

Amended pursuant to Rule 16-1(19)(b)(i) of the Supreme Court Civil Rules.

No. S-248635
Vancouver Registry

IN THE SUPREME COURT OF BRITISH COLUMBIA

Between

KAYNE MICHAEL MIDDLETON

PETITIONER

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

RESPONDENTS

AMENDED PETITION TO THE COURT
(Original Petition to the Court Filed on December 12, 2024)

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

ON NOTICE TO:

Telus International (Cda) Inc.
Legal, 5th Floor 510 Georgia Street
Vancouver, BC V6B 0M3

Jeffrey Puritt
Legal, 5th Floor 510 Georgia Street
Vancouver, BC V6B 0M3

Vanessa Kanu
Legal, 5th Floor 510 Georgia Street
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Gopi Chande
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Beth Howen

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Carolyn Slaski

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Sandra Stuart

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Vancouver, BC V6B 0M3

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

The petitioner estimates that the hearing of the petition will take 1 day.

This matter is not an application for judicial review.

This proceeding is brought for the relief as set out in Part 1 below, by the person named as petitioner in the style of proceedings above.

If you intend to respond to this petition, you or your lawyers must:

- (a) File a response to petition in Form 67 in the above-noted registry of this court within the time for response to petition described below; and
- (b) Serve on the petitioner(s):
 - (i) 2 copies of the filed response to petition; and
 - (ii) 2 copies of each filed affidavit on which you intend to rely at the hearing.

Orders, including orders granting the relief claimed, may be made against you without any further notice to you, if you fail to file the response to petition within the time for response.

Time for response to petition

A response to petition must be filed and served on the petitioner(s):

- (a) If you were served with the petition anywhere in Canada, within 21 days after that service;
- (b) If you were served with the petition anywhere in the United States of America, within 35 days after that service;
- (c) If you were served with the petition anywhere else, within 49 days after that service; or
- (d) If the time for response has been set by order of the court, within that time.

(1)	The ADDRESS FOR SERVICE of the Petitioner is: c/o Slater Vecchio LLP 1800 – 777 Dunsmuir Street Vancouver, BC V7Y 1K4
(2)	The name and office address of the Petitioner’s lawyer is: c/o Slater Vecchio LLP 1800 – 777 Dunsmuir Street Vancouver, BC V7Y 1K4 Sam Jaworski, Saro Turner, Charlotte Harman, and Justin Giovannetti Emilie B. Kokmanian The Helmsley Building 230 Park Ave, 24 Fl, New York NY USA 10169

CLAIM OF THE PETITIONER

PART 1: ORDERS SOUGHT

1. With respect to the Petitioner’s claim against the Respondents for secondary market misrepresentation under section 140.3 of the *Securities Act*, RSBC 1996, c 418, as amended (the “*Securities Act*”) (and, if necessary, under parallel provisions of the Other Canadian Securities Legislation¹):

- a) an order granting leave to the Petitioner pursuant to section 140.8 of the *Securities Act* to commence an action against the Respondents under section 140.3 of the *Securities Act* (and, if necessary, under the parallel provisions of the Other Canadian Securities Legislation) by filing a Further Amended Notice of Civil Claim in the form attached hereto as Schedule “A” (“**FANOCC**”) in *Middleton v. Telus International (Cda) Inc. et al.*, BCSC Vancouver Registry No. S-248620 (“**Securities Act Action**”); and
- b) in the alternative to paragraph 1(a), an order granting leave to the Petitioner pursuant to section 140.8 of the *Securities Act* to commence a new action against the Respondents for secondary market misrepresentation under section 140.3 of the *Securities Act* (and, if necessary, under the parallel provisions of the Other Canadian Securities Legislation), such leave to be granted *nunc pro tunc* to December 12, 2024.

2. With respect to the Petitioner’s claim against Telus International (Cda) Inc. (“**Telus**” or the “**Company**”) for relief from oppression pursuant to section 227 of the *Business Corporations Act*, SBC 2002, c 57, as amended (“*Business Corporations Act*”):

- a) an order converting the oppression component of this petition proceeding (“**Oppression Petition**”) into an action (“**Oppression Action**”), and consolidating the Oppression Action with the *Securities Act Action* (to continue as the *Securities*

¹ Capitalized terms used herein that are not otherwise defined herein have the same meaning given to such terms in the proposed Further Amended Notice of Civil Claim attached hereto as Schedule “A”.

Act Action), and granting leave to file the FANOCC in the *Securities Act* Action;

- b) in the alternative to paragraph 2(a), an order converting the Oppression Petition into an Oppression Action, and ordering that the Oppression Action be tried at the same time or on the same day as the *Securities Act* Action; and
- c) in the alternative to paragraphs 2(a) and 2(b), an order granting relief from oppression pursuant to section 227 of the *Business Corporations Act* in the Oppression Petition.

3. Costs of this petition proceeding.

4. Such further and other relief as counsel may advise and this Honourable Court may deem just.

PART 2: FACTUAL BASIS

The Petitioner's Telus Share Purchases and the Securities Act Action

5. The Petitioner, Kayne Michael Middleton, is a resident of British Columbia. Between February 16, 2023 and August 1, 2024, inclusive (the “**Class Period**”), the Petitioner purchased a total of 69.1299 shares of Telus on the TSX for a total of \$1,042.63 CAD. The Petitioner sold all of these shares on June 10, 2024 at \$8.00 CAD per share, taking a loss on his investment.

6. On December 12, 2024, the Petitioner commenced BCSC Vancouver Registry action No. S-248620, a proposed class action against the Respondents asserting claims for negligent misrepresentation, claims under the Securities Exchange Act of 1934, 15 U.S.C. §78 (the “**Securities Exchange Act**”) and, contingent on the relief in this petition being granted, claims for secondary market misrepresentation under section 140.3 of the *Securities Act*, RSBC 1996, c 416 (the “**Securities Act**”) (and the equivalent provisions of the Other Canadian Securities Legislation, if necessary) and relief from oppression pursuant to section 227 of the *Business Corporations Act*, SBC 2002, c 57 (the “**Business Corporations Act**”).

7. The proposed Class in the *Securities Act* Action consists of all persons and entities who acquired one or more of Telus’ subordinate voting shares during the Class Period, and that held all

or a portion of these subordinate voting shares at any moment between May 9, 2024 and August 1, 2024, inclusive, other than Excluded Persons, including a subclass of all persons and entities who acquired one or more of Telus' subordinate voting shares on the New York Stock Exchange (the "NYSE") while residing outside of Canada (the "**Foreign Subclass**" and the "**Foreign Subclass Members**") and a subclass of all persons and entities who acquired one or more of Telus' subordinate voting shares listed on the Toronto Stock Exchange (the "TSX") (the "**TSX Subclass**" and the "**TSX Subclass Members**")

The Respondents

8. The Respondent Telus is a company incorporated under the *Business Corporations Act*. Telus is headquartered at 510 Georgia St W Fl 7 in Vancouver, British Columbia.

9. Telus is a subsidiary of Telus Corporation and was incorporated in 2005.

10. Telus is a responsible issuer within the meaning of 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. The British Columbia Securities Commission is Telus' principal regulator. Telus is a publicly traded company with the stock symbol (ticker) "**TIXT**" on the TSX and NYSE.

11. The Respondent Jeffrey (Jeff) Puritt ("**Puritt**") is the Executive Vice Chair of Telus' Board of Directors. Puritt 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.

12. The Respondent 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 31, 2024.²

² In certain documents filed with the U.S. Securities and Exchange Commission, Respondent Kanu is referred to as "Mahawa Vanessa Touray."

13. The Respondent 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.
14. The Respondent 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.
15. The Respondent 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.
16. The Respondent Darren Entwistle (“**Entwistle**”) was a director of Telus within the meaning of the *Securities Act* throughout the Class Period.
17. The Respondent Josh Blair (“**Blair**”) was a director of Telus within the meaning of the *Securities Act* throughout the Class Period.
18. The Respondent 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).
19. The Respondent Olin Anton (“**Anton**”) was a director of Telus within the meaning of the *Securities Act* throughout the Class Period.
20. The Respondent Navin Arora (“**Arora**”) was a director of Telus within the meaning of the *Securities Act* throughout the Class Period.
21. The Respondent Doug French (“**French**”) was a director of Telus within the meaning of the *Securities Act* throughout the Class Period.
22. The Respondent Tony Geheran (“**Geheran**”) was a director of Telus within the meaning of the *Securities Act* throughout the Class Period.

23. The Respondent Sue Paish (“**Paish**”) was a director of Telus within the meaning of the *Securities Act* throughout the Class Period.

24. The Respondent Carolyn Slaski (“**Slaski**”) was a director of Telus within the meaning of the *Securities Act* throughout the Class Period.

25. The Respondent Sandra Stuart (“**Stuart**”) was a director of Telus within the meaning of the *Securities Act* throughout the Class Period.

26. Puritt, Kanu, Chande, Ringman, Howen, Entwistle, Blair, Andrews, Anton, Arora, French, Geheran, Paish, Slaski and Stuart are the “**Individual Respondents**”.

27. Puritt, Entwistle, Blair, Andrews, Anton, Arora, French, Geheran, Paish, Slaski and Stuart are the “**Director Respondents**”.

28. Puritt, Kanu, Chande, Ringman, and Howen are the “**Officer Respondents**”.

Telus’ Shift Towards AI

29. Telus is a technology services company that offers customer experience (“**CX**”) management solutions to its clients. Until approximately 2020, Telus’ business model primarily consisted of business process outsourcing, wherein Telus handled outsourced customer care tasks for its clients, including via the operation of call or “contact” centers, and its business strategy was “profitable growth.”³

30. Given the nature of Telus’ core offerings, the Company faced an existential threat from the emergence of AI. Thus, beginning in 2020, Telus took steps to shift its business towards AI allegedly in furtherance of [its] overall growth strategy via organic and inorganic investments. For example: Telus acquired Lionbridge AI, the data annotation business of Lionbridge Technologies, Inc., for approximately \$935 million USD on December 31, 2020; Playment, the India-based provider of computer vision tools and services specialized in 2D and 3D image, video

³ In contrast to many other tech companies that prized pure revenue growth and expansion over maintaining and increasing profitability.

and LiDAR (light detection and ranging), on July 2, 2021; and WillowTree, a full service digital product provider, for \$1.225 billion USD on January 4, 2023.

31. Coupled with Telus' shift towards AI solutions was a decrease in the Company's traditional offerings. For example, between 2019 and 2022, the share of Telus' revenue from its Customer Experience management ("CXM") services declined from 75% to 48%, while the revenue from its AI Data Solutions increased from 0% to 13%.

32. Throughout the Class Period, Telus repeatedly told investors that (i) the Company's profitable growth strategy was not at risk because it would be able to maintain its historic profitability by riding the AI "gold rush for years to come" and (ii) in response to macroeconomic pressures, the Company was deploying AI solutions internally to increase efficiency, keep down costs, and further buttress profitability.

The Respondents' Positive Statements About Telus' AI Offerings

33. Throughout the Class Period, Telus made numerous positive statements about how its AI offerings were the lynchpin to maintaining profitability because (i) there was high customer demand for these services and Telus was uniquely positioned to meet this demand, and (ii) these products could be utilized internally to keep down costs. Telus' representations regarding its transition towards AI and the latter's impact on the Company's margins and profitability were, *inter alia*, contained in 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 FS, FY 2023 MD&A, 2023 Annual Report, Q1 2024 Interim FS, Q1 2024 Interim MD&A, Base Shelf Prospectus, May 4, 2023 Press Release, July 13, 2023 Press Release, August 4, 2023 Press Release, November 3, 2023 Press Release, February 9, 2024 Press Release, and May 9, 2024 Press Release, and made during the February 16, 2023 Investor Day Call, May 4, 2023 Earnings Call, May 12, 2023 Annual General Meeting ("AGM"), July 13, 2023 Guidance/Update Call, August 4, 2023 Earnings Call, November 3, 2023 Earnings Call, February 9, 2024 Earnings Call, May 9, 2024 Earnings Call, May 13, 2024 Final Short Form Base Shelf Prospectus and the transcript of the 52nd J.P. Morgan Annual Global Technology, Media & communications Conference held on May 21, 2024 (the "JPM Conference"), each as defined in the FANOCC.

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

34. After many quarters of representing that Telus' margins and profitability were on track and that its transition towards AI would ensure that the Company maintained its historical profit margins, Telus revealed that its shift towards AI was not profitable. In fact, it was just the opposite.

35. On the May 9, 2024 Earnings Call following the release of Telus' Q1 2024 Interim FS and Q1 2024 Interim MD&A, Telus' Chief Financial Officer Chande conceded that Telus was "seeing pressure on [its] margins" and revealed that the margins generated by Telus' AI offerings were "a bit below average". The May 2024 Disclosure⁴ was the first time that Telus explicitly disclosed that its AI offerings were generating below average margins. This admission contrasted sharply with the representations that the Respondents had made since February 2023 regarding the profits that Telus expected its AI business would and was generating and the Company's alleged strong standing to enter the market for AI-driven solutions. During the JPM Conference held later in May, Chief Executive Officer Puritt revealed even worse news; specifically that Telus had been deploying AI pilots and had difficulty charging customers profitable prices for those services.

36. On August 2, 2024 Telus released its Q2 2024 Interim FS and Q2 2024 Interim MD&A. In an accompanying press release, Telus provided an updated FY 2024 guidance, which included downward revisions in Telus' revenue growth, adjusted EBITDA, adjusted EBITDA margins, and adjusted Diluted EPS. On the August 2, 2024 Earnings Call⁵, Defendant Puritt disclosed additional details of Telus' struggles to maintain its historically high margins and profitability. For example, Puritt conceded, *inter alia*, that Telus' AI transition was not delivering the degree of cost savings that it should have been, for several years Telus had faced challenges in providing its AI offerings at competitive prices, and Telus' transition to AI was and would continue to cannibalize some of the Company's higher-margin legacy CX offerings.

⁴ 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 of the FANOCC) are collectively the "**May 2024 Disclosure**".

⁵ 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 of the FANOCC) are collectively the "**August 2024 Disclosure**".

The Respondents' Misrepresentations

37. As further particularized at paragraphs 51 to 167 of the FAN OCC, during the Class Period the Respondents made representations in the Impugned Documents and Public Oral Statements regarding:

- a) the Company's overall profitable growth;
- b) the impact of its AI transition on Telus' profitability
- c) the reason for Telus' declining profitability;
- d) the Company's internal use of AI solutions to increase efficiency, keep down costs, and help preserve profitable growth; and
- e) the expected resolution of Telus' profitability issues,

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

38. The Respondents' misrepresentations and failures to make timely disclosure are summarized below.

39. First, the Respondents' misrepresentations regarding the Company's overall profitable growth constitute misrepresentations because the Respondents failed to disclose that Telus' AI transition was fundamentally changing the Company from one that traditionally had high profit margins to one that had lower profit margins and could expect lower profitability going forward. Indeed, as the Respondents would later acknowledge: (i) Telus' AI offerings generated margins that were "below average" compared to the Company's other business lines and historical averages; (ii) the Company's "transition [towards AI] necessitate[d] some cannibalization of [its] tenured and higher-margin CX work"; and (iii) Telus' AI offerings were being in many, if not most, cases "deploy[ed] [as] pilots" which it could not "charge full freight for." Further or in the alternative, these statements constitute misrepresentations because they overstated the benefits of Telus' AI offering and Telus' ability to maintain its profitable growth.

40. Second, the Respondents' representations regarding the impact of its transition towards AI on Telus' margins and profitability constitute misrepresentations because these statements gave the misleading impression that this shift was net positive and that it would help maintain the Company's profit margins which would continue to grow year-over-year at the Company's usual rate.

41. Third, the Respondents' representations regarding the reason for Telus' declining profitability constitute misrepresentations because these statements gave the false impression that the negative impact on Telus' profitability was solely due to an isolated event (or isolated events) rather than an enduring deep-seated issue caused by the Company's ongoing shift towards AI.

42. Fourth, the Respondents' representations regarding Telus' internal use of AI solutions to increase efficiency, keep down costs, and help preserve profitable growth constitute misrepresentations because these statements gave the false impression that the Company's cost efficiency programs would positively impact Telus' overall growth, margins and profitability.

43. Fifth, the Respondents' representations regarding the expected resolution of Telus' profitability issues constitute misrepresentations because Telus could not overcome its profitability issues due to the enduring deep-seated issue caused by the Company's ongoing shift towards AI and/or Telus had not priced its AI offerings in a way that would permit the Company to achieve its profitability target. Further or in the alternative, these statements constitute misrepresentations because the Respondents failed to disclose that it was likely, or alternatively that there was a specific and identifiable risk, that Telus could not overcome its profitability issues in the near term due to the enduring deep-seated issue caused by the Company's ongoing shift towards AI and/or that Telus had not priced its AI offerings in a way that would permit the Company to achieve its profitability target.

44. Finally, the Impugned Documents and Public Oral Statements each contained misrepresentations because the Respondents failed to disclose the negative impact on Telus' profitability caused by the Company's shift towards AI offerings. This constituted a 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 and as such constituted a material change

45. The misrepresentations made in the Impugned Documents and Public Oral Statements and the Respondent’s failures to make timely disclosure were material for the reasons stated in paragraph 199 of the FANOCC.

The Public Corrections

46. The above misrepresentations in the Impugned Documents and Public Oral Statements, as well as Telus’ failures to make timely disclosure, were corrected via two public corrections, as outlined in paragraphs 143 to 178 of the FANOCC, namely the May 2024 Disclosure and the August 2024 Disclosure (collectively, the “**Public Corrections**”).

Telus’ Share Price Plummeted After the Public Corrections

47. The market value of Telus’ subordinate voting shares on the TSX and NYSE declined significantly immediately after the Public Corrections.

48. Following the May 2024 Disclosure, the price of Telus’ subordinate voting shares on the TSX decreased approximately 18.7% from the prior day’s close of \$10.70 CAD to \$8.70 CAD at close of trading on May 9, 2024. Similarly, the price of Telus’ subordinate voting shares on the NYSE dropped approximately 18.1% from \$7.77 USD at close of trading on May 8, 2024 to \$6.36 USD at close of trading on May 9, 2024.

49. The price of Telus’ subordinate voting shares decreased significantly following the August 2024 Disclosure, with the price of Telus subordinate voting shares on the TSX decreasing approximately 36.3% from \$9.02 CAD at close of trading on August 1, 2024 to \$5.75 CAD at close of trading on August 2, 2024. On the NYSE, the price of Telus subordinate voting shares dropped 36% from \$6.48 USD at close of trading on August 1, 2024 to \$4.15 USD at the close of trading on August 2, 2024.

PART 3: LEGAL BASIS

Leave Pursuant to Section 140.8 of the Securities Act

50. Telus is a “responsible issuer” under section 140.1 of the *Securities Act*.

51. The Director Respondents were, at material times, each a “director” within the meaning of sections 140.1 and 140.3 of the *Securities Act*.

52. The Officer Respondents were, at material times, each an “officer” within the meaning of sections 140.1 and 140.3 of the *Securities Act*.

53. The Individual Respondents authorized, permitted or acquiesced in: (i) the release of some or all of the Impugned Documents; (ii) the making of some or all of the Public Oral Statements; and/or (iii) the failures to make timely disclosure.

54. 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).

55. 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).

56. 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).

57. 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).

58. The Respondents’ failures to disclose the negative impact on Telus’ profitability caused by the Company’s shift towards AI offerings in the Impugned Documents and Public Oral Statements 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).

59. 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).

60. With respect to each of the Non-Core Documents and Public Oral Statements, Telus and the Individual Respondents, 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.

61. With respect to their failures to make timely disclosure of a material change, the Director Respondents, 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.

62. With respect to the misrepresentations made in the Impugned Documents and Public Oral Statements and failures to make timely disclosure, the Individual Respondents, 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 failure to make timely disclosure while knowing that it was a misrepresentation or a failure to make timely disclosure.

63. 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 Respondents 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 Respondents.

64. 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).

65. The Petitioner brings this petition and the *Securities Act* Action in good faith and has a reasonable possibility of succeeding in prosecuting the *Securities Act* Action.⁶

66. The Petitioner has a personal financial interest in the action as a result of his purchase of shares of Telus during the Class Period. The Petitioner brings the action in order to obtain compensation for losses suffered as a result of the Respondents' conduct and because it may have an important deterrent effect, insofar as holding the Respondents responsible for any unlawful conduct will likely send a message to directors and officers of other publicly-traded companies that they too will be held responsible for any misrepresentations that they may make to the investing public.

67. There is a reasonable possibility that the Petitioner will succeed in establishing their claim, as set out at paragraphs 52-62, 65-73, 76-77, 80-88, 91-109, 112-127, 130-139, 143-156, 161-163 and 199 of the FANOCC, that one or more of the Impugned Documents and/or Public Oral

⁶ *Theratechnologies Inc. v. 121851 Canada Inc.*, [2015 SCC 18](#), at paras. 21, 35-39; *Tietz v. Affinor Growers Inc.*, [2022 BCCA 307](#), at paras. 1 and [124-126](#).

Statements contained a misrepresentation within the meaning of section 1 of the *Securities Act* (and, if necessary, the equivalent provisions of the Other Canadian Securities Legislation).

68. There is a reasonable possibility that the Petitioner will succeed in establishing their claim, as set out in paragraphs 235, 237 of the FANOCC, that: (i) one or more of the Respondents knew that any of the Non-Core Documents and/or Public Oral Statements contained a misrepresentation at the time that Telus released the Non-Core Document(s) and/or released the Public Oral Statement(s), respectively; (ii) one or more of the Respondents deliberately avoided, or were willfully blind to, acquiring knowledge that any of the Non-Core Documents and/or Public Oral Statements contained a misrepresentation at or before they released the Non-Core Document(s) and/or made the Public Oral Statement(s), respectively; and/or (iii) one or more of the Respondents were, through action or failure to act, guilty of gross misconduct in connection with any of the Non-Core Documents and/or Public Oral Statements containing a misrepresentation.

69. There is a reasonable possibility that the Petitioner will succeed in establishing their claim, as set out in paragraphs 236-237 of the FANOCC, that: (i) one or more of the Director Respondents knew of the change at the time that the failures to make timely disclosure first occurred, and that it was material; (ii) at or before the failures to make timely disclosure first occurred, one or more of the Director Respondents deliberately avoided acquiring knowledge of the change or that the change was material; and/or (iii) one or more of the Director Respondents were, through action or failure to act, guilty of gross misconduct in connection with the failures to make timely disclosure.

70. There is a reasonable possibility that the Petitioner will succeed in establishing their claim, as set out in paragraph 238 of the FANOCC, that the Individual Respondents authorized, permitted or acquiesced in the making of the misrepresentations in the Impugned Documents and/or Public Oral Statements while knowing they contained misrepresentations, and/or influenced the making of the misrepresentations in the Impugned Documents and/or Public Oral Statements while knowing they contained misrepresentations.

71. There is a reasonable possibility that the Petitioner will succeed in establishing their claim, as set out in paragraph 238 of the FANOCC, that the Individual Respondents authorized, permitted or acquiesced in the failures to make timely disclosure while knowing each was a failure to make

timely disclosure, and/or influenced the failures to make timely disclosure while knowing each was a failure to make timely disclosure.

72. There is a reasonable possibility that the Petitioner will succeed in establishing their claim, as set out in paragraph 218 of the FANOCC, that each of the misrepresentations in the Impugned Documents and/or Public Oral Statements, and/or the Respondents' failures to make timely disclosure, were publicly corrected.

Conversion of the Oppression Petition into the Oppression Action, and Consolidation with the Securities Act Action

73. There are or will be *bona fide* triable issues in the Oppression Petition, including complex and disputed questions of fact or law, that cannot be resolved on documentary evidence.

74. There are or will be important credibility issues in the Oppression Petition that cannot be resolved on documentary evidence.

75. In addition, following conversion of the Oppression Petition into the Oppression Action, consolidating the Oppression Action with the *Securities Act* Action will provide a just and efficient method to determine the proceeding for the following reasons:

- a) the Petitioner is the same person as the Plaintiff in the *Securities Act* Action; and
- b) the factual and legal issues in the Oppression Action are so interwoven with the factual and legal issues in the *Securities Act* Action that a separate trial at different times by different judges would be inefficient and costly. There will be significant savings of both time and financial resources if the Oppression Action is consolidated with the *Securities Act* Action or, alternatively, heard at the same time or on the same day.

In the Alternative, Relief from Oppression under the Business Corporations Act

76. In the alternative to converting the Oppression Petition into the Oppression Action and consolidating the claim with the *Securities Act* Action, the Petitioner, on behalf of himself and the

Class, seeks relief from oppression under section 227 of the *Business Corporations Act* against Telus, as set out in paragraphs 254-258 of the FANOCC.

77. Telus is incorporated under the *Business Corporations Act*.

78. The Petitioner 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*.

79. The Petitioner and Class Members had reasonable expectations about the way the business and affairs of Telus would be conducted. The reasonable and legitimate expectations of the Petitioner 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 of its AI transition on the Company's overall profitability.

80. 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,

the negative impact of Telus' shift towards AI on the margins and profitability of its other CX offerings, and the overall profitability of Telus' transition to AI.

81. Telus' violation of the reasonable expectations of the Petitioner and Class Members was wrongful, oppressive and/or unfairly prejudicial to securityholders of Telus, including the Petitioner and Class Members.

PART 4: MATERIALS TO BE RELIED ON

82. The Petitioner relies on the following materials in support of this Petition:

- a) Affidavit No. 1 of Nickolas Gallina, made on December 12, 2024;
- b) Amended Notice of Civil Claim, filed on August 29, 2025 (filed in the Vancouver Registry, action No. S-248620);
- c) Affidavit No. 1 of Dr. Matthew D. Cain, made on August 29, 2025;
- d) Affidavit No. 1 of Kayne Michael Middleton, made on August 29, 2025;
- e) Affidavit No. 1 of Daniel Salgado, made on August 27, 2025 (filed in *Middleton v. Telus International (Cda) Inc.*, Court File No S-248635 (BCSC, Vancouver Registry); and
- f) Such further and other materials and evidence as counsel may advise, and this Court may deem just.

Date: August 29, 2025



Emilie Kokmanian



Slater Vecchio LLP
Sam Jaworski
Saro Turner
Charlotte Harman
Justin Giovannetti

**ENDORSEMENT ON ORIGINATING PLEADING OR PETITION
FOR SERVICE OUTSIDE BRITISH COLUMBIA**

The Petitioner claims the right to serve this pleading on the Respondents 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 Petitioner 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 Respondents. 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.

SCHEDULE "A"

Amended pursuant to Rule 6-1(1)(b)(i) of the Supreme Court Civil Rules

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

**FURTHER AMENDED NOTICE OF CIVIL CLAIM
(Original Notice of Civil Claim Filed on December 12, 2024)
(Amended Notice of Civil Claim filed on August 29, 2025)**

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. Telus International (Cda) Inc. (“**Telus**” or the “**Company**”) is a technology services company that offers customer experience (“**CX**”) management solutions to its clients. Historically, these services primarily consisted of business process outsourcing, wherein Telus handled outsourced customer care tasks for its clients, including via the operation of call or “contact” centers. Over time, as Telus grew and acquired other companies, its offerings expanded to include a broader provision of digital solutions. These included legacy CX services, as well as digital IT, data annotation, and content moderation, among others.

2. Telus repeatedly told investors that its business model was “profitable growth.” This strategy was in contrast to many other technology companies that prized pure revenue growth and expansion over maintaining and increasing profitability. Telus’ strategy worked for a time. Between its initial public offering (IPO) on February 5, 2021 and December 31, 2022, Telus maintained impressive profit margins: approximately mid-20s to mid-30s EBITDA (earnings before interest, taxes, depreciation and amortization) margins. Telus’ profitability, as measured by its Adjusted EBITDA, also grew from \$129 million as of the IPO to \$157 million for the fourth quarter ending on December 31, 2022.

3. By February 16, 2023 (the first day of the proposed Class Period¹), Telus’ “profitable growth” strategy was under pressure. Many of the Company’s customers were facing macroeconomic pressures—including increasing inflation and higher labor costs—and were looking to spend less money on the types of products and services offered by Telus. At the same time, as Telus’ CEO explained to investors on February 16, 2023, artificial intelligence (“**AI**”) was “becoming ubiquitous, pervasive across industries and functions.” Telus told investors that the AI boom was a boon to the Company, as Telus was in a “better position than most to help enable this gold rush for years to come. It’s like we’re selling the picks and shovels.” In other words, as detailed herein (*see infra*, 50-167), while Telus’ customers may have been retrenching, the

¹ The “**Class Period**” is between February 16, 2023 to August 1, 2024, inclusive.

Defendants repeatedly told investors that the Company's "profitable growth" strategy was not at risk because the Company would maintain its historic profitability by riding the AI wave.

4. Telus also was not immune to the macroeconomic pressures impacting the Company's clients. These pressures were increasing costs—primarily labor costs—within Telus. All else equal, increasing costs should decrease profitability. Nevertheless, the Defendants told investors that this was not going to be a problem because, in addition to firing workers, the Company was going to deploy AI solutions internally to increase efficiency, keep down costs, and help preserve profitable growth. For example, on November 3, 2023, the Defendant Jeffrey Puritt, Telus' President, CEO, and Executive Vice Chair of the Board of Directors, boasted of "deploying AI-enabled and automation capability inside [Telus] to drive down our own cost to serve to create t[he] headroom we need to so we continue to enjoy our targeted margins."

5. In sum, the Defendants repeatedly assured investors that Telus' AI offerings were the lynchpin to maintaining profitability because (i) there was high customer demand for these services and Telus was uniquely positioned to meet this demand, and (ii) these products could be utilized internally to keep down costs.

6. Contrary to the Company's representations to investors, Telus' transition towards AI was not profitable. In fact, it was the opposite. Unbeknownst to investors, the Company's AI services were "deploy[ed] [as] pilots" which it could not "charge full freight for", generated margins that were "below average", and the Company's "transition [towards AI] necessitate[d] some cannibalization of [its] tenured and higher-margin CX work." Rather than inform the investing public that Telus' shift towards AI was eroding the Company's profitability, Telus continuously touted its new AI-driven strategy. This was materially misleading for several reasons. Among other things, the Defendants had a duty to disclose that Telus' business was fundamentally changing from a provider of premium technological services with large profit margins to an AI services company with significantly smaller profit margins. Or, to put it simply, that Telus' "profitable growth" strategy was no longer viable in the post-AI world.

7. For years, Telus minimized and downplayed the negative effect of its AI-driven business model on its margins, until its waning profitability forced its management to reveal the substantial challenges facing the Company through a series of corrective disclosures.

8. The Defendants' misrepresentations, failures to make timely disclosure of a material change, and/or breaches of their duty of care to Class Members (as defined below) had the effect of artificially inflating the value of Telus' subordinate voting shares traded on stock markets during the Class Period.

9. The market reacted swiftly to Telus' admission that its AI transition was fraught with difficulties which, in turn, placed downward pressure on margins and profitability, with the Company's share price plummeting approximately 80%. As a result, investors lost millions.

10. The Plaintiff and Class Members purchased Telus' subordinate voting shares at prices artificially inflated by the Defendants' misconduct as 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 arising from their misrepresentations, failures to make timely disclosures, and oppressive conduct.

The Defendants

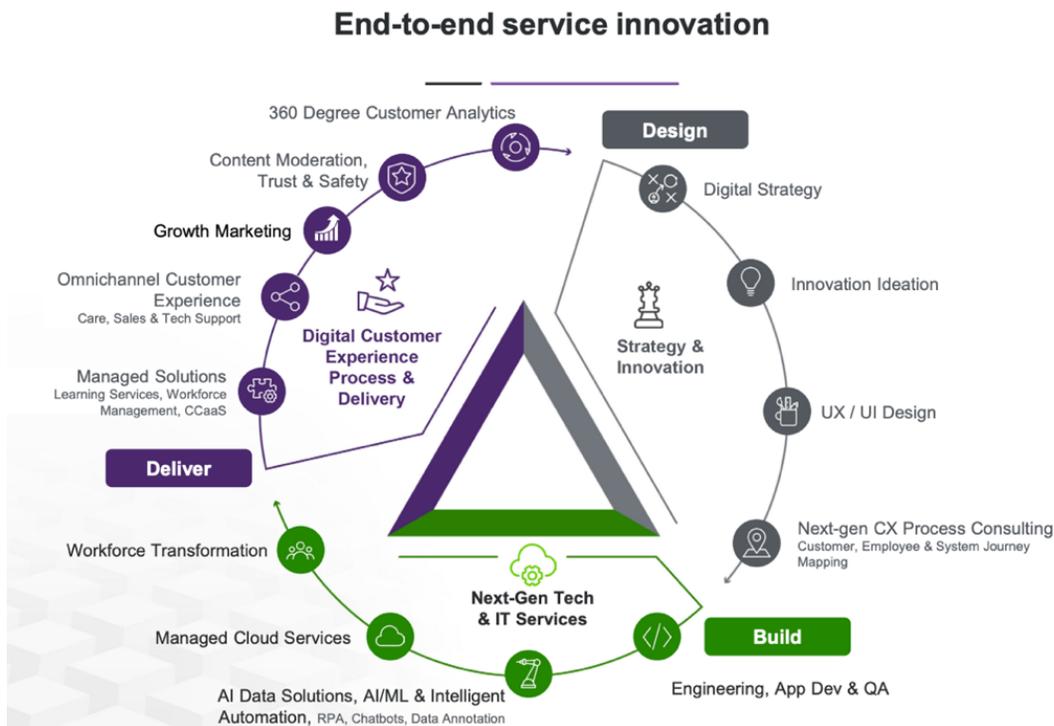
11. The Defendant Telus is a company incorporated under the *Business Corporations Act*, SBC 2002, c 57 (the "***Business Corporations Act***"). Telus is headquartered at 510 West Georgia Street Floor 7, Vancouver, British Columbia, V6B 0M3, Canada.

12. 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**") and New York Stock Exchange (the "**NYSE**"). Telus' securities, specifically, subordinate voting shares, began trading on both the TSX and NYSE on February 3, 2021. 111,267,697 subordinate voting shares of Telus were issued and remain outstanding as of February 13, 2025.

13. Telus purports to design, build, and deliver next-generation digital solutions to enhance the CX for global brands. Telus has offices and customers all over the world, including in North

America, South America, Africa, Europe, and Asia. As of July 29, 2025, Telus had over 78,000 employees.

14. 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 divides its product and service offerings into three broad categories: "Design," "Build," and "Deliver." The "Design" category encompasses digital strategy, CX process consulting, and user experience ("UX") and user interface ("UI") design. The "Build" category encompasses workforce transformation, engineering and application development and quality assurance, and AI data solutions including chatbots and "data annotation," the latter of which involves labeling or tagging data with relevant information so that machine learning ("ML") models can understand and utilize it. The "Deliver" category encompasses customer care, sales, and technical support; content moderation (part of Telus' "Trust & Safety" division); and managed solutions, including call or "contact" centers. Though Telus describes its offerings using this tripartite model, it only reports revenue by geographical regions (e.g., "North America") and industry verticals (e.g., "Healthcare").



15. Telus' digital services are provided through four divisions: (i) CX, which provides customer support for Telus' clients through contact centers and digital channels, and offers strategic consulting to improve customer interactions; (ii) Digital/IT Solutions, which designs, builds, and delivers digital solutions, implements third-party platforms, and provides related consulting; (iii) Trust and Safety, which provides content moderation and fraud prevention services; and (iv) AI Data Solutions, which educates and improves client-owned AI programs using a million-person global workforce to label and organize data (i.e., data annotation).

16. The main segments, or "industries verticals", for which Telus reports revenue are: (i) Tech and games; (ii) Communications and Media; (iii) eCommerce and FinTech; (iv) Healthcare; (v) Banking, Financial Services and Insurance; and (vi) all others.

17. The main regions where the Company reports revenue are: (i) Europe; (ii) North America; (iii) Asia-Pacific; and (iv) Central America and others.

18. Throughout the Class Period, most of Telus' revenues came from three customers: (i) Telus' parent company, TELUS Corporation; (ii) Google; and (iii) a "social media" platform widely reported by analysts to be Meta.

19. 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.

20. 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 31, 2024.²

21. 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.

² In certain documents filed with the U.S. Securities and Exchange Commission ("SEC"), Defendant Kanu is referred to as "Mahawa Vanessa Touray."

22. 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.
23. 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.
24. The Defendant Darren Entwistle (“**Entwistle**”) was a director of Telus within the meaning of the *Securities Act* throughout the Class Period.
25. The Defendant Josh Blair (“**Blair**”) was a director of Telus within the meaning of the *Securities Act* throughout the Class Period.
26. 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).
27. The Defendant Olin Anton (“**Anton**”) was a director of Telus within the meaning of the *Securities Act* throughout the Class Period.
28. The Defendant Navin Arora (“**Arora**”) was a director of Telus within the meaning of the *Securities Act* throughout the Class Period.
29. The Defendant Doug French (“**French**”) was a director of Telus within the meaning of the *Securities Act* throughout the Class Period.
30. The Defendant Tony Geheran (“**Geheran**”) was a director of Telus within the meaning of the *Securities Act* throughout the Class Period.
31. The Defendant Sue Paish (“**Paish**”) was a director of Telus within the meaning of the *Securities Act* throughout the Class Period.
32. The Defendant Carolyn Slaski (“**Slaski**”) was a director of Telus within the meaning of the *Securities Act* throughout the Class Period.

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

34. 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

35. 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.

36. 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’ subordinate voting shares between February 16, 2023 and August 1, 2024, inclusive, and held all or a portion of these subordinate voting shares 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’ subordinate voting shares listed on the NYSE while residing outside of Canada (the “**Foreign Subclass**” and “**Foreign Subclass Members**”), and a subclass of all persons and entities who acquired one or more of Telus’ subordinate voting shares listed on the TSX (the “**TSX Subclass**” and “**TSX 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

37. 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”.

38. On February 5, 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.

39. Since around the start of the Class Period, Telus has faced significant challenges transitioning its service offerings to AI and, in particular, Generative AI (sometimes referred to as “GenAI”). Generative AI refers to AI systems that can generate new content (including text, images, and audio) based on patterns learned from existing data that is provided to it as training materials. For example, a sophisticated GenAI program, after listening to hundreds of hours of customer support calls, could theoretically generate responses to most basic customer inquiries—substantially reducing the need for live service agents to respond to customer inquiries.

40. 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. As Puritt acknowledged in May 2023:

In terms of the generative AI...there [ha]s already been nontrivial disintermediation or displacement of, let’s call them, less complex, lower value human-assisted interactions through traditional automation and bot displacement, where *generative AI is a game changer already is really just the accelerated pace of displacement potentially.*

41. In order to pivot its business to take advantage of AI, Telus acquired several “new economy services” companies “in furtherance of [its] overall growth strategy via organic and inorganic

investments.” Between December 2020 and December 2022, 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 asserted 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”; and
- 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.”

42. As a result of these acquisitions, Telus’ CX management (“CX M ”) services—most, if not all, of which would fall under the “Deliver” part of Telus’ business model—went from accounting for 75% of the Company’s revenues in 2019 to only 48% in 2022. Its revenue from its AI Data Solutions (under “Build”) increased from 0% to 13% over that same period.

43. On January 4, 2023, Telus acquired the full-service digital product provider WillowTree. Telus promoted this acquisition 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 and increasing cross-selling opportunities to both entities’ respective existing customers.

44. The WillowTree acquisition gave Telus a way to enhance its “Design” and “Build” capabilities, and ultimately became the focus of much of Telus’ AI push during the Class Period. While Telus considered WillowTree’s profit margins to be good for the industry (and told investors as much), it typically had lower margins than Telus.³ Nonetheless, Telus reassured investors that WillowTree’s profitability would increase and “kind of be more like [Telus’] going forward,” with

³ WillowTree’s profit margins were 20% at the time of the acquisition, while Telus’ adjusted EBITDA margin was 24.9% in Q4 2022 when the merger was announced (but before WillowTree was acquired), and 24.6% for FY2022 overall.

margins “a little bit higher” than 20% “given some of the cost leverage opportunities that you guys mentioned before.”

45. Telus acquired WillowTree for \$1.225 billion USD, consisting of \$940 million USD in cash (including WillowTree debt), \$125 million USD in shares, and \$160 million USD of which was cash reinvested by WillowTree management. The reinvestment occurred as part of the acquisition, wherein certain members of WillowTree’s management were given the option to reinvest in the new WillowTree. The reinvestment program used a sophisticated formula to determine the redemption payments due, but as summarized in the program’s synopsis, “[g]enerally, the higher WillowTree’s revenues and gross profits are in each of the three [redemption] periods beginning January 1, 2023, and ending on December 31, 2025, 2026 and 2027, respectively” the more Telus would pay to former WillowTree employees that invested as part of the merger. The reinvestment program was clear that the measurement would be WillowTree’s performance, not Telus’, clarifying that “if the WillowTree business performs poorly and the rest of TELUS International performs well, your investment will decline in value and that decline in value could be significant or even result in a total loss.” Ultimately, members of WillowTree’s management team retained about 15% of the equity in WillowTree following the acquisition, receiving equity incentives in the form of written put option provisions, for which Telus set aside \$194 million USD at the time of the acquisition.

46. On February 9, 2023, Telus released its fourth quarter and full year (“FY”) 2022 results and published its FY “2023 outlook plans for continued double-digit growth.” The FY2023 outlook notably provided for:⁴

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

⁴ Unless otherwise specified, all figures in Telus’ public disclosures are in U.S. dollars.

- Adjusted EBITDA⁵ in the range of \$705 to \$725 million, representing growth of 16% to 19%;
- Adjusted EBITDA Margin in the range of 23.7% to 23.9%; and
- Adjusted Diluted EPS in the range of \$1.20 to \$1.25, which includes equity issued and higher interest charges on debt taken associated with the recently closed WillowTree acquisition.

47. The adjusted EBITDA margin guidance of 23.7% to 23.9% was lower than Telus' historic margin profile. During the call, an analyst asked whether the lower-than-normal margin guidance was attributable to WillowTree. Puritt agreed that it was, at least in part; he confirmed that “[t]he 2023 margin guide does incorporate the WillowTree margins,” which were “a little bit dilutive.” Another analyst asked more directly: “how do you think about the timeline to get WillowTree onto the TI margin here[?]” Kanu told investors that “we see WillowTree being accretive [to margins] in 2024” for “a number of reasons,” specifically, “economies of scale as they grow..., leveraging the broader [Telus]...global footprint in terms of cost management,” and the “margin uplift” that would come “as the revenue synergies continue to build up.”

48. 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 then touted Telus' developing AI capabilities, stating that “[w]e have long been developing in-house chatbot solutions, leveraging natural language processing, speech recognition and semantic understanding among other tools. The possibilities presented by ChatGPT and similar alternatives are seemingly endless in how we can leverage generative AI to design and build better bots that are more conversational, can better answer

⁵ Telus “regularly monitor[s] Adjusted EBITDA and Adjusted EBITDA Margin to evaluate [its] operating performance compared to established budgets, operational goals and the performance of industry peers. Adjusted EBITDA is commonly used by [Telus'] industry peers and provides a measure for investors to compare and evaluate [the Company's] relative operating performance.” Although Telus warns that “Adjusted EBITDA should not be considered an alternative to net income in measuring [its] financial performance, and it should not be used as a replacement measure of current and future operating cash flows,” the Company “believe[s] a financial measure that presents net income adjusted for these items would enable an investor to better evaluate our underlying business trends, our operational performance and overall business strategy.” As for Adjusted EBITDA Margin, Telus indicates that it “is calculated by dividing Adjusted EBITDA by consolidated revenue.”

follow-up questions and admit mistakes and even reject inappropriate requests.” 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’ Misrepresentations and Failures to Make Timely Disclosure Regarding Telus’ Shift Towards AI and Its Negative Impact on Profit Margins and Long-Term Profitability

49. As indicated below, starting on February 16, 2023 (the beginning of the Class Period) and continuing throughout therein, the Defendants failed to disclose in a timely manner the material changes to Telus business and operations caused by the Company’s shift to AI. Specifically, Telus failed to disclose that that the Company’s emphasis on capturing the AI “gold rush” had eroded its profit margins and long-term profitability and was “cannibalizing” the higher margin work that had previously been very profitable. Moreover, the Defendants misled investors by misrepresenting and omitting material facts about Telus’ floundering efforts to: (i) sell AI products and services to customers; and (ii) deploy AI internally at Telus to lower costs.

The February 16, 2023 Analyst/Investor Day Call

50. On February 16, 2023, Telus held its Analyst/Investor Day call (the “**February 16, 2023 Investor Day Call**”), during which the Defendants⁶ presented AI as a significant long-term net positive opportunity for the Company and the path for continued “profitable growth” for Telus.

51. 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.”

52. Puritt then quickly emphasized that Telus’ business was changing as a result of AI. Puritt claimed that all of the Company’s service lines “have very exciting growth trends” and that Telus “is very well positioned within them and in line with or outpacing the expected growth rates.”

⁶ Excluding the Defendants Chande and Andrews, who were not yet with Telus at the time of the February 16, 2023 Investor Day Call.

Thus, according to Puritt, Telus had a bright future. The key to that future was that “AI is becoming ubiquitous [and] pervasive across industries and functions” and that Telus had “been intentional and arguably prescient over the course of many years” to develop the products and services necessary to profit from AI. According to Puritt, Telus was “better positioned than most to help enable this [AI] gold rush for years to come. It’s like we’re selling the pick and shovels.”

53. Puritt then showed investors the following slide further touting Telus’ purported ability to ride the AI gold rush because it was “uniquely positioned” to meet customers’ AI needs:

Uniquely positioned to win in AI

Solutions to continuously supply rapidly evolving AI training data for machine learning – at scale, across all geographies, industry verticals and use cases

- 1 million+ AI Community speaking 500+ languages and dialects**
- Leading data creation, collection, and annotation capabilities**
- Leading accuracy via data validation, relevance, and bias mitigation**
- Proprietary AI platforms that drive differentiated efficiency and user experience**
- Next gen computer vision and linguistic annotation opportunities**
- Poised to benefit from generative AI**

Why TELUS International

- Scale**
1 of only 2 vendors with scaled global crowd
- Capabilities across various data**
Text, audio, image, video, LIDAR
- Platform efficiency and ease of use**
Enhanced UX/UI for annotators that enables faster annotation
- Established operating model**
Intelligent solutions that are purpose-built to navigate complexity and drive quality
- Full-service integrated partner**
Clients look for a vendor with end-to-end capabilities across Design, Build, Deliver

TELUS International 12

54. Puritt 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.”

55. 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 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. Puritt also highlighted how Telus’ “service mix, investments in trust and safety and AI bolster [the Company’s] heritage in CXM.”

56. 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.”

57. Kanu emphasized the fact that the Company “maintained [its] EBITDA margins” and had “always executed towards profitable growth,” all the while shifting its revenue generating segments and pivoting towards alleged “faster-growing” segments because they provide “a lot of opportunity”:

Yes, \$750 billion market and rapidly growing but you may recall from those charts, CXM, according to IDC, is growing about 7% CAGR [(compounding annual growth rate)]. That's the market industry prediction. We at TI have always grown significantly faster than that, which is obvious when you look at the revenue mix. But what's even more important here is 52% of our revenues from this day forward, are actually coming from those faster-growing market segments that you saw earlier. So in the slides that Jeff shared, you may recall, AI growing at 23%, Trust & Safety growing at 22%, Digital IT, it's a massive market, it's huge, growing very fast.

So as we pivot the business or as we have pivoted the business towards these faster-growing lines of business, that gives us a lot of opportunity and hope in terms of our future revenue growth trajectory not only for now, but also over the medium and long term.

58. When discussing WillowTree, Kanu noted its anticipated “30% revenue growth” for 2023:

And of course, as we now know, WillowTree is next. So in our -- WillowTree has historically actually grown very well relative to its peer set. And of course, we now think that with TI scale and the synergy opportunities that we talked about earlier, Tobias spent quite some time talking about them, we dealt with some of them in the Q&A. We do think that we’re very well positioned. Even in the -- when you look at our guide for 2023, at the midpoint of our guide, we’re looking at 30% revenue growth for the WillowTree assets. And many of the peers in that space are growing 20%, some of them have actually guided lower. So we’re feeling really positive and optimistic about what’s happening within the newest members of our family.

59. In the same vein as her remarks on the February 9, 2023 call (see above at para. 46), Kanu also downplayed concerns related to WillowTree’s 20% EBITDA profit margin (which was lower than Telus’ historic profit margins), noting that “frankly, we do think that we’ll get [WillowTree’s margins] closer to [Telus] margins by 2024,” and that “we don’t think that [20%]’s the upper limits per se. We do think that even beyond that, we’ve got some opportunity for [WillowTree’s] continuing margin expansion and coming from a number of different levers [...]” Kanu then discussed the Company’s profit margin perspective “over the next 3 years,” confirming that they “do see EBITDA margin expansion,” even with the downward pull from WillowTree’s margins, 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.

60. In response to an analyst’s question about WillowTree, specifically how quickly “the cross-sell component” would be realized, Puritt replied:

Now we’ve had a lot of experience around integration planning, given heritage of 10 transactions over our 18-year history. And I can candidly say this one, in particular, is going to break records for us in terms of how quickly we realize synergy revenue. We are already going to see synergy revenue from WillowTree and TI serving TELUS in Q1 of this year. We will see synergy revenue in Q1, Q2 at the very latest. -- in serving existing TI clients with WillowTree services, and I’m cautiously optimistic before Q2 is out, we will see TI revenues serving WillowTree clients with TI

services, whether it's content moderation, data annotation or both in particular.

61. Then, in response to a question about assumptions around growth, Puritt stated “[w]e anticipate Telus continuing to grow healthily over the study period. As I shared in my prepared remarks earlier, it was 20% growth year-over-year, ‘22 over ‘21.” He later went on to add:

I feel supremely confident in our visibility into what we’ve guided for 2023. I think it’s a fair observation that the rotation into higher sensitivity and focus on efficiency in year for many of our clients is changing perhaps some of the conversation. But I haven’t seen a deterioration, degradation or change of consequence that makes me feel less certain about our ability to anticipate and predict where we think our revenues will be this year.

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

63. The foregoing statements in paras. 52-62 above were materially false and/or misleading at the time they were made because:

- a) as the Defendants later admitted, Telus’ AI offerings generated margins that were “below average” compared to Telus’ other business lines (as the Defendants would later acknowledge), the Company’s “transition [towards AI] necessitate[d] some cannibalization of [its] tenured and higher-margin CX work,” and many (if not most) AI offerings were being “deploy[ed] [as] pilots” for which it could not “charge full freight”;
- b) these statements gave the misleading impression that the WillowTree acquisition was, and would be, accretive to Telus’ growth, profit margins and profitability; and
- c) these statements gave the misleading impression that Telus’ profit margins would continue to grow year-over-year at the Company’s usual rate and that management did not foresee any deterioration.

64. Additionally, none of these statements in paras. 52-62 above disclosed the material change in Telus' business, operations or capital in relation to the Company's shift towards lower-margin AI services which had a negative impact on Telus' margins and profitability. Starting on February 9, 2023, Telus had profit margins of 24.9%, consistent with its profitable growth strategy; however, by the end of FY 2024, profit margins had declined materially to 18.1%, as a result of Telus' shift to 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

65. 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 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."

66. The May 4, 2023 Press Release also stated that management – which at the time included Puritt, Kanu, Howen, and Ringman – "reiterated [the] outlook for the full-year 2023" (detailed at para. 46 above). Indeed, although management "expect[ed] some headwinds in the near term," they nonetheless saw "some offsetting opportunities" in the remainder of the year.

67. The Q1 2023 Interim FS and Q1 2023 Interim MD&A published that same day (May 4, 2023) contained similar information regarding Telus' revenue and Adjusted EBITDA margin. The Q1 2023 Interim MD&A also indicated that during Q1 2023, WillowTree "generated revenue of \$57 million and net loss of \$20 million."

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

- a) Puritt and Kanu reviewed the Q1 2023 Interim FS and Q1 2023 Interim MD&A;

- b) the Q1 2023 Interim FS and Q1 2023 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 Q1 2023 Interim FS and Q1 2023 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;
- 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 principles (“**GAAP**”); and
- g) Telus had disclosed in the Q1 2023 Interim FS and Q1 2023 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.

69. During the earnings call with securities analysts held that same day (the “**May 4, 2023 Earnings Call**”), the Defendants once again focused investors on the purported benefits of Telus’ shift to emphasizing AI products and services. Puritt began his remarks by noting that the WillowTree “[i]ntegration efforts are progressing well, and [they] continue to engage on in-flight

cross-sell opportunities with new and existing clients.” He then stated that Telus was “well positioned” to support its clients’ development of the large language models (LLM) 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 touted 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 project’s contracted revenue value.” In sum, Puritt noted that “our AI team at [Telus] has been working diligently to expand our end-to-end AI services from data collection and management to selection and annotations we[’]re equipped to address all of our clients’ needs.”

70. Kanu “reiterat[ed] [Telus’] outlook” (detailed above at para. 46), stating:

Our revenue outlook remains in the range of \$2.97 billion to \$3.03 billion, which represents revenue growth of 20.3% to 22.8% on a reported basis and includes the contribution for WillowTree in the range of \$255 million to \$260 million.

Excluding WillowTree, we expect organic growth of 10% to 12% for the year. For adjusted EBITDA, we 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%. This includes WillowTree’s adjusted EBITDA margins of approximately 20% of revenue. We expect adjusted diluted earnings per share in the range of \$1.20 to \$1.25, which assumes a weighted average diluted share count of approximately \$277 million in each of the quarters.

71. The analysts covering Telus understandably focused on the Company’s new focus on AI. For example, an analyst asked how “generative AI would lend itself either to help [Telus’ traditional IT services] or hurting because on the surface, it just sounds like that same functionality could be driven by a generative AI solution.” In response, Puritt assured that GenAI was “a net positive” for Telus because the Company was “already leveraging automation, [robotic process automation] [(RPA)] in bots to support simple, predictable, repeatable interactions with our clients and inside [Telus] as we look to drive more efficient process activity and [to] combat mitigate [*sic*] inexorable wage and expense inflation.” Or, in other words, that AI was going to be “positive” for

Telus' business because the Company: (i) already had the capabilities to sell AI solutions to customers; and (ii) was using those same solutions internally to cut costs.

72. In response to an analyst's question concerning Google – Telus' second 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 further highlighted that Google “continue to leverage automation and AI, and [they’re] incorporating generative AI into many of [their] existing platforms.”

73. When asked about WillowTree's year-over-year growth and how Telus expected that to translate in terms of guidance, Kanu replied, “consistent with what we said at the Investor Day that would also put them about 30% year-over-year growth at the midpoint of our guidance.”

74. The foregoing statements in paras. 65-73 above were materially false and/or misleading at the time they were made because:

- a) as the Defendants later admitted, Telus' AI offerings generated margins that were “below average” compared to Telus' other business lines (as the Defendants would later acknowledge), the Company's “transition [towards AI] necessitate[d] some cannibalization of [its] tenured and higher-margin CX work,” and were being “deploy[ed] [as] pilots” for which it could not “charge full freight”;
- b) these statements gave the misleading impression that WillowTree acquisition would be accretive to Telus' growth, margins, and profitability and that its integration was progressing well; and
- c) these statements gave the misleading impression that Telus' profit margins would continue to grow year-over-year at the Company's usual rate and that management saw no deterioration.

75. Additionally, none of these statements in paras. 65-73 above disclosed the material change in Telus' business, operations, or capital in relation to the Company's shift towards lower-margin AI services which had a negative impact on Telus' margin and profitability. Starting on February 9, 2023, Telus had profit margins of 24.9%, consistent with its profitable growth strategy; however,

by the end of FY 2024, profit margins had declined materially to 18.1% as a result of Telus' shift to AI.

The May 12, 2023 Annual General Meeting

76. On May 12, 2023, Puritt opened Telus' 2023 Annual General Meeting ("**2023 AGM**") 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."

77. Puritt closed the 2023 AGM by emphasizing that he "certainly believe[d]" that the "10x [the enterprise value] aspiration is achievable [...] by driving consistent double-digit organic revenue growth, incrementally expanding [...] margins with continued service mix shift to higher value, more complex engagements, bolstering [...] capabilities with incremental strategic acquisitions like WillowTree, and harnessing [...] market leadership within the AI value chain and trust and safety ecosystem, along with continued market share growth in our digital IT segment."

78. The foregoing statements in paras. 76-77 above were materially false and/or misleading at the time they were made because:

- a) as the Defendants later admitted, Telus' AI offerings generated margins that were "below average" compared to Telus' other business lines (as the Defendants would later acknowledge), the Company's "transition [towards AI] necessitate[d] some cannibalization of [its] tenured and higher-margin CX work," and were being "deploy[ed] [as] pilots" for which it could not "charge full freight"; and
- b) these statements gave the misleading impression that Telus was shifting its service mix towards higher value and higher margin services.

79. Additionally, none of these statements in paras. 76-77 above disclosed the material change in Telus' business, operations, or capital in relation to the Company's shift towards lower-margin

AI services which had a negative impact on Telus' margins and profitability. Starting on February 9, 2023, Telus had profit margins of 24.9%, consistent with its profitable growth strategy; however by the end of FY 2024, profit margins had declined materially to 18.1% as a result of Telus' shift to AI.

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

80. 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**") and revising the Company's FY 2023 outlook as follows:

- Revenue in the range of \$2,700 million to \$2,730 million (previously \$2,970 to \$3,030 million), including \$205 million to \$215 million from WillowTree (previously \$255 to \$260 million), representing revenue growth of 9% to 11% on a reported basis (previously 20.3% to 22.8%), and growth of 1% to 2% excluding WillowTree (previously 10% to 12%). This assumed 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 (previously \$705 to \$725 million);
- Adjusted EBITDA Margin in the range of 21.3% to 22.0% (previously 23.7% to 23.9%); and
- Adjusted Diluted EPS in the range of \$0.90 to \$0.97 (previously in the range of \$1.20 to \$1.25).

81. According to Puritt, 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."

82. 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.” Kanu also indicated that Telus was “driving further automation and generative AI enabled solutions to further optimize [the Company’s] cost structure” and that the “benefits of these efficiency programs will help mitigate the near-term challenges [Telus is] facing.”

83. During the guidance/update call held later that day (the “**July 13, 2023 Guidance/Update Call**”), Puritt stated that in response to the macroeconomic pressures, “[they’d] actioned multiple cost efficiency programs that include[d] both team member reduction along with accelerating automation and Generative AI initiatives within our internal processes and platform.”

84. As for Kanu, she downplayed long-term concerns about Telus’ margins and touted Telus’ consistent growth and profitability track record:

And while our adjusted EBITDA margins in Q2 were below what they have been historically, with our already completed and in-progress cost efficiency programs, we expect our Q4 exit EBITDA margin to be back up to the 23% ZIP Code. And finally, we expect adjusted diluted earnings per share in the range of \$0.90 to \$0.97. And again, from a seasonality perspective, we expect a roughly 46%, 54% split in terms of Q3 and Q4.

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%.

85. Kanu then told investors the Company’s AI products and services were the future of “long-term growth and profitability”:

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.

86. During the Q&A portion of the July 13, 2023 Guidance/Update Call, the investment analysts covering Telus focused largely on the impact of AI on the Company and how Telus would become more profitable. For example, one analyst asked how the Company expected to become profitable in the second half of 2023, if the “expectations of an improving macro backdrop”—i.e., improving customer demand—had been removed from the Company’s financial projections. Kanu responded that “the margin improvements that we’re seeing in H2 versus H1 . . . is really being driven by several factors, most importantly the cost efficiency programs that we mentioned.” Those programs turned on successfully utilizing Telus’ AI offerings internally to cut costs along with a reduction in work force. Kanu added, “some of the ones we’ve actually already completed to date, as I mentioned, will generate at least \$40 million of in-year savings in addition to many other programs that we have in place. So that is what’s going to take us to, again, zip code of 23% exit EBITDA margin, which is around the same place that you’ve seen us historically, but exiting the year at fairly healthy margins relative to where we just closed in Q2.”

87. Another investment analyst asked how declining customer demand (“volumes slowing down”) were impacting Telus’ “pricing environment” and ability “to pass on with clients,” i.e., the ability of Telus to charge prices that would lead to high profits. 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.

88. Puritt also emphasized that he had “complete confidence that [Telus] remain[ed] well positioned to continue executing on [its] profitable growth strategy” and that his “plan” was 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[ed] [his] certainty in that regard.”

89. The foregoing statements in paras. 80-88 above were materially false and/or misleading at the time they were made because:

- a) as the Defendants later admitted, Telus' AI offerings generated margins that were "below average" compared to Telus' other business lines (as the Defendants would later acknowledge), the Company's "transition [towards AI] necessitate[d] some cannibalization of [its] tenured and higher-margin CX work," and were being "deploy[ed] [as] pilots" for which it could not "charge full freight";
- b) these statements gave the misleading 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; and
- c) these statements gave the misleading impression that Telus' cost efficiency programs would positively impact the Company's overall growth, margins, and profitability.

90. Additionally, none of these statements in paras. 80-88 above disclosed the material change in Telus' business, operations, or capital in relation to the Company's shift towards lower-margin AI services which had a negative impact on Telus' margins and profitability. Starting on February 9, 2023, Telus had profit margins of 24.9%, consistent with its profitable growth strategy however, by the end of FY 2024, profit margins had declined materially to 18.1% as a result of Telus' shift to AI.

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

91. 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 preliminary results for the quarter. The Q2 2023 Interim FS and Q2 2023 Interim MD&A contain similar information, with the former specifying that, in Q2 2023, WillowTree generated \$45 million in revenue with a net loss of \$31 million.

92. In the August 4, 2023 Press Release, Telus explained that the year-over-year decrease in Adjusted EBITDA was caused by “the increase in salaries and benefits outpacing revenue growth, and higher goods and services purchased” and that the decrease in Adjusted EBITDA Margin was caused by “higher service delivery costs and changes in our revenue mix across industry verticals and geographic regions”.

93. The August 4, 2023 Press Release also indicated that “management expect[ed]” to achieve the revised FY 2023 guidance previously communicated on July 13, 2023 (detailed at para. 80 above).

94. Attached to the filings listed above were Puritt’s and Kanu’s respective Certifications of Interim Filings, which contain representations similar to those identified in para. 68 above.

95. During the earnings call with securities analysts held that same day (the “**August 4, 2023 Earnings Call**”), one of the main focuses, if not the main focus, was Telus’ effort to use AI to return to past profitability. Specifically, 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.” He likewise attributed WillowTree’s struggles (the business unit reported a net loss of \$31 million for the quarter on just \$45 million in revenue) to “similar pressures brought about by the macroeconomic environment.” Puritt further explained that “[d]ue to the strong progress and execution of [... its] remediation efforts, [they] expect[ed] 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 market-leading solutions for [their] clients.”

96. Puritt then touted Telus' AI offerings as evidence that the Company was taking advantage of the AI gold rush by selling "the picks and shovels [...] to help our clients leverage AI opportunities" as the "CX industry is evolving once again as generative AI dominates the headlines and disrupts almost everything":

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.

Generative AI is now already expanding the scope of CX tasks that can be automated and augmented to assist employees win their work, and it will continue to do so at an accelerated pace. 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.

97. Thereafter, Puritt 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.

98. In other words, as Puritt put it, Telus' "data-driven CX solutions powered by GenAI-enabled businesses" achieve "enhanced productivity with improved customer satisfaction, driving exceptional outcomes in today's competitive landscape." Or, in lay terms, Telus' AI offerings were selling well and customers were happy with them.

99. As an example of the Company's AI projects, Puritt then discussed a pilot project that Telus was working on:

AI algorithms help our team to efficiently rank critical factors that impact profitability, including factors around animal health and quality of production. This client also requested extensive handcrafting of their production data features, a process called feature engineering. We're currently in the proof-of-concept stage on this particular project, but by analyzing the data sets and employing AI models, our team will be able to identify the critical traits that define outperforming cattle characteristics, which will help generate actionable insights for performance improvements, including preventive cattle health interventions and procurement strategies. Once our team successfully moves this project to the next stage, we'll employ an outcome-based gain share model with a multiyear contract worth several million dollars.

100. At no point did Puritt tell investors how many of Telus' AI initiatives were, in fact, mere pilot programs. 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."

101. Turning to Telus' quarterly financial results, Kanu indicated that "excluding the impact of the volume reductions from the second largest client, revenues in the tech and games vertical increased 15% year-over-year in Q2, reflecting growth in AI-related revenues from Google as well as growth in other notable clients during the period." When discussing Telus' "profitability measures," she noted that "[p]rofitability in the quarter was impacted by the aforementioned

temporary cost imbalances arising from reductions in service demand, principally in Europe from some of our larger clients.”

102. Investment analysts were curious about how competition in the AI space was impacting Telus’ profit margins. Puritt assured investors that the Company was not sacrificing profitable growth in its shift to AI, stating 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.”

103. An investment analyst then 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.

104. When then asked “how clients are thinking about balancing the cost of using generative AI tools and [...] how that may be impacting demand near term and long term,” Puritt replied that while “historically, there was this sort of inverse correlation where you had to spend more to make more,” with respect to AI, it was “going to be quite the invert. You’re going to spend less and make more [...].”

105. Later during the call, an analyst asked Puritt about the “pretty pronounced deceleration in revenues outside of [Telus’] largest customers” and whether he could speak to that “pretty pronounced [decline] across the base.” Puritt dismissed the analyst’s concerns and emphasized the Company’s anticipated future growth:

[...] more broadly, that business is not declining. Although I -- unfortunately, I’m compelled to confess that indeed, our success on sales and growth more broadly has not met my expectations, and we’re going to do better prospectively for sure. But I don’t think we’re seeing negative growth there.

106. Puritt was then asked whether “generative AI brings significant increase in efficiencies” and how he “balance[s] potential seat reduction” (i.e., layoffs) “with [his] ability to grow in the area.” Puritt brushed the analyst’s concerns aside as they relate to Telus:

I completely accept and I am embracing the expectation of seat reduction. So on a like-for-like basis, if nothing else changed, I would anticipate over the next couple of years that between 20% and 40% of traditional T&M support for existing work will be displaced by generative AI-enabled solutions. For TI, however, given our capabilities, I believe that we will more than make up for that reduction because, a, our clients hopefully are going to rely upon we to enable that very cost efficiency transformation, and then as a consequence of our success in doing so, they themselves, the existing customers, will look to us for other areas of related support that is AI-enabled.

And in totality, we see a continued evolution in our service mix and the opportunities to both grow top line and margin expansion that will be plentiful.

107. Puritt then downplayed concerns about WillowTree (which had reported a net loss of \$31 million for the quarter on \$45 million in revenue), stating “[t]he integration itself is going very, very well indeed,” and that “[t]he WillowTree portion of our funnel continues to be very robust as well.”

108. Finally, when asked whether the 23% Adjusted EBITDA profit margin was “still achievable” in light of “higher service delivery costs due to the AI implementation project,” Puritt responded, “[w]e’re going to get there”, and assured investors that Telus’ “visibility to the balance of the year is such that [they] are confident in having proposed what [they] did. And so this business will deliver at that level of 23% exiting Q4.”

109. Despite the quarter’s lower margins, analysts generally believed the Defendants’ misstatements regarding the long-term and overall health and profitability of Telus’ AI offerings. For example, following the release of Telus’ Q2 2023 results, analysts such as J.P. Morgan emphasized the potential upside from AI adoption, noting “the company’s Data annotation work could see high growth from clients looking to automate their processes by adopting AI solutions.”

110. The foregoing statements in paras. 91-109 above were materially false and/or misleading at the time they were made because:

- a) as the Defendants later admitted, Telus’ AI offerings generated margins that were “below average” compared to Telus’ other business lines (as the Defendants would later acknowledge), the Company’s “transition [towards AI] necessitate[d] some cannibalization of [its] tenured and higher-margin CX work,” and were being “deploy[ed] [as] pilots” for which it could not “charge full freight”;
- b) these statements gave the misleading impression that the negative impact on Telus’ profitability was solely due to isolated and temporary events rather than an enduring deep-seated issue caused by the Company’s ongoing shift towards AI; and
- c) these statements gave the misleading 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.

111. Additionally, none of these statements in paras. 91-109 above disclosed the material change in Telus’ business, operations, or capital in relation to the Company’s shift towards lower-margin AI services which had a negative impact on Telus’ margins and profitability. Starting on February 9, 2023, Telus had profit margins of 24.9%, consistent with its profitable growth strategy;

however, by the end of FY 2024, profit margins had declined materially to 18.1% as a result of Telus' shift to AI.

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

112. 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, with the former specifying that in Q3 2023, WillowTree generated \$42 million in revenue with a net loss of \$29 million.

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

114. 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.

115. None of the reasons the Defendants offered for the year-over-year decreases in Adjusted EBITDA and Adjusted EBITDA Margin related to Telus' shift towards lower-margin AI offerings or Telus' failure to roll out AI-driven internal cost-cutting measures.

116. The November 3, 2023 Press Release also indicates that “management continues to expect” to achieve the revised FY 2023 guidance previously communicated on July 13, 2023 (detailed at para. 80 above). Attached to the filings listed above were Puritt and Kanu’s respective Certifications of Interim Filings, which contain similar representations as those identified in para. 68 above.

117. As in recent quarters, Telus’ November 3, 2023 earnings call (the “**November 3, 2023 Earnings Call**”) focused heavily on the Company’s AI offerings and overall profitability. During 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.” Turning to the “opportunities and impacts of generative AI on [their] business,” including its impact on CX, Puritt stated:

To address these issues, we believe that the time is now with GenAI to help transform the CX journey, offering meaningful value creation for customers, as well as the businesses that serve them. And at TI, we’ve positioned our business as the partner of choice to our clients, as we bring them the latest tools and strategic thinking to best transform their operations. With our assets across CX, AI and full digital stack, including WillowTree in particular, we’re uniquely positioned to be a leader in this next big phase of the transition to digital-first CX.

118. To that end, Puritt highlighted the Company’s launch of “Fuel iX, TELUS International’s enhanced solution to integrate GenAI into our clients’ customer experience operations,” adding:

It would have been easy to race out earlier this year issuing press releases with one-off GenAI tools and single task bots. But at TELUS International, we instead focused on enhancing our existing solutions, advancing the development of incremental capabilities, and bring together under one umbrella an end-to-end offering for clients to address their evolving needs around integrating GenAI into customer experience operations, from ideation to implementation. [...]

In terms of monetization, we’re using a solution as a service model, with Fuel iX being available via an agile hybrid pricing structure with licensing tiers tied to accurately reflect how our clients are leveraging the various capabilities enabled by the platform. Several of our clients are already benefiting from the Fuel iX offering, including our parent company, TELUS, as well as iRobot, to name but 2, who were both quoted in our press release from earlier this week. Additionally, as part of our GenAI jumpstart program, our team at WillowTree is working with a leading global financial

services firm to create a GenAI customer service chatbot to empower customers with a robust conversational literacy tool. I look forward to sharing more details about Fuel iX and the proliferation of compelling use cases in the quarters ahead.

119. Before concluding his remarks, 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.

120. Turning to Telus’ quarterly financial results, Kanu discussed the Company’s “profitability measures,” stating that “[w]hile our profitability was impacted by cost imbalances arising from reductions in service demand, these pressures were partially offset by cost efficiency efforts we realized during the quarter, which helped to drive an adjusted EBITDA margin improvement of 370 basis points from last quarter.” Those “cost efficiency measures” purportedly included implementing AI measures within Telus to cut costs.

121. Kanu also “reaffirm[ed]” Telus’ revised FY2023 outlook (detailed at para. 80), adding:

We continue to expect revenue for full-year 2023 in the range of \$2.7 billion to \$2.73 billion, now including \$190 million to \$200 million from WillowTree, representing year-over-year revenue growth of 9% to 11% on a reported basis and growth of 1% to 2% excluding WillowTree.

In terms of profitability, we continue to expect adjusted EBITDA in the range of \$575 million to \$600 million, which will continue to benefit from the cost efficiency efforts we've discussed. In addition, we are continuing to reduce discretionary cost, continuing to optimize our third-party vendor relationships, rationalizing our facility's footprints where feasible, and maintaining prudence in hiring to manage our staffing in line with the near-term demand environment. And finally, we continue to expect adjusted diluted earnings per share in the range of \$0.90 to \$0.97 for full-year 2023. We believe this outlook remains prudent, given the continued

macroeconomic uncertainty, as we remain relentlessly focused on managing what is in our control.

122. When asked “what are some of the potential catalysts to reinvigorate, not only business with [Telus’ third largest] customer, but the service line in general,” Puritt once again told investors that AI was the path forward, saying that “one of the sources of turning things around is really leveraging our capability set, particularly, as I referred to earlier, in the AI space.”

123. 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. Puritt stated:

[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.

124. Puritt was then asked about “service areas that have been [...] more resilient” and for an update on price competition in the market. In response, he stated that these pricing pressures make it necessary for Telus to “create headroom” to capture demand opportunities while still generating its targeted margin yield:

In terms of pricing dynamic, it feels to me like it’s simply a continuation of the same, i.e. there is a pervasive persistent pressure around more for less.

And so, finding a way to mitigate those challenges -- even customers that historically were over-indexing on quality and were willing to pay for that quality, when that's becoming less available, if you will, creates the necessity for service providers Like (*sic*) we [are] to find a way to create the headroom in our service offering so that we can capture the demand opportunity at those pressurized price points but still generate our targeted margin yield. And so, as you heard Vanessa detail in her prepared remarks earlier, we have undertaken a fairly comprehensive optimization effort that's not just right-sizing labor to demand, but also looking to, as you've heard me say often in these calls, drink our own champagne, eat our own gourmet cooking, where we're deploying AI-enabled and automation capability inside TI to drive down our own cost to serve to create that headroom we need so we can continue to enjoy our targeted margins.

[emphasis added]

125. Because Telus maintained its revised FY 2023 outlook even though its revenue decreased quarter-over-quarter since Q1 2023, analysts questioned management about “the underlying factors that [are] going to drive the implied 4Q acceleration.” In response, Kanu pointed to “the strength we’re seeing in AI,” along with revenue stabilization and “normaliz[ation] of that large social media client.”

126. Analysts also recognized that WillowTree in particular had underperformed, with one analyst even noting, “[t]he degradation of WillowTree is certainly a bit startling,” and asking “what do you think [...] needs to happen to really turn that asset around?” Both Puritt and Kanu pushed back strongly, with Puritt stating, “I don’t agree with your characterization of the significant deterioration of WillowTree’s performance” and cabining any deterioration to “our expectations of in-year growth,” which he acknowledged were “certainly not being met right now.” Puritt attributed the disappointing results to the fact that “the customers they’re aspiring to serve [we]re unfortunately taking a lot longer to get around to making the decision to move forward with the transformation initiative that they’ve been discussing with WillowTree for quite some time now” due to “the macroeconomic and geopolitical landscape.” He concluded by noting that “we continue to be very bullish on the WillowTree capabilities and their addition to our portfolio. And in the fullness of time, I’m confident that will be borne out.”

127. Kanu agreed with Puritt that “degradation is probably a bit of a strong word,” and blamed the results on “softness in that discretionary spending, which, of course, is not only impacting WillowTree, but I would suggest it’s a fairly common thing we’re seeing across their peer set” – in other words, factors unrelated to the strength or performance of WillowTree’s offerings.

128. The foregoing statements in paras. 112-127 above were materially false and/or misleading at the time they were made because:

- a) as the Defendants later admitted, Telus’ AI offerings generated margins that were “below average” compared to Telus’ other business lines (as the Defendants would later acknowledge), the Company’s “transition [towards AI] necessitate[d] some cannibalization of [its] tenured and higher-margin CX work,” and were being “deploy[ed] [as] pilots” for which it could not “charge full freight”;
- b) these statements gave the misleading impression that the negative impact on Telus, and WillowTree’s, profitability was solely due to isolated events rather than to an enduring deep-seated issue caused by the Company’s ongoing shift towards AI;
- c) these statements gave the misleading 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; and
- d) these statements gave the misleading impression that Telus’ profitability was back on track in the near term and that it would achieve its revised Adjusted EBITDA Margin target notably due to the strength of its AI services.

129. Additionally, none of these statements in paras. 112-127 above disclosed the material change in Telus’ business, operations, or capital in relation to the Company’s shift towards lower-margin AI services which had a negative impact on Telus’ margins and profitability. Starting on February 9, 2023, Telus had profit margins of 24.9%, consistent with its profitable growth strategy; however, by the end of FY 2024, profit margins had declined materially to 18.1% as a result of Telus’ shift to AI.

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

130. 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 FY 2023 revenue was \$2,708 million, of which only \$186 was generated by WillowTree. Adjusted EBITDA was \$583 million and Adjusted EBITDA Margin was 21.5%, below Telus' pre-Class Period profit margin of 24.9%. The FY 2023 FS, FY 2023 MD&A, and 2023 Annual Report on Form 20-F contain similar information.

131. The 2023 Annual Report noted that for the fiscal year, WillowTree reported a net loss of \$93 million, making its net loss for Q4 2023 \$13 million. It also contained a series of risk warnings including a purely hypothetical and contingent risk warning regarding Telus' "long selling cycle":

We often face a long selling cycle, which may or may not be successful. If we are successful but fail to then successfully implement, negotiate a contract or, where applicable, run a pilot program, our business, financial performance, financial condition and cash flows may be adversely affected. We often face a long selling cycle to secure a new client contract or launch a new program for an existing client, during which we typically incur significant business development expenses. If we are unsuccessful during the selling cycle, we will not receive revenues or reimbursement for our expenses. If we are successful, a long implementation and contract negotiation period could follow and, in some cases, a pilot program may also occur, all of which may not be successful. When we are successful, our clients may experience delays in obtaining internal approvals or delays associated with technology or system implementations, thereby delaying or lengthening the implementation cycle. We begin to receive revenues when implementation starts. There is then a long ramping up period in order to commence providing the services, which may result in further delay in us receiving revenues. If we are not successful in our sales cycle, implementation, negotiation of a contract, where applicable, running a pilot program or in maintaining or reducing the duration of unprofitable initial periods in our contracts, our business, financial performance, financial condition and cash flows may be adversely affected." This appears in the FY 2021-2025 20Fs.

132. This risk warning was inadequate and deficient in that it presented the use of pilot programs as hypothetical (using expressions such as “where applicable” and “in some cases”) and contingent (“[i]f we are successful but fail to [...] where applicable, run a pilot program [...] our business may be adversely affected.”). Moreover, while this risk warning might have disclosed the use of some hypothetical pilot programs, it did not disclose: (i) how many of Telus’ AI initiatives were, in fact, pilot programs; and (ii) that these pilot programs were “cannibaliz[ing]” the Company’s tenured and higher-margin CX offerings.

133. In the February 9, 2024 Press Release, Telus claimed to be “delivering solid revenue growth, with resilient profitability and cash flow.” Puritt also highlighted the Company’s cost efficiencies and its position as an “AI-fueled customer experience partner of choice”:

In addition to streamlining our operations to match near-term client demand and improving efficiencies at all levels of our company, we’ve also made further progress with the integration of WillowTree and our Digital Solutions services to ensure TELUS International is well positioned to combine our scaled design and build capabilities along with our technology-led operations and managed services across all of our service lines, going to market as an AI-fueled customer experience partner of choice.

134. The February 9, 2024 Press Release further disclosed that Telus’ net income of \$38 million, compared with \$34 million in the same quarter of the prior year, was positively impacted by “changes in business combination-related provisions related to the revaluation of the provisions for written put options arising from our acquisition of WillowTree” that stemmed from the reinvestment program described above (*supra*, 45). In the FY 2023 MD&A, Telus specified that these changes in business combination-related provisions resulted in “a gain of \$20 million for the year ended December 31, 2023, which was due to a downward revision to our estimates of certain performance-based criteria tied to the WillowTree business and a reduction of our provisions for written put options.” These changes meaningfully offset the negative impact of Telus’ lower-margin AI services. Effectively, Telus was able to manufacture additional profits by not paying WillowTree executives rather than generating those profits from customers. In other words, that Telus was able to appear substantially more profitable in Q4 2023 than it actually was (because the add-back more than doubled Telus’ net income for the quarter) was a product of WillowTree’s failure to meet its financial goals which allowed Telus to not pay out incentive compensation.

Perversely, this means that the *underperformance* of one AI business line (WillowTree) masked the overall decline in profitability caused by Telus' shift to AI.

135. Finally, the February 9, 2024 Press Release 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%.

136. Attached to the filings listed above were Puritt and Kanu's respective Certification of Principal Executive Officer and Certification of Principal Financial Officer which contain representations similar to those identified in para. 68 above. Also attached to the 2023 Annual Report were Puritt and Kanu's respective Sarbanes-Oxley ("**SOX**") Certifications, which certified that the 2023 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]."

137. During the earnings call with securities analysts held that same day (the "**February 9, 2024 Earnings Call**"), Puritt once again focused on touting the purported successes of Telus' AI offerings, stating 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."

138. The Defendants also continued to be bullish on WillowTree's prospects, and, in particular, its work with GenAI and Fuel iX. Puritt stated:

As an update on Fuel iX, while it's still early days, we're encouraged by the engagement with clients and the contracts that are in various stages of negotiations. We believe our suite of GenAI offerings is a great enablement platform that provides enterprises with secure access to large language models, which would otherwise be too costly and time-consuming of an investment for many companies, especially those that are just getting started on their GenAI journeys.

In fact, IDC recently featured our GenAI JumpStart Accelerator program as an example of successful GenAI implementation, customer care business process services. The specific use case featured WillowTree's engagement with one of North America's leading banks. Over the span of 8 weeks, our team developed a proof of concept to validate the feasibility and viability of a trustworthy AI-powered chat bot for this banking clients' customer experience. As a starting point, our WillowTree team facilitated audience workshops determine best practices for AI technical and UX design, conducted product design and research around business outcomes and presented functional solutions and prototype education to project stakeholders upon finalization of the proof of concept.

Through user interviews, testing strategy, risk analysis and reporting, we were able to not only understand users' needs, mental models, expectations and desires related to AI-powered chat bots, but we also established UX guidelines and added to the bank's bot experience knowledge base simultaneously. The solution our WillowTree team worked on demonstrates the power of GenAI in enhancing customer service and empowering customers with a robust conversational financial literacy tools across all of our client discussions on GenAI.

139. Later, in response to a question seeking an update on the competitive pricing environment discussed in August and November 2023, Puritt replied:

[...] I continue to be optimistic about our opportunity, given the credentials we have, the experience we have and the head start we garnered in terms of investing in tools and technology, [...] the 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.

140. The foregoing statements in paras. 130-139 above were materially false and/or misleading at the time they were made because:

- a) as the Defendants later admitted, Telus' AI offerings generated margins that were "below average" compared to Telus' other business lines (as the Defendants would later acknowledge), the Company's "transition [towards AI] necessitate[d] some cannibalization of [its] tenured and higher-margin CX work," and were being "deploy[ed] [as] pilots" for which it could not "charge full freight";
- b) these statements gave the misleading impression that Telus' profitability was back on track;
- c) these statements gave the misleading impression that Telus was pricing its offerings in a way that would achieve the Company's profitability target;
- d) these statements gave the misleading impression that the risk factor Telus warned about was purely hypothetical and contingent; and
- e) these statements omitted to inform investors that the business combination-related provisions were included to counteract the downward pressure on margin and profitability caused by Telus' AI services.

141. Additionally, none of these statements in paras. 130-139 above disclosed the material change in Telus' business, operations, or capital in relation to the Company's shift towards lower-margin AI services which had a negative impact on Telus' margins and profitability. Starting on February 9, 2023, Telus had profit margins of 24.9%, consistent with its profitable growth strategy; however, by the end of FY 2024, profit margins had declined materially to 18.1% as a result of Telus' shift to AI.

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

142. The truth concerning Telus' AI offerings and their impact on the Company's margins and

profitability emerged gradually through a series of partial disclosures.⁷

The May 9, 2024 News Release, Interim FS, MD&A and Earnings Call

143. 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**”). Revenue—which no longer broke down the portion generated by WillowTree—was down quarter-over-quarter and year-over-year. Profitability also declined. Adjusted EBITDA allegedly increased 9% year-over-year. However, this increase only occurred because the Company made material changes to the way they calculated Adjusted EBITDA: as stated in Telus’ Q4 2023 filings, beginning with this quarter (Q1 2024), Telus was “no longer includ[ing] share-based compensation expense and changes in business combination-related provisions, and the tax effects of these items, as applicable, in [its] presentation of Adjusted Net Income, Adjusted Basic and Diluted EPS, and Adjusted EBITDA.”

144. But for this change, Telus’ Adjusted EBITDA for Q1 2024 would have been \$125 million—a 19.4% *decrease* from Q1 2023 Adjusted EBITDA of \$155 million. This accounting change retroactively decreased Q1 2023 Adjusted EBITDA from \$155 million to \$141 million, due to the removal of \$14 million in share-based compensation from the metric; because there were no changes to business combination-related provisions that quarter, the removal of \$14 million was the only change.⁸ Had Telus retained its old accounting methodology for Adjusted EBITDA in Q1 2024, its Adjusted EBITDA for the quarter would have been \$125 million.⁹ The change allowed Telus to benefit from the business combination-related provisions in the calculation of net income (which would have been negative but for the additional income Telus reported due to the revision of the WillowTree performance estimates, as discussed further below), without a corresponding deduction from Adjusted EBITDA.

⁷ Defendant Kanu’s planned resignation (first announced in early February 2024) occurred between Telus’ reporting on Q4 2023 and Q1 2024, and was effective as of March 31, 2024. Kanu was replaced by Defendant Gopi Chande as CFO at that time.

⁸ Indeed, we note that while the May 9, 2024 Press Release refers to Q1 2023 Adjusted EBITDA as \$141 million, the May 4, 2023 Press Release states that Q1 2023 Adjusted EBITDA is \$155 million.

⁹ Specifically, the reported Adjusted EBITDA of \$153 million would have had \$1 million in share-based compensation added back in, and \$29 million of business combination-related provisions deducted, resulting in Adjusted EBITDA of \$125 million.

145. This change also impacted the Adjusted EBITDA Margin. Telus reported an increase in its Adjusted EBITDA Margin from a downward-adjusted 20.6% margin in Q1 2023 (originally 22.6%) to 23.3% in Q1 2024. Had the methodology remained the same, Telus' Adjusted EBITDA Margin—instead of improving by 2.7%—would have decreased by 3.6%, going from 22.6% in Q1 2023 to 19% in Q1 2024. The accompanying press release (the “**May 9, 2024 Press Release**”) provided limited insight as to why certain metrics were less impacted:

Adjusted EBITDA was \$153 million, an increase of 9% from \$141 million in the same quarter of the prior year, primarily due to other income arising from business combination-related provisions and lower share-based compensation expense, which were partially offset by lower revenue. Adjusted EBITDA Margin was 23.3%, an improvement of 270 basis points from 20.6% 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.

146. Telus' explanation for these dramatic changes in its fortunes (which nowhere mentioned the new accounting methodology or explained that the failure of Telus' AI offerings through WillowTree was the reason for Telus' purportedly improving margins) was materially misleading. Instead of increasing actual profits or profit margins on the products sold to customers, Telus simply changed how it recorded certain monies on its balance sheet.

147. Additionally, Telus was only able to report positive net income for the quarter due to further revisions to its estimates of WillowTree's performance. These changes in business combination-related provisions—totaling \$29 million—were the result of “a downward revision to [Telus'] estimates of certain performance-based criteria associated with the WillowTree business, resulting in a reduction of our provisions for written put option.” Specifically:

In connection with our acquisition of WillowTree in 2023, a provision for written put options to acquire the non-controlling interest in the WillowTree business retained by certain members of WillowTree management was established, measured at the present value of the estimated redemption amount. During the three-month period ended March 31, 2024, we revised our estimates of certain performance-based criteria tied to the WillowTree business, which resulted in a reduction of the written put option provision by \$29 million, included in Changes in business combination-related provisions in our condensed interim consolidated statements of income and other comprehensive income (loss).”

148. Had Telus not reevaluated WillowTree’s written put option provision, the Company would have recorded (i) a net loss of \$1 million instead of a net income of \$28 million and (ii) a year-over-year decline of 107% in net income, rather than an improvement of 200% from Q1 2023’s net income of \$14 million. In other words, this year-over-year increase in Telus’ profits was the direct result of underperformance at WillowTree, which meant that the Company would have to pay less money to the executives of its subsidiaries.

149. Nevertheless, the May 9, 2024 Press Release quoted Puritt as stating that the financial results were “in line with [...] expectations” and that “momentum remains strong in AI Data Solutions [...] while we’re also working diligently on pilots and opportunities with many major foundational AI model developers.” 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 because Telus’ AI-related business was performing well.

150. During the earnings call with securities analysts held that same day (the “**May 9, 2024 Earnings Call**”), Puritt touted Telus’ AI offerings, presenting them as the path to increased profitability:

[...] In the first quarter of 2024, TELUS International delivered results that were on track in terms of our expectations, and what we see as a continued path to recovery. While the operating and macroeconomic environment remains pressured for the first half of the year, with inflation and higher-for-longer rate narratives dominating the market sentiment, we anticipate demand starting to recover in the latter part of the year.

[...] Carrying over from last year’s results, our momentum continues in AI data solutions driven, by the strength of our relationship with Google in particular, while we’re also working diligently on pilots and opportunities, with many major foundational AI model developers. In this regard, the progression of our Fuel iX gen AI client engagement, led by our WillowTree team is accelerating, and I’ll share more details shortly regarding our most recent beta launch last month.

[...] Our AI capabilities, are expanding opportunities with TELUS, charting a path to an additional differentiated service revenue stream. In fact, we currently have several more pilots underway, as well as over 30 requests for new applications. Our TI sales team is also taking this successful real-world

implementation at TELUS, on the road to demonstrate the value of Fuel iX, to enterprise clients across multiple industries.

151. Puritt also continued to tout WillowTree’s AI-related success during the quarter, stating:

[...] WillowTree secured an AI innovation win with an American consumer financial services company, and saw incremental expansion with clients across diverse industries, including retail, fast food restaurants, energy, and insurance.

Specifically, as it pertains to Fuel iX, our WillowTree team also continues to drive new client engagements, including 2 well-established American financial services companies. I’ll share details of one of these engagements, namely Inspira Financial, in a case study in just a moment. Last month, we announced a beta release of Fuel iX, as part of the ongoing growth and refinement of our enterprise-grade AI engine, structured now as 2 main solution layers, Core and Apps. Fuel iX Core offers the orchestration, integration, and administration as a backbone for enterprise AI, while Fuel iX Apps includes templated gen applications across customer and employee experiences.

Think of these as add-on solutions and tools, including third-party applications, along with our own consulting and design services, for example, our 8-week GenAI jumpstart accelerator program. Key divisions of our parent company, TELUS, are part of both the Jumpstart and the Fuel iX client rosters.

Across multiple business areas and corporate support functions at TELUS, we’ve designed, built, and delivered AI solutions supporting an IT service desk, field service, and internal team member knowledge solutions, an in-store retail associate co-pilot, a customer service agent assistant, and a public-facing consumer website. These solutions have delivered tangible outcomes for TELUS already, helping them achieve a lower cost to serve, and support their focus on driving a higher average margin per user [...]. Our TI sales team is also taking this successful real-world implementation at TELUS, on the road to demonstrate the value of Fuel iX, to enterprise clients across multiple industries.

152. With respect to the WillowTree “case study” (Inspira Financial) that Puritt had mentioned, he went on to add:

Excitingly, [WillowTree has] also implemented an AI-powered navigational assistant [for Inspira], to guide users through the new portfolio

of offerings and reduce support costs, by offering self-service solutions. The AI assistant we've built for the client, is a hybrid LLM and rule-based chatbot, with a secure intent classifier augmented by LLM function calls to deliver optimal solutions for user queries.

It adeptly handles various needs such as FAQs, login inquiries, and guiding users to the next step in the journey with Inspira. The chatbot's engagement surpasses search usage by 5x, with a notable 53% conversion and engagement rate achieved to-date. Moreover, insights collected from the chatbot logs and site analytics fuel continuous optimization aimed at reducing the client's call center volume.

153. Chande began her remarks by emphasizing Q1 2024's top-line results:

Up front, I'd like to highlight -- that in the first quarter of 2024, our top-line results reflected a tough year-over-year compare, due to the macroeconomic environment and the impact on our clients, since the summer of 2023. However, we anticipated this and set our targets and our outlook accordingly. Our first quarter results are very much in line with our expectations and the views we shared back in February.

154. She then conceded that but-for a "change in business combination-related provisions" of \$29 million in relation to WillowTree, Adjusted EBITDA and Adjusted EBITDA Margin would have further decreased:

Changes in business combination-related provisions increased by \$29 million in the first quarter of 2024, compared with the same quarter in the prior year. This was due to a downward revision to our estimates of certain performance-based criteria associated with the willow tree business, resulting in a reduction of our provisions for written options. The thoughtful design of our transaction at first instance provided good alignment of incentives that ensured that there was an appropriate linkage between expected performance and future payouts.

Moving on to profitability. In the first quarter, our adjusted EBITDA was \$153 million, an increase of 9% year-over-year, primarily due to other income arising from business combination-related provisions and lower share-based compensation expense, which were partially offset by lower revenue.

Adjusted EBITDA margin was 23.3% in the quarter, an improvement of 270 basis points year-over-year, due to the factors I've just described, as well as changes in our revenue mix across industry verticals and geographic regions. If not for the favorable impact from the business combination-related provisions, and share-based compensation expense, our adjusted

EBITDA declined and the margin compressed year-over-year, reflecting lower revenue flow-through, as well as higher service delivery costs from increase in complexity of work, variability in utilization levels based on customer demand volumes, along with an overall increase in average salaries and wages.

155. Chande also “reaffirm[ed] [Telus’ 2024] full-year outlook” (detailed at para. 135 above).

156. During the Q&A portion of the May 9, 2024 Earnings Call, an analyst asked “what margin should look like on a go-forward basis” factoring in the cost savings from the revaluation associated with the business combination-related provisions. Chande began her response by explaining why she considered the inclusion of the business combination-related provision to be fair:

So maybe I’ll start, Stephanie, with I do think it’s fair to continue to use our revised definition of EBITDA and the inclusion of the business combination provision. I’ll just spend a minute discussing why. So first of all, our outlook and guidance is based on our estimates of those numbers. So keeping them in is an apples-to-apples comparison.

Secondly, if you think about both of the items that we’ve added in, or kept in adjusted EBITDA in terms of the, earn-out or stock-based compensation, they’re both essentially a pay-for-performance arrangement, where we’re incentivizing management or through acquisition, or internal management to deliver on expectations. And so, to the extent that doesn’t happen, we do not want to overpay for underperformance.

157. She then turned to the Adjusted EBITDA Margin target and admitted that Telus was “seeing pressure on [its] margins” and revealed that the margins generated by the Company’s AI offerings were below average:

And effectively, you're seeing the trough-up of those amounts. So I do think they are reflective ultimately of our business operations. Now having said that, Stephanie, we are seeing pressure on our margins and essentially still feel confident in the guidance that we've provided, and the range we've provided of 22.3% to 22.6%. I'll give you a bit of color of the pressure we're seeing, and what we're doing to mitigate that.

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. As I mentioned in my remarks, we are seeing some higher cost of delivery.

158. 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. 156-157, above), are collectively the “**May 2024 Disclosure**”.

159. 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 positive impact of the Company’s shift towards AI services, the anticipated profitability of Telus’ alleged unique AI solutions and how well-positioned the Company was to win in the AI space and continue with its strategy of profitable growth. 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. 143-156 above were materially false and/or misleading at the time they were made because:

- a) as the Defendants later admitted, Telus’ AI offerings generated margins that were “below average” compared to Telus’ other business lines (as the Defendants would later acknowledge), the Company’s “transition [towards AI] necessitate[d] some cannibalization of [its] tenured and higher-margin CX work,” and were being “deploy[ed] [as] pilots” for which it could not “charge full freight”;
- b) these statements gave the misleading impression that Telus’ profitability was on track;
- c) these statements gave the misleading impression that Telus was pricing its offerings in a way that would achieve the Company’s profitability target; and
- d) these statements omitted to inform investors that the business combination-related provisions were included to counterbalance the downward margin and profitability pressures caused by Telus’ AI services.

160. Additionally, none of these statements in paras. 143-156 above disclosed the material change in Telus’ business, operations, or capital in relation to the Company’s shift away from premium, higher margin work towards lower-margin AI services which had a negative impact on Telus’ margins and profitability. Starting on February 9, 2023, Telus had profit margins of 24.9%,

consistent with its profitable growth strategy; however, by the end of FY 2024, profit margins had declined materially to 18.1%, as a result of Telus' shift to AI.

The May 13, 2024 Final Short Form Base Shelf Prospectus (“Base Shelf Prospectus”)

161. On May 13, 2024, Telus filed a 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 – all of which contain the misrepresentations, omissions and failures to make timely disclosures listed at paras. 52-62, 65-73, 76-77, 80-88, 91-109, 112-127, 130-139, and 143-156, above.

The May 21, 2024 52nd J.P. Morgan Annual Global Technology, Media & Communications Conference (“JPM Conference”)

162. On May 21, 2024, Puritt presented at the JPM Conference. During the JPM Conference, Puritt was asked to provide a “quick commercial on” Telus and its “right to win.” His response focused on the Company’s AI customer offerings and the internal use of those services to cut costs at Telus, along with “industry-leading margins”:

We’ve made some specific incremental investments, well above levels that we’ve historically done in terms of sales and marketing, to try and will take advantage of and to stimulate more opportunities around growth, not exclusively, but again, around GenAI-enabled capabilities in particular.

And then, obviously, drinking our own champagne and eating our own gourmet cooking, as you've heard me say often, transforming our own cost to serve, leveraging these very same tools and technologies and process excellence and reengineering so that we can continue to generate these industry-leading margins and ensure the headroom in our cost structure so that we can address the constant pressure on pricing coming from the market more broadly.

163. When discussing modelling the business and profits and losses (“P&L”), Puritt referred to generative AI as being able to “reduce the amount of labor that goes into generating the dollar revenue and should, in the fullness of time at scale, generate better margin return,” adding “[b]ut these are early days.” Or, in other words, that while the Company may have been “drinking [its]

own champagne,” doing so had yet to generate the kind of cost savings that would “generate better margin return[s].” Puritt then revealed even worse news: Telus had been “deploying [AI] pilots all over the place” and had difficulty charging customers profitable prices for those services – “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 [...].”

164. 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.

I suppose, if all I cared about was top line growth, that I could tank the profitability of the company and give away our services for half the price. And as long as everybody was happy at 10% EBITDA, our top line growth would be pretty d*** impressive. But in the fullness of time, I’m not sure that’s the right recipe for sustained success. And that’s part of the challenge, I guess. And it’s not like it’s lost on the -- not like I was forced into accessing the public markets.

And when you come here, one of the price of admission is, that there is an expectation in terms of quarterly results. So it is a constant battle to try and keep things sort of in the middle of the fairway in terms of top line revenue growth and profitability. And right now, it seems like I’m making nobody happy in terms of share price, but hopefully, we are here for the long term. And in the fullness of time, I think our strategy and the execution against that will bear out that we are delivering sustainable, meaningful value.

165. Although the JPM Conference provided further colour into Telus’ AI business, it did not reveal the entire truth as appears from the August 2024 Disclosure (discussed later herein). As a result, the statements in paras. 162-163 above were materially false and/or misleading at the time they were made because they gave the misleading impression that Telus would continue to generate traditionally high margins.

166. Additionally, none of these statements in paras. 162-163 above disclosed the material change in Telus' business, operations, or capital in relation to the Company's shift towards lower-margin AI services which had a negative impact on Telus' margins and profitability. Starting on February 9, 2023, Telus had profit margins of 24.9%, consistent with its profitable growth strategy, but by the end of FY 2024, profit margins had declined materially to 18.1%, as a result of Telus' shift to AI.

167. 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."

The August 2, 2024 News Release, Interim FS, MD&A and Earnings Call

168. The final shoe dropped before market open on August 2, 2024. Telus released disappointing second quarter 2024 results, which disclosed: (i) revenue of \$652 million, a \$5 million quarter-over-quarter and \$15 million year-over-year decrease; (ii) Adjusted EBITDA of \$130 million, a \$23 million (or 15%) quarter-over-quarter decrease and \$10 million year-over-year increase; and (iii) Adjusted EBITDA Margin of 19.9%, a 14.5% quarter-over-quarter reduction (from 23.3% to 19.9%) and 10.5% improvement year-over-year (from 18% to 19.9%) (the "Q2 2024 Interim FS" and "Q2 2024 Interim MD&A").¹⁰ The positive year-over-year Adjusted EBITDA and Adjusted EBITDA Margin were "primarily due to other income arising from business combination-related provisions" which generated an additional \$31 million in that quarter due to amendments in the terms of the agreement with WillowTree:

In connection with our acquisition of WillowTree in 2023, a provision for written put options to acquire the non-controlling interest in the WillowTree business retained by certain members of WillowTree management was established. On June 28, 2024, we entered into supplemental agreements with the employees beneficially holding the written put options which, among other revisions, supplemented the written put options with certain compensatory income, established a combined maximum payout for the

¹⁰ We note that while the August 2, 2024 Press Release refers to Q2 2023 Adjusted EBITDA as \$118 million and Q2 2023 Adjusted EBITDA Margin as 17.7%, the August 4, 2023 Press Release states that Q2 2023 Adjusted EBITDA is \$120 million and Q2 2023 Adjusted EBITDA Margin is 18%.

written put options and such supplemental compensatory income, revised certain performance-based criteria based on the achievement of the financial performance of WillowTree and certain other TELUS Digital products and services, and sets the settlement to be 100% in subordinate voting shares of the Company. These changes to the written put options resulted in a revaluation and gain on modification. During the three- and six-month periods ended June 30, 2024, in connection with these changes to the written put options and our estimates of certain performance-based criteria in relation to these written put options, we recognized other income of \$31 million and \$60 million, respectively, included in Changes in business combination-related provisions in our condensed interim consolidated statements of income (loss) and other comprehensive income (loss).

169. Again, this accounting maneuver allowed the Company to appear more profitable without generating more profits from customers. With the accounting change, Adjusted EBITDA appeared to grow from \$118 million to \$130 million, and the Adjusted EBITDA Margin from 17.7% to 19.9%, year-over-year, suggesting growth and improving metrics. Without the accounting change, however, the metrics (and year-over-year comparisons) were abysmal: Adjusted EBITDA would have dropped from \$120 million to \$109 million, and the Adjusted EBITDA Margin would have fallen from 18.0% to 16.7%. The unadjusted numbers were dire, and would have been the lowest Adjusted EBITDA and Adjusted EBITDA Margins during the entirety of the Class Period but for the accounting change.

170. This was meaningful because the improved numbers were due not to an improvement in Telus' operations—which actually worsened—but because WillowTree was underperforming and so its executives were not entitled to bonus payments. These business combination-related changes, as Telus referred to them, were also material since without them, Telus' Q2 2024 net loss would have increased from \$3 million to \$34 million. With a net loss of \$3 million for the quarter, Telus' net income (which was a net loss of \$7 million in Q2 2023) improved by 57%. Had the Company reported a net loss of \$34 million for the quarter, its net loss would have actually worsened by 386%.

171. 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).

172. 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.”

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

I continue to believe that we have a much better capacity to solve for this than most with our digital-first mindset and growing capabilities in areas like Generative AI. As we continue to evolve TELUS digital towards a more technology-centric and specifically AI fuel business, this fundamental change will also help to future-proof our business model.

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.

174. During the Q&A portion of the August 2, 2024 Earnings Call, Puritt acknowledged that “the challenge for [them] right now is continuing labor centricity is eating into [their] margins significantly.” Later during the August 2, 2024 Earnings Call, Puritt admitted 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.

175. 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:

I think, candidly, the challenge has been that we've had to rely historically on too many one-timers in order to make sure that we were able to continue to meet expectations set for ourselves and for the Street with respect to the well above 20% EBITDA ZIP Code. And the challenge has been over the last little while, we just keep losing opportunities because of price.

And so when both CX and AI opportunities are still quite available, but we're told in the postmortem that we were just too expensive and the competition we're willing to provide a similar solution. We would argue an

inferior solution. But nonetheless, more or better for less, as I said before, is the desire out there, we just decided that we can't keep missing out on opportunities.

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.

176. With respect to WillowTree, when asked by an analyst, "you said there was a performance payment to Willow Tree, what was the metric that caused the trigger of a performance payment to Willow Tree?" Chande responded:

Keith to clarify, there wasn't a payment related to the Willow Tree earnout. The amount that went through this quarter was a true-up of the provision. So there was 2 reasons for that. One, every quarter, we look at the forecast as expected from Willow Tree and treat that up. The provision and earn-out is working as planned. So as we see a lower forecast than originally expected, that does true up what the ultimate earnout payment is. So that's working as expected. That was one of the contributing factors.

And then secondly, as I mentioned, we renegotiated the agreement. And so again, that was factored into rebalancing where our provision is at. We do not expect currently that there would be a huge future adjustment to that provision. I mentioned that in that renegotiation, there are some good win-win opportunities between us and Willow Tree. It is based on combined Willow Tree and TELUS Digital performance. And we also have the benefit of that continued deployment of the Willow Tree management team. So you will see some decreased stock-based compensation associated with that amendment, Hopefully, that clarifies Keith the accounting from this quarter.

177. 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. 173-176, above), are collectively the “**August 2024 Disclosure**”.

178. With the August 2024 Disclosure, the truth had emerged. Investors and the public now knew that:

- a) far from being a leader in AI, Telus was routinely losing business to competitors who were charging less for “similar solution[s]”;
- b) Telus’ AI offerings were “proof-of-concept pilot[s]” for which it couldn’t “charge full freight,” resulting in “margin pressure”;
- c) WillowTree’s offerings—including its AI offerings—were floundering so badly that Telus was able to revalue performance-based put options to add back revenue to its bottom line;
- d) facing stiff competition, Telus had been struggling with either “allow[ing] for this complete eradication of margin yields in order to enjoy the revenue upside” or attempting to “find that elusive balance” that would still negatively impact both margin *and* growth, but without destroying either;
- e) Telus was “going to have to take it on the chin a little bit in terms of our historical margin profile” to secure deals in the face of that competition; and
- f) as part of the rocky transition to AI, Telus was resorting to “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.”

179. As discussed below, investors reacted harshly to learning the full truth about Telus. The stock sold off and investors suffered substantial losses.

180. On February 13, 2025, Telus released mediocre FY 2024 results: (i) FY revenue of \$2,658 million; (ii) Adjusted EBITDA of \$481 million; (iii) Adjusted EBITDA margins of 18.1%; and (iv) Adjusted Diluted EPS of \$0.39.

181. On June 12, 2025, Telus Parent announced that it submitted a non-binding indication of interest (“IOI”) to Telus’ board of directors in respect of a proposed transaction pursuant to which Telus Parent would, directly or indirectly through one of its subsidiaries, acquire all of the issued and outstanding subordinate voting shares and multiple voting shares of Telus not already owned directly or indirectly by Telus for a price per share of USD \$3.40 to be paid in cash, Telus Parent common shares or a combination of both. The proposed price represents a premium of approximately 15% to Telus’ closing share price on the NYSE on June 11, 2025, and a premium of approximately 23% over Telus’ 30-day volume weighted average trading price based on Canadian composite (Toronto Stock Exchange and all Canadian marketplaces) and U.S. composite (New York Stock Exchange and all U.S. marketplaces) as of such date.

182. The June 12, 2025 press release also indicates that Telus Parent has asked the Telus’ board of directors to begin a process to review the IOI and appoint a special committee of independent directors to evaluate the proposal.

Telus’ Share Price Plummeted After Each Public Correction

183. The May 2024 Disclosure and the August 2024 Disclosure are collectively “**Public Corrections.**” Following the issuance of each of the Public Corrections, the price of Telus’ subordinate voting shares decreased significantly on the TSX, NYSE, and other trading venues.

184. After the May 2024 Disclosure, Telus’ subordinate voting 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 subordinate voting shares on the NYSE also decreased over that period, dropping 18.1% from \$7.77 USD to \$6.36 USD on heavy trading volume.

185. After the August 2024 Disclosure, Telus' subordinate voting 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 subordinate voting 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

186. 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.

187. 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**”).

188. 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**”).

189. The Core Documents and the Non-Core Documents are collectively the “**Impugned Documents**”.

190. 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;
- h) the May 9, 2024 Earnings Call; and
- i) the May 21, 2024 JPM Conference,

(collectively, the “**Public Oral Statements**”).

191. In fulfilling the above requirements and in making disclosures to the market generally, Telus was prohibited from:

- a) making a statement that:

- i) 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
 - ii) would reasonably be expected to have a significant effect on the market price or value of its securities; and
- b) failing to make a timely disclosure of changes in its business, operations, or capital that would reasonably be expected to have a significant effect on the market price or value of its securities.

192. 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.

193. 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.

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

195. 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.

196. 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.

197. 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, Q2 2024 Interim MD&A, and Base Shelf Prospectus were released, certified each of those documents prior to their release.

198. 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, Q2 2024 Interim MD&A, and Base Shelf Prospectus prior to their release.

The Defendants’ Untrue Statements, Omissions, and the Undisclosed Changes to Telus’ Business Were Material

199. 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’ subordinate voting, 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' margins, 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

200. At all material times, Telus, through the conduct described at paras. 52-163 of this Amended Notice of Civil Claim, violated the Plaintiff and Class Members' reasonable expectations that, *inter alia*:

- 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.

201. At all material times, Telus' subordinate voting shares 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.

202. 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.

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

204. 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.

205. The Defendants knew and intended that the market price at which Telus' subordinate voting shares 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.

206. 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.

207. 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

208. 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) in relation to the TSX Subclass, ~~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 and/or failed to make timely disclosures 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/or failed to make timely disclosures; 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:
 - 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:~~
- †) f) a declaration under section 227 of the *Business Corporations Act* that:
 - ‡) i) 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
 - ‡) ii) the acts of Telus are unfairly prejudicial to one or more Class Members as shareholders;
- ‡) g) 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;
- ‡) h) pre-judgment and post-judgment interest under the *Court Order Interest Act*, RSBC 1996, c 79 (the “*Court Order Interest Act*”);
- ‡) i) 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
- †) j) such further and other relief as this Honourable Court may deem just.

Part 3: LEGAL BASIS

209. 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

210. ~~Subject to leave being granted in the petition proceeding (now amended) commenced concurrently with this action,~~†The Plaintiff, on his own behalf and on behalf of the TSX Subclass, 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.

211. Telus is a “responsible issuer” under section 140.1 of the *Securities Act*.

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

213. 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.

214. 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).

215. 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).

216. 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).

217. 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).

218. 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).

219. 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).

220. 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. 52-62, 65-73, 76-77, 80-88, 91-109, 112-127, 130-139, 143-156 and 161-163.

221. 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. 52-62, 65-73, 76-77, 80-88, 91-109, 112-127 and 130-139.

222. 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. 143-156 and 161-163.

223. 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. 52-62, 65-73, 76-77, 80-88, 91-109 and 112-127.

224. 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. 52-62, 65-73, 76-77, 80-88, 91-109, 112-127, 130-139, 143-156 and 161-163.

225. Entwistle was a director of Telus at the time the Impugned Documents set out at paras. 52-62, 65-73, 76-77, 80-88, 91-109, 112-127, 130-139, 143-156 and 161-163 of this Amended 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.

226. Blair was a director of Telus at the time the Impugned Documents set out at paras. 52-62, 65-73, 76-77, 80-88, 91-109, 112-127, 130-139, 143-156 and 161-163 of this Amended 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.

227. Andrews was a director of Telus at the time the Impugned Documents set out at paras. 65-73, 76-77, 80-88, 91-109, 112-127, 130-139, 143-156 and 161-163 of this Amended 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.

228. Anton was a director of Telus at the time the Impugned Documents set out at paras. 52-62, 65-73, 76-77, 80-88, 91-109, 112-127, 130-139, 143-156 and 161-163 of this Amended 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.

229. Arora was a director of Telus at the time the Impugned Documents set out at paras. 52-62, 65-73, 76-77, 80-88, 91-109, 112-127, 130-139, 143-156 and 161-163 of this Amended 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.

230. French was a director of Telus at the time the Impugned Documents set out at paras. 52-62, 65-73, 76-77, 80-88, 91-109, 112-127, 130-139, 143-156 and 161-163 of this Amended 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.

231. Geheran was a director of Telus at the time the Impugned Documents set out at paras. 52-62, 65-73, 76-77, 80-88, 91-109, 112-127, 130-139, 143-156 and 161-163 of this Amended 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.

232. Paish was a director of Telus at the time the Impugned Documents set out at paras. 2-62, 65-73, 76-77, 80-88, 91-109, 112-127, 130-139, 143-156 and 161-163 of this Amended 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.

233. Slaski was a director of Telus at the time the Impugned Documents set out at paras. 52-62, 65-73, 76-77, 80-88, 91-109, 112-127, 130-139, 143-156 and 161-163 of this Amended 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.

234. Stuart was a director of Telus at the time the Impugned Documents set out at paras. 52-62, 65-73, 76-77, 80-88, 91-109, 112-127, 130-139, 143-156 and 161-163 of this Amended 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.

235. 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.

236. 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.

237. The misstatements, omissions and failures to make timely disclosures alleged herein relate to Telus' pivotal transition towards AI. This transition was at the heart of the Company's revival strategy. Financial metrics such as margins and profitability were key indicators of this transition's success. Moreover, the WillowTree incentives were calculated as part of Telus' cumulative gross margin, measured over more than a year. For Telus to add back income due to WillowTree's poor performance well in advance of a redemption year (the first being 2026) strongly suggests that the Individual Defendants were tracking these metrics closely enough to conclude that WillowTree would not achieve its performance target well ahead of the redemption years. As such it would be impossible to conclude that the Individual Defendants did not closely monitor Telus' AI offerings, service mix, margins, and probability or did not know what was going on. The importance of these matters leads to the logical and strong inference that the Individual Defendants knew or deliberately avoided knowing of the misstatements, omissions, and failures to make timely disclosures alleged herein, or were guilty of gross misconduct in connection thereto.

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

239. 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.

240. The Plaintiff and other TSX Subclass 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

241. 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.

242. 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.

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

244. 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 subordinate voting shares 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' subordinate

voting shares 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.

245. 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.

246. The Defendants heavily touted Telus' AI offerings and the internal efficiencies to be gained by deploying AI within the Company 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.

247. 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. 52-62, 65-73, 76-77, 80-88, 91-109, 112-127, 130-139, 143-156 and 161-163, above; and/or
- b) failed to make timely disclosures set out in paras. 52-62, 65-73, 76-77, 80-88, 91-109, 112-127, 130-139, 143-156 and 161-163, above.

248. The Defendants breached their duty of care to the Plaintiff and Class Members, and were therefore negligent, 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.

249. 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.

250. 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' subordinate voting shares during the Class Period. The Plaintiff and Class Members would not have purchased Telus' subordinate voting, 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.

251. 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.

252. 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.

253. 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

254. ~~Subject to the granting of the requested relief with respect to the oppression claim sought in the petition proceeding commenced concurrently with this action, t~~The Plaintiff, on his behalf

and on behalf of the Class Members, seeks relief from oppression under section 227 of the *Business Corporations Act* against Telus.

255. 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*.

256. 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.

257. 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, the negative impact of Telus' shift towards AI on the margins and profitability of its other CX offerings, and the overall profitability of Telus' transition to AI.

258. 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

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

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

261. 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.

262. 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.

263. 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

264. Purchases of Telus subordinate voting shares by the Foreign Subclass Members during the Class Period are subject to the *Securities Exchange Act*.

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

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

267. 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.”

268. 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.

269. 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

270. 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;
or
- 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.

271. 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.

272. 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.

273. 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.

274. 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.

275. During the Class Period, the Individual Defendants closely monitored Telus' AI offerings, service mix, 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.

276. 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:

- a) the Defendants closely monitored, disclosed, and discussed the success of Telus' shift towards AI with market participants; and
- b) the Defendants closely monitored WillowTree's performance—which impacted Telus' cumulative gross margin—as is evident from the numerous income addbacks well in advance of the first redemption year, i.e., 2026.

Loss Causation

277. 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' subordinate voting shares at artificially inflated prices caused by the Defendants' misconduct as alleged herein. The price of the Company's subordinate voting shares 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.

278. 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.

279. 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; and
- 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.

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

281. The market reacted swiftly and negatively to these disclosures, as referenced in paras. 183-185 above.

282. 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

283. The market for Telus subordinate voting, 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.

284. 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 subordinate voting shares at artificially inflated prices to suffer loss and/or damage as a result.

285. 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.

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

287. 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

288. 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.

289. 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

290. 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.

291. 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; and/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.

292. The Foreign Subclass Members have suffered damages in that, in reliance on the integrity of the market, they paid artificially inflated prices for Telus' subordinate voting. The Foreign Subclass Members would not have purchased Telus subordinate voting shares 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

293. 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

294. 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.

295. 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' principal regulator is 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.

296. 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:

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Place of trial: Vancouver, British Columbia

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

Date: August 29, 2025



Emilie B. 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
- 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]

- 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