of a material change, as particularized herein, thereby causing the Foreign Subclass Members to suffer loss and/or damage. As alleged herein, during the Class Period, the Defendants made, or caused to be made, a series of materially false or misleading representations about Telus' business, prospects, and operations, causing the price of Telus' subordinate voting shares to be artificially inflated at all relevant times. When the truth was disclosed, it drove down the value of these securities, causing the Foreign Subclass Members that had purchased the securities at artificially inflated prices to suffer loss and/or damage as a result.

212. At all material times, the market for Telus' subordinate voting shares was efficient for the following reasons, among others:

a) Telus' subordinate voting shares met the requirements for listing, and were listed and actively traded on the NYSE, a highly efficient and automated market;

b) as a regulated issuer, Telus filed periodic public reports with the SEC and/or the NYSE;

c) Telus regularly communicated with public investors via established market communication mechanisms, including through regular dissemination of press releases on the national circuits of major newswire services and through other wide-ranging public disclosures, such as communications with the financial press and other similar reporting services; and/or

d) Telus was followed by securities analysts employed by brokerage firms, who wrote reports about the Company, which reports were distributed to the sales force and certain customers of their respective brokerage firms and were made publicly available.

213. Based on the foregoing, during the Class Period, the market for Telus securities promptly digested information regarding the Company from all publicly available sources and impounded such information into the price of Telus securities. Under these circumstances, the market for Telus securities was efficient during the Class Period and investors therefore purchased Telus securities at artificially inflated market prices, thereby giving rise to a Class-wide presumption of reliance under the fraud-on-the-market doctrine.

214. In the alternative, the Foreign Subclass Members are entitled to a presumption of reliance under *Affiliated Ute Citizens v. U.S.*, 406 U.S. 128 (1972), because the claims asserted herein against the Defendants are predicated upon omissions of material fact for which there was a duty to disclose, as particularized herein.

No Safe Harbor

215. The U.S. federal statutory safe harbor provided for forward-looking statements under certain circumstances does not apply to any of the allegedly false statements pled herein, as the statements alleged to be false and/or misleading herein (whether in the Impugned Documents or Public Oral Statements) all relate to then-existing facts and conditions. In addition, to the extent any of the statements alleged to be false may be characterized as forward-looking, they were not identified as "forward-looking statements" when made and were unaccompanied by meaningful cautionary statements that identified important factors that could cause actual results to differ materially from those in the purportedly forward-looking statements.

216. Alternatively, to the extent that the statutory safe harbor is found to apply to any forward-looking statements pleaded herein, the Defendants are nonetheless liable for such statements because, at the time each such statements were made, the Defendants had actual knowledge that

they were materially false or misleading, and/or the statements were authorized or approved by an officer of Telus who knew that they were materially false and/or misleading when made.

Violation of §10(b) of the *Securities Exchange Act* and Rule 10b-5 Against All Defendants

217. During the Class Period, the Defendants disseminated or approved the false statements particularized herein, which they knew or recklessly disregarded were misleading in that they contained misrepresentations and failed to disclose material facts necessary in order to make the statements made (whether in the Impugned Documents or Public Oral Statements) not misleading in light of the circumstances under which they were made.

218. The Defendants violated §10(b) of the *Securities Exchange Act* and Rule 10b-5 in that the Defendants:

a) employed devices, schemes, and artifices to defraud;

b) made untrue statements of material facts or omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; or

c) engaged in acts, practices, and a course of business that operated as a fraud or deceit upon the Foreign Subclass Members in connection with their purchases of Telus securities during the Class Period.

219. The Foreign Subclass Members have suffered damages in that, in reliance on the integrity of the market, they paid artificially inflated prices for Telus' securities. The Foreign Subclass Members would not have purchased Telus securities at the prices they paid, or at all, had they been aware that the market prices had been artificially and falsely inflated by the Defendants' misrepresentations particularized herein.

Violation of §20(a) of the *Securities Exchange Act* Against All Defendants

220. The Individual Defendants acted as controlling persons of Telus within the meaning of §20(a) of the *Securities Exchange Act*. By reason of their positions with Telus, the Individual

Defendants had the power and authority to cause Telus to engage in the wrongful conduct complained of herein. By reason of such conduct, the Individual Defendants are liable pursuant to §20(a) of the *Securities Exchange Act*.

Jurisdiction

221. There is a real and substantial connection between British Columbia and the facts alleged in this proceeding. Without limiting the foregoing, a real and substantial connection between British Columbia and the facts alleged in this proceeding exists pursuant to sections 10(g) and/or 10(h) of the *Court Jurisdiction and Proceedings Transfer Act* as this proceeding concerns:

a) a tort committed in British Columbia; and/or

b) a business carried on in British Columbia.

222. Additional circumstances that ground a real and substantial connection between British Columbia and the facts alleged in this proceeding include, but are not limited to, the following:

a) Telus is regulated by the British Columbia Securities Commission;

b) Telus is a reporting issuer in British Columbia;

c) Telus is incorporated in British Columbia;

d) Telus has an office location in British Columbia;

e) the Impugned Documents were prepared in and/or released from British Columbia;

f) the Public Oral Statements, or some of them, were made in British Columbia;

g) the Impugned Documents were disseminated to investors in British Columbia;

h) the Plaintiff and some Class Members are domiciled in British Columbia; and/or

i) Entwistle, Blair, Anton, Geheran, Paish, and Stuart are domiciled in British Columbia.

223. In the alternative, should the courts in British Columbia not have territorial competence, this Court has residual discretion to hear this proceeding because, pursuant to subsection 6(b) of the *Court Jurisdiction and Proceedings Transfer Act*, the commencement of the proceeding in a court outside British Columbia cannot reasonably be required.

Plaintiff's address for service:

Slater Vecchio LLP
1800 - 777 Dunsmuir Street
Vancouver, BC V7Y 1K4

Scott+Scott Attorneys at Law LLP
The Helmsley Building
230 Park Ave, 24 Fl
New York NY USA 10169

Fax number address for service (if any):
604.682.5197

E-mail address for service (if any):
service@slatervecchio.com; ekokmanian@scott-scott.com

Place of trial: Vancouver, British Columbia

The address of the registry is:
800 Smithe Street
Vancouver, BC V6Z 2E1

Date: December 11, 2024

Scott+Scott Attorneys at Law LLP
Emilie Kokmanian

Slater Vecchio LLP
Sam Jaworski
Saro Turner
Justin Giovannetti

Rule 7-1 (1) of the Supreme Court Civil Rules states:

(1) Unless all parties of record consent or the court otherwise orders, each party of record to an action must, within 35 days after the end of the pleading period,

(a) prepare a list of documents in Form 22 that lists

(i) all documents that are or have been in the party's possession or control and that could, if available, be used by any party at trial to prove or disprove a material fact, and

(ii) all other documents to which the party intends to refer at trial, and

(b) serve the list on all parties of record.

ENDORSEMENT ON ORIGINATING PLEADING OR PETITION FOR SERVICE OUTSIDE BRITISH COLUMBIA

The Plaintiff claims the right to serve this pleading on the Defendants Puritt, Kanu, Chande, Ringman, Howen, Andrews, Arora, French, and Slaski, outside of British Columbia on the ground that there is a real and substantial connection between British Columbia and the facts alleged in this proceeding and the Plaintiff and other Class Members plead rely upon the *Court Jurisdiction and Proceedings Transfer Act*, RSBC 2003, c 28 (the "***Court Jurisdiction and Proceedings Transfer Act***") in respect of the Defendants. Without limiting the foregoing, a real and substantial connection between British Columbia and the facts alleged in this proceeding exists pursuant to sections 10(f) through 10(h) of the *Court Jurisdiction and Proceedings Transfer Act* because this proceeding:

(a) concerns restitutionary obligations that, to a substantial extent, arose in British Columbia;

(b) concerns a reporting securities issuer headquartered in British Columbia;

(c) concerns a tort committed in British Columbia; and

(d) concerns a business carried on in British Columbia.

APPENDIX

[*The following information is provided for data collection purposes only and is of no legal effect.*]

PART 1: CONCISE SUMMARY OF NATURE OF CLAIM:

This is a class action against Telus International (Cda) Inc., its directors, and select officers for allegedly making misrepresentations regarding the company's AI offerings.

PART 2: THIS CLAIM ARISES FROM THE FOLLOWING:

[*Check* **one** *box below for the case type that* **best** *describes this case.*]

A personal injury arising out of:

[ ] a motor vehicle accident

[ ] medical malpractice

[ ] another cause

A dispute concerning:

[ ] contaminated sites

[ ] construction defects

[ ] real property (real estate)

[ ] personal property

[ ] the provision of goods or services or other general commercial matters

[x] investment losses

[ ] the lending of money

[ ] an employment relationship

[ ] a will or other issues concerning the probate of an estate

[ ] a matter not listed here

PART 3: THIS CLAIM INVOLVES:

[*Check all boxes below that apply to this case*]

[x] a class action

[ ] maritime law

[ ] aboriginal law

[ ] constitutional law

[ ] conflict of laws

[ ] none of the above

[ ] do not know

PART 4:

Class Proceedings Act, RSBC 1996, c 50

Securities Act, RSBC 1996, c 418

Business Corporations Act, SBC 2002, c 57

Negligence Act, RSBC 1996, c 333

Securities Exchange Act of 1934, 15 U.S.C. §78

Court Jurisdiction and Proceedings Transfer Act, SBC 2003, c 28