UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  

FORM 40-F  

REGISTRATION STATEMENT PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934  

OR  

X  

ANNUAL REPORT PURSUANT TO SECTION 13(A) OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934  

For the fiscal year ended: December 31, 2016  
Commission File Number: 1-8481  

BCE INC.  
(Exact name of Registrant as specified in its charter)  
Canada  
(Province or other jurisdiction of incorporation or organization)  
4813  
(Primary Standard Industrial Classification Code Number (if applicable))  
98-0134477  
(I.R.S. Employer Identification Number (if applicable))  

1, carrefour Alexander-Graham-Bell, Building A, 8th Floor, Verdun, Québec, Canada H3E 3B3, (514) 870-8777  
(Address and telephone number of Registrant’s principal executive offices)  

CT Corporation System, 111 Eighth Avenue, 13th Floor, New York, N.Y. 10011, (212) 894-8940  
(Name, address (including zip code) and telephone number (including area code) of agent for service in the United States)  

Copies of all correspondence should be sent to:  
Michel Lalande  
Senior Vice-President -  
General Counsel & Corporate Secretary  
BCE Inc.  
1, carrefour Alexander-Graham-Bell  
Building A, 7th Floor  
Verdun, Québec H3E 3B3  
Canada  
Tel: (514) 786-8424  

Donald R. Crawshaw  
Sullivan & Cromwell LLP  
125 Broad Street  
New York, New York 10004-2498  
Tel: (212) 558-4000  

Securities registered pursuant to Section 12(b) of the Act:  

Title of each class  
Name of each exchange on which registered  

Common shares  
New York Stock Exchange  

Securities registered pursuant to Section 12(g) of the Act: None  

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: None  

For annual reports, indicate by check mark the information filed with this form:  

X Annual Information Form  
X Audited Annual Financial Statements  

Indicate the number of outstanding shares of each of the issuer’s classes of capital or common stock as of the close of the period covered by the annual report:  

<table>
<thead>
<tr>
<th>Common Shares</th>
<th>870,706,332</th>
</tr>
</thead>
<tbody>
<tr>
<td>First Preferred Shares</td>
<td>8,000,000</td>
</tr>
<tr>
<td>Series R</td>
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<tr>
<td>Series S</td>
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<td>Series T</td>
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<td>6,707,867</td>
</tr>
<tr>
<td>Series AF</td>
<td>870,706,332</td>
</tr>
</tbody>
</table>
Series AG 4,985,351
Series AH 9,014,649
Series AJ 5,949,884
Series AK 8,050,116
Series AL 22,745,921
Series AM 2,254,079
Series AN 9,546,615
Series AO 4,600,000
Series AQ 1,953,385
Series AQ 4,600,000
Total First Preferred Shares 160,300,000

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the registrant was required to file such reports); and (2) has been subject to such filing requirements for the past 90 days.

YES: X NO: 

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files).

YES: NO: 

PRIOR FILINGS MODIFIED AND SUPERSEDED

The annual report on Form 40-F of BCE Inc. (“BCE”) for the year ended December 31, 2016, at the time of filing with the U.S. Securities and Exchange Commission (the “SEC” or “Commission”), modifies and supersedes all prior documents filed pursuant to Sections 13, 14 and 15(d) of the U.S. Securities Exchange Act of 1934, as amended (the “Exchange Act”) for purposes of any offers or sales of any securities after the date of such filing pursuant to any registration statement or prospectus filed pursuant to the Securities Act of 1933 which incorporates by reference such annual report on Form 40-F.

ANNUAL AUDITED CONSOLIDATED FINANCIAL STATEMENTS AND MANAGEMENT’S DISCUSSION AND ANALYSIS

A. Annual Audited Consolidated Financial Statements

For the BCE annual audited consolidated financial statements for the year ended December 31, 2016 (the “BCE 2016 Financial Statements”), see pages 112 to 155 of the BCE 2016 Annual Report (the “BCE 2016 Annual Report”), which BCE 2016 Financial Statements are contained in Exhibit 99.2 and are incorporated herein by reference.

B. Management’s Discussion and Analysis

For the BCE management’s discussion and analysis of financial condition and results of operations for the year ended December 31, 2016 (the “BCE 2016 MD&A”), see pages 26 to 109 of the BCE 2016 Annual Report, which BCE 2016 MD&A is contained in Exhibit 99.2 and is incorporated herein by reference.

DISCLOSURE CONTROLS AND PROCEDURES

Our disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by us in reports filed or submitted under Canadian or U.S. securities laws is recorded, processed, summarized and reported within the time periods specified under those laws, and include controls and procedures that are designed to ensure that the information is accumulated and communicated to management, including BCE’s President and Chief Executive Officer (“CEO”) and Executive Vice-President and Chief Financial Officer (“CFO”), to allow timely decisions regarding required disclosure.

As at December 31, 2016, management evaluated, under the supervision of and with the participation of the CEO and the CFO, the effectiveness of our disclosure controls and procedures, as defined in Rule 13a-15(e) under the Exchange Act, and under National Instrument 52-109 – Certification of Disclosure in Issuers’ Annual and Interim Filings.

Based on that evaluation, the CEO and CFO concluded that our disclosure controls and procedures were effective as at December 31, 2016.

INTERNAL CONTROL OVER FINANCIAL REPORTING

A. Management’s report on internal control over financial reporting

The report of BCE’s management entitled “Management’s report on internal control over financial reporting” appearing at page 110 of the BCE 2016 Annual Report, which report is contained in Exhibit 99.3, is incorporated herein by reference.

B. Auditors’ report on internal control over financial reporting

The report of BCE’s external auditors concerning BCE’s internal control over financial reporting appearing at page 111 of the BCE 2016 Annual Report, which report is contained in Exhibit 99.3, is incorporated herein by reference.

C. Changes in internal control over financial reporting

There have been no changes during the year ended December 31, 2016 in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

STATEMENT REGARDING CONTROLS AND PROCEDURES

There can be no assurance that our disclosure controls and procedures will detect or uncover all failures to disclose all material information otherwise required to be set forth in our
A copy of the Code of Conduct, as amended, has been posted on BCE's website at BCE.ca and is included as Exhibit 99.4 to this annual report on Form 40-F.

**PRINCIPAL ACCOUNTANT FEES AND SERVICES**

A brief description of our pre-approval policies and procedures and information about principal accountant fees and services can be found under the sections entitled “Pre-approval policies and procedures” and “External auditors’ fees” on pages 34 and 35 of our Annual Information Form contained in Exhibit 99.1, which sections are incorporated by reference in this annual report on Form 40-F.

In 2016 and 2015, no audit-related, tax or other services were submitted to BCE’s Audit Committee for approval pursuant to the pre-approval requirement waiver provision set out in paragraph (c)(7)(i)(C) of Rule 2-01 of Regulation S-X.

**OFF-BALANCE SHEET ARRANGEMENTS**

Please see the sections entitled “Contractual obligations” and “Indemnifications and guarantees (off-balance sheet)” at page 34 of the BCE 2016 MD&A contained in Exhibit 99.2 (which sections are incorporated by reference in this annual report on Form 40-F) for a discussion of certain off-balance sheet arrangements.

**TABULAR DISCLOSURE OF CONTRACTUAL OBLIGATIONS**

Please see the section entitled “Contractual obligations” at page 84 of the BCE 2016 MD&A contained in Exhibit 99.2 (which section is incorporated by reference in this annual report on Form 40-F) for a tabular disclosure and discussion of contractual obligations.

**IDENTIFICATION OF THE AUDIT COMMITTEE**

BCE has a separately designated standing Audit Committee established in accordance with section 3(a)(58)(A) of the Exchange Act. BCE’s Audit Committee is comprised of seven independent members: Mr. P.R. Weiss (Chair), Mr. D.F. Denison, Mr. R.P. Dexter, Mr. I. Greenberg, Ms. K. Lee, Ms. M.F. Leroux and Mr. R.C. Simmonds.

**MINE SAFETY DISCLOSURE**

Not applicable.

**UNDERTAKING**

BCE undertakes to make available, in person or by telephone, representatives to respond to inquiries made by the Commission staff, and to furnish promptly, when requested to do so by the Commission staff, information relating to the securities in relation to which the obligation to file this annual report on Form 40-F arises or transactions in said securities.

**WEBSITE INFORMATION**

Notwithstanding any reference to BCE’s website or other websites on the World Wide Web in this annual report on Form 40-F or in the documents attached as Exhibits hereto, the information contained in BCE’s website or any other site on the World Wide Web referred to in this annual report on Form 40-F or in the documents attached as Exhibits hereto, or referred to in BCE’s website, is not a part of this annual report on Form 40-F and, therefore, is not filed with the Commission.

**SUMMARY OF SIGNIFICANT DIFFERENCES FROM NYSE CORPORATE GOVERNANCE RULES**

A summary of significant differences between corporate governance practices followed by BCE and corporate governance practices required to be followed by U.S. domestic companies under the New York Stock Exchange’s Listing Standards (disclosure required by section 303A.11 of the NYSE Listed Company Manual) is available in the governance section of BCE’s website at BCE.ca.
SIGNATURES

Pursuant to the requirements of the Exchange Act, the registrant certifies that it meets all of the requirements for filing on Form 40-F and has duly caused this annual report to be signed on its behalf by the undersigned, thereto duly authorized.

BCE Inc.

By:  (signed) Glen LeBlanc

Glen LeBlanc
Executive Vice-President and Chief Financial Officer

Date: March 8, 2017

LIST OF EXHIBITS TO FORM 40-F

Annual Information Form of BCE Inc. for the year ended December 31, 2016: Exhibit 99.1
Annual audited consolidated financial statements of BCE Inc. for the year ended December 31, 2016 and the related management's discussion and analysis of financial condition and results of operations: Exhibit 99.2
Reports of BCE Inc.'s management and of BCE Inc.'s external auditors concerning internal control over financial reporting: Exhibit 99.3
Code of Business Conduct: Exhibit 99.4
Consent of Independent Registered Public Accounting Firm: Exhibit 99.5
Bell Canada Unaudited Selected Summary Financial Information: Exhibit 99.6
Exhibit to 2016 Annual Financial Statements – Earnings Coverage: Exhibit 99.7
Certifications of the Chief Executive Officer and the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002: Exhibit 99.31
Certification of the Chief Executive Officer and the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002: Exhibit 99.32
In this Annual Information Form, we, us, our and BCE mean, as the context may require, either BCE Inc. or, collectively, BCE Inc., Bell Canada, their subsidiaries, joint arrangements and associates. Bell means, as the context may require, either Bell Canada or, collectively, Bell Canada, its subsidiaries, joint arrangements and associates. Bell Aliant means, until December 31, 2014, collectively, Bell Aliant Inc., its subsidiaries and associates.

Each section of BCE’s 2014, 2015 and 2016 management’s discussion and analysis of financial condition and results of operations (BCE 2014 MD&A, BCE 2015 MD&A and BCE 2016 MD&A, respectively) and each section of BCE’s 2016 consolidated financial statements that is referred to in this Annual Information Form is incorporated by reference herein. The BCE 2014 MD&A, BCE 2015 MD&A, BCE 2016 MD&A and BCE 2016 consolidated financial statements have been filed with the Canadian provincial securities regulatory authorities (available at sedar.com) and with the United States (U.S.) Securities and Exchange Commission (available at sec.gov). They are also available on BCE’s website at BCE.ca.

All dollar figures are in Canadian dollars, unless stated otherwise. The information in this Annual Information Form is as of March 2, 2017, unless stated otherwise, and except for information in documents incorporated by reference that have a different date.

Trade-marks: The following are trade-marks referred to and used as such in this Annual Information Form that BCE Inc., our subsidiaries, joint arrangements, associates or others within in which we hold an equity interest, own or use under licence. BCE is a trade-mark of BCE Inc.;  Bell, Bell Canada, Bell Centre, Bell Mobility, Bell TV, Fibe, FibreOP, Let’s Talk, Q9, Q9 Networks and TV Everywhere are trade-marks of Bell Canada. Astral Out-of-Home, BNN, CraveTV, CTV, CTV GO, CTV Two, Daily Planet, eTalk, Space, The Movie Network, TMN and TMN GO are trade-marks of Bell Media Inc.; HBO Canada is a trade-mark of Home Box Office Inc.; iHeartRadio is a trade-mark of iHM Enterprises Ltd.; Montreal Canadiens is a trade-mark of Le Club de Hockey Canadien Inc.; Northwestel is a trade-mark of Northwestel Inc.; The Source is a trade-mark of The Source (Bell) Electronics Inc.; Toronto Argonauts is a trade-mark of Toronto Argonauts Football Club Limited Partnership; TMN GO is a trade-mark of Astral Out-of-Home Limited Partnership; Virgin Mobile is a trade-mark of Virgin Enterprises Limited. We believe that our trademarks are very important to our success and take appropriate measures to protect, renew and defend them. Any other trade-marks used in this Annual Information Form are the property of their respective owners.

© BCE Inc., 2017. All rights reserved.
Certain statements made in this Annual Information Form are forward-looking statements. These statements include, without limitation, statements relating to our network deployment and capital investment plans, BCE’s 2017 annualized common share dividend and common share dividend payout policy, the expected timing and completion of the proposed acquisition of Manitoba Telecom Services Inc. (MTS) and of the proposed divestitures of certain of its subsidiaries (TELUS and Aplomb Communications Inc. (Aplomb)) of certain assets, certain synergies and other benefits expected to result from the proposed acquisition of MTS, our business outlook, objectives, plans and strategic priorities, and other statements that are not historical facts. A statement we make is forward-looking when it uses what we know and expect today to make a statement about the future. Forward-looking statements are typically identified by the words assumption, belief, commentary, expectation, goal, guidance, intention, judgment, long-term, may, objective, plan, project, strategy, target, and other similar expressions or future or conditional verbs such as aim, anticipate, belief, could, expect, intend, mean, might, plan, predict, should, and will. All such forward-looking statements are made pursuant to the safe harbor provisions of applicable Canadian securities laws and of the U.S. Private Securities Litigation Reform Act of 1995.

Unless otherwise indicated by us, forward-looking statements in this Annual Information Form describe our expectations as at March 2, 2017 and, accordingly, are subject to change after such date. Except as may be required by Canadian securities laws, we do not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Forward-looking statements, by their very nature, are subject to inherent risks and uncertainties and are based on several assumptions, both general and specific, which give rise to the possibility that actual results or events could differ materially from our expectations expressed in, or implied by, such forward-looking statements and that our business outlook, objectives, plans and strategic priorities may not be achieved. As a result, we cannot guarantee that any forward-looking statement will materialize and we caution you against relying on any of these forward-looking statements. Forward-looking statements are presented in this Annual Information Form for the purpose of assisting investors and others in understanding our objectives, strategic priorities and business outlook as well as our anticipated operating environment. Readers are cautioned, however, that such information may not be appropriate for other purposes.

Forward-looking statements made in this Annual Information Form are based on a number of assumptions that we believe were reasonable on March 2, 2017. Refer in particular to the sections in the BCE 2016 MD&A entitled “purposes” of the BCE 2016 MD&A entitled “purposes” of the BCE 2016 MD&A entitled “purposes” of the BCE 2016 MD&A entitled “purposes” and to the assumptions we have made in preparing forward-looking statements. If our assumptions turn out to be inaccurate, our actual results could be materially different from what we expect.

Important risk factors that could cause actual results or events to differ materially from those expressed in, or implied by, the previously mentioned forward-looking statements and other forward-looking statements contained in this Annual Information Form include, but are not limited to:

- Regulatory initiatives, proceedings and decisions, government consultations and government positions that affect us and influence our business, including, in particular, those relating to mandatory access to networks, net neutrality, spectrum auctions, approval of acquisitions, broadband licensing and foreign ownership requirements
- The intensity of competitive activity, including from new and emerging competitors, and the resulting impact on the cost of retaining existing customers and attracting new ones, as well as on our market share, service volumes and pricing strategies
- The level of technological substitution and the consequence of alternative service providers contributing to reduced utilization of our traditional services
- The adverse effect of the fundamental separation of content and connectivity, which is changing our television (TV) and media ecosystems and may accelerate the disconnection of TV services and the reduction of TV spending, as well as the fragmentation of, and changes in, the advertising market
- Competition with global competitors, in addition to traditional Canadian competitors, for programming content could drive significant increases in content acquisition costs and challenge our ability to secure key content
- Adverse economic and financial market conditions, a declining level of retail and commercial activity, and the resulting negative impact on the demand for, and prices of, our products and services and the level of bad debts
- The inability to protect our assets, including networks, information technology (IT) systems, offices and sensitive information, from events and attacks such as cyber threats, and damage from fire and natural disasters
- The inability to drive a positive customer experience resulting, in particular, from the failure to embrace new approaches and challenge operational limitations
- The quality of our products and services and the extent to which they may be subject to manufacturing defects or fail to comply with applicable government regulations and standards
- The failure of our procurement and vendor management practices to address risk exposures associated with existing and new supplier models
- The failure to evolve practices to effectively monitor and control fraudulent activities, including unauthorized use of our content and the theft of our TV services
- Events affecting the functionality of, and our ability to protect, test, maintain and replace, our networks, IT systems, equipment and other facilities
- The failure to attract and retain employees with the appropriate skill sets and to drive their performance in a safe and secure environment

The following is a list of adverse events that we believe could materialize:

- The failure to continue investment in a disciplined and strategic manner in next-generation capabilities, including real-time information-based customer service strategies
- The failure to optimize network and IT deployment and upgrading timelines, accurately assess the potential of new technologies, and invest and evolve in the appropriate direction
- The failure to maintain optimal network operating performance in the context of significant increases in capacity demands on our Internet and wireless networks
- The failure to implement or maintain highly effective IT systems supported by a effective governance and operating framework
- The risk that we may need to incur significant capital expenditures beyond our capital intensity target in order to provide additional capacity and reduce network congestion
- The failure to generate anticipated benefits from our corporate restructurings, system replacements and upgrades, process redesigns and the integration of business acquisitions
- Events affecting the functionality of, and our ability to protect, test, maintain and replace, our networks, IT systems, equipment and other facilities
- The inability to access adequate sources of capital and generate sufficient cash flows from operations to meet our cash requirements, fund capital expenditures and provide for planned growth
- Uncertainty as to whether dividends will be declared by BCE’s board of directors or whether BCE’s dividend payout policy will be maintained
- The inability to manage various credit, liquidity and market risks
- Pension obligation volatility and increased contributions to post-employment benefit plans
- Higher taxes due to new tax laws or changes therein or in the interpretation thereof, and the inability to predict the outcome of government audits
- The failure to reduce costs as well as unexpected increases in costs
- The failure to evolve practices to effectively monitor and control fraudulant activities, including unauthorized use of our content and the theft of our TV services
- Events affecting the continuity of supply of products and services that we need to operate our business from our third-party suppliers and outsourcers
- The failure of our procurement and vendor management practices to address risk exposures associated with existing and new supplier models
- The quality of our products and services and the extent to which they may be subject to manufacturing defects or fail to comply with applicable government regulations and standards
- Security and data leakage exposure if security control protocols applicable to our cloud-based solutions are bypassed
- Unfavorable resolution of legal proceedings and, in particular, class actions
- Unfavorable changes in applicable laws and the failure to proactively address our legal and regulatory obligations
- Health concerns about radiofrequency emissions from wireless communications devices
- The inability to maintain customer service and our networks operational in the event of the occurrence of epidemics, pandemics and other health risks
- The failure to recognize and adequately respond to climate change concerns or public and governmental expectations on environmental matters
- The expected timing and completion of the proposed acquisition of MTS and of the proposed divestitures to TELUS and Xplornet of certain assets are subject to certain closing conditions, termination rights and other risks and uncertainties, and there can be no certainty that the anticipated synergies and other benefits will be realized

These other risk factors and those that could cause actual results or events to differ materially from our expectations expressed in, or implied by, our forward-looking statements are discussed in this Annual Information Form and the
2 Corporate structure

2.1 Incorporation and registered office

BCE Inc. was incorporated in 1970 and is continued under the Canada Business Corporations Act in 1970. It is governed by a certificate and articles of amalgamation dated August 1, 2004, as amended by (a) a certificate and articles of amalgamation dated July 10, 2008 to implement a plan of arrangement providing for the distribution by BCE Inc. to its shareholders of units in the Bell Aliant Regional Communications Income Fund and for a consolidation of the number of outstanding BCE Inc. common shares, (b) a certificate and articles of amendment dated January 25, 2007 to implement a plan of arrangement providing for the exchange of Bell Canada preferred shares for BCE Inc. preferred shares, (c) a certificate and articles of amendment dated June 29, 2011 to create two additional series of BCE Inc. Cumulative Redeemable First Preferred Shares (first preferred shares), and (d) certificates and articles of amendment dated September 22, 2014 and November 11, 2014 to create six additional series of BCE Inc. first preferred shares. BCE Inc.’s head and registered offices are located at 1, Carrefour Alexander-Graham-Bell, Building A, 8th Floor, Verdun, Québec H3E 3B3.

2.2 Subsidiaries

The table below shows BCE Inc.’s main subsidiaries at December 31, 2016, where they are incorporated, and the percentage of the voting securities that BCE Inc. beneficially owns or directly or indirectly exercises control or direction over. BCE Inc. has other subsidiaries, but they have not been included in the table because each represents 10% or less of our total consolidated assets and 10% or less of our total consolidated operating revenues. These other subsidiaries together represent 20% or less of our total consolidated assets and 25% or less of our total consolidated operating revenues at December 31, 2016.

<table>
<thead>
<tr>
<th>SUBSIDIARY</th>
<th>WHERE IT IS INCORPORATED</th>
<th>PERCENTAGE OF VOTING SECURITIES THAT BCE INC. BENEFICIALLY HELD AT DECEMBER 31, 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bell Canada</td>
<td>Canada</td>
<td>100%</td>
</tr>
<tr>
<td>Bell Mobility Inc.</td>
<td>Canada</td>
<td>100%</td>
</tr>
<tr>
<td>Bell Media Inc.</td>
<td>Canada</td>
<td>100%</td>
</tr>
</tbody>
</table>

(1) BCE Inc. beneficially owns all of the voting securities of (a) Bell Mobility Inc. (Bell Mobility) through Bell Canada, which in turn beneficially owns all of the voting securities of Bell Mobility Holdings Inc. and (b) Bell Media Inc. (Bell Media) through Bell Canada.

3 Description of our business

3.1 General summary

BCE is Canada’s largest communications company, providing residential, business and wholesale customers with a wide range of solutions for all their communications needs. Our result are reported in three segments: Bell Wireless, Bell Wireline and Bell Media.

Bell Wireless provides wireless voice and data communications products and services to our residential, small and medium-sized business and large enterprise customers across Canada. Bell Wireless provides data, including Internet access and Internet protocol television (IPTV), local telephone, long distance, as well as other communications services and products to our residential, small and medium-sized businesses and large enterprise customers, primarily in Ontario, Quebec and the Atlantic provinces, while satellite TV service and connectivity to business customers are available nationally across Canada. In addition, this segment includes our wholesale business, which buys and sells local telephone, long distance, data and other services from or to resellers and other carriers.

Bell Media provides conventional, specialty and pay TV, digital media and radio broadcasting services and out-of-home (OOH) advertising services to customers nationally across Canada.

Additional information regarding our business operations and the products and services we provide can be found in section 1.2, About BCE of the BCE 2016 MD&A, on pages 29 to 32 of the BCE 2016 Annual Report.

In addition to our operating segments, we also hold investments in a number of other assets, including:

- a 25% indirect equity interest in Maple Leaf Sports & Entertainment Ltd. (MLSE), a sports and entertainment company that owns several sports teams as well as real estate and entertainment assets in Toronto
- a 50% indirect equity interest in Gentel Inc. (Gentel), a Canadian-based dual-carrier, multi-brand mobile products distributor
- an 18.4% indirect equity interest in entities that operate the Montréal Canadiens Hockey Club and the Bell Centre in Montréal
- a 50% indirect equity interest in the Toronto Argonauts Football Club

A discussion of the key acquisitions, investments and dispositions completed by BCE in the last three completed financial years can be found in section 4.1, Transactions in this Annual Information Form.

For the year ended December 31, 2016, we generated consolidated operating revenues of $21,719 million and consolidated net earnings of $3,087 million. Bell Wireless’ operating revenues totalled $7,159 million ($7,117 million external revenues), Bell Wireline’s operating revenues totalled $12,560 million ($11,917 million external revenues) and Bell Media’s operating revenues totalled $3,081 million ($2,885 million external revenues). A table showing the operating revenues that each segment contributed to total operating revenues for the year ended December 31, 2016 and 2015 can be found in section 4.3, Operating revenues. A table showing the operating revenues of our Bell Wireline and Bell Wireline segments by category of products and services can be found in section 5.1.1, Bell Wireless and section 5.3, Bell Wireline. BCE Inc. is a public company. BCE Inc. was incorporated in 1970 and was continued under the Canada Business Corporations Act in 1970. BCE Inc. is governed by a certificate and articles of amalgamation dated August 1, 2004, as amended by (a) a certificate and articles of amalgamation dated July 10, 2008 to implement a plan of arrangement providing for the distribution by BCE Inc. to its shareholders of units in the Bell Aliant Regional Communications Income Fund and for a consolidation of the number of outstanding BCE Inc. common shares, (b) a certificate and articles of amendment dated January 25, 2007 to implement a plan of arrangement providing for the exchange of Bell Canada preferred shares for BCE Inc. preferred shares, (c) a certificate and articles of amendment dated June 29, 2011 to create two additional series of BCE Inc. Cumulative Redeemable First Preferred Shares (first preferred shares), and (d) certificates and articles of amendment dated September 22, 2014 and November 11, 2014 to create six additional series of BCE Inc. first preferred shares. BCE Inc.’s head and registered offices are located at 1, Carrefour Alexander-Graham-Bell, Building A, 8th Floor, Verdun, Québec H3E 3B3.

BCE Inc. beneficially owns all of the voting securities of (a) Bell Mobility Inc. (Bell Mobility) through Bell Canada, which in turn beneficially owns all of the voting securities of Bell Mobility Holdings Inc. and (b) Bell Media Inc. (Bell Media) through Bell Canada.

Some of our segments’ revenues vary slightly by season. For more information, see section 7.2, Quarterly financial information – Seasonality considerations of the BCE 2016 MD&A, on page 69 of the BCE 2016 Annual Report.

Finally, additional information regarding the business outlook of our Bell Wireless, Bell Wireline and Bell Media segments can be found in the sections entitled Business outlook and assumptions of the BCE 2016 MD&A, on pages 43, 44, 60, 68 and 74 of the BCE 2016 Annual Report.

3.2 Strategic imperatives

Our goal is to be recognized by customers as Canada’s leading communications company. Our primary business objectives are to grow our subscribers profitably and to maximize revenues, operating profit, free cash flow and return on invested capital by further enhancing our position as the foremost provider in Canada of comprehensive communications services to residential, business and wholesale customers and as Canada’s premier content creation company. We seek to take advantage of opportunities to leverage our networks, infrastructure, sales channels, and brand and marketing resources across our various lines of business to create value for both our customers and other stakeholders. Our strategy is centered on our disciplined focus and execution of six strategic imperatives.

The six strategic imperatives that underlie BCE’s business plan are:

1. Accelerate wireless
2. Leverage wireless momentum
3. Invest in broadband networks and services
4. Expand media leadership
5. Improve customer service
6. Achieve a competitive cost structure

Additional information regarding our strategic imperatives can be found in section 2, Strategic imperatives of the BCE 2016 MD&A, on pages 39 to 42 of the BCE 2016 Annual Report.

We caution readers that the risks previously described are not the only ones that could affect us. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also have a material adverse effect on our financial position, financial performance, cash flows, business or reputation. Except as otherwise indicated by us, forward-looking statements do not reflect the potential impact of any special items or any dispositions, monetizations, mergers, acquisitions, other business combinations or other transactions that may be announced or that may occur after March 2, 2017. The financial impact of these transactions and special items can be complex and depends on facts particular to each of them. We therefore cannot describe the expected impact in a meaningful way or in the same way we present known risks affecting our business.
We are Canada’s largest communications company, offering a broad range of telecommunications products and services to approximately 21 million subscribers, as indicated below:

- We are the largest local exchange carrier in Canada. BCE operates an extensive local access network in the provinces of Ontario and Quebec, in the Atlantic provinces, as well as in Canada’s Northern Territories. We provide a complete suite of wireline voice, wireless communications, Internet access, data and TV product and service offerings to residential, business and wholesale customers.
- We also offer competitive local exchange carrier (CLEC) services in Alberta and British Columbia.
- BCE’s access network is approximately 8.3 million network access services (NAS) lines as of December 31, 2016.
- At December 31, 2016, BCE was one of the largest wireless operators in Canada based on the number of subscribers, providing approximately 8.5 million subscribers with nationwide mobile voice and data services.
- BCE is the largest TV provider in Canada, nationally broadcasting a wide range of domestic and international programming to more than 2.7 million subscribers at December 31, 2016 through its IPTV service, Bell TV, and its mobile TV service.
- At December 31, 2016, BCE was the largest Internet service provider in Canada, providing approximately 3.5 million customers at December 31, 2016 with high-speed Internet access through fibre-optic or digital subscriber line (DSL) technology.

Our scale, due to a large customer base, our wireline and wireless network reach, and our ability to sell through a variety of distribution channels, as discussed in more detail in section 3.4, Marketing and distribution channels in this Annual Information Form, is a key competitive advantage.

Our approximately 1,400 Bell-branded stores and The Source (Bell) Electronics Inc. (The Source) locations across Canada provide a significant number of retail outlets where customers can buy Bell products and services, including in Canada’s highest-traffic mall locations. In addition, our products and services offered under the Virgin Mobile brand enhance our competitive market position by allowing us to compete more effectively with the Canadian industry’s other discount brands as well as with the newer wireless entrants. Our products and services are further offered at the wireless retail locations of Glentel, in which we hold a 50% ownership interest.

Technologically advanced wireless networks and services

Our Bell Wireless segment provides wireless services over technologically advanced wireless networks that are available to virtually all of the Canadian population. We offer a broad range of wireless voice and data communications products and services to residential and business customers through our Bell and Virgin Mobile brands.

Wireless is a key growth segment for us, and as such, we have established strategic priorities seeking to further enhance our offerings. We are focused on maintaining our market share momentum of incumbent wireless postpaid customers, grow our subscriber base and generate higher average revenue per user, improve sales execution and customer retention, and increase data service offerings. We also believe our priorities for improved customer experience and market penetration can be achieved by expanding our wireless wholesale access plus (HSPA+) network, our fourth-generation (4G) long-term evolution (LTE) wireless service available in most urban centres across Canada (our 4G LTE wireless network reached approximately 97% of the Canadian population as of December 31, 2016), and our Quebecand and Newfoundland LTE Advanced (LTE-A) network services (our LTE-A network service reached approximately 73% of the Canadian population at December 31, 2016), we are able to offer to one of the broadest ranges of choice in wireless smartphones in Canada, along with extensive North American and international coverage.

In July 2016, we successfully demonstrated fifth-generation (5G) technology in collaboration with Nokia Corporation. Conducted at Bell’s Wireless Innovation Centre in Mississauga, the trial leveraged a spectrum in the 73 Gigahertz (GHz) range to achieve sustained data speeds more than six times faster than top 4G mobile speeds now available in Canada. Expected to be made commercially available by certain wireless operators as early as 2020, 5G will provide significantly faster data speeds than current 4G networks and more capacity to meet the demands of mobile customers for broadband video and Internet of Things (IoT) applications, including connected vehicles and city-wide IoT solutions.

Next-generation TV and high-speed Internet services

Our strategic imperative to invest in broadband networks and services is focused on the deployment of high-speed fibre access through our fibre-to-the-node (FTTN) and fibre-to-the-premise (FTTP) initiatives. Our FTTP initiative encompasses both the deployment of fibre-to-the-home (FTTH) and fibre-to-the-building (FTTB). At December 31, 2016, we expanded FTTN and FTTB broadband fibre network coverage approximately 8.3 million premises (homes and businesses) in Ontario, Quebec and the Atlantic provinces. As discussed in more detail below, our broadband fibre network enables the delivery of Bell’s next-generation IPTV service, Bell TV. It also enables the delivery of the Bell’s next-generation high-speed Internet service, marketed as Fibe Internet, offering speeds of up to 50 megabits per second (Mbps) with FTTN or 1 Gigabit per second (Gbps) with FTTP, through their Gigabit Fibe service. During the third quarter of 2016, our former FibreOP services were transformed into and are now also marketed as Fibe. Refer to section 3.5, Market share and broadband access.

BCE Inc. 2016 ANNUAL INFORMATION FORM
Our wireless HSPA+ network offered high-speed mobile access to 98% of the Canadian population at December 31, 2016, and covered thousands of cities and towns in both urban and rural locations. The HSPA+ network supports Canada's most recent spectrum auction, supporting continued 4G LTE service expansion across Canada. We now hold more than 4,500 million MHz-pop nationally across various spectrum bands.

We focus our marketing efforts on a coordinated program of TV, print, radio, Internet, signboard, direct mail and point-of-sale media promotions. We engage in mass-market advertising in order to maintain our brand and support our direct and indirect distribution channels. Coordinated marketing efforts throughout our service area ensure that our marketing message is presented consistently across all our markets. Promoting the Bell brands is complemented by our other brand marketing efforts, reinforcing awareness of all our services and capturing on the size and breadth of our customer base across all product lines.

The Bell brands play a key role in product positioning. Our branding is straightforward and directly supports our strategy of delivering a better customer experience at every level. Specifically for Bell Wireless, acquiring and retaining postpaid subscribers is a key marketing objective that we seek to achieve through our networks and suite of leading-edge devices and services to drive higher usage and increased adoption of data services. We offer discounts on the price of wireless handsets in exchange for a contractual commitment from a subscriber; a practice also used by other Canadian wireless operators. Research has shown that a key driver of customer acquisition is handset selection and style. This factor is increasingly important as handset life cycles shorten. Our current wireless device portfolio includes many leading-edge devices, some launched as exclusive to Bell in the Canadian market. To the Canadian wireless market, further maturation and competition intensifies, including as a result of Industry Canada's (now Innovation, Science and Economic Development Canada (ISED)) spectrum auctions since 2008, customer retention is becoming increasingly important. Accordingly, we employ customer retention initiatives aimed at increasing our customers' level of satisfaction and loyalty.

To provide wireless connectivity, we have deployed and operate a number of nationwide wireless broadband networks compatible with global standards that deliver high-quality and reliable voice and high-speed data services. With our high-speed data network, we are able to offer Canadian consumers a broad range of choice in wireless smartphones, including devices from Apple, Samsung, HTC, ZTE, Blackberry, Google, Sony, ZTE, LG and Alcatel, as well as touch screen tablets and other devices designed for data services such as LUC communications, e-mail, messaging, Internet access and social networking.

The telecommunications industry is evolving rapidly as the industry continues to move from multiple service-specific networks to Internet protocol (IP)-based integrated communications networks that can carry voice, data and video traffic. Bell Media is expanding its Internet protocol (IP) networks to work with key vendors to exchange voice and video traffic.

3.4 Marketing and distribution channels

Bell Wireless and Bell Wireline

The guiding principle driving our marketing strategy is to offer our clients the ultimate in reliable, simple and accessible telecommunications services. In doing so, our objective is to increase customer acquisition, retention and loyalty through multiple service offerings.

Through the bundling of services, which combines wireless local voice and long distance, high-speed Internet and TV, as well as wireless services, our goal is to use a multi-product offering to achieve competitive differentiation by offering a premium, integrated set of services that provides customers more freedom, flexibility and choice. We also make use of limited-time promotional offers featuring discounted rate plans, special rates on wireless handsets and TV receivers, as well as other incentives, to stimulate new customer acquisition and retain existing customers or to respond to competitive pressures in our markets.

CraveTV is available directly to all Canadians with access to the Internet, including via in-app purchase on AppleTV, as well as to customers of national wireless networks that provide voice, data and video services to customers across Canada. Our infrastructures include:

- national transport networks for voice, data and video traffic, including Internet traffic
- urban and rural access networks and infrastructure for delivering services to customers
- national wireless networks that provide voice, data and video services

Wireless

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Wireless

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HSNA+ NETWORK

Our wireless HSNA+ network offered high-speed mobile access to 89% of the Canadian population at December 31, 2016, and covered thousands of cities and towns in both urban and rural locations. The HSNA+ network supports global roaming, as well as a wide range of smartphones, data cards, universal serial bus (USB) sticks, tablets and other leading-edge mobile devices. Our HSNA+ network also supports international roaming to more than 230 destinations. The vast majority of the site connectivity for the new HSNA+ network was built with high-speed fibre and an IP architecture for enhanced reliability.

4G LTE NETWORK

Bell launched a 4G LTE network in September 2011. With Bell's LTE wireless network coverage, customers have data access speeds similar to broadband connections and significantly faster than our HSPA+ network, making it easier for users to download applications, stream high-definition video and music, play online games or videoconference and chat with virtually no delay or buffering.

In April 2014, we acquired 3 licence for $665 million for 480 million MHz-per population (MHz-pop) of nationwide 700 MHz spectrum following the wireless spectrum auction. These licenses enabled rapid expansion of advanced 4G LTE broadband mobile service in rural communities, small towns and Canada's Northern Territories, while also enhancing coverage in urban and suburban areas. In May 2015, we acquired an additional 263 million MHz-per-pop of 2500 MHz wireless spectrum for $29 million as part of Industry Canada's most recent spectrum auction, supporting continued 4G LTE service expansion across Canada. We now hold more than 4,500 million MHz-per-pop across various spectrum bands.

In April 2016, we acquired 3 licence for $665 million for 480 million MHz-per population (MHz-pop) of nationwide 700 MHz spectrum following the wireless spectrum auction. These licenses enabled rapid expansion of advanced 4G LTE broadband mobile service in rural communities, small towns and Canada's Northern Territories, while also enhancing coverage in urban and suburban areas. In April 2015, we acquired 13 licences for 169 million MHz-pop of advanced wireless services (AWS)-3 spectrum in key urban and rural markets for $500 million as part of Industry Canada's AWS-3 spectrum auction. This spectrum is strategically valuable in providing us with future incremental broadband capacity to meet growing consumer and business demand for mobile data services. In May 2015, we acquired an additional 263 million MHz-per-pop of 2500 MHz wireless spectrum for $29 million as part of Industry Canada's most recent spectrum auction, supporting continued 4G LTE service expansion across Canada. We now hold more than 4,500 million MHz-per-pop nationally across various spectrum bands.
Our LTE wireless network reached 97% of the Canadian population coast to coast at December 31, 2016. LTE currently accounts for 78% of our total wireless data traffic.

In August 2014, Bell increased its 4G LTE network speed by up to 45%. Download speeds have increased from up to 75 Mbps (typical speeds of 12 to 25 Mbps) to up to 110 Mbps (typical speeds of 14 to 36 Mbps), with speeds as high as 150 Mbps (typical speeds of 18 to 40 Mbps) available in some locations.

The HSUPA+LTE networks work together in that all Bell LTE devices support both networks. Initially, voice calls initiated when an LTE device is attached to an LTE network are transferred to the HSUPA+ network for processing. In April 2016, we introduced Voice over LTE (VoLTE) so that the phone stays on the LTE network for both voice and data calls. By implementing VoLTE, we can reduce the voice call set-up time and operate the network more efficiently.

LTE-A NETWORK SERVICE

In August 2015, Bell announced North America’s first implementation of Tri-band LTE-A network service. By assigning three radio channels or carriers to one user, we were capable of delivering mobile data speeds of up to 360 Mbps (expected average download speeds of 250 Mbps to 100 Mbps). We have launched Tri-band LTE-A in certain cities and areas in Ontario, Quebec and Atlantic Canada. Dual-band LTE-A technology was introduced by Bell in February 2015, delivering speeds of up to 260 Mbps (expected average download speeds of 18 to 74 Mbps). Dual-band LTE-A service covered approximately 73% of the Canadian population at December 31, 2016 in parts of British Columbia, Alberta, Ontario, Quebec, Atlantic Canada, Yukon and the Northwest Territories. This is complemented by access to Bell’s 4G LTE network. As the handset ecosystem matures, Bell’s AWS-3 and 2500 MHz spectrum licences will enable upgrades of carrier aggregation that will support four and five simultaneous carriers.

5G/CDMA NETWORK

In addition to our LTE and HSPPA+ networks, we operate a national 3G code division multiple access (CDMA) network that covered 99% of the Ontario and Quebec population and approximately 97% of the Atlantic Canada population at December 31, 2016. The CDMA network shares sites, towers and antennas with the HSPPA+ and LTE networks. As most of our development and network enhancement focus has been on the HSPPA+LTE networks, traffic is migrating off of our CDMA network. CDMA terminals operate independently from the HSPPA+LTE networks. We began decommissioning our CDMA network in 2014 in a way that did not impact existing customers, by turning off coverage that overlapped with our network partners. Once the CDMA network is retired, the related spectrum will be repurposed to deliver additional LTE capacity. CDMA accounts for less than 0.1% of our total wireless data traffic and less than 1% of voice traffic. We are currently working with our existing CDMA customers to migrate their service to HSPPA+ or LTE.

WiFi LOCATIONS

Bell Mobility also operates approximately 4,000 public Wi-Fi hotspots, including at participating McDonald’s, Tim Hortons and Chapters/Indigo retail outlets across Canada, in addition to thousands of Wi-Fi networks managed through our business markets team at enterprise customer locations.

WIRELINE

V OICE AND DATA NETWORK

Our national voice and data network consists of an optical fibre network with the latest technologies to provide redundancy and fault protection. It reaches all major Canadian metropolitan centres, as well as New York, Chicago, Boston, Buffalo, Minneapolis, Atlanta and Seattle in the U.S.

Our network in major Canadian cities provides state-of-the-art high-speed access at gigabit speeds based on IP technology. We operate a national IP multi-protocol label switching network with international gateways to the rest of the world. This network delivers next-generation, business-grade IP virtual private network (IPVPN) services that connect our customers’ offices and data centres throughout Canada and around the world. The IPVPN service is the foundation platform required for the delivery of business service solutions that add value and efficiencies to customers’ businesses. These technology solutions include voice over IP telephony, IP videoconferencing, IP call centre applications and other future IP-based applications. In addition, we maintain extensive copper and voice-switching networks that provide traditional local and long-distance voice and data services to all businesses and residential customers in Ontario, Quebec and the Atlantic provinces.

To improve reliability and increase network capacity to support rapidly growing volumes of wireless and internet usage carried on our networks, in 2012 we began the upgrade of our fibre-based national backbone network with the deployment of 100 gigabit technologies. As of December 31, 2016, key traffic routes spanning more than 18,200 kilometres across Canada and into the U.S. had been upgraded. To satisfy continued traffic growth, Bell has begun the next phase of the national backbone network upgrade with the deployment of 200 gigabit technologies. Bell was one of the first Canadian carriers to deploy 200 gigabit-long haul Wavelength Division Multiplexing (DWDM) technologies.

HIGH-SPEED FIBRE DEPLOYMENT

Our strategic imperative to invest in broadband networks and services is focused on the deployment of high-speed fibre access through our FTTN and FTTP initiatives.

Over the past few years, we have upgraded our access infrastructure by deploying fibre closer to our customers using FTTN along with pairing bonding technology. We further continue to deploy high-speed fibre access using the FTTF technology in Ontario, Quebec and Atlantic Canada.

One of the first FTTF deployments in Canada, Bell’s Quebec City region initiative remains the largest city-wide FTTF rollout in the country to date. In our view, FTTF, in which optical fibre cables are used to connect each and every location, is an ideal network architecture to support future bandwidth-demanding IP applications and applications. Bell continues to deploy FTTF to all new urban and suburban housing developments in Ontario, Quebec and in Atlantic Canada, in addition to Bell’s ongoing deployment of FTTF to multi-dwelling units and business locations.

As of December 31, 2016, Bell’s FTTF footprint encompassed 2.9 million premises passed. Our residential fibre-optic Internet service, marketed as Fibe Internet, is enabled by our FTTH and FTTF networks. We also offer DSL-based Internet service in areas where Fibe Internet is not available, with download speeds of up to 5 Mbps.

In June 2015, Bell announced a $1.14 billion investment to roll out fibre to more than 1 million homes and businesses across the city of Toronto to enable its Gigabit Fibe Internet service. Bell Gigabit Fibe Internet offers speeds of up to a full 1 Gbps faster over time as equipment evolves to support these speeds. The new Bell Gigabit Fibe Internet service was launched in August 2015 to more than 1.3 million homes and businesses across Ontario and Quebec. As of December 31, 2016, approximately 2.9 million homes and businesses across Ontario, Quebec, Atlantic Canada and the Atlantic provinces had the capability of receiving Gigabit Fibe service.

In July 2016, we introduced Home Internet under the Virgin Mobile brand for eligible customers in Ontario. The new high-speed Internet service offers existing Virgin Mobile customers fast download speeds of up to 25 Mbps and upload speeds of up to 10 Mbps, together with large monthly data bandwidth limits. Virgin Mobile Home Internet was subsequently made available to Quebec customers in November 2016.

Additionally, since Bell Aliant’s launch of its IPTV service in the Atlantic provinces in 2005 and Bell’s launch of its IPTV service in Ontario and Quebec in 2010, we have continued to deploy our next-generation IPTV services in areas in Ontario, Quebec and the Atlantic provinces where cable providers had long been dormant.

As of December 31, 2016, Fibe TV was available to approximately 6.5 million homes in major cities and municipalities across Quebec, Ontario, New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland and Labrador.

DTH SATELLITE TV SERVICE

We provide DTH satellite TV service nationwide under the Bell TV brand using satellites operated by Telesat Canada (Telesat). Pursuant to a set of commercial arrangements between Bell ExpressVu Limited Partnership (Bell ExpressVu) and Telesat, Bell ExpressVu currently has two satellites under contract with Telesat. Telesat operates or directs the operation of these satellites, which are used by Bell ExpressVu to provide its Direct To Home (DTH) satellite TV service.

3.6 Employees

The table below shows the number of BCE employees as at December 31, 2016 and 2015.

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Employees at December 31</td>
<td>6,701</td>
<td>6,162</td>
</tr>
<tr>
<td>Bell Wireless</td>
<td>6,182</td>
<td>6,565</td>
</tr>
<tr>
<td>Bell Wireless</td>
<td>35,227</td>
<td>36,835</td>
</tr>
<tr>
<td>Bell Media</td>
<td>6,761</td>
<td>6,568</td>
</tr>
<tr>
<td>Total</td>
<td>48,500</td>
<td>49,568</td>
</tr>
</tbody>
</table>

(1) The total number of BCE employees at the end of 2014 was 6,414, down from 6,482 at December 31, 2015, primarily to workforce reductions across our Bell Wireless and Bell Wireless segments attributable to normal attrition, improvements and productivity improvements.

Approximately 44% of BCE employees are represented by unions and are covered by collective agreements.

The following collective agreements covering 250 or more employees were ratified in 2016 or early 2017:

- The collective agreement between Unifor and Eastech Network Installation Inc. covering approximately 870 employees expired on November 30, 2015. A new collective agreement was ratified in March 2016.
- The collective agreement between Communications, Energy and Paperworkers Union of Canada (CEP) (now Unifor) and Bell Canada covering approximately 3,800 craft and service employees expired on November 30, 2015. A new collective agreement was ratified on February 23, 2017.
- The collective agreement between International Brotherhood of Electrical Workers (IBEW) and Northshore Inc. covering approximately 355 craft and clerical employees expired on December 31, 2016. A new collective agreement was ratified on January 30, 2017.

The following collective agreements covering 250 or more employees will expire in 2017:
the collective agreement between CEP (now Unifor) and Bell Media covering approximately 530 employees expired on December 31, 2016, Bargaining began on November 20, 2016.

3.7 Corporate responsibility

General

We are committed to the highest standards of corporate responsibility and we seek to integrate environmental, social and economic considerations into our business decisions. We engage with stakeholders to identify opportunities to create benefits for both society and us while minimizing, where we can, any negative impact our activities may generate. In line with the commitments we made, we adapted in 2005 a resolution to support the United Nations Global Compact, a set of universal principles addressing human rights, labour, environment and anti-corruption. These principles serve as the foundation of our corporate responsibility approach.

Since 1992, an officer-level committee mandated by the BCE board of directors oversees issues related to environmental matters. Over the decades, the responsibilities of this committee have expanded and, since 2012, BCE’s corporate social responsibility strategy, including security, environmental and health and safety (SEHS) risks and opportunities, is overseen by the Security, Environment and Health & Safety Oversight Committee. This cross-functional committee is chaired by the Executive Vice-President, Corporate Services and seeks to ensure that relevant risks are adequately recognized and mitigation activities are well integrated and aligned across the organization and supported by corporate capital resources.

BCE has implemented a range of social and environmental policies that are supported by various programs and initiatives. These policies address issues of importance to our many stakeholders, including preventing conflicts of interest; protecting company assets; safeguarding privacy and confidentiality; treating clients, business partners, team members and competitors with respect and honesty; fostering a diverse and safe workplace; and protecting the environment.

The policies include, among others:

- Code of Business Conduct
- Privacy Policy
- Environmental Policy
- Supplier Code of Conduct
- Procurement Policy
- Political Contributions Policy
- Mandatory Reporting of Child Pornography
- Health & Safety Policy Statement

For 2016, BCE was listed on the Best 50 Corporate Citizens in Canada by Corporate Knights, and on the top 120 of the 2015 Newsweek Green Rankings Global 500. BCE continues to be listed as part of socially responsible investment indices such as the FTSE4Good Index, the JustNet Social Index, the United Nations Global Compact 100 (GC 100) and the Euromoney World 120 Index. The latter includes the 120 most advanced companies in the European, North American and Asia Pacific regions, and distinguishes companies achieving the best environmental, social and governance performance. BCE was also identified as a Prime Responsible Social and Environmental Investment by oekom research, was selected for inclusion in the Ethibel EXCELLENCE Investment Register and is a component of the STOXX Global ESG Leaders indices, an innovative series of environmental, social and governance (ESG) equity indices. We recognize that risks and opportunities exist related to climate change. Our membership in the Global e-Sustainability Initiative (gia.org), an international organization that promotes sustainable development in the information and communications technology (ICT) industry, helps us gain a deeper understanding of these risks and opportunities. Part of our involvement includes promoting ICT as a way to mitigate and adapt to climate change – for example, by enabling information substitution, virtualization, dematerialization and cloud computing. Monitoring and reducing energy consumption and greenhouse gas emissions are also key priorities at BCE because of their impacts on the environment, society and the economy. We also recognize that being a responsible service provider means having best practices in business continuity and being prepared to face extreme weather events that could be exacerbated by climate change. The World Meteorological Organization (WMO) has identified 9 of the last 10 hottest years on record, with 2015 being the hottest year on record. The CPC also ensures that its climate risks are integrated into its financial management processes, enabling travel substitution, virtualization, dematerialization and cloud computing. BCE looks to incorporate real estate programs that increase energy efficiency and reduce greenhouse gas emissions. BCE was the first company in Canada to adopt the Leadership in Energy and Environmental Design (LEED) metrics, a system of sustainable design for buildings. BCE has now been certified as LEED NC Silver in Mississauga, LEED NC Gold in Gatineau and LEED NC in Toronto. BCE also has major campus expansions, including 720 King Street West in Toronto, as well as new technologies such as cloud computing and big data. BCE's corporate social responsibility strategy seeks to balance environmental, social and economic performance in all aspects of the company. BCE has a number of initiatives underway to reduce its environmental impact, including its commitment to LEED certification for new buildings and its participation in the Global e-Sustainability Initiative. The CPC also monitors its progress in meeting its objectives.

Details on the performance of our programs and initiatives can be found under the heading Responsibility on BCE's website at www.bce.ca.

Environment

Bell Canada’s environmental policy affirms:

- our commitment to environmental protection
- our belief that environmental protection is an integral part of doing business and needs to be managed systematically under a continuous improvement process

The policy is reviewed annually and contains principles that support our goals, ranging from exercising due diligence to meet or exceed the environmental legislation that applies to us, to preventing pollution and providing cost-effective initiatives that minimize resources and waste. For example, Bell Canada in-house stewardship program ensures our customers have access to a responsible way to dispose of electronic waste. This is complemented by the company's participation in the Global e-Sustainability Initiative ( gia.org), an international organization that promotes sustainable development in the information and communications technology (ICT) industry, helping us gain a deeper understanding of these risks and opportunities. Part of our involvement includes promoting ICT as a way to mitigate and adapt to climate change – for example, by enabling information substitution, virtualization, dematerialization and cloud computing. BCE monitors its operations to seek to ensure that it complies with environmental requirements and standards, and takes action seeking to prevent and correct problems, when needed. It has an environmental management and review system in place that:

- seeks to provide early warning of potential problems
- identifies management accountability
- enables systematic environmental risks and opportunities management, including cost savings
- establishes a course of action
- ensures ongoing improvement through regular monitoring and reporting

In 2009, BCE obtained the ISO 14001 certification for its environmental management system (registration number: EMS 549250). BCE was the first telecommunications company in Canada to obtain this certification, which covers Bell Canada’s landline, wireless, TV and Internet operations. BCE has also been certified as LEED NC Silver in Mississauga, LEED NC Gold in Gatineau and LEED NC in Toronto. BCE has also committed to reducing its greenhouse gas emissions by at least 25% by 2020. BCE monitors its progress in meeting its objectives and measures its performance against its targets.

We have used R&D to develop new and innovative solutions to address environmental challenges. BCE has also implemented a number of initiatives to reduce its environmental impact, including its commitment to LEED certification for new buildings and its participation in the Global e-Sustainability Initiative. The CPC also monitors its progress in meeting its objectives.

One of BCE’s key tools is the Corporate Environmental Action Plan (CEAP), which outlines the environmental activities of our various business units. The plan identifies funding requirements, accountability and deliverables, and monitors our progress in meeting its objectives.

For the year ended December 31, 2016, we spent $27.5 million on environmental activities, 50% of which was expenses and 50% of which was for capital expenditures. For 2017, we have budgeted $29.6 million (36% for expenses and 44% for capital expenditures) to seek to ensure that our environmental policy is applied properly and our environmental risks are minimized.

Community

We are committed to advancing the cause of mental health across Canada through our Bell Let’s Talk mental health initiative. Mental health affects millions of Canadians, yet this major health issue remains significantly underfunded, misunderstood and stigmatized. With one in five Canadians expected to suffer from mental illness during his or her lifetime, everyone has a family member, friend or colleague who has struggled with mental illness. The impact on the Canadian economy is staggering, with an estimated $61 billion each year in lost productivity costs due to absenteeism and presenteeism. In any given week, at least 550,000 employed Canadians are unable to work due to mental health problems.

On September 21, 2010, Bell Canada announced its five-year, $50 million initiative supporting an extensive range of programs to enhance mental health in every aspect of Canadian life. The Bell Let’s Talk mental health initiative has four pillars: anti-stigma, enhanced care, new research and workplace leadership. This initiative is the largest-ever corporate effort to promote mental health in Canada.

On September 22, 2010, Bell Canada announced the extension of Bell Let’s Talk for a further five years and an increase in its total funding commitment for Canadian mental health to at least $100 million. Since its launch, Bell Let’s Talk has funded more than 700 mental health initiatives across Canada, from large health care institutions and universities to small community organizations in every region.

Bell Let’s Talk initiatives have included Clara’s Big Ride for Bell Let's Talk, Clara Hughes’ epic 11,000-kilometer bicycle journey to take the anti-stigma message to communities across Canada; the introduction of annual community funds supporting grassroots mental health initiatives across Canada and for military families; the world’s first university chair in anti-stigma studies at Queen’s University; funding and implementation of the world’s first volunteer-staffed mental health crisis call center in the National Capital Region; Bell Media’s Bell Gateway Building at the Centre for Addiction and Mental Health (CAMH), the first mental health facility named for a corporation; and the first university-certified workplace mental health training program. Approximately 10,000 Bell managers across Canada have received training in mental health support and over 900 workplace events have taken place since 2010 in support of ending the stigma and building resilience.

The following describes the status of a collective agreement covering 250 or more employees that has already expired:

- the collective agreement between CEP (now Unifor) and Bell Media (CTV Agincourt) covering approximately 530 employees expired on December 31, 2016, Bargaining began on November 20, 2016.

The following describes the status of a collective agreement covering 250 or more employees that has already expired:

- the collective agreement between Unifor and CFCA-TV (Calgary) and CFPRN-TV (Edmonton), divisons of Bell Media, covering approximately 270 employees will expire on December 31, 2017,

- the collective agreement between Unifor and CFCA-TV (Calgary) and CFPRN-TV (Edmonton), divisons of Bell Media, covering approximately 270 employees will expire on December 31, 2017,
3 Description of our business

Continued in 2016, Bell Canada made new commitments within the program to several initiatives, including a four-year extension to the Bell True Patriot Love Fund, a renewed $7 million partnership with the True Patriot Love Foundation to continue to support community mental health programs serving members of the Canadian Armed Forces, veterans and their families through 2020. Additional commitments in 2016 included: $1 million to the Institut universitaire en santé mentale de Québec in support of ground-breaking research to tackle early signs of mental illness in youth from families with a history of mental illness; $500,000 to Fincap Asset Development to expand their entrepreneur training and loan fund; $4 million with Communities in Motion In Ontario; a $500,000 joint project with Northwestern and Yukon Health and Social Services to support the launch of the FRED255 cognitive behaviour group intervention program throughout the Territory, and a $150,000 donation to the Canadian Red Cross to incorporate mental health programming into its standard first aid training.

Bell's Let's Talk partners also include Université Laval, Sunnybrook Health Sciences Centre, the Jewish General Hospital, Royal Ottawa Hospital, Hôpital Charles-Lemoyne, the University of British Columbia, the Douglas Mental Health University Institute, Conestoga University, Brain Canada, Kids Help Phone, Université de Montréal and McGill University.

In 2016, the Bell Let's Talk Community Fund gave $1 million in grants to 72 community-based organizations, charities and hospitals across the country. This 2017 Fund will provide grants to organizations in Canada focused on improving access to programs and services that support and help improve the mental health and well-being of people with mental health issues.

In November 2016, Bell Canada was honoured by being named one of Canada’s Top Employers for 2017 by the editors of Canada’s Top Employers, a publication of Mediacorp Canada Inc. In selecting Bell Canada as one of Canada’s top employers, Mediacorp Canada Inc. acknowledged Bell Canada’s leadership in workplace mental health through investment in mental health training and professional development, and commitment to sharing experiences and best practices with other employers.

Because the challenge of stigma remains the primary reason that an estimated two-thirds of people with mental health problems do not receive the help they need, Bell continues to invite Canadians to talk about the issue. The seventh annual Bell Let's Talk Day on January 25, 2017, led by national spokesperson Clara Hughes, promoted discussion and understanding of mental illness while generating new funds for Canadian mental health. With 131,705,010 text messages, mobile calls and long distance calls by our customers, and Bell Let's Talk interactions on Twitter, Facebook, Instagram and Snapchat made that day, Bell’s 5-cent donation per text, call and interaction means that it has committed a further $6,585,250.50 to support mental health programs across the country.

To learn more, please visit bell.ca/letstalk.

Between mental health and its other initiatives, Bell contributed more than $2.2 million in charitable gifts and logged more than 358,000 hours in volunteer time.

3.8 Competitive environment

A discussion of our competitive environment can be found in section 3.3, Principal business risks and the various sections entitled Competitive landscape and industry trends and Principal business risks of the BCE 2016 MD&A, on pages 44 and 45, 59 to 61, 66 to 69, 72 and 73, and 75 of the BCE 2016 Annual Report.

See also section 3.3, Competitive strengths in this Annual Information Form for more information concerning our competitive position.

3.9 Regulatory environment

A discussion of the legislation that governs our businesses, as well as government consultations and recent regulatory initiatives and proceedings affecting us, can be found in section 8, Regulatory environment of the BCE 2016 MD&A, on pages 90 to 94 of the BCE 2016 Annual Report.

More information with respect to the Canadian ownership restrictions on BCE’s common shares can be found in section 5.1, BCE securities in this Annual Information Form.

3.10 Intangible properties

We use various works protected by intellectual property rights (IP Assets), which we own or for which we have been granted rights to use. These IP Assets include, without limitation, brand names, trade-marks such as names, designs and logos, copyrights in content, programs and musical works, broadcast signals, software and applications, domain names, patents or patent applications for inventions owned or produced by us and our employees, as well as various copyright materials, trade-marks, patents and other intellectual property rights or licensed by us. We derive value through the use of these IP Assets in various business activities, and they are important to our operations and our success.

To protect these IP Assets, we rely on a combination of legal protections afforded under copyright, trade-mark, patent and other intellectual property laws, as well as contractual provisions under licensing arrangements.

In particular, the Bell brand plays a key role in product positioning. Our branding is straightforward and directly supports our strategy of delivering a better customer experience at every level. Our trade-mark rights are perpetual, and our success. To protect these IP Assets, we rely on a combination of legal protections afforded under copyright, trade-mark, patent and other intellectual property laws, as well as contractual provisions under licensing arrangements.

We believe that we take reasonable and appropriate measures to protect, review and defend our IP Assets, including prosecuting infringements, and we take great care not to infringe on the intellectual property rights of others. However, we cannot provide any assurance that the laws protecting intellectual property in various jurisdictions are, or will continue to be, adequate to protect our IP Assets or that we will be successful in preventing or defending claims by others asserting rights in or to our IP Assets.

4 General development of our business – three-year history

In line with our strategic imperatives described in section 3.2, Strategic imperatives in this Annual Information Form, during the last three completed financial years we have entered, or proposed to enter, into transactions and implemented various corporate initiatives that have influenced, or may influence, the general development of our business. Our regulatory environment has also influenced the general development of our business during this three-year period. These principal transactions and corporate initiatives and the effects of our regulatory environment are discussed below.

4.1 Transactions

Proposed acquisition of MTS

On May 2, 2016, BCE announced that it intends to acquire all of the issued and outstanding common shares of MTS for a total consideration of $3.1 billion, of which 49% will be paid in cash and the remaining 55% through the issuance of approximately 28 million BCE common shares. The transaction is valued at approximately $3.9 billion, including net debt of approximately $0.9 billion. BCE will fund the cash component of the transaction through debt financing (refer to section 5.2, Bell Canada debt securities, for more information. MTS shareholder approval was obtained at a special meeting of shareholders held on June 23, 2016 and final court approval was obtained on June 29, 2016. On December 20, 2016, the CRTC approved, under the Broadcasting Act, the transfer of the broadcasting distribution undertaking licence held by MTS to BCE. On February 15, 2017, ISED and the Competition Bureau approved the proposed acquisition of MTS with the result that BCE has now obtained all necessary regulatory approvals to complete the transaction. Subject to certain closing conditions and termination rights, the transaction is expected to close on March 17, 2017. If the transaction does not close under certain circumstances, BCE may be liable to pay a break fee of $200 million to MTS.

MTS is an information and communications technology provider offering wireless, Internet, TV, phone services, security systems and information solutions including unified cloud and managed services to residential and business customers in Manitoba.

The combined companies’ Manitoba operations will be known as Bell MTS. The acquisition of MTS will allow us to reach more Canadians through the expansion of our wireless and wireline broadband network while supporting our goal of being recognized by customers as Canada’s leading communications company.

BCE has agreed to invest approximately one-quarter of MTS’s post-closing subordinated and 13 retail locations to TELUS following the completion of the acquisition of MTS for total proceeds of approximately $300 million, subject to final adjustments. Subject to certain closing conditions and termination rights, this transaction is expected to close on April 1, 2017. The $75 million break fee that was payable by BCE to TELUS if the transaction with TELUS did not close under certain circumstances is no longer applicable given the receipt of all regulatory approvals.

BCE has also agreed to transfer to Xplornet a total of 40 MHz of 700 MHz, AWS-1 and 2500 MHz wireless spectrum currently held by MTS, which has also been approved by ISED. 24,700 wireless customers once Xplornet launches its mobile wireless service, and 8 retail outlets. Xplornet will receive transitional remedy network access from Bell MTS in urban areas of Manitoba for three years and other operational benefits as Xplornet builds out its own network. Subject to certain closing conditions and termination rights, this transaction is expected to close on March 17, 2017.

Acquisition of Cieslok Media Ltd. (Cieslok)

On January 31, 2017, Bell Media acquired all of the issued and outstanding common shares of Cieslok for a total cash consideration of $161 million. Cieslok specializes in large-format outdoor advertising in key urban areas across Canada.
Acquisition of Q9 Networks Inc. (Q9)

On August 8, 2016, BCE announced its agreement to acquire all equity it did not already own in Q9. A Toronto-based data centre operator providing outsourced hosting and other data solutions to Canadian business and government customers, Q9’s assets were acquired in October 2012 by an investor group comprised of BCE, Ontario Teachers’ Pension Plan Board, Providence Equity Partners LLC and funds managed by Medstone Diamond Partners LLC. BCE held a 35.4% stake in Q9 and acquired the remaining 64.6% equity interest from its fellow investors. The transaction was valued at approximately $680 million, including Q9 net debt but excluding BCE’s prior ownership interest. The transaction closed on October 3, 2016. The acquisition supports BCE’s ability to compete against domestic and international providers in the growing outsourced data services sector. Effective January 1, 2017, various entities of the Q9 group of companies, as well as certain former Bell Aliant Inc. subsidiaries, amalgamated with Bell Canada.

National expansion of HBO and TMN (2016)

On November 19, 2015, BCE announced a transaction with Corus Entertainment Inc. (Corus) whereby Bell Media would pay Corus a total consideration of $211 million for Corus to waive its HBO content rights in Canada and wind down the operations of its Movie Central and Encore Avenue pay TV services in Western and Northern Canada, thereby allowing Bell Media to become the sole operator of HBO Canada nationally across all platforms and to expand TMN into a national pay TV service.

- In December 2015, Bell Media paid a deposit of $21 million to Corus and in January 2016 completed the final payment of $190 million. TMN was successfully launched nationally on March 1, 2016 and Movie Central and Encore Avenue’s operations ceased on the same day.

Acquisition of Glentel (2015)

- On November 29, 2014, BCE announced the signing of a definitive agreement to acquire all of the issued and outstanding shares of Glentel, a Canadian-based dual-carrier, multi-brand mobile products distributing wireless products and services from Bell Mobility and Rogers Communications Inc. (Rogers). On December 24, 2014, BCE further announced that it would divest 50% of its ownership interest in Glentel to Rogers following the closing of BCE’s acquisition of Glentel.

- On May 20, 2015, BCE completed the acquisition of all of the issued and outstanding common shares of Glentel for a total consideration of $922 million, of which $296 million ($246 million, net of cash on hand) was paid in cash and the balance through the issuance of 5,548,908 BCE common shares. Immediately following closing of the acquisition, BCE repaid Glentel’s outstanding debt in the amount of approximately $112 million and contributed $53 million in exchange for additional Glentel common shares. Subsequently, BCE’s interest in Glentel was transferred to Rogers for a total cash consideration of approximately $713 million ($407 million, net of divested cash and transaction costs).

Privatisation of Bell Aliant and Note Exchange (2014)

- On July 23, 2014, BCE announced its offer to acquire all of the issued and outstanding common shares of Bell Aliant Inc. that it did not already own for a total consideration of approximately $3.95 billion. On the same day, BCE also announced its offer to exchange all of the issued and outstanding preferred shares of Bell Aliant Preferred Equity Inc. (Phunts) for newly issuable first preferred shares of BCE, with the same financial terms as the existing Phunts preferred shares (Phunt Share Exchange). The privatisation of Bell Aliant was completed on October 31, 2014 and the Preferred Share Exchange was completed on November 1, 2014.

- As BCE already consolidated the financial results of Bell Aliant Inc., the privatisation of Bell Aliant has been accounted for as an equity transaction.

- On November 20, 2014, Bell Canada and Bell Aliant LP completed a transaction to exchange all Bell Aliant LP medium term notes in the aggregate principal amount of $2.3 billion (collectively, the Bell Aliant LP Notes) for BCE medium term notes in the aggregate principal amount of $2.3 billion (collectively, the BCE LP Notes) for financial terms (including with respect to coupon, maturity and redemption price) as those of the Bell Aliant LP Notes (the Bell Aliant Note Exchange).

- As a result of the above-mentioned transactions, each of Bell Aliant Inc., Phunts, Bell Aliant Regional Communications Inc. and Bell Aliant LP ceased to be reporting issuers as of December 18, 2014. Bell Aliant Inc. was dissolved effective December 31, 2014. Through a series of corporate reorganizations, all of the assets of the Bell Aliant Regional Communications Inc. and Bell Aliant LP were transferred to Bell Canada or Bell Mobility, as applicable, effective July 1, 2015.

Divestiture of certain TV assets and radio stations (2014)

- In order to approve the 2013 acquisition of Astral Media Inc. (Astral) by BCE, the Competition Bureau and the CRTC requested the divestiture by BCE of all Astral TV assets and 10 Astral and Bell Media English-language radio stations. Such divestitures were completed in 2014 for aggregate proceeds of $720 million:
  - On January 1, 2014, we completed the sale of Astral’s share of six TV services (the bilingual Telemundo/Telemundo service, English-language Teletoon Retro and Cartoon Network Canada (Astral) and French-language Télétoon Retro, Histoire et Science) and, on January 31, 2014, we completed the sale of two radio stations in Ottawa (CIGB-FM and CIQOT-FM) to Corus.
  - On January 31, 2014, we completed the sale of two Winnipeg radio stations (CHIG-FM and CKFQ-FM) and one Calgary radio station (CKCZ-FM) to Jim Pattison Broadcast Group.
  - On March 31, 2014, we completed the sale of two Toronto radio stations (CHHB-FM and CFXJ-FM) and three Vancouver radio stations (CKXZ-FM, CHMR-FM and CISSL-AM) to Newcap Inc.
  - On July 31, 2014, we completed the sale to DHX Media Ltd. of the following TV services: Family (including Disney Junior English), Disney XD and Disney Junior French.
  - On September 16, 2014, we completed the sale to V Media Group of the MundoPics and MuskMaax TV services.

Corporate initiatives

4.2 Upgrade, expansion and transformation of our network

Our competitive landscape continues to evolve with web-based and over-the-top (OTT) players penetrating the telecommunications space. With this evolution comes the demand from consumers for faster access to services and content. With data consumption continuing to grow faster than ever before, we continue to invest heavily in our LTE wireless and wireline fibre networks to keep up with the capacity to ensure customers are provided with the best possible experience.

One of our key objectives in the last three financial years has been increasing LTE wireless network capacity and services to enhance our competitive position and promote future growth opportunities. During this period, we upgraded our access infrastructure by deploying fibre-optic technology closer to our customers, which led to the expansion of our Bell Fibe Internet and TV services, and we launched our new Gigabit Fibe Internet service in August 2015. During this period, we also made strategic investments in our wireline network and services to continue to evolve the existing broadband and TV networks and the introduction of our Dual-band and TV-band LTE-A network in 2013.

Recently, we initiated a project seeking to transform our network and systems with three main objectives: (a) to become more agile in our service delivery and operations, as well as to provide self-serve and instant-on capabilities for our customers; (b) to ensure best quality and customer experience; and (c) to develop a new network infrastructure that enables a competitive cost structure with rapidly growing capacity needs. We are leveraging new technologies, including network functions virtualization, software-defined networks and cloud technologies. These technologies offer a level of flexibility, automation and elastic capacity that has previously not been possible. 5G, IoT, enhanced Internet, enhanced communications, video and web services, as well as the next generation of enterprise cloud applications, depend heavily on these capabilities. We work closely with our partners and are leveraging and contributing to industry associations that are accelerating this evolution, such as the open source software and hardware initiatives. We are also focusing on transforming our organization and some key development and operational processes to meet our objectives.

Expanding media leadership

Further to our strategic imperative to expand media leadership, we seek to continue to deliver leading sports, news, entertainment and business content across all screens and platforms. Our objective is to grow audiences, introduce new services and create new revenue streams for our media assets, and create audience loyalty by being the preferred brand in their media consumption. We have continued to make progress in this regard in the last three financial years, with our media businesses driving significant growth and contributing to the overall performance of the company.

Our competitive landscape continues to evolve with web-based and over-the-top (OTT) players penetrating the telecommunications space. With this evolution comes the demand from consumers for faster access to services and content.

4.3 Regulatory environment

During the last three financial years, the general development of our business has been affected by decisions made by the Government of Canada and its relevant departments and agencies, including the CRTC, ISED, Canadian
Our capital structure

This section describes BCE's and Bell Canada's securities, the trading of such securities on the Toronto Stock Exchange (TSX) and the ratings that certain rating agencies have attributed to BCE's preferred shares and Bell Canada's debt securities that are issued and outstanding.

5.1 BCE securities

BCE's articles of amalgamation, as amended, provide for an unlimited number of common shares, an unlimited number of first preferred shares issuable in series, an unlimited number of second preferred shares issuable in series, an unlimited number of Class B shares and several other classes of shares. As at March 2, 2017, BCE had no Class B shares or second preferred shares outstanding.

Each common share entitles its holder to one vote at any meeting of shareholders. Additional information about the terms and conditions of the BCE preferred shares, common shares and Class B shares can be found in Note 25, Share capital of the BCE 2016 consolidated financial statements, on pages 150 and 151 of the BCE 2016 Annual Report.

Since 1993, the Telecommunications Act and associated regulations (Telecom Regulations) have governed Canadian ownership and control of Canadian telecommunications carriers. Bell Canada and other affiliates of BCE that are Canadian telecommunications carriers are subject to the Telecom Regulations. The Telecom Regulations impose restrictions on any person that, with its affiliates, has annual revenues from the provision of telecommunications services in Canada that represent less than 10% of the total annual revenues from the provision of those services in Canada, as determined by the CRTC. However, given that Bell Canada and its affiliates exceed this 10% threshold, they remain subject to the pre-existing Canadian ownership and control restrictions, which are detailed below.

Under the Telecommunications Act, in order for a corporation to operate as a Canadian common carrier, the following conditions have to be met:

- Canadians own at least 85% of its voting shares
- At least 85% of the members of the carrier company's board of directors are Canadians
- The carrier company is not controlled by non-Canadians

In addition, where a parent company (Carrier holding company) owns at least 60% 2/3 of the voting shares of the carrier company, the Carrier holding company must have at least 60% 2/3 of its voting shares owned by Canadians and must not be controlled by non-Canadians. BCE is a Carrier holding company. The Telecom Regulations give certain powers to the CRTC and to Canadian carriers and Carrier holding companies to monitor and control the level of non-Canadian ownership of voting shares to ensure compliance with the Telecommunications Act. Accordingly, BCE, which controls Bell Canada and other Canadian carriers, must satisfy the following conditions:

- Canadians own at least 60% 2/3 of its voting shares
- It is not controlled by non-Canadians
- The powers under the Telecom Regulations include the right to:
  - suspend the voting rights attached to shares considered to be owned or controlled by non-Canadians
  - refuse to register a transfer of voting shares to a non-Canadian
  - force a non-Canadian to sell his or her voting shares

However, in our case, there is an additional control restriction under the Bell Canada Act. Prior approval by the CRTC is necessary for any sale or other disposal of Bell Canada's voting shares unless BCE retains as least 80% of all Bell Canada voting shares.

Similarly, the Canadian ownership under the Broadcasting Act for broadcasting licensees, such as Bell ExpressVu, Bell Media and Bell Canada, generally mirrors the rules for Canadian-owned and -controlled common carriers under the Telecommunications Act. In such cases, the chief executive officer of a company that is a licensed broadcasting company or an entity that is owned or controlled by such a company must satisfy the requirements of the regulations relating to particular broadcasting activities.

Bell Canada is in compliance with all conditions and restrictions of its debt securities. BCE's articles of amalgamation, as amended, provide for an unlimited number of common shares, an unlimited number of first preferred shares issuable in series, an unlimited number of second preferred shares issuable in series, an unlimited number of Class B shares and several other classes of shares. As at March 2, 2017, BCE had no Class B shares or second preferred shares outstanding.

Each common share entitles its holder to one vote at any meeting of shareholders. Additional information about the terms and conditions of the BCE preferred shares, common shares and Class B shares can be found in Note 25, Share capital of the BCE 2016 consolidated financial statements, on pages 150 and 151 of the BCE 2016 Annual Report.

5.2 Bell Canada debt securities

As at December 31, 2016, Bell Canada has issued long-term debt securities as summarized in the table below.

<table>
<thead>
<tr>
<th>INTEREST RATE MATURITY</th>
<th>INTEREST RATE</th>
<th>WEIGHTED AVERAGE Maturity</th>
<th>AT DECEMBER 31, 2016 ($ MILLIONS)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debentures</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1976 trust indenture</td>
<td>5.20%</td>
<td>1976 trust indenture</td>
<td>4,065</td>
</tr>
<tr>
<td>1976 trust indenture</td>
<td>5.20%</td>
<td>1976 trust indenture</td>
<td>2,904</td>
</tr>
<tr>
<td>1976 trust indenture</td>
<td>5.20%</td>
<td>1976 trust indenture</td>
<td>8,341</td>
</tr>
<tr>
<td>Subordinated debentures</td>
<td></td>
<td>Subordinated debentures</td>
<td>8,21%</td>
</tr>
<tr>
<td>Subordinated debentures</td>
<td></td>
<td>Subordinated debentures</td>
<td>2026 – 2031</td>
</tr>
<tr>
<td>Subordinated debentures</td>
<td></td>
<td>Subordinated debentures</td>
<td>2025 – 2017</td>
</tr>
<tr>
<td>Subordinated debentures</td>
<td></td>
<td>Subordinated debentures</td>
<td>2017 – 2025</td>
</tr>
<tr>
<td>Subordinated debentures</td>
<td></td>
<td>Subordinated debentures</td>
<td>2016 – 2017</td>
</tr>
<tr>
<td>Subordinated debentures</td>
<td></td>
<td>Subordinated debentures</td>
<td>2015 – 2016</td>
</tr>
<tr>
<td>Capped debentures</td>
<td></td>
<td>Capped debentures</td>
<td>8.5%</td>
</tr>
<tr>
<td>Capped debentures</td>
<td></td>
<td>Capped debentures</td>
<td>2017 – 2025</td>
</tr>
<tr>
<td>Capped debentures</td>
<td></td>
<td>Capped debentures</td>
<td>2015 – 2016</td>
</tr>
<tr>
<td>Capped debentures</td>
<td></td>
<td>Capped debentures</td>
<td>2014 – 2015</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>Total</td>
<td>14,975</td>
</tr>
</tbody>
</table>

On January 11, 2016, Bell Canada redeemed, prior to maturity, all of its outstanding $200 million principal amount of 4.64% Debentures, Series M-19, due February 22, 2016, at a price equal to $1,004.370 per $1,000 of principal amount plus $4.384 for accrued and unpaid interest. On March 31, 2016, Bell Canada redeemed, prior to maturity, all of its outstanding $500 million principal amount of 5.00% Debentures, Series M-18, due February 15, 2017, at a price equal to $1,017.580 per $1,000 of principal amount of debentures plus $5.300 for accrued and unpaid interest. On March 30, 2015, Bell Canada issued, under the 2014 Shelf Prospectus and 2015 Prospectus Supplement, $500 million of 4.35% MTN Debentures, Series M-44, due May 19, 2016, at a price equal to $1,009.550 per $1,000 of principal amount plus $4.384 for accrued and unpaid interest. On January 14, 2016, Bell Canada issued, under the 2014 Shelf Prospectus and 2015 Prospectus Supplement, $500 million of 4.35% MTN Debentures, Series M-45, due May 19, 2016, at a price equal to $1,010.170 per $1,000 of principal amount of debentures plus $5.300 for accrued and unpaid interest.

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available under Bell Canada's supporting committed lines of credit as of March 2, 2017. Such amounts reflect an increase of $500 million further to an increase in the size of the Canadian and U.S. commercial paper programs and amendments to Bell Canada's committed lines of credit that became effective as of December 20, 2010. The rate of Notes pursuant to Bell Canada's separate Canadian or U.S. program decreases the Canadian or U.S. $2.5 billion maximum principal amount of Notes authorized to be outstanding at any time under both programs, with one Canadian dollar being treated as equal to one U.S. dollar for purposes of this limitation. At March 2, 2017, Bell Canada had Notes outstanding under its U.S. program in the principal amount of U.S. $2,483 million (CAN $3,264 million when taking into account hedges with forward currency contracts against foreign currency fluctuations). As at the same date, no Notes were outstanding under Bell Canada's Canadian program.

5.3 Ratings
Ratings generally address the ability of a company to repay principal and pay interest or dividends on issued and outstanding securities. Our ability to raise financing depends on our ability to access the public equity and debt capital markets as well as the bank credit market. Our ability to access such markets and the cost and amount of funding available depend partly on the quality of our credit ratings at the time capital is raised. Investment-grade ratings usually mean that when we borrow money, we qualify for lower interest rates than companies that have ratings lower than investment-grade. A ratings downgrade could result in adverse consequences for our funding capacity or our ability to access the capital markets.

As of March 2, 2017, BCE’s preferred shares are rated by DBRS Limited (DBRS) and Standard & Poor’s Ratings Services (Canada) (S&P), and Bell Canada’s debt securities are rated by DBRS, Moody’s Investors Service, Inc. (Moody’s) and S&P. This section describes the credit ratings, as of March 2, 2017, for certain of the issued and outstanding securities of BCE and Bell Canada. These ratings provide investors with an independent measure of credit quality of an issue of securities. However, they are not recommendations to buy, sell or hold any of the securities referred to below, and they may be revised or withdrawn at any time by the assigning rating agency. Each credit rating should be evaluated independently of any other credit rating.

In the last two years, we have paid rating agencies to assign ratings to BCE’s preferred shares as well as Bell Canada’s short-term and long-term debt securities. The fees paid to DBRS and S&P include access to their websites. In addition, we paid DBRS and Moody’s to assign ratings in connection with Bell Canada’s accounts receivable programs.

Ratings for BCE and Bell Canada securities

<table>
<thead>
<tr>
<th>RATING AGENCY</th>
<th>RATING</th>
<th>RANK</th>
</tr>
</thead>
<tbody>
<tr>
<td>DBRS</td>
<td>R-2 (high)</td>
<td>4 out of 10</td>
</tr>
<tr>
<td>Moody’s</td>
<td>P-2</td>
<td>2 out of 4</td>
</tr>
<tr>
<td>S&amp;P</td>
<td>A-1 (Low) (Canadian scale)</td>
<td>3 out of 8</td>
</tr>
<tr>
<td>S&amp;P</td>
<td>A-2 (Global scale)</td>
<td>3 out of 8</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>RATING AGENCY</th>
<th>RATING</th>
<th>RANK</th>
</tr>
</thead>
<tbody>
<tr>
<td>DBRS</td>
<td>BBB (high)</td>
<td>8 out of 26</td>
</tr>
<tr>
<td>Moody’s</td>
<td>Ba1</td>
<td>8 out of 21</td>
</tr>
<tr>
<td>S&amp;P</td>
<td>Ba1+</td>
<td>8 out of 22</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>RATING AGENCY</th>
<th>RATING</th>
<th>RANK</th>
</tr>
</thead>
<tbody>
<tr>
<td>DBRS</td>
<td>BBB (low)</td>
<td>10 out of 26</td>
</tr>
<tr>
<td>Moody’s</td>
<td>Ba2</td>
<td>9 out of 21</td>
</tr>
<tr>
<td>S&amp;P</td>
<td>Ba2+</td>
<td>9 out of 22</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>RATING AGENCY</th>
<th>RATING</th>
<th>RANK</th>
</tr>
</thead>
<tbody>
<tr>
<td>DBRS</td>
<td>P-2 (Low) (Canadian scale)</td>
<td>6 out of 16</td>
</tr>
<tr>
<td>Moody’s</td>
<td>P-2</td>
<td>6 out of 18</td>
</tr>
<tr>
<td>S&amp;P</td>
<td>BBB (Global scale)</td>
<td>6 out of 20</td>
</tr>
</tbody>
</table>

As reflected above, following the announcement of the proposed acquisition of Q9 on August 8, 2016, DBRS downgraded Bell Canada’s debentures and MTN debentures rating to BBB (high) from A (low), subordinated debentures rating to BBB (low) from BBB and commercial paper rating to P-2 (high) from P-1 (low). DBRS also downgraded BCE Inc.’s preferred shares rating to Pfd-3 from Pfd-3 (high).

As of March 2, 2017, BCE and Bell Canada’s credit ratings have stable outlooks from DBRS, Moody’s and S&P.

General explanation

**SHORT-TERM DEBT SECURITIES**

The table below shows the range of credit ratings that each rating agency assigns to short-term debt instruments.

<table>
<thead>
<tr>
<th>HIGHEST QUALITY</th>
<th>LOWEST QUALITY</th>
</tr>
</thead>
<tbody>
<tr>
<td>DBRS BBB (high)</td>
<td>P-1 (low)</td>
</tr>
<tr>
<td>Moody’s Ba1</td>
<td>A-1 (High)</td>
</tr>
<tr>
<td>S&amp;P A-1 (High)</td>
<td>D</td>
</tr>
</tbody>
</table>

The DBRS short-term debt rating scale provides an opinion on the risk that a borrower will not meet its short-term financial obligations in a timely manner. Ratings are based on quantitative and qualitative considerations relevant to the borrowing entity.

Moody’s short-term debt ratings are Moody’s opinions of the ability of issuers to meet short-term financial obligations. Short-term ratings are assigned to obligations with an original maturity of 13 months or less and reflect the likelihood of a default on contractually promised payments and the expected financial loss suffered in the event of default.

An S&P Canadian scale commercial paper rating and short-term debt rating indicates S&P’s assessment of whether the company can meet the financial commitments of a specific commercial paper program or other short-term financial instrument, compared to the debt servicing and repayment capacity of other companies in the relevant financial market.

**LONG-TERM DEBT SECURITIES**

The table below shows the range of credit ratings that each rating agency assigns to long-term debt instruments.

<table>
<thead>
<tr>
<th>HIGHEST QUALITY</th>
<th>LOWEST QUALITY</th>
</tr>
</thead>
<tbody>
<tr>
<td>DBRS AAA</td>
<td>D</td>
</tr>
<tr>
<td>Moody’s AAA</td>
<td>D</td>
</tr>
<tr>
<td>S&amp;P AAA</td>
<td>D</td>
</tr>
</tbody>
</table>

The DBRS long-term debt rating scale provides an opinion on the risk of default; that is, the risk that an issuer will fail to satisfy its financial obligations in accordance with the terms under which an obligation has been issued. Ratings are based on quantitative and qualitative considerations relevant to the borrowing entity.

Moody’s long-term debt ratings are assigned to issuers or obligations with an original maturity of one year or more and reflect both the likelihood of a default on contractually promised payments and the expected financial loss suffered in the event of default.

S&P’s long-term debt credit rating scale provides an assessment of the creditworthiness of a company in meeting a specific financial obligation, a specific class of financial obligations or a specific financial program. It takes into consideration the likelihood of payment; that is, the capacity and willingness of the company to meet its financial commitment on an obligation according to the terms of the obligation, among other factors.

**PREFERRED SHARES**

The table below describes the range of credit ratings that each rating agency assigns to preferred shares.
### EXPLANATION OF RATING CATEGORIES RECEIVED FOR OUR SECURITIES

The following descriptions of the rating categories received for our securities have been published by the applicable rating agencies.

These descriptions and the corresponding rating categories are subject to change by the rating agencies.

<table>
<thead>
<tr>
<th>COMMON SHARES</th>
<th>DESCRIPTION</th>
<th>RATING CATEGORY RECEIVED</th>
</tr>
</thead>
<tbody>
<tr>
<td>BCE Inc.</td>
<td>Generally, companies with Pfd-3 ratings have senior bonds rated in the higher end of the BBB category</td>
<td>adequate credit quality</td>
</tr>
<tr>
<td></td>
<td>Faced with a high degree of threat from adverse changes in economic conditions and a pattern of declining operations and financial performance but still considered medium-grade and may have certain speculative characteristics</td>
<td>BBB (Global scale)</td>
</tr>
<tr>
<td></td>
<td>Callable debt is still considered adequate, but the company is more susceptible to adverse changes in economic conditions and the possibility of reduced dividends</td>
<td>BBB (Global scale)</td>
</tr>
<tr>
<td>Preferred shares Pfd-3</td>
<td></td>
<td>somewhat more susceptible to changing circumstances and economic conditions than obligations rated higher</td>
</tr>
<tr>
<td>Preferred shares Pfd-2</td>
<td></td>
<td>adequate protection parameters</td>
</tr>
<tr>
<td>Preferred shares Pfd-1</td>
<td></td>
<td>adequate protection parameters</td>
</tr>
<tr>
<td>Preferred shares Pfd-0</td>
<td></td>
<td>the company's ability to meet its financial commitments</td>
</tr>
<tr>
<td>Preferred shares Pfd-1 (Canadian scale)</td>
<td></td>
<td>the company's ability to meet its financial commitments</td>
</tr>
<tr>
<td>Preferred shares Pfd-2 (Global scale)</td>
<td></td>
<td>the company's ability to meet its financial commitments</td>
</tr>
<tr>
<td>Preferred shares Pfd-3 (Global scale)</td>
<td></td>
<td>the company's ability to meet its financial commitments</td>
</tr>
</tbody>
</table>

#### OUR CAPITAL STRUCTURE

5.4 Trading of our securities

The common and first preferred shares of BCE are listed on the TSX under the respective symbols set out in the tables below. BCE’s common shares are also listed on the New York Stock Exchange (NYSE) under the symbol BCE.

The tables below and on the next page show the range in share price per month and volume traded on the TSX in 2016 for BCE’s common shares and each series of BCE’s first preferred shares.
December 2016
Volume 72,940
High $14.000
Low $13.800

October 2016
Volume 536,642
High $14.100
Low $13.850

May 2016
Volume 177,600
High $14.630
Low $13.470

June 2016
Volume 100,989
High $14.000
Low $13.740

April 2016
Volume 84,633
High $14.300
Low $13.630

March 2016
Volume 80,278
High $14.110
Low $13.320

February 2016
Volume 80,578
High $14.500
Low $13.850

January 2016
Volume 280,915
High $14.250
Low $13.690

Free cash flow (1) . Our objective is to seek to achieve dividend growth while maintaining our dividend payout ratio within the target range and balancing our strategic business priorities, including continuing to invest in strategic wireless and wired network infrastructure and maintaining investment-grade credit ratings. For additional information, refer to section 1.4, Capital markets strategy of the BCE 2016 MD&A, on pages 34 to 36 of the BCE 2016 Annual Report.

BCE’s dividend payout policy and the declaration of dividends are subject to the discretion of BCE’s board of directors and, consequently, there can be no guarantee that BCE’s dividend payout policy will be maintained or that dividends will be declared.

The table below describes the increases in BCE’s common share dividend starting with the quarterly dividend payable on April 15, 2014.

Dividends will be declared.

BCE’s dividend payout policy and the declaration of dividends are subject to the discretion of BCE’s board of directors and, consequently, there can be no guarantee that BCE’s dividend payout policy will be maintained or that dividends will be declared.

The table below describes the increases in BCE’s common share dividend starting with the quarterly dividend payable on April 15, 2014.

Dividends on BCE’s first preferred shares are, if declared, payable quarterly, except for dividends on Series S, Series T, Series Z, Series AA, Series AB, Series AG, Series AE, Series AJ, Series AK, Series AM, Series AN, Series AQ and Series AO first preferred shares, which, if declared, are payable monthly.


(1) The terms free cash flow and dividend payout ratio do not have any standardized meaning under International Financial Reporting Standards (IFRS). Therefore, they are only to be considered in order presented by other issuers. We define the cash flows from operating activities, excluding acquisition and divestiture costs and after adjusting for significant litigation costs and voluntary pension funding, less capital expenditures, preferred share dividends and dividend paid to retirees as our cash inflow. We exclude acquisition and cash paid for and voluntary pension funding because they affect the comparability of our financial results and could potentially distort the analysis of trends in our performance. Excluding these items does not imply they are non-recurring. We consider free cash flow to be an important indicator of the financial strength and performance of our businesses because it shows how much cash is available to pay dividends, repay debt and reinvest in our businesses. The most comparable IFRS financial measure is cash flows from operating activities. We define dividend payout ratio as cash dividends divided by free cash flow. We consider dividend payout ratio to be an important indicator of the financial strength and performance of our businesses because it shows the relationship of the company’s dividend payments.

(2) Between September 24, 2014 and November 1, 2014, BCE issued Series AM, Series AO and Series AQ first preferred shares in exchange for the issued and outstanding preferred shares of Prefco.

6 Dividends and dividend payment policy

Series AH $0.675
Low $0.69216

Series S $0.675
Low $0.69216

Series T $0.824875
Low $0.84825

Series AE $0.675
Low $0.69216

Series AF $0.7775
Low $0.788

Series AG $0.788
Low $0.788

Series AE $0.8025
Low $0.82625

Series AA $0.788
Low $0.788

Series AJ $0.675
Low $0.69216

Series AE $0.675
Low $0.69216

Series AO $0.675
Low $0.69216

Series AC $0.675
Low $0.69216

Series AD $0.675
Low $0.69216

Series Z $0.675
Low $0.69216

Series R $0.675
Low $0.69216

Series T $0.824875
Low $0.84825

Series S $0.8025
Low $0.82625

Series AC $0.8025
Low $0.82625

Series AD $0.8025
Low $0.82625

Series AA $0.8025
Low $0.82625

Series AE $0.8025
Low $0.82625

Series AG $0.8025
Low $0.82625

Series AE $0.8025
Low $0.82625

Series AC $0.8025
Low $0.82625

Series AD $0.8025
Low $0.82625

Series AA $0.8025
Low $0.82625

Series AE $0.8025
Low $0.82625

Series AG $0.8025
Low $0.82625

Series AE $0.8025
Low $0.82625

Series AC $0.8025
Low $0.82625

Series AD $0.8025
Low $0.82625

Series AA $0.8025
Low $0.82625

Series AE $0.8025
Low $0.82625

Series AG $0.8025
Low $0.82625

Series AE $0.8025
Low $0.82625
Our directors and executive officers

7.1 Directors

The table below lists BCE’s directors, where they lived, the date they were elected or appointed and their principal occupation on March 2, 2017.

Under BCE’s by-laws, each director holds office until the earlier of the next annual shareholder meeting or his or her resignation.

NAME, PROVINCE/STATE AND COUNTRY OF RESIDENCE DATE ELECTED OR APPOINTED TO THE BOARD PRINCIPAL OCCUPATION (MARCH 2, 2017)
Barry K. Allen, Florida, United States May 2009 Operating Partner, Providence Equity Partners LLC (a private equity firm focused on media, entertainment, communications and information investments), since September 2007
Ronald A. Brenneman, Alberta, Canada November 2003 Corporate director, since March 2010
Sophie Brochu, Quebec, Canada May 2010 President and Chief Executive Officer, Gaz Métro (a diversified energy company), since February 2007
Robert E. Brown, Quebec, Canada May 2009 Corporate director, since October 2009
George A. Cope, Ontario, Canada July 2008 President and Chief Executive Officer, BCE and Bell Canada, since July 2008
David F. Dennis, FCAP, FCA, Ontario, Canada October 2012 Corporate director, since June 2012, and Chartered Professional Accountant
Robert P. Dester, Nova Scotia, Canada November 2014 Chair and Chief Executive Officer of Maritime Travel Inc. (an integrated travel company), since July 1979
Ian Greenberg, Quebec, Canada July 2013 Corporate director, since July 2013
Katherine Lee, Ontario, Canada August 2015 Chief Executive Officer of 3 Angels Holdings Limited (a real estate holding company), since April 2016, and Chartered Professional Accountant
Monique F. Leroux, C.M., Q.G., FCPR, FCA(1) Quebec, Canada April 2016 Corporate director, since April 2016, and Chartered Professional Accountant
Gordon M. Nixon, Ontario, Canada November 2014 Chair of the board of directors, BCE and Bell Canada, since April 2016, and corporate director, since September 2014
Cael Rivroux, Quebec, Canada April 2016 President and Chief Executive Officer, Air Canada (an airline), since April 2009
Robert C. Simmonds, Ontario, Canada May 2011 Chair, Landbook Corporation (a national distributor of real estate data and products), since April 2002
Paul R. Weiss, FCAP, FCA, Ontario, Canada May 2009 Corporate director, since April 2009, and Chartered Professional Accountant
Gordon M. Nixon, President and Chief Executive Officer of Royal Bank of Canada (a chartered bank), from 2001 until August 2014

(1) Monique F. Leroux was a director of Quebecor World Inc., for part of the 10 months before Quebecor World Inc. filed for and received protection under the Companies’ Creditors Arrangement Act on January 31, 2009 (from March 30, 2009). Quebecor World Inc. implemented a restructuring plan approved by its creditors in 2009, after obtaining a court order authorizing it.

Past occupation

All of BCE’s directors have held the positions listed above or other executive positions with the same or associated firms or organizations during the past five years or longer, except for the directors listed below.

DIRECTORS NAME PROVINCE/STATE AND COUNTRY OF RESIDENCE DATE ELECTED OR APPOINTED TO THE BOARD PRINCIPAL OCCUPATION
David F. Denison, FCAP, FCA President and Chief Executive Officer of the Canada Pension Plan Investment Board (an investment management organization), from 2005 to June 2012
Ian Greenberg President and Chief Executive Officer of Astral (a media company), from 1990 until July 2013
Katherine Lee President and Chief Executive Officer of GE Capital Canada (a leading global provider of financial and fleet management solutions to mid-market companies operating in a broad range of economic sectors), from 2010 to February 2015
Monique F. Leroux Chair, President and Chief Executive Officer of Georgian Triad Group (the leading cooperative financial group in Canada), from 2006 to April 2016
Charles W. Brown President – The Source (Bell Canada)
Michael Colé Executive Vice-President and Chief Information Officer (Bell Canada)
George A. Cooke President and Chief Executive Officer (BCE and Bell Canada)
Stephen Hors Executive Vice-President and Chief Technology Officer (Bell Canada)
Ricean Jemal President – Bell Residential & Small Business (Bell Canada)
Brien Kirby President – Bell Mobility (Bell Canada)
Glenn LeBlanc Executive Vice-President and Chief Financial Officer (BCE and Bell Canada)
Bernard Le Duc Executive Vice-President – Corporate Services (BCE and Bell Canada)
Randy Lamey(1) President, Bell Media (Bell Canada)
Thomas Liddle President – Bell Business Markets (Bell Canada)
Wade Oosterman Group President (BCE and Bell Canada)
Martine Turcot Vice Chair – Quebec (BCE and Bell Canada)

7.2 Executive officers

The table below lists BCE’s and Bell Canada’s executive officers, where they lived and the office they held at BCE and/or Bell Canada on March 2, 2017.

NAME, PROVINCE/STATE AND COUNTRY OF RESIDENCE OFFICE HELD AT BCE/BELL CANADA
Mike Bibic Ontario, Canada Chief Legal & Regulatory Officer and Executive Vice-President, Corporate Development (BCE and Bell Canada)
Charles W. Brown Ontario, Canada President – The Source (Bell Canada)
Michael Colé Ontario, Canada Executive Vice-President and Chief Information Officer (Bell Canada)
George A. Cooke Ontario, Canada President and Chief Executive Officer (BCE and Bell Canada)
Stephen Hors Ontario, Canada Executive Vice-President and Chief Technology Officer (Bell Canada)
Ricean Jemal Ontario, Canada President – Bell Residential & Small Business (Bell Canada)
Brien Kirby Ontario, Canada President – Bell Mobility (Bell Canada)
Glenn LeBlanc Ontario, Canada Executive Vice-President and Chief Financial Officer (BCE and Bell Canada)
Bernard Le Duc Ontario, Canada Executive Vice-President – Corporate Services (BCE and Bell Canada)
Randy Lamey(1) Ontario, Canada President, Bell Media (Bell Canada)
Thomas Liddle Ontario, Canada President – Bell Business Markets (Bell Canada)
Wade Oosterman Ontario, Canada Group President (BCE and Bell Canada)
Martine Turcot Quebec, Canada Vice Chair – Quebec (BCE and Bell Canada)
Past occupation
All of our executive officers have held their present positions or other executive positions with BCE or Bell Canada during the past five years or longer, except for:

NAME

Glen LeBlanc

Randall Lewin

John Watson

Ontario, Canada

Executive Vice-President – Customer Experience (Bell Canada)

President and Chief Executive Officer of Universal Music Canada from 1998 to August 2015

Executive Vice-President and Chief Financial Officer of Bell Aliant Inc. from 2010 until December 2014

Executive Vice-President

8 Legal proceedings

In the ordinary course of our business, we become involved in various claims and legal proceedings seeking damages and other relief. In particular, because of the nature of our consumer-facing business, we are exposed to class actions in which substantial monetary damages may be claimed. This section describes important legal proceedings in which we were involved as of March 2, 2017. Due to the inherent risks and uncertainties of the litigation process, we cannot predict the final outcome or timing of claims and legal proceedings. Subject to the foregoing, and based on information currently available and management’s assessment of the merits of the claims and legal proceedings pending at March 3, 2017, management believes that the ultimate resolution of these claims and legal proceedings is unlikely to have a material and negative effect on our financial statements or operations. We believe that we have strong defences and we intend to vigorously defend our positions.

Purported class actions concerning service fee modifications

On November 27, 2015, an application for authorization to institute a class action was filed in the Quebec Superior Court against Bell Canada. The claim alleges that the defendants, by making, using and selling 4G LTE wireless communications systems, including in-house services and services infringed on patents owned by Two-Way Media Ltd. In addition to declaratory and injunctive relief, the plaintiffs seek unspecified damages or an accounting of the defendants’ profits.

Purported class action concerning service fee modifications

On April 23, 2013, a claim was filed in the Federal Court against Bell Canada and Bell Aliant LP (now Bell Canada) by Mediatube Corp. and NorthVu Inc. The claim alleges that the defendants, through their development and use of IPTV systems, infringed on patents owned by MediaTube Ltd. and NorthVu Inc. In October 2016, the court ruled in favor of the defendants and dismissed the case.

Purported class action concerning service fee modifications

On October 28, 2010, an application for authorization to institute a class action was filed in the Federal Court against Bell Canada, Bell ExpressVu and Bell Mobility on behalf of all persons whose monthly fees for wireless telephone services, Internet services, Fibe TV services, satellite TV services or wireless postpaid services were increased above 2% per month on August 8, 2007 and who were billed late payment charges since June 2010. The plaintiffs alleged, among other things, that by suspending the payment of dividends to common shareholders and amending the Definitive Agreement without shareholder approval, BCE Inc. violated its by-laws and articles, its dividend policy, the Definitive Agreement, the Canada Business Corporations Act and the March 7, 2008 order of the Quebec Superior Court approving the plan of arrangement of BCE Inc. that gave effect to the proposed BCE Privatization.

Class actions concerning increases to late payment charges

On October 28, 2010, an application for authorization to institute a class action was filed in the Saskatchewan Court of Queen’s Bench against BCE Inc. and members of the investor group on behalf of persons or entities who held common shares of BCE Inc. between August 8, 2007 and July 4, 2008. The plaintiffs alleged, among other things, that by suspending the payment of dividends to common shareholders and amending the Definitive Agreement without shareholder approval, BCE Inc. violated its by-laws and articles, its dividend policy, the Definitive Agreement, the Canada Business Corporations Act and the March 7, 2008 order of the Quebec Superior Court approving the plan of arrangement of BCE Inc. that gave effect to the proposed BCE Privatization.

Purported class action concerning late payment charges

On April 2, 2014, a claim was filed in the Federal Court against Bell Canada, Bell Aliant LP (now Bell Canada) and Telus Communications Company by Two-Way Media Ltd. The claim alleges that the defendants, by making, using and selling their IPTV systems, infringed on patents owned by Two-Way Media Ltd. In October 2016, the court ruled in favor of the defendants and dismissed the case.

Class actions concerning increases to late payment charges

On April 2, 2014, a claim was filed in the Federal Court against Bell Canada, Bell Aliant LP (now Bell Canada) and Telus Communications Company by Two-Way Media Ltd. The claim alleges that the defendants, by making, using and selling their IPTV systems, infringed on patents owned by Two-Way Media Ltd. In October 2016, the court ruled in favor of the defendants and dismissed the case.

Purported class actions concerning dividends

On June 30, 2007, BCE Inc. announced that it had entered into a definitive agreement (the "Definitive Agreement") providing for its proposed privatization (the "BCE Privatization") by an investor group. On July 4, 2008, the Definitive Agreement was amended to, among other matters, extend the outside date of the transaction and provide that BCE Inc. would not pay dividends on its common shares until completion of the BCE Privatization. On December 11, 2008, BCE Inc. announced that the proposed BCE Privatization would not proceed.

On December 10, 2013, the Motion was amended to remove Bell Canada and BCE Inc. as defendants and add Bell Mobility as the sole defendant. The defendant intends to exercise all available indemnity resources from third parties that provide the intellectual property upon which the defendant’s wireless communications systems are based. In February 2017, BCE Inc. announced that it intends to exercise all available indemnity resources from third parties that provide the intellectual property upon which its IPTV services are based.

IP Infringement lawsuits concerning IPTV systems

On April 23, 2013, a claim was filed in the Federal Court against Bell Canada and Bell Aliant LP (now Bell Canada) by Mediatube Corp. and NorthVu Inc. The claim alleges that the defendants, through their development and use of IPTV systems, infringed on patents owned by MediaTube Ltd. and NorthVu Inc. In October 2016, the court ruled in favor of the defendants and dismissed the case.

Purported class actions concerning service fee modifications

On April 2, 2014, a claim was filed in the Federal Court against Bell Canada, Bell Aliant LP (now Bell Canada) and Telus Communications Company by Two-Way Media Ltd. The claim alleges that the defendants, by making, using and selling their IPTV systems, infringed on patents owned by Two-Way Media Ltd. In October 2016, the court ruled in favor of the defendants and dismissed the case.

Purported class action concerning service fee modifications

On November 27, 2015, an application for authorization to institute a class action was filed in the Quebec Superior Court against Bell Canada. The claim alleges that the defendants, by making, using and selling 4G LTE wireless communications systems, including in-house services and services infringed on patents owned by Two-Way Media Ltd. In addition to declaratory and injunctive relief, the plaintiffs seek unspecified damages or an accounting of the defendants’ profits.
On July 20, 2004, a statement of claim was filed under The Class Actions Act (Saskatchewan) in the Saskatchewan Court of Queen’s Bench against wireless service providers, including Bell Mobility and Bell Aliant LP (now Bell Mobility as successor to the Bell Aliant LP wireless business), on behalf of certain alleged customers. The action also named BCE Inc. and Bell Canada as defendants. The statement of claim alleges, among other things, breach of contract and duty to inform, deceit, misrepresentation and collusion in connection with certain “911 fees” invoiced by wireless communications service providers to their customers. The plaintiffs seek unspecified general and punitive damages. On September 17, 2007, the court granted certification, on the ground of unjust enrichment only, of a national class encompassing all customers of the defendant wireless service providers wherever resident in Canada. This action is now proceeding as a national class action on the merits against the defendants on the basis of an opt-out class in Saskatchewan and an opt-in class elsewhere in Canada.

On July 27, 2009, a new statement of claim was filed under The Class Actions Act (Saskatchewan) in the Saskatchewan Court of Queen’s Bench against wireless service providers, including Bell Mobility, Bell Aliant LP and Bell Aliant Regional Communications Inc. (now Bell Mobility as successor to the Bell Aliant LP and Bell Aliant Regional Communications Inc. wireless business), on behalf of certain alleged customers (the Second Action). The statement of claim for the Second Action was based on alleged facts similar to those in the Initial Action. On August 7, 2009, a similar class action (the Second Rounding-Up Action) was filed against Bell Mobility in the same court on behalf of all Canadian Bell Mobility customers who, since July 2002, have had their wireless airtime rounded up to the next full minute for billing purposes (the First Rounding-Up Action). On August 18, 2008, a similar class action (the Second Rounding-Up Action) was filed against Bell Mobility in the same court on behalf of all Canadian Bell Mobility customers who, since July 2002, have had their wireless airtime rounded up to the next full minute. Both actions allege that BCE Inc. and Bell Mobility misrepresented and did not disclose that they round up to the next full minute when calculating long distance call time or wireless airtime. The class actions seek reimbursement of all amounts received by BCE Inc. and Bell Mobility as a result of the rounding-up portion of per minute charges for residential long distance calls and wireless airtime. Each action originally claimed general damages of $20 million, costs of $1 million for administering the distribution of damages and $5 million in punitive damages.

On January 15, 2014, the Second Rounding-Up Action was amended to include an allegation of breach of contract and increase claimed general damages to $50 million and claimed punitive damages to $20 million, without setting out the bases for the increases. The Second Rounding-Up Action was certified by the Ontario Superior Court on November 25, 2014, for the period between August 18, 2008 and October 1, 2009. On September 17, 2013, Bell Mobility’s motion for leave to appeal the decision in the Ontario Divisional Court was denied and, as such, the claim will proceed on the merits on a national class basis.

The First Rounding-Up Action has not yet been certified as a class action.

Purported class action concerning 911 fees

On June 29, 2008, a statement of claim was filed under The Class Actions Act in the Saskatchewan Court of Queen’s Bench against communications service providers, including Bell Mobility and Bell Aliant LP (now Bell Mobility as successor to the Bell Aliant LP wireless business), on behalf of certain alleged customers. The action also named BCE Inc. and Bell Canada as defendants. The statement of claim alleges, among other things, breach of contract and duty to inform, deceit, misrepresentation and collusion in connection with certain “911 fees” invoiced by communications service providers to their customers. The plaintiffs seek unspecified damages and punitive damages and an accounting and constructive trust of the “911 fees” collected. The action seeks certification of a national class encompassing all communications service providers wherever resident in Canada. On July 22, 2013, the plaintiffs delivered an amended statement of claim which removed BCE Inc. and BAC Canada as defendants, and added claims for unjust enrichment and breaches of provincial consumer protection legislation and the Competition Act. The lawsuit has not yet been certified as a class action.

Class action concerning wireless system access fees

On August 9, 2004, a statement of claim was filed under The Class Actions Act (Saskatchewan) in the Saskatchewan Court of Queen’s Bench against wireless service providers, including Bell Mobility and Bell Aliant LP (now Bell Mobility as successor to the Bell Aliant LP wireless business), on behalf of certain alleged customers (the Initial Action). This statement of claim alleges, among other things, breach of contract and duty to inform, deceit, misrepresentation, unjust enrichment and collusion in connection with certain system access fees and system licensing charges invoiced by wireless communications service providers to their customers. The plaintiffs are seeking unspecified general and punitive damages. On September 17, 2007, the court granted certification, on the ground of unjust enrichment only, of a national class encompassing all customers of the defendant wireless service providers wherever resident in Canada. This action is now proceeding as a national class action on the merits against the defendants on the basis of an opt-out class in Saskatchewan and an opt-in class elsewhere in Canada.

On December 16, 2011, a new proceeding was filed in the Supreme Court of British Columbia against several telecommunications service providers, including BCE Inc. and Bell Mobility. The claim was similar to the Initial Action. On May 23, 2012, the court granted certification of a national class based on the ground of unjust enrichment only. Accordingly, this purported class action is now concluded.

Other

We are subject to other claims and legal proceedings considered normal in the ordinary course of our current and past operations, including class actions, employment-related disputes, contract disputes and customer disputes. In some claims and legal proceedings, the claimant seeks damages as well as other relief which, if granted, could require substantial expenditures on our part or could result in changes to our business practices.

Interest of management and others in material transactions

To the best of our knowledge, there were no directors or executive officers or any associate or affiliate of a director or executive officer with a material interest in any transaction within the three most recently completed financial years or during the current financial year that has materially affected us or is reasonably expected to materially affect us.

Interest of experts

Deloitte LLP prepared the Report of independent registered public accounting firm in respect of our audited consolidated financial statements and the Report of independent registered public accounting firm in respect of our internal control over financial reporting. Deloitte LLP is independent of BCE within the meaning of the Code of Ethics of the Ordre des comptables professionnels agréés du Québec and the rules and standards of the Public Company Accounting Oversight Board (PCAOB) (U.S.) and the securities laws and regulations administered by the U.S. Securities and Exchange Commission.

Transfer agent and registrar

The transfer agent and registrar for the common shares and preferred shares of BCE in Canada is CST Trust Company, at its principal offices in Montréal, Québec; Toronto, Ontario; Calgary, Alberta; and Vancouver, British Columbia, and in the U.S. is American Stock Transfer & Trust Company, LLC, at its principal office in Brooklyn, New York. The registrar for Bell Canada’s debentures and Bell Canada’s subordinated debentures is kept at the principal office of CIBC Mellon Trust Company (CIBC Mellon), through BNY Trust Company of Canada (BNY) acting as attorney, in Montréal, and facilities for registration, exchange and transfer of the debentures are maintained at the principal offices of CIBC Mellon, through BNY acting as attorney, in Montréal and Toronto.

For more information

This Annual Information Form as well as BCE’s annual and quarterly reports and news releases are available on BCE’s website at BCE.ca. Additional information, including information about directors’ and officers’ remuneration and securities authorized for issuance under equity compensation plans, is contained in BCE’s management proxy circular for its most recent annual meeting of security holders that involved the election of directors.

Additional information relating to BCE is available on SEDAR at sedar.com and on EDGAR at sec.gov. Additional financial information is provided in BCE’s audited consolidated financial statements and related management’s discussion and analysis for BCE’s most recently completed financial year contained in the BCE 2016 Annual Report. You may also request a copy of the annual and quarterly management’s discussion and analysis of BCE by contacting the Investor Relations group of BCE at 1, Carrousel Alexander-Graham-Bell, Building A, 8th Floor, Verdun, Québec H3E 3B3 or by sending an e-mail to investor.relations@bce.ca.

Schedule 1 – Audit Committee information

The purposes of BCE’s Audit Committee (Audit Committee) is to assist the board of directors in its oversight of:

- the integrity of BCE’s financial statements and related information
- BCE’s compliance with applicable legal and regulatory requirements

BCE Inc. 2016 ANNUAL INFORMATION FORM
the independence, qualifications and appointment of the external auditors

the performance of both the external and internal auditors

BCE’s management’s responsibility for assessing and reporting on the effectiveness of internal controls

BCE’s enterprise risk management processes

Members’ financial literacy, expertise and permissible service

Under the Sarbanes-Oxley Act of 2002 and related U.S. Securities and Exchange Commission rules, BCE is required to disclose whether its Audit Committee members include at least one “audit committee financial expert” as defined by these rules. In addition, National Instrument 52-110 “Audit Committees” and the NYSE governance rules followed by BCE require that all audit committee members be “financially literate” and “independent.”

The BCE board of directors has determined that all the members of the Audit Committee, during 2016, and are all current members of the Audit Committee are, financially literate and independent, and that the current Chair of the Audit Committee, Mr. P.R. Weiss, Ms. K. Lee and Ms. M.F. Leroux are qualified as “audit committee financial experts.” The table below outlines the relevant education and experience of all the Audit Committee members during 2016 and the current members.

RELEVANT EDUCATION AND EXPERIENCE

P.R. Weiss, FCPA, FCA

Chair

Mr. Weiss has been a director of BCE since May 2010 and became Chair of the Audit Committee on May 7, 2010. Mr. Weiss is a director and audit committee chair of Torstar Corporation and a member of the board of trustees and audit committee chair of Choice Properties REIT. He was a director and audit committee member of The Empire Life Insurance Company until May 2014 and was a director and audit committee member of ING Bank Canada until November 2012. He is a past Chair of Scotiabank Theatre and Company and of Toronto Rehab Foundation. For over 40 years, until his retirement in 2008, he was with KPMG LLP (an accounting firm). He served as Managing Partner of the Canadian Audit Practice, a member of KPMG’s Global Management Board and a member of the International Audit- Gull Stegning. Mr. Weiss holds a Bachelor of Commerce degree from Carleton University. He is a Chartered Professional Accountant and a Fellow of CPA Ontario.

S. Broschi

[Until November 2016]

Ms. Broschi has been a director of BCE since May 2010. She is a director and member of the audit committee of Bank of Montreal. Ms. Broschi has been active in the energy industry for nearly 20 years. A graduate in Economics from Université Laval, she began her career in 1987 at SOGUSP (Société québécoise des investisseurs porémistes). In 1997, she joined Gaz Métro as Vice-President, Business Development. After holding various positions in the company, she became President and Chief Executive Officer in 2007. Involved in Centre de Gestion des Macro-Gaz, Ms. Broschi is a Director of Forus Avanat, which promotes student’s involvement in their communities. She is a co-founder of “tulip de l’eau”, a project aimed at encouraging students in the Centre-Sud and Hochelaga neighbourhoods of Montreal to remain in school. She also sits on the board of directors of La Fondation Louis Armand Chabert. Ms. Broschi is a Member of Human Rights Watch.

D.F. Denison, FCPA, FCA

Chair

Mr. Denison has been a director of BCE since October 2012. Mr. Denison is a corporate director with extensive experience in the financial services industry. He served as President and Chief Executive Officer of the Canada Pension Plan Investment Board from 2005 to 2012. Prior to that, Mr. Denison was President of Fidelity Investments Canada (a financial services provider). He has also held a number of senior positions in the investment banking, asset management and consulting sectors in Canada, the U.S. and Europe. Mr. Denison serves as Vice-Chair of Sinai Health Systems (a provider of healthcare services). He is also a member of the Investment Board and International Advisory Committee of the Government of Singapore Investment Corporation and the Investment Corporation International Advisory Council, and co-chairs the University of Toronto Investment Committee. He is a director of Aikon Transmission Holdings, Inc. and of Royal Bank of Canada, and is a Chair of Hydro One Limited. Mr. Denison earned bachelor’s degrees in Mathematics and Education from the University of Toronto, is a Chartered Professional Accountant and a Fellow of CPA Ontario. He was named an Officer of the Order of Canada in 2014 and received an honorary Law degree from York University in 2016.

P.H. Dexter

Mr. Dexter has been a director of BCE since November 2014. He holds both a bachelor’s degree in Commerce and a bachelor’s degree in Law from Dalhousie University and was appointed Counsel in 1985. He is Chair and Chief Executive Officer of Maritime Tel and is also counsel to the firm Stewart McKlusky. He was Chair of Stobart Inc. and Empire Company Limited from 2004 to 2016, and is a director of Wapsie Corporation and High Liner Foods Incorporated. He is a past audit committee member of each of these companies, in addition to the audit committee of Bell Aliant Inc. Mr. Dexter has 20 years of experience in the communications sector, having served as a director of Maritime Tel & Tel Limited from 1997 to 1999 prior to joining the Atlantc Inc board and later the Bell Aliant boards until October 2014.

K. Lee

Ms. Lee has been a director of BCE since August 2013 and is Chair Executive Officer of 3 Angles Holdings Ltd., a real estate holding company, since April 2016. Ms. Lee served as President and Chief Executive Officer of GE Capital Canada from 2010 to February 2015. Ms. Lee also served as Chair Executive Officer of GE Capital Real Estate in Canada from 2010 to 2010, building it to a full debt and equity operating company. Ms. Lee joined GE in 1994, where she held a number of positions, including Director, Mergers & Acquisitions for GE Capital in London, UK, as well as Director, GE Global Fund Advisory Services based in San Francisco, California, in addition to the role of President in Canada and Tokyo. Ms. Lee earned a Bachelor of Commerce degree from the University of Toronto. She is a Chartered Professional Accountant and Chartered Accountant. She is active in the community, chairing or participating in a number of not-for-profit organizations and Asia-Pacific forums. Ms. Lee is also a director of Collingwood Industries Group Inc.

M.F. Leroux, C.M., O.Q., FCPA, FCA

Chair

Ms. Leroux has been a director of BCE since July 2013. She is a corporate director and one of four brothers who founded Astral. From 1995 to July 2013, Ms. Greenberg was President and Chief Executive Officer of Astral. She is Chair of Crepeux Inc., a member of the Broadcasting Hall of Fame and the recipient of the prestigious Ted Rogers and Villa Nova Rogers Award for his unique contribution to the Canadian broadcasting system. With this award, Mr. Greenberg is recognized for his significant and innovative contributions to the active support of numerous industry and charitable organizations. Mr. Greenberg was a member of the Canadian Council of Chief Executives and a governor of Montreal’s Grand Trunk Railway.

M.F. Leroux, C.M., O.Q., FCPA, FCA

Chair

Ms. Leroux has been a director of BCE since April 2019. She is the President of the International Cooperative Alliance, a global organization representing over 2.5 million members in 119 countries. Ms. Leroux is a director at La Fondation du Québec and sits on the Board of Directors of SNC-Lavalin. She also serves on the Executive Committee of the OECD’s Global Cooperation On Tax Matters, the International Corporate Governance Network and the World Economic Forum. In 2019, Ms. Leroux was conferred an honorary doctorate by the University of Toronto. Ms. Leroux is a fellow of the Royal Society of Canada and the Royal Society of New Zealand. She is a Chevalier of the Ordre national du Québec and a Chevalier of the Légion d’Honneur (France). She is also a recipient of the Woodrow Wilson Award (U.S.), the Canadian Information and Communication Technology (ICT) Awards, the Quebec ICT Awards, the Information Technology Award from the Quebec Government to the Ordre national du Quebec and the Ordre of Canada, and is the recipient of the Order of Canada. She is also an Honorary Member of the Order of Canada. She is also a member of the Board of Directors of the Quebec Employers Council and the Quebec Economic Council, appointed by the Quebec Government.

R.C. Simmons

Mr. Simmons has been a director of BCE since May 2011. Mr. Simmons is a seasoned Canadian telecommunications executive who has served in public company roles from 1994 to 2008. From 1985 until 2000, he served as Chair of QMA Communications Inc., a Canadian wireless competitor that launched two all-new digital mobile networks. He became Chairman of Lencostek Corporation in 2002, having been a founder and director of the company since 1987. Internationally regarded as a leading wireless communications engineer and mobile spectrum authority, Mr. Simmons has played a key role in the development of Canada’s mobile spectrum policies for more than 30 years. He is Chair of the Mobile and Personal Communications Committee of the Radio Advisory Board of Canada, a body that provides unbiased and technically expert advice to the Federal Department of Industry, and is past Chair of the Canadian Wireless Telecommunications Association. A laureate and member of Canada’s Telecommunications Hall of Fame and recipient of the Engineering Medal for Entrepreneurship from Professional Engineers Ontario. Mr. Simmons earned a B.A.Sc. in Engineering Science from the University of Toronto. In October 2013, Mr. Simmons became a Fellow of the Wireless World Research Forum (an organization dedicated to long-term research in the wireless industry) in recognition of his contribution to the industry.

The NYSE governance rules followed by BCE require that if an audit committee member serves simultaneously on the audit committee of more than three public companies, the board of directors must determine and disclose that this simultaneous service does not impair the ability of the member to effectively serve on the Audit Committee. In 2016 and until February 2017, none of the current members of the Audit Committee served on the audit committees of more than three public companies. In February 2017, Ms. M.F. Leroux was appointed to the audit committee of Michelin Group. As a result, Ms. Leroux, in addition to serving on BCE’s Audit Committee, serves on the audit committees of three other public companies: Alimentation Couche-Tard Inc., Michelin Group and S&P Global Inc. The BCE board of directors has reviewed the audit committee service of Ms. Leroux and has concluded that these other activities do not impair her ability to effectively serve on the Audit Committee. This conclusion is based, among others, on the following considerations:

- she is not involved in professional activities other than serving on various boards of directors and not-for-profit organizations
- she has extensive accounting and financial knowledge and experience, which serves the best interests of BCE and assists the Audit Committee in the discharge of its duties, and
- she makes valuable contributions to BCE’s Audit Committee.

Pre-approval policies and procedures

BCE’s Audit Independence Policy is a comprehensive policy governing all aspects of our relationship with the external auditors, including:

- establishing a process for determining whether various audit and other services provided by the external auditors affect their independence;

- identifying the services that the external auditors may and may not provide to BCE and its subsidiaries;

- pre-approving all services to be provided by the external auditors of BCE and its subsidiaries;

- establishing a process for determining whether current or former personnel of the external auditors in a financial oversight role to ensure auditor independence is maintained;

- pre-approving all services to be provided by the external auditors of BCE and its subsidiaries;

- establishing a process for determining whether current or former personnel of the external auditors in a financial oversight role to ensure auditor independence is maintained;

- pre-approving all services to be provided by the external auditors of BCE and its subsidiaries;

- establishing a process for determining whether current or former personnel of the external auditors in a financial oversight role to ensure auditor independence is maintained;

- pre-approving all services to be provided by the external auditors of BCE and its subsidiaries;
7. At least annually, obtain and review a report by the shareholders' auditor describing:

11. Meet periodically with the shareholders' auditor in the absence of management and internal audit.

9. Resolve any disagreement between management and the shareholders' auditor regarding financial reporting.

8. Review the annual audit plan with the shareholders' auditor.

4. Establish procedures for the receipt, retention, and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters, including procedures for confidential, anonymous submissions by employees regarding questionable accounting or auditing matters.

D. Oversight of the Corporation's Internal Control System

1. Review and discuss with the head of internal audit, report and, where appropriate, provide recommendations to the Board of Directors on the following:

3. Review, monitor, report, and, where appropriate, provide recommendations to the Board of Directors on the Corporation's disclosure controls and procedures.

12. Discuss with the head of internal audit the scope and performance of internal audit, including a review of the annual internal audit plan, and whether there are any restrictions or limitations on internal audit; and

5. Review the annual audit plan with the shareholders' auditor.

10. Review the annual audit plan with the shareholders' auditor.

3. Review, monitor, report, and, where appropriate, provide recommendations to the Board of Directors on the Corporation's disclosure controls and procedures.

I. Purpose

1. Review and discuss with the head of internal audit, report and, where appropriate, provide recommendations to the Board of Directors on the following:

2. Review and discuss with the Chief Executive Officer and Chief Financial Officer of the Corporation the process for the certifications to be provided in the Corporation's public disclosure documents.

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Schedule 2 – Audit Committee charter

14 Schedule 2 – Audit Committee charter

I. Purpose

The purpose of the Audit Committee is to assist the Board of Directors in its oversight of:

A. Financial Reporting and Control

1. On a periodic basis, review and discuss with management and the shareholders’ auditor the following:

a. major issues regarding accounting principles and financial statement presentation, including any significant changes in the Corporation’s selection or application of accounting principles, and issues as to the adequacy of the Corporation’s internal controls and any special audit steps adopted in light of material control deficiencies;

b. assistance provided by management and/or the shareholders’ auditor in preparing financial statements, including the impact of selecting one of several generally accepted accounting principles (GAAP) on the financial statements when such a selection has been made in the current reporting period;

c. any development in accounting standards, as well as adherence of corporate issuers to accounting developments, as well as adherence of corporate issuers to accounting developments;

d. the type and presentation of information to be included in earnings press releases (including any use of pro-forma or non-GAAP information).

2. Meet to review and discuss with management and the shareholders’ auditor, report and, where appropriate, provide recommendations to the Board of Directors on the following:

a. the Corporation’s annual and interim consolidated financial statements and the related “Management’s Discussion and Analysis”, Annual Information Forms, earnings press releases and earnings guidance provided to analysts and rating agencies and the integrity of the financial reporting of the Corporation;

b. the Corporation’s systems of internal controls over financial reporting; (ii) obtaining from the shareholders’ auditor a written statement (i) detailing all relationships between the shareholders’ auditor and the Corporation; (iii) assuring that lead audit partner rotation is carried out, as required by law; and (iv) detailing any other relationships that may adversely affect the independence of the shareholders’ auditor;

c. the quality of the engagement team, including the evaluation of the lead audit partner, taking into account the opinions of management and internal audit; and

d. the quality of the communications and interactions with the external auditor.

3. At least annually, consider, assess, and report to the Board of Directors on:

a. any material issues raised by the most recent internal quality-control review, or peer review of the shareholders’ auditor firm, or by any inquiry or investigation by governmental or professional authorities, issued in the reporting year, respecting one or more independent audits carried out by the shareholders’ auditor firm in Canada and the United States, limited to the Public Company Accounting Oversight Board, and any steps taken to deal with any such issues;

b. the independence, objectivity and professional skepticism of the shareholders’ auditor; and

c. the quality of communications and interactions with the shareholders’ auditor.

9. Resolve any disagreement between management and the shareholders’ auditor regarding financial reporting.

10. Review the annual audit plan with the shareholders’ auditor.

11. Meet periodically with the shareholders’ auditor in the absence of management and internal audit.

C. Oversight of Internal Audit

1. Review and discuss with the head of internal audit, report and, where appropriate, provide recommendations to the Board of Directors on the following:

a. the appointment and mandate of the internal auditor, including the responsibilities, budget and staffing of internal audit;

b. discuss with the head of internal audit the scope and performance of internal audit, including a review of the annual internal audit plan, and whether there are any restrictions or limitations on internal audit; and

c. obtain periodic reports from the head of internal audit regarding internal audit findings, including those related to the Corporation’s internal controls, and the Corporation’s progress in remediating any audit findings.

2. Meet periodically with the head of internal audit in the absence of management and the shareholders’ auditor.

D. Oversight of the Corporation’s Internal Control System

1. Review and discuss with the head of internal audit, the shareholders’ auditor and internal audit, monitor, report and, where appropriate, provide recommendations to the Board of Directors on the following:

a. the Corporation’s systems of internal controls over financial reporting;

b. compliance with the policies and practices of the Corporation relating to business ethics;

c. compliance by Directors, Officers and other management personnel with the Corporation’s pre-approvals of audit, review and pre-approved services, provided that such approvals shall be presented to the Audit Committee at its next scheduled meeting;

2. Review and discuss with the head of internal audit, the shareholders’ auditor and internal audit, monitor, report and, where appropriate, provide recommendations to the Board of Directors on the Corporation’s disclosure procedures and controls.

3. Review and discuss with the Chief Executive Officer and Chief Financial Officer of the Corporation the process for the certifications to be provided in the Corporation’s public disclosure documents.

4. Establish procedures for the receipt, retention, and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters, including procedures for confidential, anonymous submissions by employees regarding questionable accounting or auditing matters.

<table>
<thead>
<tr>
<th>Description</th>
<th>2016</th>
<th>2015</th>
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</thead>
<tbody>
<tr>
<td>Audit fees</td>
<td>0.8</td>
<td>0.5</td>
</tr>
<tr>
<td>Audit-related fees</td>
<td>1.7</td>
<td>1.6</td>
</tr>
<tr>
<td>Tax fees</td>
<td>0.5</td>
<td>0.6</td>
</tr>
<tr>
<td>All other fees</td>
<td>0.1</td>
<td>0.0</td>
</tr>
<tr>
<td>Total</td>
<td>2.6</td>
<td>2.7</td>
</tr>
</tbody>
</table>

(1) These fees include professional services provided by the external auditors for statutory audits of the annual financial statements, the audit of the effectiveness of internal control over financial reporting, the review of interim financial reports, the review of financial accounting and reporting matters, the review of other matters required by applicable professional, legal or regulatory requirements, the review of data in the Corporation's filings with the SEC, or the preparation of other statutory and regulatory filings.

(2) These fees relate to non-audit statutory and the diligence procedures.

(3) These fees consist of fees for non-audit services for the completion of tax returns and the advice and assistance with tax audits.

(4) These fees relate to other services not included in any of the above-stated categories. In 2015, the fees relate to a subscription to Bersin HR Management.

(5) The amounts of $11.1 million for 2016 and $11.0 million for 2015 reflect fees billed to those fiscal years without taking into account the prior to those years that were reallocated.

The table below shows the fees that BCE’s external auditors, Deloitte LLP, billed to BCE and its subsidiaries for various services in each of the past two fiscal years.
E. Oversight of the Corporation’s Risk Management

1. Review, monitor, report and, where appropriate, provide recommendations to the Board of Directors on the following:
   a. the Corporation’s processes for identifying, assessing, mitigating and, where required, reporting strategic, operational, regulatory and general risks exposures and the steps the Corporation has taken to monitor and control such exposures, including:
      - the Corporation’s major financial risk exposures including fraud prevention;
      - the Corporation’s major operational risk exposures including the Corporation’s business continuity plans, work stoppage and disaster recovery plans;
      - the Corporation’s major vendor risk exposures;
      - the Corporation’s major risks related to the physical, information and cyber security as well as security trends that may impact the Corporation’s operations and business;
      - the Corporation’s major legal obligations and compliance risks including regulatory, privacy and records management, environmental risks, and environmental trends that may impact the Corporation’s operations and business.

2. Review, monitor, report and, where appropriate, provide recommendations to the Board of Directors on the Corporation’s compliance with internal policies and the Corporation’s progress in remediating any material deficiencies related to:
   a. security policies, including the physical safeguarding of corporate assets and security of networks and information systems; and
   b. environmental policy and environmental management systems.

3. When appropriate, ensure that the Corporation’s subsidiaries establish an environmental and policy management systems, and review and report thereon to the Board of Directors.

F. Journalistic Independence

1. Consider and approve, on recommendation from the Chief Executive Officer, the appointment and termination of the President, CTV News.
2. At least annually, obtain and review a report by the President, CTV News regarding compliance with the Corporation’s Journalistic Independence Policy.

G. Compliance with Legal Requirements

1. Review and discuss with management, the shareholders’ auditor and internal audit, monitor, report and, when appropriate, provide recommendation to the Board of Directors on the adequacy of the Corporation’s process for complying with laws and regulations.
2. Receive, on a periodic basis, reports from the Corporation’s Chief Legal Officer, with respect to the Corporation’s pending or threatened material litigation.

III. Evaluation of the audit committee and report to board of directors

A. The Audit Committee shall evaluate and review with the Corporate Governance Committee of the Board of Directors, on an annual basis, the performance of the Audit Committee.
B. The Audit Committee shall review and discuss with the Corporate Governance Committee of the Board of Directors, on an annual basis, the adequacy of the Audit Committee charter.
C. The Audit Committee shall report to the Board of Directors periodically on the Audit Committee’s activities.

IV. Outside advisors

The Audit Committee shall have the authority to engage outside counsel and other outside advisors as it deems appropriate to assist the Audit Committee in the performance of its functions. The Corporation shall provide appropriate funding for such advisors as determined by the Audit Committee.

V. Membership

The Audit Committee shall consist of such number of directors, in no event to be less than three, as the Board of Directors may from time to time by resolution determine. The members of the Audit Committee shall meet the independence, experience and other membership requirements under applicable laws, rules and regulations as determined by the Board of Directors.

VI. Audit committee chair

The Chair of the Audit Committee shall be appointed by the Board of Directors. The Chair of the Audit Committee leads the Audit Committee in all aspects of its work and is responsible to effectively manage the affairs of the Audit Committee and ensure that it is properly organized and functions efficiently. More specifically, the Chair of the Audit Committee shall:

A. Provide leadership to enable the Audit Committee to act effectively in carrying out its duties and responsibilities as described elsewhere in this charter and as otherwise may be appropriate;
B. In consultation with the Board Chair and the Chief Executive Officer, ensure that there is an effective relationship between management and the members of the Audit Committee;
C. Chair meetings of the Audit Committee;
D. In consultation with the Chief Financial Officer, the Corporate Secretary’s Office and the Board Chair, determine the frequency, dates and locations of meetings of the Audit Committee;
E. In consultation with the Chief Executive Officer, the Chief Financial Officer, the Corporate Secretary’s Office and, as required, other Officers, review the annual work plan and the meeting agendas to ensure all required business is brought before the Audit Committee to enable it to efficiently carry out its duties and responsibilities;
F. Ensure, in consultation with the Board Chair, that all items requiring the Audit Committee’s approval are appropriately tabled;
G. Ensure the proper flow of information to the Audit Committee and review, with the Chief Executive Officer, the Chief Financial Officer, the Corporate Secretary’s Office and, as required, other Officers, the adequacy and timing of materials in support of management’s proposals.

H. Report to the Board of Directors on the matters reviewed by, and on any decisions or recommendations of, the Audit Committee at the next meeting of the Board of Directors following any meeting of the Audit Committee; and
I. Carry out any special assignments or any functions as requested by the Board of Directors.

VII. Term

The members of the Audit Committee shall be appointed or changed by resolution of the Board of Directors to hold office from the time of their appointment until the next annual general meeting of the shareholders or until their successors are so appointed.

VIII. Procedures for meetings

The Audit Committee shall fix its own procedure at meetings and for the calling of meetings. The Audit Committee shall meet separately in executive session in the absence of management, internal audit and the shareholders’ auditor, at each regularly scheduled meeting.

IX. Quorum and voting

Unless otherwise determined from time to time by resolution of the Board of Directors, two members of the Audit Committee shall constitute a quorum for the transaction of business at a meeting. For any meeting(s) at which the Audit Committee Chair is absent, the Chair of the meeting shall be the person present who shall be decided upon by all members present. At a meeting, any question shall be decided by a majority of the votes cast by members of the Audit Committee, except where only two members are present, in which case any question shall be decided unanimously.

X. Secretary

Unless otherwise determined by resolution of the Board of Directors, the Corporate Secretary of the Corporation or his/her delegate shall be the Secretary of the Audit Committee.

XI. Vacancies

Vacancies at any time occurring shall be filled by resolution of the Board of Directors.

XII. Records

The Audit Committee shall keep such records as it may deem necessary of its proceedings and shall report regularly its activities and recommendations to the Board of Directors as appropriate.
Management's discussion and analysis

In this management's discussion and analysis of financial condition and results of operations (MD&A), we, our, BCE and the company mean, as the context may require, either BCE Inc. or, collectively, BCE Inc., Bell Canada, their subsidiaries, joint arrangements and associates, Bell means, as the context may require, either Bell Canada or, collectively, Bell Canada, its subsidiaries, joint arrangements and associates.

All amounts in this MD&A are in millions of Canadian dollars, except where noted. Please refer to section 10.2, Non-GAAP financial measures and key performance indicators (KPIs) on pages 108 to 109 for a list of defined non-GAAP financial measures and key performance indicators.

Please refer to BCE's audited consolidated financial statements for the year ended December 31, 2016 when reading this MD&A.

In preparing this MD&A, we have taken into account information to us as of March 2, 2017, the date of this MD&A, unless otherwise stated.

You will find additional information relating to BCE, including BCE's audited consolidated financial statements for the year ended December 31, 2016, BCE's annual information form for the year ended December 31, 2016, dated March 2, 2017 (BCE 2016 AF) and recent financial reports, on BCE's website at BCE.ca, on SEDAR at sedar.com and on EDGAR at sec.gov.

This MD&A comments on our business operations, performance, financial position and other matters for the two years ended December 31, 2016 and 2015.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

BCE's 2016 annual report, including this MD&A and, in particular, but without limitation, section 1.3, Key corporate developments, section 1.4, Capital-markets strategy, section 2, Strategic imperatives, section 3.2, Business outlook and assumptions, section 5, Business segment analysis and section 8.7, Liquidity of this MD&A, contains forward-looking statements. These forward-looking statements include, but are not limited to, statements relating to (BCE AF) financial targets and objectives, capital and common share dividend and common share dividend yield policy, the expected improvement of BCE's net debt leverage ratio and return thereof within BCE's target range, the sources of liquidity we expect to use to meet our anticipated 2017 cash requirements, our expected 2017 post-employment benefit plans funding, our network deployment and capital investment plans, the expected timing and completion of the proposed acquisition of MediaTek Telecom Services Inc. (MTS) and of the proposed divestitures to TELUS Corporation through one or more of its subsidiaries (collectively, the TELUS Group) and Iprimio Communications Inc. (Iprimio) of certain assets, certain synergies and other benefits expected to result from the proposed acquisition of MTS, and BCE's business outlook, objectives, plans and strategic priorities. Forward-looking statements also include any other statements that do not refer to historical facts. A statement we make in forward-looking when it uses what we know and expect today to make a statement about the future. Forward-looking statements are typically identified by the words assumption, goal, guidance, objective, outlook, expected, strategy, target and other similar expressions or future or conditional verbs such as aim, anticipate, believe, could, expect, intend, may, plan, see, shoot, strive and will. All such forward-looking statements are made pursuant to the safe harbour provisions of applicable Canadian securities laws and of the United States Private Securities Litigation Reform Act of 1995.

Unless otherwise indicated by us, forward-looking statements in BCE's 2016 annual report, including in this MD&A, describe our expectations as at March 2, 2017 and, accordingly, are subject to change after that date. Except as may be required by Canadian securities laws, we do not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Forward-looking statements, by their very nature, are subject to inherent risks and uncertainties and are based on several assumptions, both general and specific, which give rise to the possibility that actual results or events could differ materially from our expectations expressed in, or implied by, such forward-looking statements and that our business outlook, objectives, plans and strategic priorities may not be achieved. As a result, we cannot guarantee that any forward-looking statement will materialize and we caution you against relying on any of these forward-looking statements. Forward-looking statements are presented in BCE's 2016 annual report, including in this MD&A, for the purpose of assisting investors and others in understanding our objectives, strategic priorities and business outlook as well as our anticipated operating environment. Readers are cautioned, however, that such information may not be appropriate for other purposes.

We have made certain economic, market and operational assumptions in preparing the forward-looking statements contained in BCE's 2016 annual report and, in particular, but without limitation, the forward-looking statements contained in the previously-mentioned sections of this MD&A. These assumptions include, without limitation, the assumptions described in the various sections of this MD&A entitled Business outlook and assumptions, which sections are incorporated by reference in this cautionary statement. We believe that our assumptions were reasonable at March 2, 2017. If our assumptions turn out to be inaccurate, our actual results could be materially different from what we expect.

Important risk factors including, without limitation, regulatory, competitive, economic, financial, operational, technological and other risks that could cause actual results or events to differ materially from those expressed in, or implied by, the previously-mentioned forward-looking statements and other forward-looking statements contained in BCE's 2016 annual report, and in particular in this MD&A, include, but are not limited to, the risks described or referred to in section 9, Business risk, which section is incorporated by reference in this cautionary statement.

We caution readers that the risks described in the previously-mentioned section and in other sections of this MD&A are not the only ones that could affect us. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also have a material adverse effect on our financial position, financial performance, cash flows, business or reputation. Except as otherwise indicated by us, forward-looking statements do not reflect the potential impact of any special items or of any dispositions, monetizations, mergers, acquisitions, other business combinations or other transactions that may be announced or that may occur after March 2, 2017. The financial impact of these transactions and special items can be complex and depend on facts particular to each of them. We therefore cannot describe the expected impact in a meaningful way, or in the same way we present known risks affecting our business.

1 Overview

1.1 Introduction

At a glance

BCE is Canada's largest communications company, providing residential, business and wholesale customers with a wide range of solutions for all their communications needs. BCE's shares are publicly traded on the Toronto Stock Exchange and on the New York Stock Exchange (TSX, NYSE: BCE).

Our results are reported in three segments: Bell Wireless, Bell Wireline and Bell Media.

Bell Wireless provides wireless voice and data communications products and services to our residential, small and medium-sized business and large enterprise customers across Canada. Bell Wireless provides data, including Internet access and Internet protocol television (IPTV), local telephone, long distance, as well as other communications services and products to our residential, small and medium-sized business and large enterprise customers, primarily in Ontario. Quebec and the Atlantic provinces, while satellite television (TV) service and connectivity to business customers are available nationally across Canada. In addition, this segment includes our wholesale business, which buys and sells local telephone, long distance, data and other services from or to resellers and other carriers.

Bell Media provides conventional, specialty and pay TV, digital media, radio broadcasting services and out-of-home (OOH) advertising services to customers nationally across Canada.

BCE is Canada's largest communications company

BCE's business segments

At December 31, 2016

We also hold investments in a number of other assets, including:

- a 28% indirect equity interest in Maple Leaf Sports & Entertainment Ltd. (MLSE)
- a 50% indirect equity interest in Gentel Inc. (Gentel)
- an 18.4% indirect equity interest in entities that operate the Montreal Canadiens Hockey Club and the Bell Centre in Montreal
- a 50% indirect equity interest in the Toronto Argonauts Football Club (Argos)
### Overview MD&A

**BCE consolidated results**

<table>
<thead>
<tr>
<th>BCE 2016</th>
<th>BCE 2016</th>
<th>BCE 2016</th>
<th>BCE 2016</th>
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</thead>
<tbody>
<tr>
<td><strong>Operating revenues</strong></td>
<td><strong>Net earnings</strong></td>
<td><strong>Adjusted EBITDA</strong></td>
<td><strong>Free cash flow</strong></td>
</tr>
<tr>
<td>$21,719 million</td>
<td>$3,087 million</td>
<td>$8,788 million</td>
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</tr>
<tr>
<td>+30% vs. 2015</td>
<td>+33% vs. 2015</td>
<td>+2.8% vs. 2015</td>
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<table>
<thead>
<tr>
<th>BCE 2016</th>
<th>BCE 2016</th>
<th>BCE 2016</th>
<th>BCE 2016</th>
</tr>
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<tbody>
<tr>
<td><strong>Net earnings attributable to common shareholders</strong></td>
<td><strong>Adjusted net earnings</strong></td>
<td><strong>Cash flows from operating activities</strong></td>
<td><strong>Free cash flow</strong></td>
</tr>
<tr>
<td>$2,894 million</td>
<td>$3,009 million</td>
<td>$6,643 million</td>
<td>$3,226 million</td>
</tr>
<tr>
<td>+14.6% vs. 2015</td>
<td>+5.9% vs. 2015</td>
<td>+7.6% vs. 2015</td>
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### BCE customer connections

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<tr>
<th>Wireless Total</th>
<th>Wireless Postpaid</th>
<th>High-speed Internet</th>
<th>TV</th>
<th>Network access services (NAS) lines</th>
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<tr>
<td>+2.7%</td>
<td>+4.3%</td>
<td>+1.9%</td>
<td>+0.2%</td>
<td>(6.4%)</td>
</tr>
<tr>
<td>8.5 million subscribers at the end of 2016</td>
<td>7.2 million subscribers at the end of 2016</td>
<td>3.5 million subscribers at the end of 2016</td>
<td>2.7 million subscribers at the end of 2016</td>
<td>6.3 million subscribers at the end of 2016</td>
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### Our goal

Our goal is to be recognized by customers as Canada’s leading communications company. Our primary business objectives are to grow our subscribers profitably and to maximize revenues, operating profit, free cash flow and return on invested capital by further enhancing our position as the foremost provider in Canada of comprehensive communications services to residential, business and wholesale customers and as Canada’s premier content creation company. We seek to take advantage of opportunities to leverage our networks, infrastructure, sales channels, and brand and marketing resources across our various lines of business to create value for both our customers and other stakeholders.

Our strategy is centred on our disciplined focus and execution of six strategic imperatives. The six strategic imperatives that underlie BCE’s business plan are:

1. Accelerate wireless
2. Leverage wireless momentum
3. Invest in broadband networks and services
4. Expand media leadership
5. Improve customer service
6. Achieve a competitive cost structure

### Our products and services

**Bell Wireless**

**SEGMENT DESCRIPTION**

- Provides integrated digital wireless voice and data communications products and services to residential and business customers across Canada
- Includes the results of operations of Bell Mobility Inc. (Bell Mobility) and wireless-related product sales from our wholly-owned subsidiary, national consumer electronics retailer, The Source (Bell) Electronics Inc. (The Source)

**OUR BRANDS INCLUDE**

- **BCE**
- **Source**

**OUR NETWORKS AND REACH**

We hold licensed national wireless spectrum, with holdings across various spectrum bands, totaling more than 4,500 million Megahertz (MHz) per Population (MHz-pop), corresponding to a weighted-average of approximately 135 MHz-pop of spectrum across Canada.

The vast majority of our cell towers are connected by fibre, the latest in network infrastructure technology, for a more reliable connection.

We have deployed and operate a number of leading nationwide wireless broadband networks compatible with global standards that deliver high-quality and reliable voice and high-speed data services to virtually all of the Canadian population.

Bell Wireline

SEGMENT DESCRIPTION

- Provides data, including Internet access and IPTV, local telephone, long distance, as well as other communications services and products to residential, small and medium-sized business and large enterprise customers, primarily in Ontario, Quebec and the Atlantic provinces, where satellite TV service and connectivity to business customers are available nationally across Canada. We also offer competitive local exchange carrier (LEC) services in Alberta and British Columbia.
- Includes the results of our wholesale business, which buys and sells local telephone, long distance, data and other services from or to resellers and other carriers, and the wireline operations of Northwestel Inc. (Northwestel), which provides telecommunications services in Canada's Northern Territories.
- Includes wireline-related product sales from the Source.

OUR NETWORKS AND REACH

- Extensive local access network in Ontario, Quebec and the Atlantic provinces, as well as in Canada's Northern Territories.
- Largest fibre network in Canada, spanning over 196,000 Kilometres (km).
- Largest fibre network in Canada, spanning over 8.3 million homes and businesses in Ontario, Quebec and the Atlantic provinces.
- Largest data centre footprint in Canada with 27 locations in seven provinces, enabling us to offer data centre co-location and hosted services to business customers across Canada.
- Approximately 1,400 Bell-branded stores and The Source locations across Canada.

OUR PRODUCTS AND SERVICES

RESIDENTIAL

- TV: Bell Fibe TV (our IPTV service) and direct-to-home (DTH) satellite TV provide extensive content options with HD and 4K Resolution (4K) Whole Home personal video recorder (PVR), 4K Ultra HD programming and on-demand content. Our IPTV service also offers consumers innovative features, including the Fibe TV app. Fibe TV on Apple TV, Restart, Trending, access to CraveTV and Netflix.
- Internet: high-speed Internet access through fibre optic broadband technology or digital subscriber line (DSL) with a wide range of options, including Home Hub all-in-one modem and Wi-Fi router, unlimited usage, a comprehensive suite of security solutions and mobile monitoring services.
- Home Phone: local telephone service, long distance and advanced calling features.
- NextGen Home Security: a digital Internet-based service available in select locations in Atlantic Canada, providing home security and monitoring with next-generation automation capabilities, including remote management via web portal and mobile devices, appliance diagnosis and remote secure video monitoring.
- Bundles: multi-product bundles of TV, Internet and voice services with monthly discounts.

BUSINESS

- IP-based services: business Internet, IP VPN, point-to-point data networks and global network solutions.
- Business service solutions: hosting and cloud services, managed services, professional services and infrastructure services that support and complement our data connectivity services.
- Voice and unified communications: IP telephony, local and long distance, web and audio conferencing and e-mail solutions.

Bell Media

SEGMENT DESCRIPTION

- Canada's premier content creation company with leading assets in TV, radio, OOH advertising and digital media.
- Revenues are derived primarily from advertising and subscriber fees.
Conventional TV revenue is derived from advertising
Specialty TV revenue is generated from subscription fees and advertising
Pay TV revenue is received from subscription fees
Radio revenue is generated from advertising aired over our stations
OOH revenues are generated from advertising
Digital media revenues are generated from advertising

OUR ASSETS AND REACH

TV
- 30 conventional TV stations, including CTV, Canada’s highest-rated TV network based on viewership
- 30 specialty TV channels, including TSN, RDS, Canada’s leading French-language specialty channel based on viewers aged 25-54, and Discovery, Canada’s leading entertainment specialty channel based on viewers aged 25-54
- Four national pay TV services, including The Movie Network (TMN) and Super Écran

RADIO
- 105 licensed radio stations in 54 markets across Canada

OOH ADVERTISING
- Network of more than 30,000 advertising faces in British Columbia, Alberta, Ontario, Quebec and Nova Scotia

DIGITAL MEDIA
- More than 200 websites and over 30 apps

BROADCAST RIGHTS
Sports: Bell Media has secured long-term media rights to many of the key sports properties that are most important to Canadians, and is the official Canadian broadcaster of the Super Bowl, Grey Cup and International Ice Hockey Federation (IIHF) World Junior Championship. Bell Media’s slate of live sports coverage also includes the Toronto Maple Leafs, Montreal Canadiens, Winnipeg Jets and Ottawa Senators, Canadian Football League (CFL), National Football League (NFL), National Basketball League (NBA), Fédération Internationale de Football Association (FIFA) World Cup events through to 2026, Season of Champions Curling, Major League Baseball (MLB), Premier League, Union of European Football Associations (UEFA) Champions League, UEFA Europa League, golf’s major championships, Monster Energy NASCAR Cup Series, Formula 1, Formula E, Grand Slam Tennis, Ultimate Fighting Championship (UFC), National Collegiate Athletic Association (NCAA) March Madness and more.

HBO: long-term agreement to deliver all current-season, past-season and library HBO programming in Canada exclusively on our linear, on-demand and over-the-top (OTT) platforms

SHOWTIME: long-term content licensing and trademark agreement for past, present and future SHOWTIME-owned programming

iHeartRadio: exclusive partnership for digital and streaming music services in Canada

OTHER ASSETS
- 50% interest in Dome Productions Partnership, one of North America’s leading providers of sports and other event production and broadcast facilities

OUR PRODUCTS AND SERVICES
- Varied and extensive array of TV programming to broadcast distributors across Canada
- Advertising on our TV, radio, OOH, and digital media properties to both local and national advertisers across a wide range of industry sectors
- CraveTV subscription on-demand TV streaming service offering a large collection of premium content in one place, including HBO and SHOWTIME programming, on set-top boxes (STBs), mobile devices and online. CraveTV is offered through a number of Canadian TV providers and is available directly to all Canadian Internet subscribers as an OTT service.
- TV Everywhere services, including CTV GO, Discovery GO, TMN GO, TSN GO, and RDS GO which provide live and on-demand content delivered over mobile and Wi-Fi networks to smartphones, tablets and computers
- Mobile TV service with live and on-demand access to content from our conventional TV networks, CTV and CTV Two, BNN, TSN, RDS, Comedy and other brands in news, sports and entertainment. This mobile content is offered on commercial terms to all Canadian wireless providers.

Other BCE investments
BCE also holds investments in a number of other assets, including:
- a 28% indirect equity interest in MLSE, a sports and entertainment company that owns several sports teams as well as real estate and entertainment assets in Toronto
- a 50% indirect equity interest in Glentel, a Canadian-based dual-carrier, multi-brand mobile products distributor
- an 18.4% indirect equity interest in entities that operate the Montreal Canadiens Hockey Club and the Bell Centre in Montreal
- a 50% indirect equity interest in the Argos

Our people
EMPLOYEES
At the end of 2016, our team included 48,090 employees dedicated to driving shareholder return and improving customer service.
The total number of BCE employees at the end of 2016 decreased by 1,878 employees compared to the end of 2015, due primarily to workforce reductions across our Bell Wireline and Bell Wireless segments attributable to normal attrition, retirements and productivity improvements.

Approximately 44% of total BCE employees are represented by labour unions.

**BELL CODE OF BUSINESS CONDUCT**

The ethical business conduct of our people is core to the integrity with which we operate our business. The Bell Code of Business Conduct sets out specific expectations and accountabilities, providing employees with practical guidelines to conduct business in an ethical manner. Our commitment to the Code of Business Conduct is renewed by employees each year in an ongoing effort to ensure that all employees are aware of, and adhere to, Bell’s standards of conduct.

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**1.3 Key corporate developments**

**MTS acquisition expected to close on March 17**

On February 15, 2017, Innovation, Science and Economic Development Canada (ISED) and the Competition Bureau approved BCE’s $3.9 billion acquisition of MTS originally announced on May 2, 2016. The combined companies’ Manitoba operations will be known as Bell MTS. These approvals, together with the Canadian Radio-television and Telecommunications Commission’s (CRTC) approval on December 20, 2016, under the Broadcasting Act, of the transfer of the broadcasting distribution undertaking (BDU) license held by MTS to BCE, completed all regulatory approvals required to close the transaction. MTS shareholders approved BCE’s acquisition of MTS at a special shareholders meeting held on June 23, 2016 and the Manitoba Court of Queen’s Bench issued a final order approving the acquisition on June 29, 2016. Subject to certain closing conditions and termination rights, this transaction is expected to close on March 17, 2017.

The transaction will be completed through a plan of arrangement under which BCE will acquire all of the issued and outstanding common shares of MTS for $40 per share, which will be paid 55% through the issuance of BCE common shares and 45% in cash. The cash component will be funded through debt financing (Refer to section 6.7, Liquidity, for more details) and BCE will issue approximately 28 million common shares for the equity portion of the transaction. If the transaction does not close under certain circumstances BCE may be liable to pay a break fee of $200 million to MTS.

The acquisition of MTS, which is expected to be accretive to BCE’s revenue, adjusted EBITDA and free cash flow, will allow us to reach more Canadians through the expansion of our wireless and wireline broadband networks while supporting our goal of being recognized by customers as Canada’s leading communications company.

As part of a consent agreement with the Competition Bureau, BCE has agreed to divest approximately one-quarter of MTS’ postpaid wireless subscribers and 13 retail locations to the TELUS Group for total proceeds of approximately $300 million, subject to final adjustments. Subject to certain closing conditions and termination rights, this transaction is expected to close on April 1, 2017. The $75 million break fee that was payable by BCE to the TELUS Group if the transaction did not close under certain circumstances is no longer applicable given the receipt of all regulatory approvals.

As part of the previously mentioned consent agreement, BCE has also agreed to transfer to Xplornet a total of 40 Mhz of 700 MHz, Advanced Wireless Services-1 (AWS-1) and 2500 MHz wireless spectrum currently held by MTS, which has also been approved by ISED; 24,700 wireless customers once Xplornet launches its mobile wireless service; and five retail outlets in Winnipeg and one in Brandon. Xplornet will receive transitional remedy the TELUS Group if the transaction did not close under certain circumstances BCE may be liable to pay a break fee of $200 million to MTS.

The acquisition of MTS, which is expected to be accretive to BCE’s revenue, adjusted EBITDA and free cash flow, will allow us to reach more Canadians through the expansion of our wireless and wireline broadband networks while supporting our goal of being recognized by customers as Canada’s leading communications company.

**Acquisition of Q9 Networks Inc. (Q9)**

On October 3, 2016, BCE acquired all equity interest it did not already own in Q9, a Toronto-based data centre operator providing outsourced hosting and other data solutions to Canadian business and government customers. Q9 had previously been acquired in October 2012 by an investor group comprised of BCE, Ontario Teachers’ Pension Plan Board, Providence Equity Partners LLC and funds managed by Madison Dearborn Partners LLC. BCE held a 35.4% stake in Q9 and has acquired the remaining 64.6% equity interest from its fellow investors. The transaction was valued at approximately $680 million, including Q9 net debt but excluding BCE’s prior ownership interest.

The acquisition supports BCE’s ability to compete against domestic and international providers in the growing outsourced data services sector.

**Recognition of Bell’s environmental leadership**

United States magazine Newsweek once again recognized Bell’s environmental leadership by naming it on its annual list of the top green companies in the world. Bell placed 110th on the newsmagazine’s 2016 list of 500 publicly traded international companies and is the only Canadian communications provider on the list. Bell ranked sixth out of the 16 Canadian companies recognized for 2016. The four telecommunications company in Canada to achieve the highest level certification for its environmental management system (ISO 14001), Bell continuously seeks to reduce the environmental impact of its operations across its networks, Information Technology (IT) infrastructure, buildings and service fleet. In 2016, we made progress in a number of areas, reducing electricity by about 28 gigawatt hours and generating about 450,000 kilowatt hours (KWH) of renewable energy from solar and wind power sources. We also reduced fuel consumption by about 3 million litres due in part to our investment in more than 1,000 new fuel-efficient replacement vehicles and the continuous efforts of team members to reduce riding.

**1.4 Capital markets strategy**

We seek to deliver sustainable shareholder returns through consistent dividend growth. That objective is underpinned by continued growth in free cash flow, a healthy level of ongoing capital investment in the business, a strong balance sheet and an investment-grade credit profile.
Stringent share ownership requirements
Emphasis on pay-all-risk for executive compensation
Double trigger change-in-control policy
Anti-hedging policy on share ownership and incentive compensation
Clawbacks for the President and CED and all Executive Vice-Presidents as well as all option holders
Caps on all supplemental executive retirement plans (SERPs) and annual bonus payouts, in addition to mid-term and long-term incentive grants
Vesting criteria fully aligned to shareholder interests

Use of excess cash(2)

Our dividend payout policy allows BCE to retain a high level of excess cash. Consistent with our capital markets objective to deliver sustainable shareholder returns through dividend growth while maintaining appropriate levels of capital investment, investment-grade credit ratings and considerable overall financial flexibility, we deploy excess cash in a balanced manner.

Uses of excess cash include, but are not limited to:

- Voluntary contributions to BCE’s defined benefit (DB) pension plans to improve the funded position of the plans and help minimize volatility of future funding requirements
- Financing of strategic acquisitions and investments (including wireless spectrum purchases) that support the growth of our business
- Debt reduction
- Share buybacks through normal course issuer bid (NCIB) programs

In 2016, BCE’s excess cash of $921 million, up 11.0% from $830 million in 2015, was directed towards a voluntary contribution to BCE’s DB pension plans, the national expansion of TMN at Bell Media, and various acquisitions that support our strategic imperatives, including Q9.

Total shareholder return performance

<table>
<thead>
<tr>
<th>Five-year total shareholder return</th>
<th>One-year total shareholder return</th>
</tr>
</thead>
<tbody>
<tr>
<td>+75.2% (2012-2016)</td>
<td>+13.7% (2016)</td>
</tr>
</tbody>
</table>

This graph compares the yearly change in the cumulative annual total shareholder return of BCE common shares against the cumulative annual total return of the S&P/TSX Composite Index (3), for the five-year period ending December 31, 2016, assuming an initial investment of $100 on December 31, 2011 and the quarterly reinvestment of all dividends.

BCE’s balance sheet is underpinned by considerable liquidity and an investment-grade credit profile, providing the company with a solid financial foundation and a high level of overall financial flexibility. BCE is well-positioned with an attractive long-term debt maturity profile and minimal near-term requirements to repay medium-term note (MTN) debentures. We continue to monitor the capital markets for opportunities where we can further reduce our cost of debt and our cost of capital. We seek to proactively manage financial risk in terms of currency exposure of our U.S. dollar-denominated purchases, as well as equity risk exposure under BCE’s long-term equity-based incentive plans and interest rate and foreign currency exposure under our various debt instruments. We also seek to maintain investment-grade credit ratings with stable outlooks.

Strong capital structure

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**ATRACTIVE LONG-TERM DEBT MATURITY PROFILE**
- Average term of Bell Canada’s MTN debentures: 9-4 years
- Average after-tax cost of MTN debentures: 3.33%
- $350 million to $2,225 million of MTN debentures maturing annually over the next five years

**STRONG LIQUIDITY POSITION**
- $0.9 billion available under our $3.5 billion multi-year committed credit facilities
- $500 million accounts receivable securitization available capacity
- $853 million cash and cash equivalents on hand at the end of 2016

**FAVOURABLE CREDIT PROFILE**
- Long-term debt credit rating of BBB (High) by DBRS Limited (DBRS), Baa 1 by Moody’s Investors Services Inc. (Moody’s) and BBB+ by Standard & Poor’s Ratings Services (Canada) (S&P), all with stable outlooks

The committed amount under Bell Canada’s unsecured committed credit facilities was increased from $3.0 billion to $3.5 billion in December 2016, providing us with additional financing flexibility.

Bell Canada successfully accessed the capital markets in February 2016 and August 2016, raising a combined total of $2.25 billion in gross proceeds from the issuance of 10-year and five-year MTN debentures. The August 2016 issuance of 10-year and five-year MTN debentures, which carry annual interest rates of 2.9% and 2.0%, respectively, represented the lowest coupon rates ever achieved by Bell Canada on any MTN issuance, reducing our after-tax cost of outstanding public debenture debt to 3.33% (4.96% on a pre-tax basis). The net proceeds of the 2016 offerings were used for the repayment of MTN debentures, to fund the acquisition of Q9 and for general corporate purposes.

In September 2016, Bell Canada renewed its MTN program, enabling it to offer up to $4 billion of MTN debentures from time to time until October 20, 2018. The MTN debentures will be fully and unconditionally guaranteed by BCE. Consistent with past practice, the MTN program was renewed to continue to provide Bell Canada with financial flexibility and efficient access to the Canadian and United States (U.S.) capital markets.
As a result of financing a number of strategic acquisitions made since 2010, including CTV Inc., Astral Media Inc. (Astral), MLSE, Bell Aliant Inc. and Q9, Bell Media’s move to expand TMN into a national pay TV service and become the sole operator of HBO Canada, voluntary pension plan funding contributions to reduce our pension solvency deficit, wireless spectrum purchases, and the incremental debt that was assumed as a result of the privatization of Bell Aliant Inc., our net debt adjustment to adjusted EBITDA leverage ratio1 has, as shown in the table below, increased above the limit of our internal target range of 1.75 to 2.25 times adjusted EBITDA. That ratio is expected to improve over time and return within the net debt leverage ratio target range through growth in free cash flow and applying a portion of excess cash to the reduction of BCE’s indebtedness.

As a result of a low after-tax cost of debt, owing to the consistent decline in interest rates over the past several years, our adjusted EBITDA to net interest expense ratio1 has risen to its best level since 2010 at 9.31 times adjusted EBITDA. This is significantly above our internal target range of greater than 7.5 times adjusted EBITDA, providing good predictability in our debt service costs and protection from interest rate volatility for the foreseeable future.

The BCE Board and management believe that strong corporate governance practices contribute to superior results in creating and maintaining shareholder value. That is why we continually seek to strengthen our leadership in corporate governance and ethical business conduct by adopting best practices, and providing full transparency and accountability to our shareholders.

Key governance strengths and actions in support of our governance philosophy include:

- Separation of the Board Chair and Chief Executive Officer (CEO) roles
- Director independence standards
- Audit Committee, Management Resources and Compensation Committee (Compensation Committee) and Corporate Governance Committee (Governance Committee) of the Board composed of independent directors
- Annual director effectiveness and performance assessments
- Ongoing reporting to Board committees regarding ethics programs and the oversight of corporate policies across BCE
- Share ownership guidelines for directors and executives
- Executive compensation programs tied to BCE’s ability to grow its common share dividend

For more information, please refer to BCE’s most recent notice of annual general shareholder meeting and management proxy circular (the Proxy Circular) filed with the Canadian provincial securities regulatory authorities (available at sedar.com) and with the United States Securities and Exchange Commission (available at sec.gov), and available on BCE’s website at BCE.ca.

1 Overview MD&A

Net debt (\(\text{Net debt}\)) = Net debt adjustment to adjusted EBITDA

Adjust EBITDA to net interest expense ratio = Adjust EBITDA / Net interest expense

Net debt adjustment to adjusted EBITDA leverage ratio = Net debt adjustment to adjusted EBITDA / Adjusted EBITDA

Board of Directors

- The Audit Committee is responsible for overseeing financial reporting and disclosure as well as overseeing that appropriate risk management processes are in place across the organization. As part of its risk management activities, the Audit Committee reviews the organization’s risk reports and ensures that responsibility for each principal risk is formally assigned to a specific committee or the full Board, as appropriate. The Audit Committee also regularly considers risks relating to financial reporting, legal proceedings, the performance of critical infrastructure, information, cyber and physical security, journalistic independence, privacy and records management, business continuity and the environment.
- The Compensation Committee oversees risks relating to compensation, succession planning, and health and safety practices.
- The Governance Committee assists the Board in developing and implementing BCE’s corporate governance guidelines and determining the composition of the Board and its committees. In addition, the Governance Committee oversees matters such as the organization’s policies concerning business conduct, ethics and public disclosure of material information.
- The Pension Fund Committee (Pension Committee) has oversight responsibility for risks associated with the pension fund.

RISK MANAGEMENT CULTURE

There is a strong culture of risk management at BCE that is actively promoted by the Board and the company’s President and CEO at all levels within the organization. It has become a part of how the company operates on a day-to-day basis and is woven into its structure and operating principles, guiding the implementation of the organization’s strategic imperatives.

The President and CEO, selected by the Board, has set his strategic focus through the establishment of six strategic imperatives, and focuses risk management around the factors that could impact the achievement of those strategic imperatives. While the constant state of change in the economic environment and the industry creates challenges to be managed, the clarity around strategic objectives, performance expectations, risk management and integrity in execution ensures discipline and balance in all aspects of our business.

RISK MANAGEMENT FRAMEWORK

While the Board is responsible for BCE’s risk oversight program, operational business units are central to the proactive identification and management of risk. They are supported by a range of corporate support functions that provide independent expertise to reinforce implementation of risk management approaches in collaboration with the operational business units. The Internal Audit function provides a further element of expertise and assurance, working to provide insight and support to the operational business units and corporate support functions, while also providing the Audit Committee with an independent perspective on the state of risk and control within the organization. Collectively, these elements can be thought of as a “Three Lines of Defence” approach to risk management, that is aligned with industry best practices and is endorsed by the Institute of Internal Auditors.

1.5 Corporate governance and risk management

Corporate governance philosophy

1.5.1 Board oversight

The BCE Board and management believe that strong corporate governance practices contribute to superior results in creating and maintaining shareholder value. That is why we continually seek to strengthen our leadership in corporate governance and ethical business conduct by adopting best practices, and providing full transparency and accountability to our shareholders.

Key governance strengths and actions in support of our governance philosophy include:

- Separation of the Board Chair and Chief Executive Officer (CEO) roles
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FIRST LINE OF DEFENCE – OPERATIONAL MANAGEMENT

The first line refers to management within our operational business segments (Bell Wireless, Bell Wireline and Bell Media), who are expected to understand their operations in great detail and the financial results that underpin them. There are regular reviews of operating performance involving the organization’s executive and senior management. The discipline and precision associated with this process, coupled with the alignment and focus around performance goals, create a high degree of accountability and transparency in support of our risk management practices.

As risks emerge in the business environment, they are discussed in a number of regular forums to share details and explore their relevance across the organization. Executive and senior management are integral to these activities in driving the identification, assessment, mitigation and reporting of risks at all levels. Formal risk reporting occurs through strategic planning sessions, management presentations to the Board and formal enterprise risk reporting, which is shared with the Board and the Audit Committee during the year.

Management is also responsible for maintaining effective internal controls and for executing risk and control procedures on a day-to-day basis. Each operational business unit develops its own operating controls and procedures that fit the needs of its unique environment.

SECOND LINE OF DEFENCE – CORPORATE SUPPORT FUNCTIONS

BCE is a very large enterprise with approximately 48,000 employees, multiple business units and a diverse portfolio of risks that is constantly evolving based on internal and external factors. In a large organization, it is common to manage certain functions centrally for efficiency, scale and consistency. While the first line of defence is often central to identification and management of business risks, in many instances operational management works collaboratively with, and also relies on, the corporate functions that make up the second line of defence for support in these areas. These corporate functions include Finance, Corporate Security and Corporate Risk Management, as well as others such as Legal and Regulatory, Human Resources, Real Estate and Procurement.

Finance function: BCE’s Finance function plays a pivotal role in seeking to identify, assess and manage risks through a number of different activities, which include financial performance management, external reporting, pension management, capital management, and oversight and execution practices related to the United States Sarbanes-Oxley Act of 2002 and equivalent Canadian securities legislation, including the establishment and maintenance of appropriate internal control over financial reporting. BCE has established and maintains disclosure controls and procedures to ensure that the information it publicly discloses, including its business risks, is accurately recorded, processed, summarized and reported on a timely basis. For more details concerning BCE’s internal control over financial reporting and disclosure controls and procedures, refer to the Proxy Circular and section 10.3, ‘Effectiveness of internal controls of this MD&A’.

Corporate Security function: This function is responsible for all aspects of security, which requires a deep understanding of the business, the risk environment and the external stakeholder environment. Based on this understanding, Corporate Security sets the standards of performance required across the organization through security policy definitions and monitors the organization’s performance against these policies. In high and emerging risk areas such as cybersecurity, Corporate Security leverages its experience and competence and, through collaboration with the operational business units, develops strategies intended to mitigate the organization’s risks.

Corporate Risk Management function: This function works across the company to gather information and report on the organization’s assessment of its principal risks and the related exposures. Annually, senior management participates in a risk survey that provides an important reference point in the overall risk assessment process. In addition to the activities described above, the second line of defence is also critical in building and operating the oversight mechanisms that bring focus to relevant areas of risk and reinforce the bridges between the first and second lines of defence, thereby seeking to ensure that there is a clear understanding of emerging risks, their relevance to the organization and the proposed mitigation plans. To further coordinate efforts between the first and second lines of defence, BCE has established a Security, Environment and Health & Safety (SEHS) Oversight Committee. A significant number of BCE’s most senior leaders are members of this committee, whose purpose is to oversee BCE’s strategic security (including cybersecurity), environmental, health and safety risks and opportunities. This cross-functional committee seeks to ensure that relevant risks are adequately recognized and mitigation activities are well-integrated and aligned across the organization and are supported with sufficient resources.

THIRD LINE OF DEFENCE – INTERNAL AUDIT FUNCTION

Internal Audit is a part of the overall management information and control system and has the responsibility to act as an independent appraisal function. Its purpose is to provide the Audit Committee and management with objective evaluations of the company’s risk and control environment, to support management in delivering against BCE’s strategic imperatives and to maintain an audit presence throughout BCE and its subsidiaries.

2 Strategic imperatives

Our success is built on the BCE team’s dedicated execution of the six strategic imperatives that support our goal to be recognized by customers as Canada’s leading communications company.

2.1 Accelerate wireless

Our objective is to grow our Bell Wireless business profitably by focusing on postpaid subscriber acquisition and retention, maximizing average revenue per user (ARPU) by targeting premium smartphone subscribers in all geographic markets we operate in, leveraging our wireless networks, and maintaining device and mobile content leadership to drive greater wireless data penetration and usage.

2016 PROGRESS

- Acquired 35% and 37% of total new postpaid gross and net activations, respectively, among the three national wireless carriers, while achieving leading service revenue, ARPUs and adjusted EBITDA growth of 5.7%, 3.6% and 6.2%, respectively
- Expanded the number of smartphone users at the end of 2016 by 83% of our total postpaid subscribers, up from 78% at the end of 2015
- Increased the number of postpaid subscribers on our LTE network to 81% of our total postpaid subscribers, up from 68% at the end of 2015
- Expanded our smartphone and tablet lineup with 30 new devices, including the iPhone 7 and 7 Plus from Apple, the Samsung Galaxy S7 and S7 edge, Google’s Pixel and Pixel XL and the LG G5, adding to our extensive selection of 4G LTE and LTE-A capable devices
- Launched VoLTE technology in Ontario, Atlantic Canada, parts of Quebec and British Columbia, Yellowknife and Whitehorse for Bell customers with compatible smartphones. VoLTE enables faster call setup times, HD voice quality and the ability to switch seamlessly between voice and video during calls
- Launched Roam Better International roaming feature that gives customers access to specialized rates while traveling, providing unlimited voice and text messages and an additional dedicated 100 megabytes (MB) of data usage for $10 a day in over 110 destinations across Europe, the Americas, Asia and the Middle East, Australia and South Africa
- Launched a new portfolio of products and support services to make mobile communications more accessible for customers with speech, cognitive, physical, hearing and vision related disabilities, including the Doro 824 and 824C smartphones for customers with moderate visual needs, the Mobile Accessibility screen reader app to assist blind and low vision users, and Tecla by Komodo, a portable and hands free device that
2017 FOCUS

- Profitably grow our wireless prepaid subscriber base, while maintaining market share momentum of incumbent prepaid subscriber activations
- Continue to increase ARPU
- Offer the latest handsets and devices in a timely manner to enable customers to benefit from ongoing technological improvements by manufacturers and from faster data speeds to optimize the use of our services
- Continue to increase the number of postpaid smartphone subscribers using our 4G LTE and LTE-A networks
- Expand VoLTE technology coverage areas and broaden rollout to more supported devices
- Accelerate new revenue streams by continuing to drive the commercialization of IoT services and applications

2.2 Leveragewirelinemomentum

We focus on leveraging our fibre-based TV and Internet services to develop attractive residential offers that drive higher multi-product bundle sales and improve customer satisfaction and retention. These new services contribute to the ongoing shift of our operating mix away from legacy wireline voice services.

In our business markets, we remain focused on expanding our broadband network and strengthening our delivery of integrated solutions to Canadian businesses, while continuing to manage the transformation of our business from legacy network services to a fully-integrated data hosting, cloud computing and managed services provider.

2016 PROGRESS

- Maintained our position as Canada’s largest TV provider with 2,744,909 subscribers, and increased our total number of IPTV subscribers by 13.1% to 1,337,944
- Built on our position as the leading Internet service provider (ISP) in Canada with a high-speed Internet subscriber base of 3,476,562, up 1.9% over 2015
- Increased the number of multi-product households – those that buy TV, Internet and Home Phone – by 4% over 2015, fuelled by our IPTV service, which drove higher pull-through attach rates for Home Phone and Internet services, with 74% of all new IPTV customers taking three products
- Maintained our leadership position in Canadian broadband communications with the most advanced products in the home and continuous IPTV and Internet service innovation

- Launched Home Hub 3000 residential gateway, offering the most powerful home Wi-Fi service with 12 antennas, total throughput capability of up to 1 Gigabit (Gb), automatic channel switching for reduced interference, tri-band technology supporting multiple connected devices and battery back-up that enables customers to use Fibe Internet during a power outage for up to four hours
- Launches Wireless 4K Whole Home PVR, enabling the world’s first fully wireless IPTV service with the flexibility to easily locate Fibe TV anywhere in the home, and featuring 4K quality with four times the detail of Full HD, up to 150 hours of 4K recording capacity and Bluetooth remote that enables out-of-sight positioning of the PVR
- Became the first TV provider in Canada to integrate access to Netflix in 4K Whole Home PVR
- Became the first Canadian TV service provider to offer TV service on Apple TV, providing access to up to 450 channels live or on demand and unique Fibe TV features like top trending shows, with recordings and pause and rewind live TV coming later in 2017
- Bell Fibe TV was ranked as the most advanced TV service in Canada(1)
- Bell’s fibre-to-the-home (FTTH) Fibre Internet service led Canadian Internet providers, exceeding advertised download speeds by a greater margin than the competition(2)
- Launched Virgin Home Internet service in Ontario and Quebec
- Acquired Q9 Networks, a Toronto-based data centre provider operating outdoors hosting and other data solutions to Canadian business and government customers, supporting our ability to compete against domestic and international providers in the growing outsourced data services sector
- Launched Bell Total Connect for small business customers across Ontario and Quebec, delivering a suite of advanced messaging and unified communications services on both broadband fibre and mobile LTE networks
- Formed a partnership with IBM Canada Limited (IBM) to expand the cloud computing services available through our Bell Business Cloud service, giving businesses across Canada access to the IBM Cloud via a secure, high-speed private connection from Bell, simplifying the way customers adopt and build out their hybrid clouds

2017 FOCUS

- Continue to enhance our IPTV service with more advanced features
- Make Bell Fibe TV available as a standalone TV service
- Expand our total base and market share of TV and Internet subscribers profitably
- Reduce total wireline residential net losses
- Increase residential household ARPU through greater multi-product household penetration
- Increase share of wallet of large enterprise customers through greater focus on business service solutions and connectivity growth
- Increase the number of net new customer relationships in both large and mid-sized businesses and reduce small business customer losses

2.3 Invest in broadband networks and services

We invest in wireline and wireless broadband platforms to deliver the most advanced wireless, TV, Internet and other IP-based services available, to support continued subscriber and data growth across all our residential product lines as well as the needs of our business market customers.

2016 PROGRESS

- Expanded our 4G LTE wireless network to reach 97% of the Canadian population coast to coast
- Continued the rollout of our Dual-band LTE-A wireless network, providing service to 75% of the Canadian population at data speeds of up to 260 Mbps (expected average download speeds of 18 to 74 Mbps). In addition, Tri-band LTE-A wireless service, enabled by aggregating Personal Communications Services (PCS), AWS-1 and 700 MHz spectrum, that delivers mobile data speeds of up to 335 Mbps (expected average download speeds of 25 to 100 Mbps), was launched in a number of cities and areas, including in Halifax, Frederiction, Moncton, Saint John, Sydney, St. John’s, Toronto, Hamilton, Oakville, London, Kitchener-Waterloo, Niagara Falls, Muskoka Lakes, Sudbury, Sarnia, Trois-Rivieres and Chicoutimi
- Bell’s 4G LTE wireless network was ranked as the fastest mobile LTE network in Canada by PCMag
- According to Nielsen Consumer Insights, more Canadians chose Bell as having the best mobile network in Canada
- Conducted the first Canadian trials of fifth-generation (5G) mobile technology in collaboration with Nokia Corporation, leveraging spectrum in the 73 Gigahertz (GHz) range to achieve sustained data speeds more than 6 times faster than top 4G mobile speeds now available in Canada
- Continued to expand our FTTTP broadband fibre footprint in communities across Ontario, Quebec and Atlantic Canada, reaching approximately 2.9 million homes and businesses. FTTTP enables Internet speeds of up to 1 Gbps

2017 FOCUS

- Expand FTTTP broadband fibre footprint to approximately 3.5 million locations passed
- Complete our 4G LTE wireless network build to 99% of the Canadian population and manage wireless network capacity
- Expand LTE-A coverage to reach approximately 83% of the Canadian population
- Increase LTE-A speeds up to 580 Mbps in select areas through four-carrier aggregation (expected average download speeds of 41 to 166 Mbps)
- Increase small cell deployment and in-building coverage to increase urban densification

(1) Nielsen Consumer Insights (June 2016)
(2) CRTC Internet Performance Report (September 2016)
2.4 Expand media leadership

We strive to deliver leading sports, news, entertainment and business content across all screens and platforms to grow audiences. We are also creating more of our own content, ensuring that Canadian attitudes, opinions, values and artistic creativity are reflected in our programming and in our coverage of events in Canada and around the world, and to introduce new services in support of new revenue streams.

2016 PROGRESS

- Maintained CTV’s #1 ranking as the most-watched network in Canada for the 15th year in a row, and continued to lead with a majority of the top 20 programs nationally in all key demographics
- Launched TMN as a national pay TV service and became the sole operator of HBO Canada
- Launched CraveTV direct to consumers as a standalone product available to all Canadians with an Internet subscription. We continued to grow the viewership and scale of our streaming video service, surpassing one million subscribers in 2016
  - As of October 24, 2016, both new and returning SHOWTIME programs debut on CraveTV at the same time as their U.S. broadcast premieres, bolstering the amount of exclusive, first-run programming on CraveTV
  - Streamed CraveTV’s first ever original series, LETTERKENNY, which had the largest debut of any series on CraveTV since the service launched in 2014 and has eclipsed its Season 1 record with the launch of Season 2 on Christmas Day
  - Concluded a deal with MGM to license the iconic James Bond Catalogue, spanning more than 50 years and every 007 actor
  - Made CraveTV available for in-app purchase on Apple TV, enabling customers to subscribe directly from their iTunes account
- Launched iHeartRadio, North America’s fastest growing digital audio service, to the public, providing Canadians with instant access to all of Bell Media’s 105 radio stations across the country plus more than 100 additional exclusive, digital streaming channels featuring every musical genre as well as news, talk, sports and comedy
- Accelerated 4K ultra-definition (Ultra HD) production and broadcasting with a growing number of live event and sports broadcasts in 4K
  - TSN became the first broadcaster to produce a live 4K Ultra HD broadcast in North America with the Toronto Raptors vs. Boston Celtics basketball game on January 20, 2016
  - TSN’s five national feeds featured several Toronto Raptors, Toronto Maple Leafs and Ontario Senators games in 4K, as well as The Masters and the UEFA Champions League Final
  - The HeartRadio MuchMusic Video Awards was filmed and broadcast in 4K
  - Discovery Canada’s premium video streaming service Discovery GO offered a growing inventory of titles available in 4K
  - All new TV series commissioned for Bell Media’s networks are produced in 4K
- Extended a broadcast agreement with the IIHF to 2023. TSN and RDS hold exclusive multimedia rights for the IIHF Ice Hockey World Championship
  - Concluded a multi-territory, multi-year exclusive streaming deal with Warner Bros. International Television for the Canadian market that delivers some of the most-watched shows to CraveTV
  - Expanded a licensing agreement with Viacom International Media Networks to make Comedy Central original programming and library of scripted and unscripted series and specials available across multiple platforms in Canada, including CraveTV
  - Concluded a licensing agreement with CBS Studios International to be the exclusive home for the new STAR TREK series in Canada. The series will premiere on CT and then move to Space for the duration of its run, and will also become available on CraveTV
- A food and lifestyle specialty channel featuring the established Gusto brand and its exclusive portfolio of original Canadian programming, all in 4K. Gusto features cooking, home design, fashion, travel and lifestyle programming.
- Acquired Métro Média CMR Plus Inc. (Métro Média), Cogeco Inc.’s OOH advertising subsidiary, allowing Astral OOH to expand its advertising assets in the public transit market
- Astral OOH secured advertising rights for both in-terminal and non-terminal concessions across Toronto Pearson International Airport, becoming Canada’s airport advertising leader with a presence in six Canadian international airports, including Halifax Stanfield, Montréal-Pierre Elliott Trudeau, Quebec City Jean Lesage, Ottawa MacDonald-Cartier and Vancouver International

2017 FOCUS

- Maintain strong audience levels and ratings across all TV and radio properties
- Reinforce industry leadership in conventional TV, pay TV, sports media and radio
  - In January 2017, we concluded a multi-year media rights extension with MLS, making Bell Media Canada’s exclusive English-language broadcaster of MLS
- Grow viewership and scale of CraveTV on-demand TV streaming service
  - Develop in-house production and content creation for distribution and use across all platforms and screens
  - Expand live and on-demand content through TV Everywhere services
- Build on our COH leadership position in Canada
  - In January 2017, we acquired Celsius Media Ltd. (Celsius Media), which specializes in large-format outdoor advertising in key urban areas, allowing Astral OOH to expand its digital presence with 120 high-profile displays in Vancouver, Edmonton, Calgary, Montreal and Toronto; including Canada’s largest multimedia billboards at Yonge-Dundas Square
- Grow French media properties
- Leverage cross-platform and integrated sales and sponsorship

2.5 Improve customer service

Our objective is to enhance customers’ overall experience by delivering call centre efficiency, meeting commitments for the installation and timely repair of services, increasing network quality, and incorporating process improvements to simplify customer transactions and interactions with our front-line employees and self-serve tools. All of these will help differentiate us from our competitors and gain long-term customer loyalty. We intend to achieve this by making the investments we need to improve our front-line service capabilities, our networks and our distribution channels to win and keep customers.

2016 PROGRESS

- The Commissioner of Complaints for Telecommunications Services (CCTS) received 18% fewer complaints about Bell and Virgin Mobile Canada (Virgin Mobile) between August 1, 2015 and July 31, 2016 than during the equivalent period of the previous year, continuing the steady decline in Bell and Virgin Mobile complaints since July 2013
- Launched Manage Your Appointment feature, offering residential customers an easy way to confirm and check the status of their service appointments online
- Reduced customer calls to our service centres by 4 million in 2016 due to more self-serve online transactions by customers and overall operational improvements. Online self-serve visits, inquiries and transactions totalled more than 190 million, an increase of 30 million over 2015.
- Reduced Fibre TV installation time for FTTX customers by 9% in 2016 and 43% since the beginning of 2012
- Achieved Same Day Next Day service completion rate of 88% repairing service issues with Home Phone, TV and Internet
- Improved customer satisfaction with technicians to 95% for installations and repairs
- Offered installation appointments within two days of placing an order to 70% of residential customers: an increase of almost two times since 2014
- Offered Same Day repair to 73% of small business customers, who are now able to schedule appointments until 4:00 p.m. for Same Day repair
- Improved skill set of customer service agents to allow them to resolve more technical issues, eliminating 30% of transfers to second-level support

2017 FOCUS

- Continue to invest in customer service initiatives to simplify complexity for all customers, including billing
- Further reduce the total volume of wireless and wireless customer calls to our residential and wireless services call centres
- Further improve customer satisfaction scores
- Achieve better consistency in customer experience
- Continue to improve customer personalization
- Reduce FTTX installation times and improve service quality
- Deploy new diagnostic technology enabling enhanced troubleshooting and service monitoring for our customers

2.6 Achieve a competitive cost structure
2.6 Achieve a competitive cost structure

Cost containment is a core element of our financial performance. It remains a key factor in our objective to preserve steady margins as we continue to experience revenue declines in our legacy wireline voice and data services and further shift our product mix towards growth services. We aim to accomplish this through operating our business in the most cost-effective way possible to extract maximum operational efficiency and productivity gains.

2016 PROGRESS

- Improved BCE consolidated adjusted EBITDA margin(1) by 0.8 pta over 2015
- Reduced wireline operating costs by 2.7%, contributing to Bell Wireline adjusted EBITDA margin improvement of 0.9 pta over 2015
- Executed on labour savings from workforce reductions undertaken in 2015 at Bell Media and Bell Wireline
- Delivered cost savings from ongoing service improvements and savings related to the deployment of FTTP
- Lowered Bell Canada’s average after-tax cost of MTN debenture debt to 3.33%

2017 FOCUS

- Capture operating cost and capital expenditure synergies from the integration of MTS following the completion of the acquisition by BCE
- Deliver cost savings from workforce reductions, ongoing service improvements, and savings related to the deployment of FTTP to support a stable consolidated adjusted EBITDA margin

(1) Adjusted EBITDA margin is a non-GAAP financial measure and does not have any standardized meaning under IFRS. Therefore, it is unlikely to be comparable to similar measures presented by other issuers. See section 10.2, Non-GAAP financial measures and key performance indicators (KPIs) – Adjusted EBITDA and adjusted EBITDA margin for more details.

3 Performance targets, outlook, assumptions and risks

This section provides information pertaining to our performance against 2016 targets, our consolidated business outlook and operating assumptions for 2017 and our principal business risks.

3.1 2016 performance vs. guidance targets

<table>
<thead>
<tr>
<th>Financial Category</th>
<th>2016 Target</th>
<th>2016 Performance and Results</th>
<th>Achieved</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue growth</td>
<td>1%–3%</td>
<td>1.9%</td>
<td>✔</td>
</tr>
<tr>
<td>Adjusted EBITDA growth</td>
<td>2%–4%</td>
<td>2.8%</td>
<td>✔</td>
</tr>
<tr>
<td>BCE Capital intensity</td>
<td>Approx. 17%</td>
<td>17.4%</td>
<td>✔</td>
</tr>
<tr>
<td>Adjusted net earnings per share (adjusted EPS)(1)</td>
<td>$3.45–$3.55</td>
<td>$3.46</td>
<td>✔</td>
</tr>
<tr>
<td>Free cash flow growth</td>
<td>Approx. 4%–12%</td>
<td>7.6%</td>
<td>✔</td>
</tr>
<tr>
<td>Announced common dividend per share</td>
<td>$2.73</td>
<td>$2.73 Annualized BCE common dividend per share for 2016 increased by 13 cents, or 5.0%, to $2.73 compared to $2.60 per share in 2015.</td>
<td>✔</td>
</tr>
<tr>
<td>Dividend payout ratio</td>
<td>55%–75% of free cash flow</td>
<td>71.5%</td>
<td>✔</td>
</tr>
</tbody>
</table>

(1) Adjusted EPS is a non-GAAP financial measure and does not have any standardized meaning under IFRS. Therefore, it is unlikely to be comparable to similar measures presented by other issuers. See section 10.2, Non-GAAP financial measures and key performance indicators (KPIs) – Adjusted net earnings and adjusted EPS for more details, including a reconciliation to the most comparable IFRS financial measure.

3.2 Business outlook and assumptions

Outlook

Our 2017 outlook builds on the positive financial results and operating momentum we delivered in 2016 that reflected strong wireless profitability and prepaid subscriber activations, increasing broadband Internet and TV sales, improved media financial performance, as well as effective operating cost control and price discipline across all our operating segments and products. Our projected financial performance for 2017 is underpinned by continued progress in the execution of our six strategic imperatives and a favourable financial profile for all three Bell operating segments, which is expected to be further enhanced following the completion of the acquisition of MTS by BCE, with higher free cash flow generation providing a strong and stable foundation for a higher BCE common share dividend for 2017, as well as continued significant capital investment in wireless and wireline networks, infrastructures to support future growth. Our outlook also reflects the confidence we have in continuing to successfully manage our wireless, wireline and media businesses within the context of a highly competitive and dynamic market.

(1) Adjusted EPS is a non-GAAP financial measure and does not have any standardized meaning under IFRS. Therefore, it is unlikely to be comparable to similar measures presented by other issuers. See section 10.2, Non-GAAP financial measures and key performance indicators (KPIs) – Adjusted net earnings and adjusted EPS for more details, including a reconciliation to the most comparable IFRS financial measure.
Assumptions

ASSUMPTIONS ABOUT THE CANADIAN ECONOMY

- Gradual improvement in economic growth, given the Bank of Canada’s most recent estimated growth in Canadian gross domestic product of 2% in 2017
- Modest employment growth, as the overall level of business investment is expected to remain soft
- Canadian dollar expected to remain at or around near current levels. Further movements may be impacted by the degree of strength of the U.S. dollar, interest rates and changes in commodity prices.

MARKET ASSUMPTIONS

- A higher level of wireless and wireless competition in consumer, business and wholesale markets
- Higher, but slowing, wireless industry penetration and smartphone adoption
- Wireless industry pricing discipline maintained
- Soft media advertising market expected, due to variable demand, and escalating costs to secure TV programming

3.3 Principal business risks

Provided below is a summary description of certain of our principal business risks that could have a material adverse effect on all of our segments. Certain additional business segment-specific risks are reported in section 5, Business segment analysis. For a detailed description of the principal risks relating to our regulatory environment and a description of the other principal business risks that could have a material adverse effect on our financial position, financial performance, cash flows, business or reputation, refer to section 8, Regulatory environment; and section 9, Business risks, respectively.

Regulatory environment

Although most of our retail services are not price-regulated, government agencies and departments such as the CRTC, ISED, Canadian Heritage and the Competition Bureau continue to play a significant role in regulatory matters such as mandatory access to networks, net neutrality, spectrum auctions, approval of acquisitions, broadcast licensing and foreign ownership requirements. As with all regulated organizations, planned strategies are contingent upon regulatory decisions. Adverse decisions by regulatory agencies or increased regulation could have negative financial, operational, reputational or competitive consequences for our business. For a discussion of our regulatory environment and the principal risks related thereto, refer to section 8, Regulatory environment.

Competitive environment

As the scope of our businesses increases and evolving technologies drive new services, new delivery models and creative strategic partnerships, our competitive landscape expands to include new and emerging competitors, certain of which were historically our partners or suppliers, as well as other global scale competitors, including, in particular, OTT TV service and voice over Internet protocol (VoIP) providers and other web-based and OTT players that are penetrating the telecommunications space. Pricing and investment decisions of market participants are based on many factors, such as strategy, market position, technology evolution, customer confidence and economic climate, and collectively these could adversely affect our market shares, service volumes and pricing strategies and, consequently, our financial results. Technology substitution, IP networks and recent regulatory decisions, in particular, continue to reduce barriers to entry in our industry. This has allowed competitors to launch new products and services and gain market share with far less investment in financial, marketing, human, technological and network resources than has historically been required. In particular, some competitors sell their services through the use of our networks, without the need to invest to build their own. Lower necessary investment has enabled some competitors to be very disruptive in their pricing. We expect these trends to continue in the future, which could negatively impact our business including, without limitation, in the following ways:

- Competitors’ aggressive market offers could result in pricing pressures and increased costs of customer acquisition and retention
- Higher Canadian wireless penetration could give opportunities for new customer acquisition
- Product substitutions and spending rationalization by business customers could result in an acceleration of NAS erosion beyond our current expectations
- The continued OTT-based substitution and market expansion of VoIP service providers and traditional software players delivering low-cost voice alternatives, which is changing our approach to service offerings and pricing, could have an adverse effect on our business
- A fundamental separation of content and connectivity has emerged, allowing the expansion and market penetration of low-cost OTT TV providers and other alternative service providers, some of which may offer content as loss leaders to support their core business, which is changing our TV and media ecosystems and could affect our business negatively
- Competition with global competitors such as Netflix and Amazon, in addition to traditional Canadian competitors, for programming content could drive significant increases in content acquisition costs as these competitors compete, along with other global-scale entities such as Google, disrupt local market dynamics as a result of innovative and flexible global market strategies
- Adverse economic conditions, such as economic downturns or recessions, adverse conditions in the financial markets, or a declining level of retail and commercial activity, could have a negative impact on the demand for, and prices of, our wired, wireless and media products and services, as well as drive an increase in bad debts as the creditworthiness of some customers declines
- Regulatory decisions regarding wholesale access to our wired and wireless networks could bring new competitors, or strengthen the market position of current competitors; in addition, such decisions may enable foreign access to the Canadian market as loss leaders, thus disrupting the local market dynamics
- Increasing number of off-contract customers could increase customer acquisition activity and churn in the Canadian wireless market
- Foreign competitors could enter the Canadian market and leverage their global scale advantage

For a further discussion of our competitive environment and competition risk, as well as a list of our main competitors, on a segmented basis, refer to Competitive landscape and industry trends and Principal business risks in section 5, Business segment analysis.

Security management

Our operations, service performance and reputation depend on how well we protect our assets, including networks, IT systems, offices and sensitive information, from events and attacks such as those referred to in section 9, Business risks – Operational performance – Our operations and business continuity depend on how well we protect, test, maintain and replace our networks, IT systems, equipment and other facilities. The protection and effective organization of our systems, applications and information repositories are central to the secure and continuous operation of our networks and business as electronic and physical records of proprietary business and personal data, such as confidential customer and employee information, are all sensitive from a market and privacy perspective. In particular, cyber threats, which include cyber attacks such as, but not limited to, hacking, computer viruses, denial of service attacks, industrial espionage, unauthorized access to confidential, proprietary or sensitive information, or other breaches of network or IT security, are constantly evolving and our IT defenses need to be constantly monitored and adapted. We are also exposed to cyber threats as a result of actions that may be taken by our customers, our suppliers, our employees or independent third parties, whether malicious or not, including as a result of the use of social media, cloud-based solutions and IT consumerization. Vulnerabilities could harm our brand and reputation as well as our customer relationships, and could adversely affect our financial results, given that they may lead to:

- Network operating failures and service disruptions, which could directly impact our customers’ ability to maintain normal business operations and deliver critical services and/or the ability of third-party suppliers to deliver critical services to us
- The theft, loss or leakage of confidential information, including customer or employee information, that could result in financial loss, exposure to claims for damages by customers and employees, and difficulty in accessing materials to defend legal cases
- Physical damage to network assets impacting service continuity as well as destruction or corruption of data
- Litigation, fines and liability for failure to comply with privacy and information security laws
- Fines and sanctions from credit card providers for failing to comply with payment card industry data security standards for protection of cardholder data
- Regulatory investigations and increased audit and regulatory scrutiny that could divert resources from project delivery
- Increased fraud as criminals leverage stolen information against us, our employees or our customers
- The potential for loss of subscribers or impairment of our ability to attract new markets
- Lost revenues due to service disruptions and the incurrence of remediation costs

Our projected financial performance for 2017 enabled us to increase the annualized BCE common share dividend for 2017 by 14 cents, or 5.1%, to $2.87 per share, maintaining our dividend payout ratio within our target policy range of 65% to 75% of free cash flow.
4.1 Introduction

BCE consolidated income statements

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
<th>$ CHANGE</th>
<th>% CHANGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating revenues</td>
<td>21,718</td>
<td>21,514</td>
<td>204</td>
<td>0.9%</td>
</tr>
<tr>
<td>Operating costs</td>
<td>12,931</td>
<td>12,963</td>
<td>32</td>
<td>0.2%</td>
</tr>
<tr>
<td>Adjusted EBITDA</td>
<td>8,587</td>
<td>8,551</td>
<td>36</td>
<td>0.4%</td>
</tr>
<tr>
<td>Adjusted EBITDA margin</td>
<td>40.5%</td>
<td>39.7%</td>
<td>0.8%</td>
<td></td>
</tr>
<tr>
<td>Severance, acquisition and other costs</td>
<td>138</td>
<td>(48)</td>
<td>186</td>
<td>38.8%</td>
</tr>
<tr>
<td>Depreciation</td>
<td>(2,877)</td>
<td>(2,890)</td>
<td>13</td>
<td>0.4%</td>
</tr>
<tr>
<td>Amortization</td>
<td>(531)</td>
<td>(530)</td>
<td>(1)</td>
<td>(0.1%)</td>
</tr>
<tr>
<td>Finance costs</td>
<td>(688)</td>
<td>(909)</td>
<td>221</td>
<td>23.2%</td>
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<tr>
<td>Interest expense</td>
<td>(81)</td>
<td>(110)</td>
<td>29</td>
<td>26.4%</td>
</tr>
<tr>
<td>Other income (expense)</td>
<td>21</td>
<td>(12)</td>
<td>33</td>
<td>n.m.</td>
</tr>
<tr>
<td>Income taxes</td>
<td>(1,110)</td>
<td>(924)</td>
<td>(186)</td>
<td>(20.1%)</td>
</tr>
<tr>
<td>Net earnings</td>
<td>3,087</td>
<td>2,792</td>
<td>295</td>
<td>10.1%</td>
</tr>
<tr>
<td>Earnings attributable to:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Common shareholders</td>
<td>2,854</td>
<td>2,526</td>
<td>328</td>
<td>14.6%</td>
</tr>
<tr>
<td>Preferred shareholders</td>
<td>137</td>
<td>150</td>
<td>(13)</td>
<td>(9.9%)</td>
</tr>
<tr>
<td>Non-controlling interest</td>
<td>56</td>
<td>92</td>
<td>4</td>
<td>7.7%</td>
</tr>
<tr>
<td>Adjusted net earnings</td>
<td>3,059</td>
<td>2,539</td>
<td>520</td>
<td>17.6%</td>
</tr>
<tr>
<td>Net earnings per common share (EPS)</td>
<td>3.33</td>
<td>2.98</td>
<td>0.35</td>
<td>11.7%</td>
</tr>
<tr>
<td>Adjusted EPS</td>
<td>3.46</td>
<td>3.36</td>
<td>0.10</td>
<td>3.0%</td>
</tr>
</tbody>
</table>

BCE delivered solid financial results in 2016 with revenue growth of 1.0%, compared to last year, driven by higher service revenues of 1.7%, resulting from ongoing growth in our Bell Wireless and Bell Media segments, moderated by a decline in our Bell Wireline segment. Net earnings in 2016 increased 13.1% compared to 2015, reflecting higher operating revenues and lower operating costs, which resulted in higher adjusted EBITDA, lower severance, acquisition and other costs, lower finance costs and higher other income, partly offset by higher amortization expense and higher income taxes. Adjusted EBITDA grew by 2.6%, in 2016, resulting from year-over-year increases across all of our segments. This led to an expansion in BCE adjusted EBITDA margin to 40.5%, up 0.8% compared to 2015.

The year-over-year increase in BCE's net earnings and adjusted EBITDA in 2016 reflected strong wireless service revenue flow-through and continued revenue growth from Internet, IPTV and media services, together with ongoing effective cost containment. This was moderated by the ongoing erosion of voice and legacy data revenues, in part reflecting the impact of continued slow economic growth in our business markets resulting in reduced customer spending on core connectivity services and data products, as well as lower contribution from our wholesale market. The higher customer acquisition and subscriber retention spending at Bell Wireless and escalating content costs at Bell Media also moderated the year-over-year growth in BCE adjusted EBITDA.

4.2 Customer connections

TOTAL BCE CONNECTIONS

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
<th>$ CHANGE</th>
<th>% CHANGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wireless subscribers</td>
<td>6,488,872</td>
<td>6,245,831</td>
<td>243,041</td>
<td>3.9%</td>
</tr>
<tr>
<td>Postpaid</td>
<td>6,400,727</td>
<td>6,170,416</td>
<td>230,311</td>
<td>3.7%</td>
</tr>
<tr>
<td>High-speed Internet</td>
<td>3,276,562</td>
<td>3,143,147</td>
<td>133,415</td>
<td>4.2%</td>
</tr>
<tr>
<td>IPTV</td>
<td>1,327,304</td>
<td>1,272,791</td>
<td>54,513</td>
<td>4.3%</td>
</tr>
<tr>
<td>Total growth services</td>
<td>4,560,343</td>
<td>4,379,474</td>
<td>180,869</td>
<td>4.2%</td>
</tr>
<tr>
<td>Wireless NAS lines</td>
<td>2,390,732</td>
<td>2,388,566</td>
<td>2,166</td>
<td>0.1%</td>
</tr>
<tr>
<td>Total services</td>
<td>20,948,075</td>
<td>20,866,190</td>
<td>281,885</td>
<td>1.4%</td>
</tr>
</tbody>
</table>

BCE added 314,553 new customer connections to its growth services in 2016, down 19.3% compared to last year. This was comprised of:

- 315,311 postpaid wireless customers, partly offset by the loss of 92,270 prepaid wireless customers
- 85,099 high-speed Internet customers
- 155,153 IPTV customers, partly offset by the loss of 148,740 satellite TV customers

NAS net losses of 415,408 in 2016 improved by 5.3% compared to 2015.

BCE's net earnings from ongoing operations increased 13.1% compared to 2015, reflecting higher operating revenues and lower operating costs, which resulted in higher adjusted EBITDA, lower severance, acquisition and other costs, lower finance costs and higher other income, partly offset by higher amortization expense and higher income taxes. Adjusted EBITDA grew by 2.6%, in 2016, resulting from year-over-year increases across all of our segments. This led to an expansion in BCE adjusted EBITDA margin to 40.5%, up 0.8% compared to 2015.

The year-over-year increase in BCE's net earnings and adjusted EBITDA in 2016 reflected strong wireless service revenue flow-through and continued revenue growth from Internet, IPTV and media services, together with ongoing effective cost containment. This was moderated by the ongoing erosion of voice and legacy data revenues, in part reflecting the impact of continued slow economic growth in our business markets resulting in reduced customer spending on core connectivity services and data products, as well as lower contribution from our wholesale market. The higher customer acquisition and subscriber retention spending at Bell Wireless and escalating content costs at Bell Media also moderated the year-over-year growth in BCE adjusted EBITDA.
4.3 Operating revenues

BCE

Revenues
($ in millions)

2016  2015  CHANGE  % CHANGE
Bell Wireless 7,159  7,798  (639)  (8.1%)
Bell Wireline 12,104  12,208  (104)  (0.8%)
Bell Media 3,881  2,974  907  30.5%
Inter-segment eliminations (62)  (59)  3  5.2%
Total BCE operating revenues 21,718  21,511  207  1.0%

BCE

Total operating revenues for BCE grew by 1.0% in 2016, compared to last year, as a result of solid growth from both our Bell Wireless and Bell Media segments, offset in part by a decline in our Bell Wireline segment. This was comprised of service revenues of $20,050 million, an increase of 1.7% compared to 2015, and product revenues of $1,639 million, a decline of 7.2% year over year.

Bell Wireless operating revenues were up 4.1% in 2016, compared to 2015, primarily due to service revenue growth of 5.7%, driven by a larger postpaid customer base coupled with the growth in blended ARPU. The year-over-year increase in blended ARPU was driven by the adoption of higher rate plans as customers continued to shift from three-year to two-year contracts, increased data usage from greater smartphone penetration and a growing base of preferred LTE and LTE-A customers, which was moderated in part by the continued decline in voice revenues. Product revenues decreased by 12.7% in 2016, mainly as a result of greater promotional offers in a highly competitive marketplace, as well as a lower number of device upgrades, moderated by a higher number of postpaid gross activations and a greater proportion of premium smartphone devices in our activation and upgrade mix.

Bell Wireline

Bell Wireline operating revenues decreased by 1.3% in 2016, compared to last year, attributable to the ongoing erosion in our traditional voice and legacy data revenues in part reflecting the impact of continued slow economic growth in our business markets, the sale of a call centre subsidiary in September 2015, as well as lower revenues in our wholesale market, driven by significantly lower revised interim rates set by the CRTC for aggregated wholesale high-speed Internet access services. Higher acquisition and retention discounts in our residential market resulting from intense competitive pressures from cable operators, along with subscriber base declines in satellite TV, also contributed to the decrease in operating revenues. This was mitigated in part by the continued growth of Internet and IPTV subscribers, along with higher retail household ARPU, as well as the acquisition of Q9 in the fourth quarter of 2016.

Bell Media

Bell Media operating revenues increased by 2.6% in 2016, compared to last year, due to higher subscriber revenues driven by Bell Media’s expansion of TVN into a national pay TV service in March 2016, combined with increased revenues from CraveTV, our streaming service, and our TV Everywhere Go products. The growth in operating revenues was moderated by lower advertising revenues due to market softness in TV and radio, the non-recurring of revenues generated in the second half of last year from the 2015 federal election, and the shift in advertising dollars to the principal broadcaster of the Rio 2016 Summer Olympic Games. The year-over-year decrease in advertising revenues was moderated by higher OOH advertising revenues primarily due to the Métromédia acquisition in January 2016 and new contract wins in 2016.

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4.4 Operating costs

BCE

Operating costs
($ in millions)

2016  2015  CHANGE  % CHANGE
Bell Wireless (4,159)  (4,246)  (87)  (2.7%)
Bell Wireline (7,962)  (7,936)  26  0.3%
Bell Media (2,338)  (2,251)  87  3.9%
Inter-segment eliminations 829  594  235  39.6%
Total BCE operating costs (12,351)  (12,993)  642  5.2%

BCE

Total BCE operating costs decreased by 0.2% in 2016, compared to 2015, as cost savings realized in our Bell Wireline segment more than offset increases in Bell Wireless and Bell Media.

BELL WIRELESS

Bell Wireless operating costs increased by 2.7% in 2016 compared to last year. The year-over-year increase in operating costs reflected:

- Higher customer retention spending mainly attributable to greater promotional spending in a very competitive marketplace coupled with a greater proportion of premium smartphone devices in our upgrade mix. This increase was partially offset by lower year-over-year subsidized upgrade volumes as a result of the convergence of three-year and two-year contract expires (referred to as “double cohort” in the wireless industry) following the final application of the mandatory code of conduct on June 3, 2015 for providers of retail mobile wireless voice and data services in Canada (Wireless Code), which drove greater activity in the marketplace in 2015.
- Increased subscriber acquisition costs driven by higher year-over-year gross activations, higher sales of more expensive smartphones, greater promotional pricing due to a competitive marketplace and a larger proportion of postpaid gross activations in our activation mix.
- Higher bad debt expense generated by increased revenues.
- Higher network operating costs driven by LTE and LTE-A network expansion and increased usage.
- Increased payments to other carriers resulting from higher data usage volume.

These factors were offset partly by lower labour costs driven by reduced call volumes to customer service centres.

BELL WIRELINE

Bell Wireline’s operating costs declined by 2.7% in 2016, compared to last year, as a result of:

- Lower labour costs attributable to workforce reductions, declining call volumes to customer service centres and vendor contract savings.
- Reduced post-employment benefit expense resulting from a higher year-over-year discount rate. Additionally, a gain recorded on an alignment of certain Bell Aliant DB pension plans with those of Bell Canada in the first quarter of 2016 also contributed to the year-over-year reduction.
- Lower cost of goods sold consistent with lower product sales.
• Decreased payments to other carriers driven by reduced volumes

The decline in operating costs was offset in part by increased programming costs for TV services attributable to a greater number of total TV subscribers and programming rate increases, combined with higher costs associated with the acquisition of Q9 in the fourth quarter of 2016.

**BELL MEDIA**

Operating costs increased by 3.9% in 2016, compared to last year, due to higher content costs related to sports broadcast rights, the TMN national expansion and continued ramp-up in CraveTV content, as well as an increase in expenses associated with the Métromédia acquisition and outdoor advertising contract wins. This was mitigated in part by lower labour costs as a result of a 2015 workforce reduction initiative.

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**4.6 Adjusted EBITDA**

**BCE’s adjusted EBITDA was 2.8% higher in 2016, compared to prior year, driven by favourable year-over-year contributions from all three of our segments.**

BCE’s adjusted EBITDA margin increased by 0.8% to 40.5% in 2016, compared to 2015, resulting from growth in wireless, Internet, TV and media services revenue, disciplined cost containment at Bell Wireline, and savings from workforce reductions at Bell Media. This was moderated by the ongoing erosion in our traditional voice and legacy data services, greater wireless subscriber acquisition and customer retention spending and higher content and programming costs in our Bell Media and Bell Wireline segments.

**BELL WIRELESS**

Bell Wireless adjusted EBITDA grew by 6.2% in 2016, compared to 2015, reflecting growth in service revenues driven by a larger postpaid customer base and higher blended ARPU, partly offset by increased operating costs. This resulted in slightly higher year-over-year adjusted EBITDA margin, based on service revenues, of 45.5% in 2016 compared to 45.3% achieved in 2015.

**BELL WIRELINE**

Bell Wireline adjusted EBITDA increased by 0.8% in 2016, compared to last year, led by revenue growth from our Internet and TV businesses, disciplined cost containment, and lower post-employment benefit expense, tempered by the ongoing loss of higher-margin voice and legacy data service revenues, and the continued, but moderating, pressure in our business markets revenues.

**BELL MEDIA**

Bell Media adjusted EBITDA increased by 2.8% in 2016, compared to last year, as higher revenues along with labour reduction initiatives more than offset the increase in content and programming costs.

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**4.7 Severance, acquisition and other costs**

This category includes various income and expenses that are not related directly to the operating revenues generated during the year.
Severance, acquisition and other costs included:

- Severance costs related to voluntary and involuntary workforce reduction initiatives of $87 million
- Acquisition and other costs of $48 million, which included transaction costs, such as legal and financial advisory fees, related to completed or potential acquisitions, as well as severance and integration costs relating to the privatization of Bell Aliant Inc.

Severance, acquisition and other costs included:

- Severance costs related to involuntary and voluntary workforce reduction initiatives of $197 million incurred mainly in our Bell Media and Bell Wireline segments to address increasing competition, media industry regulation, a soft business market and declines in home phone subscribers
- Acquisition and other costs of $249 million related mainly to a charge of $142 million incurred for the payment in full satisfaction of the judgment rendered in a litigation claim for Satellite TV signal piracy, severance and integration costs relating to the privatization of Bell Aliant Inc., as well as transaction costs, such as legal and financial advisory fees, related to completed or potential acquisitions.

### 4.8 Depreciation and amortization

The amount of our depreciation and amortization in any year is affected by:

- How much we invested in new property, plant and equipment and intangible assets in previous years
- How many assets we retired during the year
- Estimates of the useful lives of assets

**Depreciation**

Depréciation in 2016 decreased by $13 million, compared to 2015, due to an increase in the estimate of useful lives of certain assets as a result of our ongoing annual review process, partly offset by a higher depreciable asset base as we continued to invest in our broadband and wireless networks as well as our IPTV service. The changes to useful lives have been applied prospectively, effective January 1, 2016, as described in section 10.1, Our accounting policies – Critical accounting estimates and key judgments.

**Amortization**

Amortization in 2016 increased by $101 million compared to 2015 due mainly to a higher asset base.

### 4.9 Finance costs

**Interest expense**

Interest expense in 2016 decreased by $21 million, compared to 2015, as a result of lower average interest rates, partly offset by higher average debt levels.

**Interest on post-employment benefit obligations**

Interest on our post-employment benefit obligations is based on market conditions that existed at the beginning of the year. On January 1, 2016, the discount rate was 4.2% compared to 4.0% on January 1, 2015.

In 2016, interest expense decreased by $29 million, compared to last year, due to a lower post-employment benefit obligation. The impacts of changes in market conditions during the year are recognized in other comprehensive (loss) income (OCI).

### 4.10 Other income (expense)

Other income (expense) includes income and expense items, such as:

- Net mark-to-market gains or losses on derivatives used as economic hedges
- Net gains or losses on investments, including gains or losses when we dispose of, write down or reduce our ownership in investments
- Equity (loss) income from investments in associates and joint ventures
Losses on disposal and retirement of software, plant and equipment

Early debt redemption costs

Impairment of assets

2016 Other income of $21 million included net mark-to-market gains of $67 million on derivatives used as economic hedges of share-based compensation and U.S. dollar purchases and gains on investments of $58 million which included a gain related to one of our equity investments of $34 million, as well as a gain of $12 million due to the remeasurement of BCE’s previously held equity interest in Q9 to its fair value. These were partly offset by losses of $89 million on equity investments which included BCE’s share of the loss recorded by one of our equity investments on the sale of a portion of their operations of $46 million and $11 million equity losses on our share of an obligation to repurchase at fair value the minority interest in one of BCE’s joint ventures. Additionally, BCE recorded losses of $28 million on disposal of software, plant and equipment.

2015 Other expense included losses on disposal of software, plant and equipment of $55 million, a net impairment charge of $49 million mainly related to Bell Media’s music properties resulting from revenue and profitability declines from lower viewership and higher TV content costs, and losses totalling $49 million from our equity investments which included a loss on investments of $54 million representing our share of an obligation to repurchase at fair value the minority interest in one of BCE’s joint ventures. These factors were partly offset by a gain on investments of $72 million mainly due to a $94 million gain on the sale of our 50% ownership interest in Glentel to Rogers Communications Inc. (Rogers), and net mark-to-market gains of $54 million on derivatives used as economic hedges of share-based compensation and U.S. dollar purchases.

4.11 Income taxes

The following table provides information and reconciles the amount of reported income taxes in the income statements with income taxes calculated at a statutory income tax rate of 27.1% and 26.9% for 2016 and 2015, respectively.

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net earnings</td>
<td>3,087</td>
<td>2,730</td>
</tr>
<tr>
<td>Add back income taxes</td>
<td>1,110</td>
<td>924</td>
</tr>
<tr>
<td>Earnings before income taxes</td>
<td>4,197</td>
<td>3,654</td>
</tr>
<tr>
<td>Applicable statutory tax rate</td>
<td>27.1%</td>
<td>26.9%</td>
</tr>
<tr>
<td>Income taxes computed at applicable statutory rates</td>
<td>(1,137)</td>
<td>(983)</td>
</tr>
<tr>
<td>Non-taxable portion of gains on investments</td>
<td>11</td>
<td>26</td>
</tr>
<tr>
<td>Uncertain tax positions</td>
<td>(6)</td>
<td>41</td>
</tr>
<tr>
<td>Utilization of previously unrecognized tax credits</td>
<td>–</td>
<td>5</td>
</tr>
<tr>
<td>Effect of change in provincial corporate tax rate</td>
<td>4</td>
<td>(5)</td>
</tr>
<tr>
<td>Change in estimate relating to prior periods</td>
<td>46</td>
<td>8</td>
</tr>
<tr>
<td>Non-taxable portion of equity losses</td>
<td>(23)</td>
<td>(14)</td>
</tr>
<tr>
<td>Other</td>
<td>(2)</td>
<td>(1)</td>
</tr>
<tr>
<td>Total income taxes</td>
<td>(1,110)</td>
<td>(924)</td>
</tr>
<tr>
<td>Average effective tax rate</td>
<td>26.4%</td>
<td>25.3%</td>
</tr>
</tbody>
</table>

4.12 Net earnings attributable to common shareholders and EPS

Net earnings attributable to common shareholders in 2016 increased by $368 million, compared to 2015, due mainly to higher operating revenues and lower operating costs, which resulted in higher adjusted EBITDA, lower severance, acquisition and other costs, lower finance costs and higher other income, partly offset by higher amortization expense and higher income taxes.

BCE’s EPS of $3.33 in 2016 increased by $0.35 compared to 2015. The increase in EPS was partly offset by an increase in the average number of BCE common shares outstanding, mostly as a result of shares issued under a bought deal offering in December 2015.

Excluding the impact of severance, acquisition and other costs, net gains (losses) on investments and early debt redemption costs, adjusted net earnings in 2016 was $3,009 million, or $3.46 per common share, compared to $2,845 million, or $3.36 per common share in 2015.

4.13 Capital expenditures
BCE capital expenditures were up $145 million, or 4.0%, in 2016, compared to 2015, driven by greater spending in our Bell Wireline and Bell Wireless segments. As a percentage of revenue, capital expenditures for BCE were 17.4% in 2016 compared to 16.9% last year. Our capital investments supported the continued rollout of broadband fibre, including the build-out of Gigabit Fibre in the city of Toronto and other urban locations, the ongoing deployment of our 4G LTE and LTE-A mobile networks, and expansion of wireless and internet network capacity to support subscriber growth and accelerating data consumption.

4.14 Cash flows
In 2016, BCE's cash flows from operating activities increased by $369 million, compared to 2015, due mainly to higher adjusted EBITDA, lower acquisition and other costs paid and lower income taxes paid, partly offset by a higher voluntary DB pension plan contribution made in 2016. Free cash flow increased by $227 million in 2016, compared to 2015, due to higher cash flows from operating activities, partly offset by higher capital expenditures.

5 Business segment analysis
5.1 Bell Wireless
In 2016, we delivered industry-leading financial performance through disciplined postpaid customer acquisition and retention, while achieving higher ARPU through increased smartphone adoption that drove accelerated mobile data usage.

Key elements of relevant strategic imperatives

2016 PROGRESS
- Acquired 30% and 37% of total new postpaid gross and net activations, respectively, among the three national wireless carriers, while achieving leading service revenue, ARPU and adjusted EBITDA growth of 5.7%, 3.8% and 6.2%, respectively
- Expanded the number of smartphone users at the end of 2016 to 83% of our total postpaid subscribers, up from 78% at the end of 2015
- Increased the number of postpaid subscribers on our LTE network to 81% of our total postpaid subscribers, up from 86% at the end of 2015
- Explored our smartphone and tablet lineup with 30 new devices, including the iPhone 7 and 7 Plus from Apple, the Samsung Galaxy S7 and S7 edge, Google's Pixel and Pixel XL and the LG G5, adding to our extensive selection of 4G LTE and LTE-A capable devices
- Launched VoLTE technology in Ontario, Atlantic Canada, parts of Quebec and British Columbia, Whistler and Whitehorse for Bell customers with compatible smartphones. VoLTE enables faster call set up times, HD voice quality and the ability to switch seamlessly between voice and video during calls
- Launched Roam Better International roaming feature that gives customers access to specialized rates while traveling, providing unlimited voice and text messages and an additional dedicated 100 MB of data usage for $10 a day in over 110 destinations across Europe, the Americas, Asia and South Africa
- Launched a new portfolio of products and support services to make mobile communications more accessible for customers with speech, cognitive, physical, hearing and vision related disabilities, including the Doro 824 and 824C smartphones for customers with moderate visual needs, the Mobile Accessibility screen reader app to assist blind and low vision users, and Tecla by Komodo, a portable and hands free device that enables customers with physical upper body limitations to easily use smartphones and tablets without touching the screen

2017 FOCUS
- Profitably grow our wireless postpaid subscriber base, while maintaining market share momentum of incumbent postpaid subscriber activations
- Continue to increase ARPU
- Offer the latest handsets and devices in a timely manner to enable customers to benefit from ongoing technological improvements by manufacturers and from faster data speeds to optimize the use of our services
- Continue to increase the number of postpaid smartphone subscribers using our 4G LTE and LTE-A networks
- Expand VoLTE technology coverage areas and broaden rollout to more supported devices
- Accelerate new revenue streams by continuing to drive the commercialization of IoT services and applications

2016 PROGRESS
- Expanded our 4G LTE wireless network to reach 97% of the Canadian population coast to coast
- Continued the rollout of our Dual-band LTE-A wireless network, providing service to 73% of the Canadian population at data speeds of up to 250 Mbps (expected average download speeds of 18 to 74 Mbps). In addition, Tri-band LTE-A wireless service, enabled by aggregating PCS, AWS-1 and 700 MHz spectrum, that delivers mobile data speeds of up to 335 Mbps (expected average download speeds of 25 to 100 Mbps), was launched in a number of cities and areas, including in Halifax, Fredericton, Moncton, Saint John, Sydney, St. John’s, Toronto, Hamilton, Oakville, London, Kitchener-Waterloo, Niagara Falls, Muskoka Lakes, Sudbury, Sarnia, Trois-Rivières and Chicoutimi
- Bell’s 4G LTE wireless network was ranked as the fastest mobile LTE network in Canada by PCMag
- According to Nielsen Consumer Insights, more Canadians chose Bell as having the best mobile network in Canada
Conducted the first Canadian trials of 5G mobile technology in collaboration with Nokia Corporation, leveraging spectrum in the 73 GHz range to achieve sustained data speeds more than six times faster than top 4G mobile speeds now available in Canada.

2017 FOCUS

- Complete our 4G LTE wireless network build to 99% of the Canadian population and manage wireless network capacity
- Expand LTE-A coverage to reach approximately 93% of the Canadian population
- Increase LTE-A speeds up to 560 Mbps in select areas through four-carrier aggregation (expected average download speeds of 41 to 166 Mbps)
- Increase small cell deployment and in-building coverage to increase urban densification

2016 PROGRESS

- The CCTS received 18% fewer complaints about Bell and Virgin Mobile between August 1, 2015 and July 31, 2016 than during the equivalent period of the previous year, continuing the steady decline in Bell and Virgin Mobile complaints since July 2013
- Reduced customer calls to our service centres by 4 million in 2016 due to more self-serve online transactions by customers and overall operational improvements. Online self-serve visits, infoviews and transactions totaled more than 190 million, an increase of 30 million over 2015.

2017 FOCUS

- Continue to invest in customer service initiatives to simplify complexity for all customers, including billing
- Further reduce the total volume of customer calls to our call centres
- Further improve customer satisfaction scores
- Achieve better consistency in customer experience
- Continue to improve customer personalization

Achieve a competitive cost structure

2016 PROGRESS

- Delivered cost savings from ongoing service improvements

2017 FOCUS

- Capture operating cost and capital expenditure synergies from the integration of MTS following the completion of the acquisition by BCE
- Deliver cost savings from ongoing service improvements

Financial performance analysis

2016 PERFORMANCE HIGHLIGHTS

- Postpaid subscriber growth +4.3% in 2016
- Postpaid net activations 315,311 in 2016
- Postpaid churn in 2016 1.25%
- Improved 0.02% vs. 2015
- Blended ARPU per month 2016: $65.46 2015: $63.09
- Smartphone penetration of postpaid subscribers 2016: 63% 2015: 58%
- +5 pts

2016 PROGRESS

- Delivered cost savings from ongoing service improvements

2017 FOCUS

- Capture operating cost and capital expenditure synergies from the integration of MTS following the completion of the acquisition by BCE
- Deliver cost savings from ongoing service improvements

BELL WIRELESS RESULTS

REVENUES

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
<th>$ CHANGE</th>
<th>% CHANGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service</td>
<td>6,402</td>
<td>6,246</td>
<td>156</td>
<td>5.7%</td>
</tr>
<tr>
<td>Product</td>
<td>515</td>
<td>590</td>
<td>(75)</td>
<td>(12.7%)</td>
</tr>
<tr>
<td>Total external revenues</td>
<td>7,117</td>
<td>7,836</td>
<td>(719)</td>
<td>(9.2%)</td>
</tr>
<tr>
<td>Inter-segment revenues</td>
<td>42</td>
<td>40</td>
<td>2</td>
<td>5.0%</td>
</tr>
<tr>
<td>Total Bell Wireless revenues</td>
<td>7,159</td>
<td>7,876</td>
<td>(717)</td>
<td>(9.0%)</td>
</tr>
</tbody>
</table>

Bell Wireless operating revenues grew by 4.1% in 2016, compared to last year, as a result of higher service revenues, partly offset by lower product revenues.

- Service revenues grew by 5.7% in 2016, compared to last year, driven by a larger postpaid subscriber base along with blended ARPU growth. The increase in blended ARPU reflected higher average monthly access rates due to the continued shift by customers from three-year plans to two-year plans, as well as greater smartphone penetration and a growing base of postpaid LTE and LTE-A customers in our subscriber mix which continued to drive growth in data consumption. The year-over-year growth in service revenues was moderated by lower wireless voice revenues, due mainly to increased adoption of all-inclusive rate plans, and the...
Bell Wireless operating costs increased 2.7% in 2016, compared to last year, as postpaid customers typically have a lower churn rate than prepaid customers, and also reflected the favourable impact of our ongoing investment in customer retention.

Retention costs totalled $8,468,872 at December 31, 2016, representing an increase of 2.7% since the end of 2015. The proportion of Bell Wireless customers subscribing to postpaid service increased to 91% in 2016 compared to 89% in 2015.

Prepaid net customer losses improved by 33.2% in 2016, compared to last year, driven by fewer customer deactivations, partially offset by lower gross activations.

There are over 30 million wireless subscribers in Canada. The market is highly competitive among three well-established national competitors as well as a number of regional competitors. Rogers holds the largest share by virtue of its legacy global system for mobile communications (GSM) network. However, Bell has had significant success winning subscribers as well as the largest proportion of industry revenue and adjusted EBITDA growth, driven by greater activity in the marketplace. This increase was partially offset by lower year-over-year subsidized upgrade volumes as 2015 was impacted by the double cohort which drove greater activity in the marketplace.

Gross activations increased by 3.4% in 2016, compared to last year, reflecting the continued effectiveness of our promotional activities despite ongoing competitive pressures and a maturing wireless market.

Prepaid gross activations decreased by 5.8% in 2016, compared to last year, due to our continued focus on postpaid customer acquisitions and increased phone data consumption which further contributed to the growth in blended ARPU. This was moderated by the impact of richer plans with higher data usage thresholds, unlimited local and long distance calling and a greater mix of shared plans.

Total gross wireless activations increased by 3.4% in 2016, compared to last year, reflecting a higher number of postpaid gross activations, while prepaid gross activations declined year over year.

- Postpaid gross activations increased by 5.2% in 2016, compared to last year, reflecting the continued effectiveness of our promotional activities as ongoing competitive pressures and a maturing wireless market.
- Prepaid gross activations decreased by 5.8% in 2016, compared to last year, due to fewer customer activations.
- Prepaid churn improved by 0.19% in 2016, compared to last year, to 3.13%, as a result of fewer customer deactivations compared to 2015.
- Postpaid churn improved by 0.05% in 2016 to 1.26%, compared to 2015, due to greater activity in the marketplace last year as a result of the double cohort that began in June 2015. Our ongoing investment in customer retention and improved customer service also contributed to the improvement in churn.
- Prepaid churn improved by 1.19% in 2016, compared to last year, to 3.13%, as a result of fewer customer deactivations compared to 2015.

Postpaid net activations increased by 18.6% in 2016, compared to last year, due to higher gross activations offset by higher customer deactivations.

Prepaid net customer losses improved by 33.2% in 2016, compared to last year, driven by fewer customer deactivations, partially offset by lower gross activations.

Wireless subscribers totalled 8,468,872 at December 31, 2016, representing an increase of 2.7% since the end of 2015. The proportion of Bell Wireless customers subscribing to postpaid service increased to 91% in 2016 from 89% in 2015.

COA per gross activation increased year over year by $27 to $94 in 2016, reflecting the impact of a higher proportion of postpaid customers in our activation mix, combined with higher handset prices due to the sale of more expensive premium smartphones and a weak Canadian dollar, as well as greater promotional offers driven by a highly competitive market.

Retention costs as a percentage of service revenue increased to 12.3% in 2016 compared to 12.6% in 2015. The increase in retention costs in 2016 was mainly attributable to the ongoing shift to more expensive smartphone models in our upgrade mix and greater promotional pricing driven by a very competitive market, offset in part by a lower number of subsidized upgrades in 2016 given that 2015 was impacted by the double cohort which drove greater activity in the marketplace.


cOMPETITIVE LANDSCAPE

The wireless market is the largest sector of the Canadian telecommunications industry, representing 49% of total revenues, and is currently growing at a mid-single digit rate annually.

COA from 89% in 2015.

Competitors

Columbia, Alberta and Ontario. Shaw rebranded WIND Mobile as Freedom Mobile in November 2016. Vidéotron Ltée (Vidéotron) continues to operate as a regional facilities-based wireless service provider in Québec, and Eastlink in Atlantic Canada. These cable TV-based wireless providers, in addition to provincial carriers in Manitoba and Saskatchewan, represent fourth carriers in their respective markets.

Canada's wireless penetration was approximately 83% at the end of 2016, compared to 116% for the U.S. and as high as 180% in certain countries in Europe. Canada's wireless sector is expected to continue growing at a steady pace for the foreseeable future, driven by the increasing usage of data services, the ongoing adoption of more capable smartphones and tablets and the further expansion of LTE-A network service enabled by the aggregation of multiple channels of wireless spectrum.

COMPETITIVE LANDSCAPE

The wireless market is the largest sector of the Canadian telecommunications industry, representing 49% of total revenues, and is currently growing at a mid-single digit rate annually.

There are over 30 million wireless subscribers in Canada. The market is highly competitive among three well-established national competitors as well as a number of regional competitors. Rogers holds the largest share by virtue of its legacy global system for mobile communications (GSM) network. However, Bell has had significant success winning subscribers as well as the largest proportion of industry revenue and adjusted EBITDA growth since 2009, helped by the launch of our HSPA+, 4G LTE and LTE-A networks, expanded retail distribution, the purchase of Virgin Mobile, a rebranded brand and improved customer service.

In March 2016, the Western Canada-based cable TV company, Shaw Communications Inc. (Shaw), completed its previously announced acquisition of Wind Mobile, effectively making Shaw the fourth wireless carrier in British Columbia, Alberta and Ontario. Shaw rebranded Wind Mobile as Freedom Mobile in November 2016. Videotron Ltée (Videotron) continues to operate as a regional facilities-based wireless service provider in Quebec, and Eastlink in Atlantic Canada. These cable TV-based wireless providers, in addition to provincial carriers in Manitoba and Saskatchewan, represent fourth carriers in their respective markets.

Canada's wireless penetration was approximately 83% at the end of 2016, compared to 116% for the U.S. and as high as 180% in certain countries in Europe. Canada's wireless sector is expected to continue growing at a steady pace for the foreseeable future, driven by the increasing usage of data services, the ongoing adoption of more capable smartphones and tablets and the further expansion of LTE-A network service enabled by the aggregation of multiple channels of wireless spectrum.

Competitors
Canadian wireless market share

![Graph showing wireless market share](image)

**KEY WIRELESS METRICS – SHARE FOR NATIONAL CARRIERS**

**INDUSTRY TRENDS**

**ACCELERATING DATA CONSUMPTION**

Wireless data growth continues to be driven by the ongoing adoption of smartphones and tablets, and associated data plans. The demand for wireless data services is expected to continue to grow, due to ongoing investment in faster network technologies, such as 4G LTE and LTE-A, that provide a richer user experience, and a larger appetite for mobile connectivity and social networking, greater selection of smartphones and tablets, as well as increasing adoption of shared plans with multiple devices by families. Greater customer adoption of data services, including mobile TV, data roaming for travel, mobile commerce, mobile banking, and other IoT applications in the areas of retail and transportation (connected car, asset tracking, and remote monitoring) should also contribute to the growth. In the consumer market, IoT is projected to be a future growth area for the industry as wireless connectivity on everyday devices, from home automation to cameras, becomes ubiquitous.

**NEED FOR MORE WIRELESS SPECTRUM AND CARRIER AGGREGATION**

Fast growth in mobile data traffic is increasingly putting a strain on wireless carriers’ networks and their ability to manage and service this traffic. Industry Canada’s 700 MHz, Advanced Wireless Services-3 (AWS-3), and 2500 MHz spectrum auctions that concluded in 2014 and 2015 provided wireless carriers with prime spectrum to roll out faster next-generation wireless networks and build greater capacity. Furthermore, carrier aggregation is a technology currently being employed by Canadian wireless carriers (and which is expected to be used more extensively in the future) that allows for multiple spectrum channels to be used together, thereby significantly increasing capacity and data transfer rates.

**GREATER SPENDING ON CUSTOMER RETENTION**

As wireless penetration in Canada increases further, together with a growing number of off-contract subscribers and a continued high level of competitive intensity, even greater focus will be required to improve customer service, enhance existing service offerings and spend on upgrading more customers to new devices. In particular, as a result of the Wireless Code, which has limited wireless contract terms to two years from three years previously, a higher level of transactional market activity is expected as a result of a growing number of customers who will be eligible to renew their plans or change carriers. However, as the number of customer contract migrations from three-year to two-year contracts slows down, ARPU growth is expected to moderate.

**BUSINESS OUTLOOK**

2017 OUTLOOK
We expect continued revenue growth driven by a greater number of postpaid subscribers and higher ARPU. We expect ARPU to continue to increase, but at a slower pace, as the market continues to mature, driven by the flow-through of access rate increases implemented in January 2016, higher-rate plan pricing for bring-your-own-device (BYOD) plans, a larger proportion of higher-rate plans in the revenue mix reflecting increased customer adoption of larger data buckets, accelerated data usage, and further growth in the proportion of postpaid subscribers in our overall customer base as we focus on maintaining our incumbent net additions market share in a disciplined and cost-conscious manner.

We will seek to achieve higher revenues from data growth, through the use of our HSPA+, 4G LTE and LTE-A networks, higher demand for services such as web browsing, music and video streaming and community portals such as Facebook and YouTube, as well as nascent services including mobile commerce and other IoT applications. Our intention is to introduce these new services to the market in a way that balances innovation with profitability.

We plan to deliver adjusted EBITDA growth in 2017 from continued solid revenue growth, which should be partly offset by higher subscriber acquisition and retention spending consistent with a sustained high level of competitive market activity.

ASSUMPTIONS

- Maintain our market share of incumbent wireless postpaid subscriber activations
- Continued adoption of smartphone devices, tablets and data applications, as well as the introduction of more 4G LTE devices and new data services
- Higher subscriber acquisition and retention spending, driven by higher handset costs and more customer-device upgrades, reflecting a higher number of off-contract subscribers due to earlier expires under two-year contracts
- Higher blended ARPU, driven by a higher postpaid smartphone mix, increased data consumption on 4G LTE and LTE-A networks, and higher access rates from price increases
- Completion of the LTE network buildout to 99% of the Canadian population and expansion of the LTE-A network coverage to approximately 83% of the Canadian population
- Ability to monetize increasing data usage and customer subscriptions to new data services
- Ongoing technological improvements by handset manufacturers and from faster data network speeds that allow customers to optimize the use of our services
- No material financial, operational or competitive consequences of changes in regulations affecting our wireless business

Key drivers

- Increasing Canadian wireless industry penetration
- Increasing customer adoption of smartphones, tablets and other 4G LTE devices to increase mobile data usage
- Greater number of postpaid customers on our 4G LTE and LTE-A networks
- Customer usage of new data applications and services

Principal business risks

This section discusses certain principal business risks specifically related to the Bell Wireless segment. For a detailed description of the principal risks that could have a material adverse effect on our business, refer to section 9, Business risks.

REGULATORY ENVIRONMENT

RISK

- Greater regulation of wireless services (e.g. more stringent regulation of wholesale roaming rates, additional mandated access to wireless networks, limitations placed on future spectrum bidding, and a more stringent Wireless Code for retail services)

POTENTIAL IMPACT

- Greater regulation could limit our flexibility, influence the market structure, improve the business positions of our competitors and negatively impact the financial performance of our wireless business

AGGRESSIVE COMPETITION

RISK

- The intensity of competitive activity from incumbent wireless operators, newer wireless entrants, non-traditional players and resellers

POTENTIAL IMPACT

- Pressure on our adjusted EBITDA, ARPU, churn, CDA and retention would likely result if competitors aggressively increase discounts for handsets and price plans, offer shared plans based on sophisticated pricing requirements or offer other incentives, such as new data plans or multi-product bundles, to attract new customers

MARKET MATURITY

RISK

- Slower subscriber growth and smartphone penetration due to higher Canadian wireless penetration

POTENTIAL IMPACT

- A maturing wireless market could challenge subscriber growth and put pressure on the financial performance of our wireless business

5.2 Bell Wireline

Our Bell Wireline segment achieved positive adjusted EBITDA growth for a second consecutive year in 2016, supported by continued Internet and IPTV subscriber growth, higher household ARPU and lower operating costs, which drove a 0.9 percentage-point improvement in our North American industry-leading margin of 41.7%.

Key elements of relevant strategic imperatives

Leverage wireline momentum

2016 PROGRESS

- Maintained our position as Canada’s largest TV provider with 2,749,909 subscribers, and increased our total number of IPTV subscribers by 13.1% to 1,337,944
- Built on our position as the leading ISP in Canada with a high-speed Internet subscriber base of 3,476,562, up 1.9% over 2015
- Increased the number of multi-product households – those that buy TV, Internet and Home Phone – by 4% over 2015, fueled by our IPTV service, which drove higher pull-through attach rates for Home Phone and Internet services, with 74% of all new IPTV customers taking three products
- Maintained our leadership position in Canadian broadband communications with the most advanced products in the home and continuous IPTV and Internet service innovation
- Launched Home Hub 3000 residential gateway, offering the most powerful home Wi-Fi service with 12 antennas, total throughput capability of up to 1 Gb, automatic channel switching for reduced interference, tri-band technology supporting multiple connected devices and battery back-up that enables customers to use Fibe Internet during a power outage for up to four hours
- Launched Wireless 4K Whole Home PVR, enabling the world’s first fully wireless IPTV service with the flexibility to easily locate Fibe TV anywhere in the home, and featuring 4K quality with four times the detail of Full HD, up to 150 hours of 4K recording capacity and Bluetooth remote that enables cut-out-of-sight positioning of the PVR
- Became the first TV provider in Canada to integrate access to Netflix in 4K Whole Home PVR
- Became the first Canadian TV service provider to offer TV service on Apple TV, providing access to up to 450 channels live or on-demand and unique Fibe TV features like top trending shows, with recordings and pause and rewind live TV coming later in 2017
- Bell Fibe TV was ranked as the most advanced TV service in Canada
- Bell’s FPTV Fibe Internet service led Canadian Internet providers, exceeding advertised download speeds by a greater margin than the competition
- Launched Virgin Home Internet service in Ontario and Quebec
- Acquired Q9, a Toronto-based data centre operator providing outsourced hosting and other data solutions to Canadian business and government customers, supporting our ability to compete against domestic and international providers in the growing data centre sector
- Launched Bell Total Connect for small business customers across Ontario and Quebec, delivering a suite of advanced messaging and unified communications services on both broadband fibre and mobile LTE networks
- Firmed a partnership with IBM to expand the cloud computing services available through our Bell Business Cloud service, giving businesses across Canada access to the IBM Cloud via a secure, high-speed private connection from Bell, simplifying the way customers adopt and build out their hybrid clouds

2017 FOCUS
- Continue to enhance our IPTV service with more advanced features
- Make Bell Fibe TV available as a standalone TV service
- Expand our total base and market share of TV and Internet subscribers profitably
- Reduce total wireline residential net losses
- Increase residential household ARPU through greater multi-product household penetration
- Increase share of wallet of large enterprise customers through greater focus on business service solutions and connectivity growth
- Increase the number of net new customer relationships in both large and mid-sized businesses and reduce small business customer losses

**2016 PROGRESS**

- Continued to expand our FTTP broadband fibre footprint in communities across Ontario, Québec and Atlantic Canada, reaching approximately 2.9 million homes and businesses. FTTP enables Internet speeds of up to 1 Gbps.

**2017 FOCUS**

- Expand FTTP broadband fibre footprint to approximately 3.5 million locations passed

**Invest in broadband networks and services**

**2016 PROGRESS**

- The CCTS received 18% fewer complaints about Bell and Virgin Mobile between August 1, 2015 and July 31, 2016 than during the equivalent period of the previous year, continuing the steady decline in Bell and Virgin Mobile complaints since July 2013.
- Launched Manage Your Appointment feature, offering residential customers an easy way to confirm and check the status of their service appointments online.
- Reduced customer calls to our service centres by 4 million in 2016 due to more self-serve online transactions by customers and overall operational improvements. Online self-serve visits, infoviews and transactions totaled more than 190 million, an increase of 30 million over 2015.
- Reduced Fibe TV installation time for FTTP customers by 9% in 2016 and 43% since the beginning of 2012.
- Achieved Same Day Next Day service completion rate of 85% for repairing service issues with Home Phone, TV and Internet.
- Improved customer satisfaction with technicians to 95% for installations and repairs.
- Offered installation appointments within two days of placing an order to 76% of residential customers, an increase of almost two times since 2014.
- Offered Same Day repair to 73% of small business customers, who are now able to schedule appointments until 4:00 p.m. for Same Day repair.
- Improved skill set of customer service agents to allow them to resolve more technical issues, eliminating 30% of transfers to second-level support.

**2017 FOCUS**

- Continue to invest in customer service initiatives to simplify complexity for all customers, including billing.
- Further reduce the total volume of customer calls to our call centres.
- Further improve customer satisfaction scores.
- Achieve better consistency in customer experience.
- Continue to improve customer personalization.
- Reduce Fibe TV installation times and improve service quality.
- Deploy new diagnostic technology enabling enhanced troubleshooting and service monitoring for our customers.

**Financial performance analysis**

**2016 PERFORMANCE HIGHLIGHTS**
and ongoing NAS and satellite TV subscriber base erosion. Slow economic growth and competitive pricing pressures continued to unfavourably impact our business markets revenues although the rate of erosion improved compared to last year. Bell Wireline operating revenues were further negatively impacted by a decrease in our wholesale market, driven by an unfavourable CRTC rate revision for aggregated wholesale high-speed Internet access services.

- Data service revenues increased by 3.1% in 2016, compared to 2015, driven by higher Internet and IPTV revenues, due to growth in the subscriber bases and rate increases, as well as higher business solutions service revenues mainly reflecting the acquisition of Q9 in the fourth quarter of 2016. This was partly offset by lower satellite TV revenues primarily driven by a lower subscriber base, the continued erosion in legacy data revenues, as well as significantly lower revised interim rates set by the CRTC, effective October 2016, for aggregated wholesale high-speed Internet access services.
- Local and access revenues decreased by 5.6% in 2016, compared to last year, as a result of the continued loss of NAS lines due to aggressive offers from cable TV providers, technological substitution to wireless and Internet-based services and large business customer conversions to IP-based data services, moderated in part by rate increases on our residential services.
- Long distance revenues declined by 10.8% in 2016, compared to 2015, reflecting lesser minutes of use by residential and business customers, resulting from NAS line losses, technology substitution to wireless and OTT Internet-based services, continued rate pressures in our residential market from customer adoption of premium rate plans, and lower sales of international long distance minutes in our wholesale market.
- Product revenues declined by 4.4% in 2016, compared to 2015, driven by ongoing slow economic growth in our business market resulting in lower demand for equipment.

**Operating costs and adjusted EBITDA**

Bell Wireline operating costs decreased by 2.7% in 2016, compared to last year, as a result of:

- Labour cost savings attributable to workforce reductions, a decline in call volumes to customer service centres and vendor contract savings
- Decreased post-employment benefit expense resulting from a higher discount rate year over year and a gain recorded on an alignment of certain Bell Aliant DB pension plans with those of Bell Canada in the first quarter of 2016
- Lower cost of goods sold associated with lower product sales
- Reduced payments to other carriers driven by reduced volumes

The decline in operating expenses was partly offset by increased programming costs for TV services resulting from a higher number of total TV subscribers and programming rate increases, as well as higher costs associated with the acquisition of Q9 in the fourth quarter of 2016.

Bell Wireline adjusted EBITDA increased by 0.8% in 2016, compared to 2015, with a corresponding adjusted EBITDA margin expansion to 41.7% from 40.8% in 2015. The year-over-year growth in adjusted EBITDA was driven by higher revenues from our Internet and TV businesses, ongoing effective cost management and lower post-employment benefit expense which more than offset the continued loss of higher-margin voice and legacy data services revenues and the continued, but moderating, pressure in our business markets revenues.

**Bell Wireline operating metrics**

**Data**

<table>
<thead>
<tr>
<th>High-speed Internet</th>
<th>2016</th>
<th>2015</th>
<th>CHANGE</th>
<th>% CHANGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>High-speed Internet net activations</td>
<td>85,099</td>
<td>92,009</td>
<td>(7,910)</td>
<td>(8.8)%</td>
</tr>
<tr>
<td>High-speed Internet subscribers(1)</td>
<td>3,476,562</td>
<td>3,413,147</td>
<td>63,415</td>
<td>1.9%</td>
</tr>
</tbody>
</table>

(1) Our 2016 business Internet subscriber base reflects a beginning of period adjustment to reduce the number of subscribers by 21,684 in order to align practices as a result of the integration of Bell Aliant.

High-speed Internet subscriber net activations decreased by 4.1% in 2016, compared to 2015, as a result of lower retail and wholesale residential net activations, driven by increasingly aggressive offers from cable competitors, a greater number of retail customers coming off promotional offers which increased deactivations and lower pull-through due to the reduction in IPTV activations. This was partly mitigated by increased activations from the launch of Home Internet service in the second half of 2016 by Virgin Mobile, higher retail activations in our FTTN footprint, as well as modest growth in our business market.
IPTV net subscriber activations decreased by 38.8% in 2016, compared to last year, driven by a higher number of retail customers coming off promotional offers, aggressive offers from the cable competitors for service bundles, the impact of maturing Fibe TV markets, slower IPTV footprint expansion in 2016, and fewer customer migrations from satellite TV.

Satellite TV net subscriber losses increased by 1.9% in 2016, compared to 2015, attributable to lower activations, driven by increased promotional offers from cable competitors, which was moderated by fewer customer deactivations and lower retail migrations to IPTV.

Total TV net subscriber activations (IPTV and satellite TV combined) declined by 1.967% in 2016, compared to last year, due to lower IPTV net activations and higher satellite TV net losses, as described above.

IPTV subscribers at December 31, 2016 totalled 1,337,944, up 13.1% from 1,182,791 subscribers reported at the end of 2015.

Satellite TV subscribers at December 31, 2016 totalled 1,406,965, down 8.5% from 1,555,705 subscribers at the end of last year.

Total TV subscribers (IPTV and satellite TV combined) at December 31, 2016 were 2,744,939, representing a 0.2% increase since the end of 2015.

Local and access

<table>
<thead>
<tr>
<th>Year</th>
<th>Residential</th>
<th>Business</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>3,248,739</td>
<td>191,843</td>
<td>3,439,582</td>
</tr>
<tr>
<td>2015</td>
<td>3,007,983</td>
<td>184,035</td>
<td>3,192,018</td>
</tr>
<tr>
<td>CHANGE</td>
<td>-238,756</td>
<td>7,808</td>
<td>-231,230</td>
</tr>
<tr>
<td>% CHANGE</td>
<td>-7.9%</td>
<td>4.3%</td>
<td>7.3%</td>
</tr>
</tbody>
</table>

NAS net losses decreased by 5.3% in 2016, compared to last year, resulting from lower business net losses, partially offset by higher residential net losses.

Residential NAS net losses grew by 2.1% in 2016, compared to 2015, as a result of aggressive competitive offers from cable TV providers, reduced pull-through due to fewer year-over-year IPTV activations and ongoing wireless and Internet-based technology substitution, partially offset by greater customer retention through the acquisition of three-product households.

Business NAS net losses improved by 18.0% in 2016, compared to last year, driven by fewer competitive losses in our large business market and lower customer deactivations in our small business market. This was offset in part by greater customer migrations to IP-based services, and reduced demand for new access lines in our large business market resulting from slow economic growth.

The annualized rate of NAS erosion in our customer base increased modestly from 6.2% in 2015 to 6.4% in 2016. At December 31, 2016, we had 6,257,732 NAS lines, compared to 6,688,666 NAS lines at the end of last year.

Competitive landscape and industry trends

COMPETITIVE LANDSCAPE

The financial performance of the overall Canadian wireline telecommunications market continues to be impacted by the ongoing declines in legacy voice service revenues resulting from technological substitution to wireless and OTT services, as well as by ongoing conversion to IP-based data services and networks by large business customers. Sustained aggressive competition from cable companies also continues to erode traditional telephone service market share, partially offset by greater customer migrations to IP-based services, and reduced demand for new access lines in our large business market resulting from slow economic growth.

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The annualized rate of NAS erosion in our customer base increased modestly from 6.2% in 2015 to 6.4% in 2016. At December 31, 2016, we had 6,257,732 NAS lines, compared to 6,688,666 NAS lines at the end of last year.

Competitors

- Cable TV providers offering cable TV, Internet and cable telephony services, including: Rogers in Ontario, New Brunswick, Newfoundland and Labrador
- Vidéotron in Quebec
- Cogeco Cable Inc. (a subsidiary of Cogeco Inc.) (Cogeco) in Ontario and Quebec
- Shaw in British Columbia, Alberta, Saskatchewan, Manitoba and Ontario
- Shaw Direct, providing DTH satellite TV service nationwide
- Eastlink in every province except Saskatchewan, where it does not provide cable TV and Internet service
- ILECs TELUS and MITEL provide local, long distance and IPTV services in various regions
- "T"ELUS and Atikokan Inc. provide wholesale products and services across Canada
- Various other operators offering IPTV services, including those offered by Bell
- Other Canadian ILECs and cable TV operators
- Substitution to wireless services, including those offered by Bell
- Business service providers: Systems integration such as CGI Group Inc., EDS (a division of HP Enterprise Services) and IBM
- E-commerce and professional service firms
- Wholesale competitors include cable operators, domestic ILECs, U.S. or other international carriers for certain services, and electrical utility-based telecommunications providers

Canadian market share

<table>
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</tr>
</tbody>
</table>
households in Ontario and Québec at the end of 2016, compared to approximately 29% at the end of 2015. To mitigate the impact of wireless substitution, wireline service providers have been packaging voice services with access services and customer refunds for cancelled services. This is being enabled by a stronger projected revenue performance trajectory that reflects continued broadband Internet and IPTV subscriber growth as we continue to expand our FTTH service footprint, annual residential price increases, improvement in our overall business markets performance supported by the acquisition of Q9, cost reduction pressures, the ongoing decline in voice revenues and reduced telecom spending by large enterprise customers in a slow economy, as well as the incremental financial contribution from the completion of the acquisition of MTS.

WIRELESS SUBSTITUTION

Wireless substitution is the most significant driver of residential NAS losses and wireless voice revenue declines for telecommunications companies. Wireless-only households were estimated to represent approximately 33% of households in Ontario and Québec at the end of 2016, compared to approximately 29% at the end of 2015. To mitigate the impact of wireless substitution, wireline service providers have been packaging voice services with Internet and TV and offering discounted triple-play bundles. Wireless substitution is expected to continue to steadily increase in 2017.

MD&A

ADOPTION OF IP-BASED SERVICES

The convergence of IT and telecommunications, facilitated by the ubiquity of IP, continues to shape competitive investments for business customers. Telecommunications companies are providing professional and managed services, as well as other IT services and support, while IT service providers are bundling network connectivity with their software as service offerings. In addition, manufacturers continue to bring all-IP and converged (IP plus legacy) equipment to market, enabling ongoing migration to IP-based solutions. The development of IP-based platforms, which provide combined IP voice, data and video solutions, creates potential cost efficiencies that companies, in part, for reduced margins resulting from the continuing shift from legacy to IP-based services. The evolution of IT has created significant opportunities for our business markets services, such as cloud services and data hosting, that can have a greater business impact than traditional telecommunications services.

INDUSTRY TRENDS

INVESTMENT IN BROADBAND FIBRE DEPLOYMENT

The Canadian ILCS have made substantial investments in deploying broadband fibre within their territories. These investments have enabled the delivery of IPTV and high-speed Internet service in order to better compete with cable TV offerings in urban areas. IPTV is a superior video product to traditional cable TV, given innovative features that Bell has introduced, such as: a completely wireless installation in the home, wireless DVRs and receivers, Restart, which enables customers to rewind and watch TV shows already in progress, and a stronger projected revenue performance trajectory that reflects continued broadband Internet and IPTV subscriber growth as we continue to expand our FTTH service footprint, annual residential price increases, improvement in our overall business markets performance supported by the acquisition of Q9, cost reduction pressures, the ongoing decline in voice revenues and reduced telecom spending by large enterprise customers in a slow economy, as well as the incremental financial contribution from the completion of the acquisition of MTS by BCE.

TV subscriber growth in our wireline footprint is expected to be driven by continued strong customer adoption of Fibe TV as we increase penetration of existing IPTV-enabled neighbourhoods and drive ongoing innovation in IPTV services. We also intend to seek greater penetration within the multiple-dwelling units (MDU) market, capitalizing on our extensive retail distribution network, and leverage our market leadership position in HD and 4K programming and on-demand streaming services to drive incremental subscriber growth and higher revenue per household. However, we expect satellite TV net customer losses to continue in 2017, due to cable competitors' targeted acquisition offers in areas where Fibe TV service is not available and lower wholesale net activations driven by the roll-out of IPTV services by other competing providers in Western Canada.

2017 OUTLOOK

We expect a third consecutive year of positive wireless adjusted EBITDA growth in 2017, despite the negative financial impact of regulatory rulings from 2016 regarding Internet tariffs for aggregated wholesale high-speed access services and customer refunds for cancelled services. This is being enabled by a stronger projected revenue performance trajectory that reflects continued broadband Internet and IPTV subscriber growth as we continue to expand our FTTN service footprint, annual residential price increases, improvement in our overall business markets performance supported by the acquisition of Q9, cost reduction pressures, the ongoing decline in voice revenues and reduced telecom spending by large enterprise customers in a slow economy, as well as the incremental financial contribution from the completion of the acquisition of MTS by BCE.

Operating cost reduction will continue to be a key focus for our Bell Wireline segment, helping to offset costs related to the growth and retention of IPTV, Internet, IP broadband and hosted IP voice subscribers, the ongoing erosion of high-margin wireless voice and other legacy revenues, competitive repricing pressures in our business and wholesale markets, as well as the negative financial impact of regulatory rulings from 2016. This, combined with further service-level improvements and operating synergies from the integration of MTS following the completion of the acquisition by BCE, is expected to support our objective of maintaining our consolidated adjusted EBITDA margin relatively stable year over year.

We also plan to maintain significant capital investment in broadband infrastructure, fibre expansion and upgrades to support our IPTV and residential Internet services, as well as new business solutions in key portfolios such as Internet and private networks, data centre and cloud services, unified communications and security services. We intend to pursue pricing methods that will assist us in covering the capital costs of upgrading our networks, providing new services and expanding capacity to meet growing data consumption.

ASSUMPTIONS

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[1] BCE expects to complete the acquisition of MTS on March 17, 2017. See section 1.3, key corporate developments, for more details.

[2] Internet services provided by rivals are included as wholesale Internet subscribers for cable companies and ILCS.
Positive full-year adjusted EBITDA growth
Continued growth in residential IPTV and Internet subscribers
Increasing wireless and Internet-based technological substitution
Residential services household ARPU growth from increased penetration of multi-product households and price increases
Aggressive residential service bundle offers from cable TV competitors in our local wireline areas
Continued large business customer migration to IP-based systems
Ongoing competitive pricing pressures in our business and wholesale markets
Continued competitive intensity in our small and mid-sized business markets as cable operators and other telecom competitors continue to intensify their focus on business customers

Growing consumption of OTT TV services and on-demand streaming video, as well as the proliferation of devices, that consume vast quantities of bandwidth, will require considerable ongoing capital investment

TV unbundling will not materially accelerate the downsizing of TV packages by customers

Realization of cost savings related to management workforce attrition and retirements, lower contracted rates from our suppliers, reduction of traffic that is not on our network and operating synergies from the planned integration of MTS following the completion of the acquisition by BCE

Softer wholesale financial performance due to a CRTC decision in October 2016 that significantly lowered capacity-based billing rates for aggregated wholesale high-speed Internet access services

No other changes in regulations affecting our wireline business having material financial, operational or competitive consequences

Key growth drivers

- Expanding FTTp footprint
- Increasing IPTV penetration of households
- Higher market share of industry TV and Internet subscribers
- Greater penetration of multi-product households
- Improved residential customer retention
- Increased business customer spending on connectivity services and managed and professional services solutions, as well as greater new business formation as the economy strengthens and employment rates improve
- Expansion of our business customer relationships to drive higher revenue per customer
- Ongoing service innovation and product value enhancements

Principal business risks

This section discusses certain principal business risks which specifically affect the Bell Wireline segment. For a detailed description of the principal risks that could have a material adverse effect on our business, refer to section 9, Business risks.

AGGRESSIVE COMPETITION

- The intensity of competitive activity from incumbent operators, cable companies, non-traditional players and wholesalers

POTENTIAL IMPACT

- Higher churn, increased acquisition and retention expenses and use of promotional competitive offers to acquire and keep customers, all of which would put pressure on Bell Wireline’s adjusted EBITDA

REGULATORY ENVIRONMENT

- The CRTC mandates rates for the new disaggregated wholesale high-speed access service available on FTTp facilities that are materially different from the rates we proposed and that do not sufficiently account for the investment required in these facilities

POTENTIAL IMPACT

- The mandating of rates for the new disaggregated wholesale high-speed access service available on FTTp facilities that are materially different from the rates we proposed could improve the business position of our competitors and change our investment strategy, especially in relation to investment in next-generation wireline networks in smaller communities and rural areas

CHANGING CUSTOMER BEHAVIOUR

- The traditional TV viewing model (i.e. the subscription for bundled channels) is challenged by an increasing number of viewing options available in the market offered by traditional, non-traditional and global players, as well as developing cord cutting and cord shaving trends

POTENTIAL IMPACT

- Changing customer habits further contribute to the erosion of NAS lines

5.3 Bell Media

Bell Media generated revenue and adjusted EBITDA growth in 2016, driven by the national expansion of TMN, continued growth in CraveTV and growth in outdoor advertising, even as operating costs grew due to increased costs for sports broadcast rights and content investments that support TV and on-demand programming.

Key elements of relevant strategic imperatives

Expand media leadership

2016 PROGRESS

- Maintained CTV’s #1 ranking as the most-watched network in Canada for the 15th year in a row, and continued to lead with a majority of the top 20 programs nationally in all key demographics
- Launched TMN as a national pay TV service and became the sole operator of HBO Canada
- Concluded a deal with MGM to license the iconic James Bond Catalogue, spanning more than 50 years and every 007 actor
- Streamed CraveTV’s first ever original series, LETTERKENNY, which had the biggest debut of any series on CraveTV since the service launched in 2014 and has eclipsed its own Season 1 record with the launch of Season 2 on Christmas Day
- Concluded a deal with MGMT to license the iconic James Bond Catalogue, spanning more than 50 years and every 007 actor
- Made CraveTV available for in-app purchase on Apple TV, enabling customers to subscribe directly from their iTunes account
- Launched iHeartRadio, North America’s fastest growing digital audio service, to the public, providing Canadians with instant access to all of Bell Media’s 105 radio stations across the country plus more than 100 additional exclusive, digital streaming channels featuring every musical genre as well as news/talk, sports and comedy
Accelerated 4K Ultra HD production and broadcasting with a growing number of live event and sports broadcasts in 4K

TSN became the first broadcaster to produce a live 4K Ultra HD broadcast in North America with the Toronto Raptors vs. Boston Celtics basketball game on January 20, 2016.

CTV’s broadcast of the 2016 Juno Awards was the first live awards show in North America to be produced in 4K.

TSN’s five national feeds featured several Toronto Raptors, Toronto Maple Leafs and Ottawa Senators games in 4K, as well as The Masters and the UEFA Champions League Final.

The HeartRadio MuchMusic Video Awards was filmed and broadcast in 4K.

Discovery Canada’s premium video streaming service Discovery GO offered a growing inventory of titles available in 4K.

All new TV series commissioned for Bell Media’s networks are produced in 4K.

Extended a broadcast agreement with the IIHF to 2023. TSN and RDS hold exclusive multimedia rights for the IIHF Ice Hockey World Championship.

Concluded a multi-title, multi-year exclusive streaming deal with Warner Bros. International Television for the Canadian market that delivers some of the most-watched shows to CraveTV.

Expanded a licensing agreement with Viacom International Media Networks to make Comedy Central original programming and library of scripted and unscripted series and specials available across multiple platforms in Canada, including CraveTV.

Concluded a licensing agreement with CBS Studios International to be the exclusive home for the new STAR TREK series in Canada. The series will premiere on CTV and then move to Space for the duration of its run, and will also become available on CraveTV.

Acquired Métromédia, allowing Astral OOH to expand its advertising assets in the public transit market.

Astral OOH secured advertising rights for both in-terminal and non-terminal concessions across Toronto Pearson International Airport, becoming Canada’s airport advertising leader with a presence in six Canadian international airports, including Halifax Stanfield, Montreal-Pierre Elliott Trudeau, Quebec City Jean Lesage, Ottawa Macdonald-Cartier and Vancouver International.

**2017 FOCUS**

- Maintain strong audience levels and ratings across all TV and radio properties.
- Reinforce industry leadership in conventional TV, pay TV, sports media and radio.
- In January 2017, we concluded a multi-year media rights extension with Major League Soccer, making Bell Media Canada’s exclusive English-language broadcaster of MLS.
- Grow viewership and scale of CraveTV on-demand TV streaming service.
- Develop in-house production and content creation for distribution and use across all platforms and screens.
- Expand live and on-demand content through TV Everywhere services.

**Achieve a competitive cost-structure**

- Executed on labour savings from workforce reductions undertaken in 2015.

**2017 FOCUS**

- Continue to execute on labour savings from workforce reductions.
Advertising revenues decreased in 2016, compared to 2015, reflecting:

- Lower conventional TV advertising revenues due to a soft advertising market, the non-recurrence of revenues generated in the second half of last year from the 2015 Federal Election and the shift in advertising dollars to the principal broadcaster of the Rio 2016 Summer Olympic Games.
- A decline in radio advertising revenues driven by market softness.

This was partly offset by:

- An increase in OOH advertising revenues as a result of the Métromédia acquisition in January 2016 and the favourable impact of new contract wins in 2016.

### OPERATING COSTS AND ADJUSTED EBITDA

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
<th>$ CHANGE</th>
<th>% CHANGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advertising costs</td>
<td>(2,339)</td>
<td>(2,291)</td>
<td>(47)</td>
<td>(2.1%)</td>
</tr>
<tr>
<td>Adjusted EBITDA</td>
<td>743</td>
<td>723</td>
<td>20</td>
<td>2.8%</td>
</tr>
<tr>
<td>Adjusted EBITDA margin</td>
<td>24.1%</td>
<td>24.3%</td>
<td>(0.2%)</td>
<td>(0.2%)</td>
</tr>
</tbody>
</table>

Bell Media operating costs increased by 3.9% in 2016, compared to last year, driven by higher content costs related to sports broadcast rights, the TMN national expansion and continued ramp-up in CraveTV content, as well as by an increase in expenses associated with the Métromédia acquisition and newly awarded contracts in OOH. This was mitigated in part by lower labour costs as a result of the 2015 workforce reduction initiative.

Bell Media adjusted EBITDA increased by 2.8% in 2016, compared to the previous year, as a result of higher revenues and lower labour costs, partially offset by higher content and programming costs.

### BELL MEDIA OPERATING METRICS

- **CTV:** Maintained its #1 ranking as the most-watched network in Canada for the 15th year in a row, and continued to lead with a majority of the top 20 programs nationally in all key demographics.
- **Bell Media’s English specialty and pay TV properties reached 83% of all Canadian English specialty and pay TV viewers on an average weekly basis in 2016.**
- **In Quebec,** Bell Media maintained its leadership position in the French specialty market, reaching 78% of French-language TV viewers in the average week. Three of the top five specialty channels among the key viewers aged 25 to 54 were Bell Media properties (RDS, Super Écran and Canal D).
- **Bell Media continued to rank first in digital media among Canadian broadcast and video network competitors, with 18.3 million unique visitors per month, reaching 66% of the digital audience.**
- **Bell Media remained Canada’s top radio broadcaster, reaching 17.1 million listeners who spent 77 million hours tuned in each week during 2016.**
- **Astral AOOH** is a key player in the market with an offering of five innovative product lines and more than 30,000 advertising faces located coast to coast, from Halifax to Vancouver, and strategic sites in Montréal, Ottawa, Toronto, Vancouver, Calgary and Edmonton.

### Competitive landscape and industry trends

#### COMPETITIVE LANDSCAPE

The Canadian media industry is highly competitive, with competitors having significant scale and financial resources. In recent years, there has been increased consolidation of traditional media assets across the Canadian media landscape. The majority of players have become more vertically integrated to better enable the acquisition and monetization of premium content. Global aggregators have also emerged and are competing for both content and viewers.

Bell Media competes in the TV, radio and OOH advertising markets:

- **TV:** The TV market has become increasingly fragmented and this trend is expected to continue as new services and technologies increase the diversity of information and entertainment outlets available to consumers.
- **Radio:** Competition within the radio broadcasting industry occurs primarily in discrete local market areas among individual stations.
- **OOH:** The Canadian OOH advertising industry is fragmented, consisting of a few large companies as well as numerous smaller and local companies operating in a few local markets.

Consumers continue to shift their media consumption towards digital and online media, mobile devices and on-demand content. This has caused new business models to emerge and advertisers to shift more of their spending to digital and online rather than traditional media. In addition, the number of competitors has increased as more digital and online media companies, as well as large global companies, enter the market.

### Competitors

**TV**

- Conventional Canadian TV stations (local and distant signals) and specialty and pay channels, such as those owned by Corus Entertainment Inc. (Corus), Rogers, Quebecor Media Inc. (Quebecor), Canadian Broadcasting Corporation (CBC)/Société Radio-Canada (SRC) and Groupe V V
- U.S. conventional TV stations and specialty channels
- OTT streaming providers such as Netflix and Amazon Prime Video
- Video-sharing websites such as YouTube

**RADIO**

- Large radio operators, such as Rogers, Corus, Cogeco and Newcap Inc. (Newcap) that also own and operate radio station clusters in various local markets.
- Radio stations in specific local markets
- Satellite radio provider SiriusXM
- Music streaming services such as Spotify, Apple Music and Google Play Music
- Music downloading services such as Apple’s iTunes Store
- Other media such as newspapers, local weeklies, TV, magazines, outdoor advertising and the Internet

**OOH ADVERTISING**

- Large outdoor advertisers, such as Jim Pattison Broadcast Group (Pattison), Outfront Media, Quebecor, Dynamic and Clear Channel Outdoor
- Numerous smaller and local companies operating a limited number of display faces in a few local markets.
- Other media such as TV, radio, print media and the Internet

### Canadian market share
INDUSTRY TRENDS

TECHNOLOGY AND CONSUMER HABITS TRANSFORMING THE WAY TV IS DELIVERED

Technology used in the media industry continues to evolve rapidly, which has led to alternative methods for the distribution, storage and consumption of content. These technological developments have driven and reinforced changes in consumer behaviour as consumers seek more control over when, where and how they consume content. For example, consumer electronics innovations have enabled consumers to view content on TVs, computers, tablets, smartphones and other mobile electronic devices. The number of Canadian users who are connected to the Internet through their TVs is growing as connection becomes easier and more affordable.

Changes in technology and consumer behaviour have resulted in a number of challenges for content aggregators and distributors. These technological developments may disrupt traditional distribution platforms by enabling content owners to provide content directly to distributors and consumers, thus bypassing traditional content aggregators.

GROWTH OF ALTERNATIVES TO TRADITIONAL LINEAR TV

Consumers have improved access to online entertainment and information alternatives that did not exist a few years ago. While traditional linear TV was the only way to access entertainment programming in the past, many consumers now watch TV in non-traditional ways for at least a portion of their viewing. In particular, today’s viewers are consuming more content online, watching less scheduled programming live, time-shifting original content and launching on-demand viewing through services such as Bell Media’s CraveTV on-demand TV streaming service and authenticated TV Everywhere services such as CTV GO, TSN GO, TSN5 GO, Discovery GO and TMN GO.

TECHNOLOGY AND CONSUMER HABITS TRANSFORMING THE WAY TV IS DELIVERED

Changes in technology and consumer behaviour have resulted in a number of challenges for content aggregators and distributors. These technological developments may disrupt traditional distribution platforms by enabling content owners to provide content directly to distributors and consumers, thus bypassing traditional content aggregators.

ESCALATING CONTENT COSTS AND SHIFTS IN ADVERTISING

Viewership and usage trends suggest that online and mobile Internet video consumption is increasing rapidly. Changing content consumption patterns and growth of alternative content providers could exert downward pressure on advertising revenues for traditional media broadcasters. However, premier content, live sports and special events should continue to draw audiences and advertisers, which is expected to result in pricing pressure on future broadcasting rights.

Increased revenue generation from monetization of content rights and Bell Media properties across all platforms

Bell Media’s financial results in 2017 are expected to be positively impacted by the incremental contribution from the national expansion of our English-language pay TV service (TMN) in the first quarter of 2016, further growth in CraveTV and higher outdoor advertising revenue at Astral OOH from contract wins and the acquisition of Cieslok Media in January 2017. These factors are anticipated to offset higher content costs to secure TV programming, continued CraveTV investment and the financial impact of TV cord shaving and cord cutting. We also intend to continue carefully managing costs by leveraging assets, achieving productivity gains and pursuing operational efficiencies across all of our media properties, while continuing to invest in premium content across all screens and platforms.

While the advertising market is expected to remain soft in 2017, we anticipate that the strength of our programming, strong outdoor advertising growth supported by numerous contract wins in 2016 and the acquisition of Cieslok Media, as well as the expiration of advertising revenue following a shift in Q3 2016 to the main broadcaster of the Rio 2016 Summer Olympic Games, will offset some advertising pressure including the impact of the CRTC’s decision to eliminate simultaneous substitution for the NFL Super Bowl. Subscriber fee revenues are projected to increase, driven by CraveTV subscriber growth and a full-year contribution from the national expansion of TMN, which should help moderate potential declines in specially TV due to the industry-wide introduction of TV unbundling in 2016.

In conventional TV, we intend to leverage the strength of our market position to continue offering advertisers, both nationally and locally, premium opportunities to reach their target audiences. Success in this area requires that we focus on a number of factors, including: successfully acquiring highly-rated programming and differentiated content; building and maintaining strategic supply arrangements for content across all screens and platforms; and producing and commissioning high-quality Canadian content, including market-leading news.

Our sports specialty TV offerings are expected to deliver premium content and exceptional viewing experiences to our viewers. Investment in 4K content, combined with the integration of our digital platforms, are integral parts of our strategy to enhance viewership and engagement. Contractual price increases for strategic sports properties, along with planned new investments, are the principal factors driving increased incremental year-over-year costs.

In non-sports specialty TV, audiences and advertising revenues are expected to be driven by investment in quality programming and production, included the recent launch of our new food and lifestyle channel, Gusto. As part of our objective to drive revenue growth, we intend to capitalize on our leading position in key specialty services to improve both channel strength and channel selection.

In pay TV, we will continue to leverage our investments in premium content (including HBO and SHOWTIME) in order to attract subscribers.

In our French-language pay and specialty services, we will continue to optimize our programming to increase our appeal to audiences.

In radio, we intend to leverage the strength of our market position to continue offering advertisers, both nationally and locally, premium opportunities to reach their target audiences. We also plan to leverage our recently-launched iHeartRadio digital service in Canada to showcase content from our 105 licensed radio stations and more than 100 curated music streams. Additionally, in conjunction with our local TV properties, we will continue to pursue opportunities that leverage our promotional capabilities, provide an expanded platform for content sharing, and offer syndicated co-location and efficiencies.

In our OOH operations, we plan to leverage the strength of our products and recent contract wins to provide advertisers with premium opportunities in key Canadian markets. We will also continue to seek new opportunities in digital markets, including integrating and leveraging our recent Cieslok Media acquisition.

ASSUMPTIONS

- Higher year-over-year revenue, reflecting further CraveTV subscriber growth. TMN’s national expansion that began in March 2016, and growth in outdoor advertising supported by acquisitions and new contract wins
- Operating cost growth driven by higher TV programming and sports broadcast rights costs, as well as continued investment in CraveTV content
- Continued scaling of CraveTV
- Ability to successfully acquire and produce highly rated programming and differentiated content
- Building and maintaining strategic supply arrangements for content across all screens and platforms
- Increased revenue generation from monetization of content rights and Bell Media properties across all platforms
- TV unbundling and growth in OTT viewing expected to result in moderately lower subscriber levels for many Bell Media TV properties
- No material financial, operational or competitive consequences of changes in regulations affecting our media business
6 Financial and capital management

6.1 Net debt

The increase of $1,174 million in debt due within one year and long-term debt was due to:

- The issuances of Series M-41 MTN, M-42 MTN and M-43 MTN debentures at Bell Canada with total principal amounts of $750 million, $850 million and $650 million, respectively
- An increase in our notes payable (net of repayments) of $991 million
- The increase in cash and cash equivalents of $240 million was due mainly to:
  - $2,305 million of cash from the settlement of share-based payments
  - $107 million decrease in investments which includes proceeds received from one of our equity investments from the sale of a portion of its operations

Partly offset by:

- $2,305 million of dividends paid on BCE common shares
- $517 million loan to Q2, a related party
- $404 million paid for business acquisitions mainly related to the national expansion of HBO Canada and TSN ($197 million, net of $21 million paid in 2015) and $170 million ($158 million, net of cash on hand)
- Consideration paid for the acquisition of Q9 Networks Inc.

The increase in cash and cash equivalents of $240 million was due mainly to:

- $2,225 million of free cash flow
- $719 million of debt issuances (net of repayments)
- $107 million decrease in investments which includes proceeds received from one of our equity investments from the sale of a portion of its operations

Partly offset by:

- $2,305 million of dividends paid on BCE common shares
- $517 million loan to Q2, a related party
- $404 million paid for business acquisitions mainly related to the national expansion of HBO Canada and TSN ($197 million, net of $21 million paid in 2015) and $170 million ($158 million, net of cash on hand)
- Consideration paid for the acquisition of Q9 Networks Inc.
- $400 million voluntary DB pension plan contribution
- $126 million acquisition and other costs paid
- $106 million for the purchase on the open market of shares for the settlement of share-based payments

6.2 Outstanding share data

### Common shares outstanding

<table>
<thead>
<tr>
<th>Common shares outstanding</th>
<th>December 31, 2016</th>
<th>December 31, 2015</th>
<th>$ change</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total shares</td>
<td>585,614,186</td>
<td>539,652,154</td>
<td>$45,962,032</td>
<td>8.5%</td>
</tr>
<tr>
<td>Shares issued under employee stock option plan</td>
<td>2,065,062</td>
<td>2,236,891</td>
<td>$-171,829</td>
<td>$-7.6%</td>
</tr>
<tr>
<td>Shares issued under dividend reinvestment plan</td>
<td>530</td>
<td>530</td>
<td>$0</td>
<td>0.0%</td>
</tr>
<tr>
<td>Shares issued under employee savings plan (ESPS)</td>
<td>1,786,251</td>
<td>1,786,251</td>
<td>$0</td>
<td>0.0%</td>
</tr>
</tbody>
</table>

### Stock options outstanding

<table>
<thead>
<tr>
<th>Stock options outstanding</th>
<th>December 31, 2016</th>
<th>December 31, 2015</th>
<th>$ change</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outstanding</td>
<td>10,242,162</td>
<td>10,242,162</td>
<td>$0</td>
<td>0.0%</td>
</tr>
<tr>
<td>Exercised</td>
<td>1,786,251</td>
<td>1,786,251</td>
<td>$0</td>
<td>0.0%</td>
</tr>
<tr>
<td>Forfeited</td>
<td>(2,236,891)</td>
<td>(2,236,891)</td>
<td>$0</td>
<td>0.0%</td>
</tr>
</tbody>
</table>

Principally due to:

- Higher audience levels from strong ratings being maintained across all TV and radio properties, as well as from securing multi-platform rights
- Investing in the best content, including more in-house productions
6. Cash Flows

6.3 Cash Flows

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
<th>$ CHANGE</th>
<th>% CHANGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash flows from operating activities</td>
<td>$6,643</td>
<td>$6,274</td>
<td>$369</td>
<td>5.9%</td>
</tr>
<tr>
<td>Capital expenditures</td>
<td>(3,771)</td>
<td>(3,626)</td>
<td>(145)</td>
<td>(4.0%)</td>
</tr>
<tr>
<td>Cash dividends paid on preferred shares</td>
<td>(128)</td>
<td>(110)</td>
<td>24</td>
<td>16.0%</td>
</tr>
<tr>
<td>Cash dividends paid by subsidiaries to non-controlling interest</td>
<td>(46)</td>
<td>(41)</td>
<td>5</td>
<td>12.2%</td>
</tr>
<tr>
<td>Acquisition and other costs paid</td>
<td>(126)</td>
<td>252</td>
<td>(156)</td>
<td>(61.8%)</td>
</tr>
<tr>
<td>Voluntary DB pension plan contribution</td>
<td>400</td>
<td>250</td>
<td>150</td>
<td>60.0%</td>
</tr>
<tr>
<td>Free cash flow</td>
<td>3,226</td>
<td>2,999</td>
<td>227</td>
<td>7.6%</td>
</tr>
<tr>
<td>Business acquisitions</td>
<td>(404)</td>
<td>(311)</td>
<td>(93)</td>
<td>(29.9%)</td>
</tr>
<tr>
<td>Acquisition and other costs paid</td>
<td>(126)</td>
<td>(252)</td>
<td>166</td>
<td>56.6%</td>
</tr>
<tr>
<td>Voluntary DB pension plan contribution</td>
<td>(400)</td>
<td>(250)</td>
<td>(150)</td>
<td>(60.0%)</td>
</tr>
<tr>
<td>Business dispositions</td>
<td>18</td>
<td>409</td>
<td>(391)</td>
<td>(95.6%)</td>
</tr>
<tr>
<td>Decrease in investments</td>
<td>107</td>
<td>11</td>
<td>96</td>
<td>n.m.</td>
</tr>
<tr>
<td>Acquisition of spectrum licences</td>
<td>(1)</td>
<td>(535)</td>
<td>534</td>
<td>98.6%</td>
</tr>
<tr>
<td>Loan to related party</td>
<td>(117)</td>
<td>(517)</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Other investing activities</td>
<td>(16)</td>
<td>(62)</td>
<td>46</td>
<td>74.2%</td>
</tr>
<tr>
<td>Net issuance (repayment) of debt instruments</td>
<td>719</td>
<td>(510)</td>
<td>1,229</td>
<td>n.m.</td>
</tr>
<tr>
<td>Issue of common shares</td>
<td>99</td>
<td>952</td>
<td>(853)</td>
<td>(88.6%)</td>
</tr>
<tr>
<td>Common shares issuance cost</td>
<td>–</td>
<td>(36)</td>
<td>35</td>
<td>100.0%</td>
</tr>
<tr>
<td>Repurchase of shares for settlement of share-based payments</td>
<td>(106)</td>
<td>(138)</td>
<td>32</td>
<td>23.2%</td>
</tr>
<tr>
<td>Cash dividends paid on common shares</td>
<td>(2,165)</td>
<td>(2,169)</td>
<td>(38)</td>
<td>(1.7%)</td>
</tr>
<tr>
<td>Other financing activities</td>
<td>(54)</td>
<td>(55)</td>
<td>1</td>
<td>n.m.</td>
</tr>
<tr>
<td>Net increase in cash and cash equivalents</td>
<td>240</td>
<td>47</td>
<td>193</td>
<td>n.m.</td>
</tr>
</tbody>
</table>

n.m.: not meaningful

Cash flows from operating activities and free cash flow

In 2016, BCE’s cash flows from operating activities increased $369 million, compared to 2015, due mainly to higher adjusted EBITDA, lower acquisition and other costs paid and lower income taxes paid, partly offset by a higher voluntary DB pension plan contribution made in 2016.

Free cash flow available to BCE’s common shareholders increased $227 million in 2016 due to higher cash flows from operating activities, partly offset by higher capital expenditures.

Capital expenditures

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
<th>$ CHANGE</th>
<th>% CHANGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bell Wireless</td>
<td>733</td>
<td>716</td>
<td>17</td>
<td>2.4%</td>
</tr>
<tr>
<td>Capital intensity ratio</td>
<td>10.2%</td>
<td>10.4%</td>
<td>127</td>
<td>0.2%</td>
</tr>
<tr>
<td>Bell Wireless</td>
<td>2,936</td>
<td>2,859</td>
<td>77</td>
<td>2.4%</td>
</tr>
<tr>
<td>Capital intensity ratio</td>
<td>24.3%</td>
<td>22.3%</td>
<td>127</td>
<td>4.9%</td>
</tr>
<tr>
<td>Bell Media</td>
<td>162</td>
<td>101</td>
<td>61</td>
<td>60.0%</td>
</tr>
<tr>
<td>Capital intensity ratio</td>
<td>3.3%</td>
<td>4.4%</td>
<td>127</td>
<td>16.0%</td>
</tr>
<tr>
<td>BCE</td>
<td>3,771</td>
<td>3,626</td>
<td>145</td>
<td>4.0%</td>
</tr>
</tbody>
</table>

BCE capital expenditures totaled $3,771 million for 2016 representing an increase of 4.0%, compared to last year, driven by greater spending in our Bell Wireless and Bell Wireless segments. Capital expenditures as a percentage of revenue (capital intensity ratio) was 17.4% in 2016, compared to 16.9% in 2015. The year-over-year increase in capital expenditures reflected:

- Higher wireless capital investment of $127 million compared to last year, due to our ongoing rollout of broadband fibre directly to more homes and businesses, including the build-out of Gigabit fibre infrastructure in the city of Toronto and other urban areas.
- This was moderated by the slower pace of expansion of our IPTV service footprint in Quebec and Ontario.
- Higher wireless capital spending of $17 million compared to 2015, reflecting our continued investment in the expansion of our 4G LTE mobile network as well as our LTE-A network which reached 73% of the Canadian population at December 31, 2016. The ongoing investment to increase network capacity to support our growing customer base and accommodate higher speeds and greater data consumption also contributed to the increased spending.

Voluntary DB pension plan contribution

In 2016, we made a voluntary contribution of $400 million, compared to a voluntary contribution of $250 million in 2015, to fund our post-employment benefit obligation. The voluntary contributions were funded from cash on hand at the end of 2016 and 2015 and will reduce the amount of BCE’s future pension funding obligations.

Business acquisitions

On October 3, 2016, BCE acquired the remaining 64.6% of the issued and outstanding shares of Q9 that it did not already own for $170 million ($158 million, net of cash on hand). In Q1 2016, BCE completed a transaction with Corus under which Corus waived its HBO content rights in Canada and ceased operations of its Movie Central and Encore Avenue pay TV services in Western and Northern Canada, thereby allowing Bell Media to become the sole operator of HBO Canada nationally across all platforms and to expand TMN into a national pay TV service. TMN was successfully launched nationally on March 1, 2016. BCE paid to Corus a total consideration of $218 million, of which $21 million was paid in 2015.

On May 20, 2015, BCE completed the acquisition of all of Glente l’s issued and outstanding common shares for a total consideration of $592 million, of which $296 million ($284 million net of cash on hand) was paid in cash.

Subsequent to year end, on January 3, 2017, BCE acquired all of the issued and outstanding common shares of Cieslok Media for a total cash consideration of $161 million.

Acquisition and other costs paid

Acquisition and other costs of $292 million in 2015 related mainly to a charge of $142 million incurred for the payment in full satisfaction of the judgment rendered in a litigation claim for Satellite TV signal piracy.

Business dispositions

Business dispositions of $409 million in 2015 reflected BCE’s divestiture of 50% of its ownership interest in Glentel to Rogers for a total cash consideration of approximately $473 million ($407 million net of divested cash and transaction costs).
Decrease in investments

Decrease in investments of $107 million in 2016 included proceeds received from one of our equity investments from the sale of a portion of its operations.

Acquisition of spectrum licences

On April 21, 2015, Bell Mobility acquired AWS-3 wireless spectrum in key urban and rural markets as part of ISED’s AWS-3 spectrum auction. Bell Mobility acquired 13 licenses for 169 million MHz-pop of AWS-3 spectrum for $500 million.

On May 12, 2015, Bell Mobility acquired an additional 243 million MHz-pop of 2500 MHz wireless spectrum for $29 million. This acquisition increased Bell Mobility’s 2500 MHz spectrum holdings in a number of urban and rural markets.

Loan to a related party

In 2016, prior to closing the acquisition of Q9 on October 3, 2016, Bell Canada provided a loan of $517 million to Q9 for the repayment of certain of its debt.

Financial and capital management

Debt instruments

We use a combination of short-term and long-term debt to finance our operations. Our short-term debt consists mostly of notes payable under commercial paper programs, loans securitized by trade receivables and bank facilities. We usually pay fixed rates of interest on our long-term debt and floating rates on our short-term debt. As at December 31, 2016, all of our debt was denominated in Canadian dollars with the exception of one of our credit facilities and our commercial paper, which are denominated in U.S. dollars, all of which have been hedged for foreign currency fluctuations through forward currency contracts.

2016

We issued $719 million of debt, net of repayments. This included the issuance of Series M-41 MTN, M-42 MTN and M-43 MTN debentures at Bell Canada with principal amounts of $750 million, $850 million and $500 million, respectively, and the issuance (net of repayments) of $981 million of notes payable. These issuances were partly offset by the early debt redemption of Series M-18 MTN, M-19 MTN, M-23 MTN and M-32 debentures, with principal amounts of $700 million, $200 million, $500 million and $500 million, respectively, the repayment of Series M-38 debentures of $150 million and payments of finance leases and other debt of $472 million.

2015

We repaid $510 million of debt, net of issuances. This included the repayment of approximately $500 million of our unsecured committed term credit facility, redemption of Series M-21 MTN debentures at Bell Canada with a principal amount of $1 billion, a $474 million repayment of finance leases and other debt, and a $172 million repayment of Gentel’s outstanding debt. These repayments were partly offset by the issuance of Series M-39 and M-40 MTN debentures at Bell Canada with principal amounts of $500 million and $1 billion, respectively, and the issuance, net of repayments, of $76 million of notes payable.

Issue of common shares

In 2015, we issued 15,111,000 BCE common shares for $863 million under a public bought deal offering.

Cash dividends paid on common shares

In 2016, cash dividends paid on common shares increased by $136 million compared to 2015, due to a higher dividend paid in 2016 of $2.6975 per common share compared to $2.5675 per common share in 2015 and a higher number of outstanding common shares, partly offset by lower cash dividend payments as a result of common shares issued in Q1 2016 under BCE’s dividend reinvestment plan.

6.4 Post-employment benefit plans

For the year ended December 31, 2016, we recorded an increase in our post-employment benefit obligations and a loss, before taxes and non-controlling interest (NCI), in OCI of $262 million. This was due to a lower actual discount rate of 4.0% at December 31, 2016, compared to 4.2% at December 31, 2015. The loss was partly offset by a higher-than-expected return on plan assets.

For the year ended December 31, 2015, we recorded a decrease in our post-employment benefit obligations and a gain, before taxes and NCI, in OCI of $990 million. This was due to a higher actual discount rate of 4.2% at December 31, 2015, compared to 4.0% at December 31, 2014, and a higher-than-expected return on plan assets.

6.5 Financial risk management

Management’s objectives are to protect BCE and its subsidiaries on a consolidated basis against material economic exposures and variability of results from various financial risks that include credit risk, liquidity risk, foreign currency risk, interest rate risk, equity price risk and longevity risk. These risks are further described in Note 2, Significant accounting policies; Note 8, Other income (expenses); Note 22, Post-employment benefit plans and Note 24, Financial and capital management in BCE’s 2016 consolidated financial statements.

The following table outlines our financial risks, how we manage these risks and their financial statement classification.

<table>
<thead>
<tr>
<th>FINANCIAL RISK</th>
<th>DESCRIPTION OF RISK</th>
<th>MANAGEMENT OF RISK AND FINANCIAL STATEMENT CLASSIFICATION</th>
</tr>
</thead>
</table>
| Credit risk    | We are exposed to credit risk from operating activities and certain financing activities, the maximum exposure of which is represented by the carrying amounts reported in the statements of financial position. We are exposed to credit risk if counterparties to our trade receivables and derivative instruments are unable to meet their obligations. | • Large and diverse customer base  
• Deal with institutions with investment-grade credit ratings  
• Regularly monitor our credit risk and exposure  
• Our trade receivables and allowance for doubtful accounts balances at December 31, 2016 were $3,967 million and $60 million, respectively |
| Liquidity risk  | We are exposed to liquidity risk for financial liabilities. | • Sufficient cash from operating activities, possible capital markets financing and committed bank facilities to fund our operations and fulfill our obligations as they become due  
• Refer to section 6.7, Liquidity – Contractual obligations, for a maturity analysis of our recognized financial liabilities |
| Foreign currency risk | We are exposed to foreign currency risk related to anticipated transactions and certain foreign currency debt. A 10% depreciation (appreciation) in | • Foreign currency forward contracts on our purchase commitments and commercial paper maturing in 2017 to 2018 of $3.2 billion U.S. ($4.2 billion Canadian) at December 31, 2016, to manage foreign currency risk related to anticipated transactions and foreign currency debt |
the value of the Canadian dollar relative to the U.S. dollar would result in a gain (loss) of $30 million recognized in net earnings at December 31, 2016 and a gain (loss) of $84 million recognized in OCI at December 31, 2016, with all other variables held constant.

Refer to the following Fair value section for details on our derivative financial instruments.

### Interest rate risk

We are exposed to risk on the interest rates of our debt, our post-employment benefit plans and on dividends rate resets on our preferred shares.

A 1% increase (decrease) in interest rates would result in a decrease of $29 million (increase of $20 million) in net earnings at December 31, 2016.

Refer to the following Fair value section for details on our derivative financial instruments.

- In 2016, we redeemed prior to maturity long-term debt maturing in February 2017 and settled the interest rate swap used to hedge the interest rate exposure on the redeemed debt, having a notional amount of $700 million.
- Changes in the fair value of these derivatives and the related long-term debt were recognized in Other income (expense) in the income statements and offset.
- In 2016, we settled interest rate locks with a notional amount of $950 million which hedged the interest rates on long-term debt.
- Changes in the fair value of these derivatives were recognized in OCI, except for any ineffective portion, which was recognized immediately in earnings in Other income (expense).
- Realized gains and losses in Accumulated OCI were reclassified to Operating costs in the income statements in the same periods as the corresponding hedged items are recognized in earnings.
- For economic hedges, changes in the fair value are recognized in Other income (expense).
- Cross currency basis swaps on one of our credit facilities maturing in 2017 of $337 million U.S. ($474 million Canadian) at December 31, 2016, to hedge foreign currency risk on a portion of our long-term debt due within one year.
- Changes in the fair value of these derivatives and the related credit facility are recognized in Other income (expense) in the income statements and offset, unless a portion of the hedging relationship is ineffective.

### Equity price risk

We are exposed to risk on our cash flow related to share-based payment plans.

A 5% increase (decrease) in the market price of BCE's common shares at December 31, 2016 would result in a gain (loss) of $30 million recognized in net earnings for 2016, with all other variables held constant.

Refer to the following Fair value section for details on our derivative financial instruments.

- Equity forward contracts with a fair value of $111 million at December 31, 2016 on BCE's common shares to economically hedge the cash flow exposure related to share-based payment plans.
- Changes in the fair value are recorded in the income statement in Operating costs for derivatives used to hedge a cash-settled share based payment plan and Other income (expense) for derivatives used to hedge equity settled share-based payment plans.

### Longevity risk

We are exposed to life expectancy risk on our post-employment benefit plans.

- The Bell Canada pension plan entered into an investment arrangement to hedge part of its exposure to potential increases in longevity which covers approximately $5 billion of post-employment benefit obligations.

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**BCE Inc. 2016 ANNUAL REPORT**

6

Financial and capital management

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**Fair value**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Certain fair value estimates are affected by assumptions we make about the amount and timing of future cash flows and discount rates, all of which reflect varying degrees of risk. Income taxes and other expenses that would be incurred on disposition of financial instruments are not reflected in the fair values. As a result, the fair values are not the net amounts that would be realized if these instruments were settled.

The carrying values of our cash and cash equivalents, trade and other receivables, dividends payable, trade payables and accruals, compensation payable, severance and other costs payable, interest payable, notes payable and loans secured by trade receivables approximate fair value as they are short-term.

The following table provides the fair value details of financial instruments measured at amortized cost in the statements of financial position.

<table>
<thead>
<tr>
<th>Classification</th>
<th>Fair Value Methodology</th>
<th>Fair Value at December 31, 2016</th>
<th>Fair Value at December 31, 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>CRTC tangible benefits obligation</td>
<td>Present value of estimated future cash flows discounted using observable market interest rates</td>
<td>166</td>
<td>227</td>
</tr>
<tr>
<td>CRTC deferred account obligation</td>
<td>Present value of estimated future cash flows discounted using observable market interest rates</td>
<td>136</td>
<td>154</td>
</tr>
<tr>
<td>Debentures, finance leases and other debt</td>
<td>Quoted market price of debt or present value of future cash flows discounted using observable market interest rates</td>
<td>17,879</td>
<td>17,688</td>
</tr>
</tbody>
</table>

The following table provides the fair value details of financial instruments measured at fair value in the statements of financial position.

<table>
<thead>
<tr>
<th>Classification</th>
<th>Fair Value at December 31, 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Available-for-trade (AFS) publicly-traded and privately-held investments</td>
<td>Other non-current assets</td>
</tr>
<tr>
<td>Derivative financial instruments</td>
<td>Other current assets, trade payables and other liabilities, other non-current assets and liabilities</td>
</tr>
<tr>
<td>MLSE financial liability</td>
<td>Trade payables and other liabilities</td>
</tr>
<tr>
<td>Other</td>
<td>Other non-current assets and liabilities</td>
</tr>
<tr>
<td>AFS publicly-traded and privately-held investments</td>
<td>Other non-current assets</td>
</tr>
<tr>
<td>Derivative financial instruments</td>
<td>Other current assets, trade payables and other liabilities, other non-current assets and liabilities</td>
</tr>
<tr>
<td>MLSE financial liability</td>
<td>Other non-current liabilities</td>
</tr>
<tr>
<td>Other</td>
<td>Other non-current assets and liabilities</td>
</tr>
</tbody>
</table>

---

(1) Observable market data such as equity prices, interest rates, swap rates and foreign currency exchange rates.

(2) Non-observable market data such as discount rates and forward rates. A reasonable change in this assumption would not result in a significant decrease (increase) in the fair value of financial instruments.

(3) Unrealized gains and losses on AFS financial assets are recognized in OCI and are recognized in OCI on a cash basis and are recognized in OCI on a cash basis and are recognized in OCI on a cash basis.

(4) Represents AFS obligation to repurchase the BCE Master Trust Fund’s 9% trust preferred share. The value of the option is exercisable in 2017 and thereafter.

(5) Represents the reclassification that would be recorded if BCE elected to use the fair value option for its own debt. The option to reclassification is exercisable at each reporting period and the gain or loss recorded in OCI on a cash basis.

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6.6 Credit ratings

Credit ratings generally address the ability of a company to repay principal and pay interest on debt or dividends on issued and outstanding preferred shares.

Our ability to raise financing depends on our ability to access the public equity and debt capital markets as well as the bank credit market. Our ability to access such markets and the cost and amount of funding available partly depends on the quality of our credit ratings at the time capital is raised. Investment-grade credit ratings usually mean that when we borrow money, we qualify for lower interest rates than companies that have ratings lower than investment-grade. A ratings downgrade could result in adverse consequences for our funding capacity or ability to access the capital markets.

The following table provides BCE’s and Bell Canada’s credit ratings, which are considered investment grade, as at March 2, 2017 from DBRS, Moody’s and S&P.

### Key credit ratings

<table>
<thead>
<tr>
<th>MARCH 3, 2017</th>
<th>DBRS</th>
<th>BELL CANADA(1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercial paper</td>
<td>R-3 (high)</td>
<td>A-1 (low) (Canadisk scale)</td>
</tr>
<tr>
<td>Long-term debt</td>
<td>BBB (high)</td>
<td>Baa1</td>
</tr>
<tr>
<td>Subordinated long-term debt</td>
<td>BBB (low)</td>
<td>Baa2</td>
</tr>
<tr>
<td>Preferred shares</td>
<td>PT-3</td>
<td>P-2 (low) (Canadian scale)</td>
</tr>
<tr>
<td>Total committed credit facilities</td>
<td>$4,113</td>
<td>$479</td>
</tr>
</tbody>
</table>

(1) These credit ratings are not recommendations to buy, sell or hold any of the securities referred to above, and they may be revised or withdrawn at any time by the assigning rating organizations. Each credit rating should be evaluated independently of any other credit rating.

Following the announcement of the proposed acquisition of Q, on August 8, 2016, DBRS downgraded Bell Canada’s debt ratings and MTS debt ratings to BBB (high) from A (low), subordinated debentures rating to BBB (low) from BBB and commercial paper rating to R-2 (high) from R-1 (low). DBRS also downgraded BCE Inc.’s preferred shares rating to PT-3 from PT-2 (high).

As of March 2, 2017, BCE and Bell Canada’s credit ratings have stable outlooks from DBRS, Moody’s and S&P.

6.7 Liquidity

**Sources of liquidity**

Our cash and cash equivalents balance at the end of 2016 was $833 million. We expect that this balance, our 2017 estimated cash flows from operations, and capital markets financing, including commercial paper, will permit us to meet our cash requirements in 2017 for capital expenditures, post-employment benefit plans funding, dividend payments, the payment of contractual obligations, maturing debt, ongoing operations, and other cash requirements.

Should our 2017 cash requirements exceed our cash and cash equivalents balance, cash generated from our operations, and capital markets financing, we would expect to cover such a shortfall by drawing under committed credit facilities that are currently in place or through new facilities to the extent available.

Our cash flows from operations, cash and cash equivalents balance, capital markets financing and credit facilities should give us flexibility in carrying out our plans for future growth, including business acquisitions and contingencies.

The approximate $3.1 billion consideration (excluding the assumption of $0.8 billion of outstanding MTS debt) for the proposed acquisition of MTS will be paid 45% in cash and 55% through the issuance of approximately 28 million BCE common shares. BCE will fund the cash component of the transaction through the debt financing referred to below. The approximate $300 million proceeds, subject to final adjustments, to be received from the proposed divestiture to the TELUS Group of approximately one-quarter of MTS’ prepaid wireless subscribers and 13 retail locations in Saskatchewan will reduce the aggregate amount of debt financing required for the acquisition of MTS.

Subsequent to year end, on February 27, 2017, Bell Canada completed a public offering of $1.5 billion of MTS debentures in two series pursuant to the MTN program. The $1 billion Series M-44 MTN debentures will mature on February 27, 2024 and carry an annual interest rate of 2.70%. The $500 million Series M-45 MTN debentures will mature on February 27, 2047 and carry an annual interest rate of 4.45%. The MTN debentures are fully and unconditionally guaranteed by BCE. The net proceeds of the offering are intended to be used principally to fund the cash component of the proposed acquisition of MTS, and to repay short-term debt.

### Sources of liquidity

- **Cash requirements**
- **CAPITAL EXPENDITURES**
- **POST-EMPLOYMENT BENEFIT FUNDS PLANNING**
- **Credit ratings**
- **6.7 Liquidity**
- **Key credit ratings**
- **Other**

**CAPITAL EXPENDITURES**

In 2017, our planned capital spending will be focused on our strategic imperatives, reflecting an appropriate level of investment in our networks and services.

**POST-EMPLOYMENT BENEFIT FUNDS PLANNING**

Our post-employment benefit plans include DB pension and defined contribution (DC) pension plans, as well as other post-employment benefits (OPEBs) plans. The funding requirements of our post-employment benefit plans, resulting from valuations of our plan assets and liabilities, depend on a number of factors, including actual returns on post-employment benefit plan assets, long-term interest rates, plan demographics, and applicable regulations and actuarial standards. Our expected funding for 2017 is detailed in the following table and is subject to actuarial valuations that will be completed in mid-2017. Actuarial valuations were last performed for our DB plans in 2016.
DIVIDEND PAYMENTS

In 2017, the cash dividends to be paid on BCE’s common shares are expected to be higher than in 2016 as BCE’s annual common share dividend increased by 5.1% to $2.87 per common share from $2.73 per common share effective with the dividend payable on April 15, 2017. This increase is consistent with BCE’s common share dividend payout policy of a target payout between 65% and 75% of free cash flow. BCE’s dividend policy and the declaration of dividends are subject to the discretion of the BCE Board.

CONTRACTUAL OBLIGATIONS

The following table is a summary of our contractual obligations at December 31, 2016 that are due in each of the next five years and thereafter:

<table>
<thead>
<tr>
<th>Year</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>Thereafter</th>
<th>Total</th>
</tr>
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<tbody>
<tr>
<td>BCE Inc. 2016 ANNUAL REPORT</td>
<td>83</td>
<td>7</td>
<td>6</td>
<td>5</td>
<td>4</td>
<td>3</td>
<td>2</td>
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</table>

7 Selected annual and quarterly information

7.1 Annual financial information

The following table shows selected consolidated financial data of BCE for 2016, 2015 and 2014, prepared in accordance with IFRS as issued by the International Accounting Standards Board (IASB). We discuss the factors that caused our results to vary over the past two years throughout this MD&A.

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
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<tbody>
<tr>
<td>OPERATING AND FINANCIAL INFORMATION</td>
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<tr>
<td>NET INCOME</td>
<td>2,068</td>
<td>2,730</td>
<td>2,718</td>
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<tr>
<td>NET INCOME PER COMMON SHARE</td>
<td>Basic</td>
<td>3.33</td>
<td>2.98</td>
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<tr>
<td>Diluted</td>
<td>3.34</td>
<td>2.98</td>
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</tbody>
</table>
7

Selected annual and quarterly information

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

<table>
<thead>
<tr>
<th>2016</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total assets</td>
<td>50,198</td>
<td>47,993</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>853</td>
<td>613</td>
</tr>
<tr>
<td>Debt due within one year (including notes payable and loans secured by trade receivables)</td>
<td>4,897</td>
<td>4,895</td>
</tr>
<tr>
<td>Long-term debt</td>
<td>16,572</td>
<td>15,390</td>
</tr>
<tr>
<td>Total non-current liabilities</td>
<td>22,146</td>
<td>20,672</td>
</tr>
<tr>
<td>Equity attributable to BCE shareholders</td>
<td>17,540</td>
<td>17,023</td>
</tr>
<tr>
<td>Total equity</td>
<td>17,854</td>
<td>17,329</td>
</tr>
</tbody>
</table>

CONSOLIDATED STATEMENTS OF CASH FLOWS

<table>
<thead>
<tr>
<th>2016</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash flows from operating activities</td>
<td>6,643</td>
<td>8,274</td>
</tr>
<tr>
<td>Cash flows used in investing activities</td>
<td>(3,584)</td>
<td>(4,114)</td>
</tr>
<tr>
<td>Capital expenditures</td>
<td>(3,775)</td>
<td>(3,628)</td>
</tr>
<tr>
<td>Business acquisitions</td>
<td>(404)</td>
<td>(311)</td>
</tr>
<tr>
<td>Business disposals</td>
<td>18</td>
<td>409</td>
</tr>
<tr>
<td>Acquisition of spectrum licences</td>
<td>(1)</td>
<td>(535)</td>
</tr>
<tr>
<td>Loan to affiliated party</td>
<td>(517)</td>
<td>–</td>
</tr>
<tr>
<td>Cash flows used in financing activities</td>
<td>(1,819)</td>
<td>(2,113)</td>
</tr>
<tr>
<td>Issue of common shares</td>
<td>99</td>
<td>952</td>
</tr>
<tr>
<td>Net issuance (repayment) of debt instruments</td>
<td>719</td>
<td>510</td>
</tr>
<tr>
<td>Common shares issuance cost</td>
<td>(19)</td>
<td>(38)</td>
</tr>
<tr>
<td>Cash dividends paid on common shares</td>
<td>(2,305)</td>
<td>(2,169)</td>
</tr>
<tr>
<td>Privatization of Bell Aliant</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Cash dividends paid on preferred shares</td>
<td>(126)</td>
<td>(150)</td>
</tr>
<tr>
<td>Cash dividends paid by subsidiaries to non-controlling interest</td>
<td>(46)</td>
<td>(41)</td>
</tr>
<tr>
<td>Free cash flow</td>
<td>3,226</td>
<td>2,999</td>
</tr>
</tbody>
</table>

SHARE INFORMATION

- Average number of common shares (millions): 869.1
- Net earnings attributable to common shareholders divided by total average equity attributable to BCE shareholders excluding preferred shares: 0.76
- Net earnings attributable to common shareholders divided by total average equity attributable to BCE shareholders: 0.68

RATIOS

- Price to earnings ratio (times): 17.94
- Price to earnings ratio (times): 17.56

OTHER DATA

- Net issuance (repayment) of debt instruments: (46)
- Net issuance (repayment) of debt instruments: (8)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

<table>
<thead>
<tr>
<th>2016</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total BCE adjusted EBITDA</td>
<td>2,121</td>
<td>2,073</td>
</tr>
</tbody>
</table>

CONSOLIDATED STATEMENTS OF CASH FLOWS

<table>
<thead>
<tr>
<th>2016</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash flows from operating activities</td>
<td>5,702</td>
<td>5,346</td>
</tr>
<tr>
<td>Capital expenditures</td>
<td>(958)</td>
<td>(927)</td>
</tr>
</tbody>
</table>
| Net earnings attributable to common shareholders: 0.76
- Basic | 0.75 | 0.87 | 0.89 |
- Diluted | 0.75 | 0.87 | 0.89 |

CONSOLIDATED STATEMENTS OF CASH FLOWS

<table>
<thead>
<tr>
<th>2016</th>
<th>2015</th>
<th>2014</th>
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<td>5,346</td>
</tr>
<tr>
<td>Capital expenditures</td>
<td>(958)</td>
<td>(927)</td>
</tr>
</tbody>
</table>

Selected annual and quarterly information

7.2 Quarterly financial information

The following table shows selected BCE consolidated financial data by quarter for 2016 and 2015. This quarterly information is unaudited but has been prepared on the same basis as the annual consolidated financial statements. We discuss the factors that caused our results to vary over the past eight quarters throughout this MD&A.

<table>
<thead>
<tr>
<th>Quarter</th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating revenues</td>
<td>5,702</td>
<td>5,346</td>
<td>5,324</td>
</tr>
<tr>
<td>Capital expenditures</td>
<td>(958)</td>
<td>(927)</td>
<td>(914)</td>
</tr>
</tbody>
</table>

Fourth quarter highlights

- Operating revenues: 5,702
- Capital expenditures: (958)

Other financial information

- Net earnings attributable to common shareholders: 641
- Net earnings attributable to BCE shareholders excluding preferred shares: 641

Other financial information

- Net earnings attributable to BCE shareholders: 641
- Diluted EPS: 0.58
- Diluted EPS: 0.72

Selected annual and quarterly information

87 BCE Inc. 2016 ANNUAL REPORT

 Selected annual and quarterly information

85 BCE Inc. 2016 ANNUAL REPORT
BCE operating revenues were up by 1.5% in Q4 2016, compared to Q4 2015, as a result of solid revenue growth from both our Bell Wireless and Bell Media segments, moderated by a decline in our Bell Wireline segment.

BCE adjusted EBITDA grew by 2.3% in Q4 2016, compared to last year, reflecting year-over-year growth across all three of our segments. BCE adjusted EBITDA margin increased to 37.2% compared to 37.0% in Q4 2015.

Bell Wireless operating revenues were 6.4% higher in Q4 2016, compared to last year, reflecting service revenue growth of 7.2% driven by a larger postpaid subscriber base together with blended ARPU growth of 4.7%, resulting from increased postpaid ARPU due to higher average monthly rates driven by rate increases and the ongoing migration by customers from three-to two-year rate plans, as well as reflecting the favourable impact from higher smartphone penetration and a growing base of 4G LTE and LTE-A customers in our subscriber mix, which drove greater data consumption. Wireless product sales were essentially stable year over year as greater promotional pricing in a highly competitive market was mitigated by a higher number of postpaid gross additions in Q4 2016 compared to last year.

Bell Wireless adjusted EBITDA was up 5.1%, year over year, with adjusted EBITDA margin of 39.6%, a 0.8% decline over last year. The year-over-year growth in adjusted EBITDA reflected greater promotional pricing driven by an increased mix of higher-value postpaid subscribers in our overall customer base and pricing discipline. This growth was mitigated by higher customer retention spending and subscriber acquisition costs, attributable to greater promotional pricing driven by a highly competitive market during the holiday season, along with more expensive smartphones in our upgrade and activation mix and greater postpaid activation-related expenses.

Bell Wireline operating revenues in Q4 2016 declined by 0.8%, year over year, attributable to lower wholesale revenues as a result of downward revisions to wholesale internet tariffs by the CRTC and lower sales of Bell Wireline services revenue driven primarily by the acquisition of Q9.

Bell Wireline adjusted EBITDA in Q4 2016 increased by 0.9%, year over year, with a corresponding adjusted EBITDA margin improvement to 40.1% from 39.5% in Q4 2015, resulting from the growth in our Internet and IPTV subscriber bases coupled with higher residential household ARPU, and ongoing erosion in residential voice and satellite TV further reduced operating revenues. This decline was mitigated by growth in Internet and IPTV subscriber bases coupled with higher residential household ARPU, and growth in business solutions revenue driven primarily by the acquisition of Q9.

Bell Media operating revenues grew by 3.6% in Q4 2016, compared to the same period last year, due to higher subscriber revenues driven by Bell Media’s expansion of TSN into a national pay TV service in March 2016 coupled with the continued growth from CraveTV and TV Everywhere GO products. Advertising revenue was essentially unchanged compared to last year as declines in conventional TV, mainly due to the non-renewal of several expiring contracts, were offset partially by a higher number of new subscribers as well as a higher mix of higher-value digital distribution packages. The increase in other revenues was mainly attributable to the TMN expansion and CraveTV combined with higher costs associated with the Millennials acquisition and new contract wins in Q4.

BCE capital expenditures increased by $35 million year over year in Q4 2016 to $993 million, corresponding to a capital intensity ratio of 17.4%, which increased 0.3% compared to the same period last year. The higher year-over-year capital investment was driven by our Bell Wireline segment with increased spending of $37 million, compared to Q4 2015, attributable to our continued deployment of broadband fibre directly to more homes and businesses, including the build-out of Gigabit Fibe infrastructure in the city of Toronto and other urban locations. Greater spending to support the execution of business customer contracts also contributed to the year-over-year growth in capital expenditures.

BCE severance, acquisition and other costs of $11 million in Q4 2016 decreased by $141 million, compared to Q4 2015, mainly due to higher workforce reduction initiatives in our Bell Wireless and Bell Media segments in Q4 2015 to address increasing competition, media industry regulation, a soft business market and declines in home phone subscribers.

BCE net earnings attributable to common shareholders of $576 million in Q4 2016, or $0.75 per share, were higher than the $496 million, or $0.58 per share, reported in Q4 2015. The year-over-year increase was mainly due to the growth in operating revenues that drove a higher adjusted EBITDA, lower severance, acquisition and other costs and lower other expenses, partly offset by higher income taxes and increased amortization expense. Adjusted net earnings increased by $67 million, from $815 million in Q4 2015, and adjusted EPS increased to $0.76 from $0.72 in Q4 2015.

BCE cash flows from operating activities was $1,510 million in Q4 2015 compared to $1,510 million in Q4 2016. The increase is mainly attributable to higher adjusted EBITDA, lower acquisition and other costs paid and lower income taxes paid, partly offset by a higher voluntary DB pension plan contribution made in Q4 2016 and reduced working capital.

BCE free cash flow generated in Q4 2016 was $823 million, or 0.8% higher than in Q4 2015. This was due to an increase in cash flows from operating activities and lower cash dividends paid on preferred shares as a result of timing of payments, partly offset by higher capital expenditures.

8 Seasonality considerations

Some of our segments’ revenues and expenses vary slightly by season, which may impact quarter-to-quarter operating results.

Bell Wireless operating revenues are influenced by the timing of our marketing and promotional expenditures and higher levels of subscriber additions and handset discounts, resulting in higher subscriber acquisition and activation-related expenses in certain quarters. In particular, subscriber activations are typically lowest in the first quarter, while adjusted EBITDA tends to be lower in the third and fourth quarters, due to higher subscriber acquisition and retention costs associated with a higher number of new subscriber activations and upgrades during the back-to-school, Black Friday and Christmas holiday periods. Additionally, wireless ARPU historically has experienced a seasonal sequential increase in the fourth quarter, reflecting higher levels of usage and roaming in the summer.

Bell Wireline revenues tend to be higher in the fourth quarter because of higher data and equipment product sales to business customers and higher consumer electronics equipment sales during the Q4 Christmas holiday period. However, this may vary from year to year depending on the strength of the economy and the presence of targeted sales initiatives, which can influence customer spending. Home Phone, TV and Internet subscriber activity is subject to modest seasonal fluctuations, attributable largely to residential moves during the summer months and the back-to-school period in the third quarter. Targeted marketing efforts conducted during various times of the year to coincide with special events or revamped marketing campaigns also may have an impact on overall revenue and operating results.

Bell Media revenues and related expenses from TV and radio broadcasting are largely derived from the sale of advertising, the demand for which is affected by prevailing economic conditions, as well as cyclical and seasonal variations. Seasonal variations are driven by the strength of TV ratings, particularly during the fall programming season, major sports league seasons and other special sporting events such as the Olympic Games, NHL playoffs and World Cup soccer, as well as fluctuations in consumer retail activity during the year.

8 Regulatory environment

8.1 Introduction

This section describes certain legislation that governs our business and provides highlights of recent regulatory initiatives and proceedings, government consultations and government positions that affect us, influence our business and may continue to affect our ability to compete in the marketplace. Bell Canada and several of its direct and indirect subsidiaries, including Bell Mobility, Bell ExpressVu’s Limited Partnership (Bell ExpressVu’s), Bell Media, NorthernTel, Limited Partnership (NorthernTel’s), Télébec, Limited Partnership (Télébec’s) and Northwestel, are governed by the Telecommunications Act, the Broadcasting Act, the Radiocommunications Act and the Bell Canada Act. They are also subject to regulations and policies enforced by the CRTC. Our business is affected by decisions made by various regulatory agencies, including the CRTC, a quasi-judicial agency of the Government of Canada responsible for regulating Canada’s telecommunications and broadcasting industries. Other aspects of the business of these entities are regulated in various ways by federal and government departments, in particular ISED.

The CRTC regulates the prices we can charge for telecommunications services in areas where it determines there is not enough competition to protect the interests of consumers. The CRTC has determined that competition is sufficient to prevent the revaluation of wholesale price regulation under the Telecommunications Act for the vast majority of our residential and business telephone services, as well as for our wireless (except our domestic wholesale wireless roaming service) and Internet services (except in certain parts of Northern Canada), which is the CRTC’s re-regulated Internet services in 2013; our TV distribution and our TV and radio broadcasting businesses are subject to the Broadcasting Act and are, for the most part, not subject to retail price regulation. Although most of our retail services are not price-regulated, government agencies and departments such as the CRTC, ISED, Canadian Heritage and the Competition Bureau continue to play a significant role in regulatory matters such as mandatory access to networks, net neutrality, spectrum auctions, approval of acquisitions, broadcast licensing and foreign ownership requirements. Adverse decisions by regulatory agencies or increasing regulation could have negative financial, operational, regulatory or competitive consequences for our business.

8.2 Telecommunications Act

The Telecommunications Act governs telecommunications in Canada. It defines the broad objectives of Canada’s telecommunications policy and provides the Government of Canada with the power to give general direction to the CRTC on any of its policy objectives. It applies to several of the BCE group of companies and partnerships, including Bell Canada, Bell Mobility, NorthernTel, Télébec and Northwestel.
Under the Telecommunications Act, all facilities-based telecommunications service providers in Canada, known as telecommunications common carriers (TCCs), must seek regulatory approval for all proposed tariffs for telecommunications service, unless the services are exempt from regulation or forborne from regulation. The CRTC may exempt an entire class of carriers from regulation under the Telecommunications Act if the exemption meets the objectives of Canada’s telecommunications policy. In addition, a few large TCCs, including the BCE group TCCs, must also meet certain Canadian ownership requirements. BCE monitors and periodically reports on the level of non-Canadian ownership of its common shares.

Review of basic telecommunications services

On December 21, 2016, the CRTC issued Telecom Regulatory Policy CRTC 2016-496, Modern telecommunications services – The path forward for Canada’s digital economy. In this decision, the CRTC determined broadband Internet to be a basic service and created a new fund designed to complement government investments in expanding access to broadband Internet across Canada. The new fund will collect and distribute $750 million over a five-year period to support an aspirational goal of bringing broadband Internet with speeds of 50 Mbps to 90% of Canadian households by the end of 2021. The contributions to the new fund will be collected from telecommunications service providers, like those of the BCE group, and distributed through a competitive bidding process to support broadband deployment initiatives. The details of the competitive bidding process are to be determined through a follow-up proceeding. The fund is to start at $100 million in its first year and grow by $25 million each year until it caps out at $250 million in the fifth year.

While the timing of the new fund’s implementation is unclear at this time, it will not be implemented in 2017. While we will be required to contribute to the new broadband fund based on our percentage of industry revenues for voice, data, and Internet services, the extent of the impact of this new fund on our business is not yet known, as funds contributed may be offset by any funds received should we seek and be awarded funds to deploy broadband services as part of the CRTC’s program.

In this same decision, the CRTC also indicated its intention to reduce the size of its existing fund used to support the delivery of voice services in certain rural and remote areas (currently approximately $150 million per year). Through an additional follow-up proceeding, the CRTC will consider the extent to which support for rural and remote voice services will be phased out. There are no changes to the CRTC’s fund to support video relay services (maximum $30 million per year), to which we also contribute.

Complaint regarding pricing of broadcasting content accessed via mobile devices

On January 29, 2015, the CRTC issued a decision (Mobile TV decision) concerning a complaint against Bell Mobility about the pricing of our Bell Mobile TV service compared with the rates applicable when consumers access programming content received via mobile devices over the Internet. The CRTC found that we were conferring an “undue preference” on our Mobile TV service by not subjecting it to the standard data charges. In accordance with the CRTC’s Mobile TV decision, we have ceased exempting our Mobile TV service from data charges as of April 29, 2015.

On February 20, 2015, Bell Canada filed a motion seeking leave to appeal the CRTC’s Mobile TV decision in the Federal Court of Appeal, which was granted on April 2, 2015. On June 20, 2015, the Federal Court of Appeal dismissed our appeal of the CRTC’s Mobile TV decision. Consistent with this decision, our Mobile TV service will continue to be subject to standard data charges, as has been since April 29, 2015.

Proceedings regarding wholesale domestic wireless services

On May 5, 2015, the CRTC released Telecom Regulatory Policy CRTC 2015-177 (TRP 2015-177), which concluded its investigation into the competitiveness of wholesale wireless markets in Canada. TRP 2015-177 requires Bell Mobility, Rogers Communications Partnership (now Rogers Communications Canada Inc.) (Rogers Canada) and Telus Communications Company to issue tariffs for domestic wholesale roaming services based on the GSM standards to all other Canadian wireless carriers but not to each other. As a condition of offering GSM-based wholesale roaming services, Bell Mobility, Rogers Canada and Telus Communications Company must provide domestic roaming service to all subscribers served by their wholesale roaming customers, including the subscribers of any mobile virtual network operators (MVNOs) operating on their roaming customers’ networks. On March 1, 2017, the CRTC issued Telecom Decision CRTC 2017-56, in which it generally approved the terms of our tariff, with minor modifications. Final approval of Bell Mobility’s, Rogers Canada’s and Telus Communications Company’s proposed wholesale roaming rates remains pending.

Mandated wholesale access to FTTN networks

On July 22, 2015, the CRTC mandated the introduction of a new disaggregated wholesale high-speed access service, including over FTTN facilities, which had so far been exempt from mandated wholesale high-speed access. While this new service is mandated for all major incumbent telephone companies and cable carriers, the first stage of its implementation is to take place only in Ontario and Quebec, our two largest markets. This adverse regulatory decision may impact the specific nature, magnitude, location and timing of our future FTTN investment decisions. In particular, the introduction by the CRTC of mandated wholesale services over FTTN will undermine the incentives for facilities-based digital infrastructure providers to invest in next-generation wireless networks, particularly in smaller communities and rural areas.

Review of wholesale FTTN high-speed access service rates

As part of its ongoing review of wholesale Internet rates, on October 6, 2016 the CRTC significantly reduced, on an interim basis, some of the wholesale rates that Bell Canada and other major providers charge for access by ISPs to FTTN or cable networks, as applicable. Should substantially lowered wholesale rates remain in place in the long-term and, in addition, should the interim rates be made retroactive, the business position of some of our competitors could improve, adversely affecting our financial performance, and our investment strategy could change, especially in relation to investment in next-generation wireless networks, particularly in smaller communities and rural areas.

National wireless services consumer code

On June 3, 2013, the CRTC issued Telecom Regulatory Policy CRTC 2013-271, which established the Wireless Code. The Wireless Code applies to all wireless services provided to individual and small business consumers (i.e. businesses that on average spend less than $2,500 per month on telecommunication services) in all provinces and territories. The Wireless Code establishes regulations related to unlocking mobile phones, limiting the amount of early cancellation fees, price changes for different categories of services, and setting default caps for data roaming charges and data overtime charges, among other measures. The Wireless Code also stipulates that wireless service providers may not charge an early cancellation fee after a customer has been under contract for 24 months and that handset subsidies must be recovered in two years or less. These requirements reduce the incentives for wireless service providers to offer contracts with terms greater than two years.

The CRTC began a scheduled review of the provisions of the Wireless Code on September 26, 2016. A public hearing was held in February 2017 and a decision is expected later in the year.

Canada’s telecommunications foreign ownership rules

Under the Telecommunications Act, there are no foreign investment restrictions applicable to TCCs that have less than a 10% share of the total Canadian telecommunications market as measured by annual revenues. However, foreign investment in telecommunications companies can still be refused by the government under the Investment Canada Act. The absence of foreign ownership restrictions on such small or new entrant TCCs could result in more foreign companies entering the Canadian market, including by acquiring spectrum licences or Canadian TCCs. Under the Broadcasting Act, foreign ownership restrictions continue to apply to BDUs, such as licensed cable and satellite TV service providers, and programming undertaking licensees such as Bell Media.

8.3 Broadcasting Act

The Broadcasting Act outlines the broad objectives of Canada’s broadcasting policy and assigns the regulation and supervision of the broadcasting system to the CRTC. Key policy objectives of the Broadcasting Act are to protect and strengthen the cultural, political, social and economic fabric of Canada and to encourage the development of Canadian expression.

Most broadcasting activities require a programming or broadcasting distribution licence from the CRTC. The CRTC may exempt broadcasting undertakings from complying with certain licensing and regulatory requirements if it is satisfied that non-compliance will not materially affect the implementation of Canadian broadcasting policy.

A corporation must also meet certain Canadian ownership and control requirements to obtain a broadcasting or broadcasting distribution licence, and corporations must have the CRTC’s approval before they can transfer effective control of a broadcasting licence.

Our TV distribution operations and our TV and radio broadcasting operations are subject to the requirements of the Broadcasting Act, the policies and decisions of the CRTC and their respective broadcasting licences. Any
Changes to simultaneous substitution

On January 29, 2015, the CRTC announced in Broadcasting Regulatory Policy 2015-25 that it would eliminate simultaneous substitution for the Super Bowl starting in 2017. On August 18, 2016, the CRTC issued Broadcasting Order CRTC 2016-125 (the Order) implementing its decision with respect to simultaneous substitution for the Super Bowl.

On September 19, 2016, Bell Canada and Bell Media filed a motion with the Federal Court of Appeal seeking leave to appeal the Order, a stay of the Order, and expedited proceedings. Bell Canada and Bell Media are challenging the legal validity of the Order on the basis that the CRTC does not have jurisdiction under section 9(9)(b) of the Broadcasting Act to make an order banning simultaneous substitution for the Super Bowl, and that doing so constitutes unauthorized retroactive regulation and interference with Bell Media’s vested economic rights.

On October 31, 2016, leave to appeal the Order was granted by the Federal Court of Appeal but a stay of the Order pending the appeal was denied. Bell Canada and Bell Media filed a Notice of Appeal on December 28, 2016. The NFL was separately granted leave to appeal the Order on October 31, 2016 and filed a Notice of Appeal on January 3, 2017. A decision on the appeals remains pending.

The CRTC’s decision to eliminate simultaneous substitution for the Super Bowl has had an adverse impact on Bell Media’s conventional TV business and financial results, as a result of a reduction in viewership and advertising revenues and that impact will continue through the contract term unless the appeal of Bell Canada, Bell Media and the NFL is successful.

Unbundling of TV services

On March 19, 2015, the CRTC released Broadcasting Regulatory Policy 2015-08, which deals primarily with issues related to the distribution of TV services. In it, the CRTC mandates that all TV providers offer a “small entry-level” package consisting of only Canadian conventional TV services, certain public-interest services and, if the TV provider chooses to include them, one set of American over-the-air (OTA) stations. The price of this package cannot exceed $25 per month exclusive of equipment. The small entry-level offer had to be introduced by March 1, 2016. The decision also requires all TV providers to offer every channel not included in a small entry-level package on both a standalone (à la carte) basis and in either build-your-own packages (e.g. “pick 10”) or small theme packs of no more than 10 channels. The CRTC did not regulate the price at which such packages can be sold.

Either a standalone, build-your-own package, or small theme pack option was required to be offered by March 1, 2016, and both standalone and one of build-your-own package or small theme pack options was required to be offered by December 1, 2016. TV providers could continue to offer TV services in other packages, including their existing package options, as long as they also offer the mandated alternatives. The CRTC also decided that, with the exception of mainstream national news services, TV channels that previously had “access rights”, that is TV providers were required to carry them, will lose those rights when they renew their licences beginning in September 2017. A TV provider will, therefore, be able to cease to offer any of these services that it does not wish to carry. While the impact of the decision on Bell Media is potentially negative, the extent of the impact on Bell Media’s business and financial results is uncertain at this time.

Wholesale code

On September 24, 2015, the CRTC released Broadcasting Regulatory Policy 2015-438, announcing a new Wholesale Code. The Wholesale Code governs the commercial arrangements between BDUs, programming services and digital media services, including imposing additional restrictions on the sale of TV channels at wholesale and the carriage of TV channels by BDUs. On October 23, 2015, Bell Canada and Bell Media filed with the Federal Court of Appeal an application for leave to appeal the CRTC’s decision to implement the Wholesale Code, which application was granted on December 22, 2015. We allege that the CRTC’s implementation of the Wholesale Code conflicts with the Copyright Act and is outside the CRTC’s jurisdiction under the Broadcasting Act. A decision on the appeal remains pending.

Licence renewals

On February 8, 2016, the CRTC released Broadcasting Notice of Consultation CRTC 2016-44, in which it initiated the renewal process for TV broadcasting licences owned by Bell Media and its subsidiaries Learning and Skills Television of Alberta Limited, The Sports Network Inc., Le Réseau des sports (RDS) inc., Discovery Science Canada Company, 295 3285 Canada Inc., and Animal Planet Canada Company, which are part of our licensed ownership group as described in the Notice of Consultation. The existing licences were last renewed in 2011 and 2012, in Broadcasting Decision CRTC 2011-444 and Broadcasting Decision CRTC 2012-241, and are set to expire on August 31, 2017. In accordance with the CRTC’s group-based licensing policy, effectively all of the licences of all of the large ownership groups, including BCE, are renewed and expire at the same time. Should the CRTC impose adverse conditions of licence as a result of the renewal process, this could have a negative effect on our business and financial performance. A decision on the licence renewal is expected in 2017 prior to the expiry of the existing licences.

Radiocommunication Act

ISED regulates the use of radio spectrum under the Radiocommunication Act. Under the Radiocommunication Act, ISED ensures that radiocommunication in Canada is developed and operated efficiently. Under the Radiocommunication Regulations, companies that are eligible for radio licences, such as Bell Canada and Bell Mobility, must meet the same ownership requirements that apply to companies under the Telecommunications Act.

Companies must have a spectrum licence to operate a wireless system in Canada. While we anticipate that the licences under which we provide wireless services will be renewed upon expiry, there is no assurance that this will happen, or of the terms under which renewal will be granted. ISED can revoke a company’s licence at any time if the licence does not comply with the licence’s conditions. While we believe that we comply with the conditions of our licences, there is no assurance that ISED will agree. Should there be a disagreement, this could have a negative effect on our business and financial performance.

600 MHz spectrum consultation

ISED held a consultation in December 2014 seeking comments on various questions related to repurposing the 600 MHz broadcasting band for mobile use. This spectrum is currently used primarily by OTA TV broadcasters for local TV transmissions. This was the first step of a multistep process on the matter. The two key questions related to whether ISED should repurpose the band to include commercial mobile broadband and whether to participate in a joint spectrum repacking process with the United States (U.S.). In addition, ISED also sought comments regarding the anticipated future spectrum requirements for OTA TV broadcasting, taking into consideration the overall changes in the broadcasting industry.

On August 14, 2015, ISED announced its decision on the results of the consultation. ISED determined it would proceed with the repacking initiative for the 600 MHz band to include commercial mobile use and that it would jointly establish a new digital TV (DTV) allotment plan in collaboration with the U.S. ISED has indicated that it is waiting for the results of the U.S. auction, which began on March 29, 2016, before proceeding with further consideration of our licences, there is no assurance that ISED will agree. Should there be a disagreement, this could have a negative effect on our business and financial performance. While we believe that we comply with the conditions of our licences, there is no assurance that ISED will agree. Should there be a disagreement, this could have a negative effect on our business and financial performance.

6.8 Other key legislation

Personal Information Protection and Electronic Documents Act

The Digital Privacy Act amending the Personal Information Protection and Electronic Documents Act (PIPEDA) received Royal Assent on June 18, 2015. The amendments introduce mandatory notification requirements that must be followed in relation to the loss or unauthorized disclosure of personal information held by an organization resulting from a breach of the organization’s security safeguards. Failure to comply with these notification requirements, or to pay the associated administrative monetary penalties for non-compliance, result in the debarment of the organization from federal government contracts and services. This new legislation would impose a significant new cost on our business unless we are able to comply with the new requirements.
9 Business risks

A risk is the possibility that an event might happen in the future that could have a negative effect on our financial position, financial performance, cash flows, business or reputation. The actual effect of any event is uncertain. The risks described in this MD&A are not the only ones that could affect us. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also materially and adversely affect our financial position, financial performance, cash flows, business or reputation.

This section describes the principal business risks that could have a material adverse effect on our financial position, financial performance, cash flows, business or reputation, and cause actual results or events to differ materially from our expectations expressed in, or implied by, our forward-looking statements. As indicated in the table below, certain of these principal business risks have already been discussed in other sections of this MD&A, and we refer the reader to those sections for a discussion of such risks. All of the risk discussions set out in the sections referred to in the table below are incorporated by reference in this section 9.

### Technology/infrastructure transformation

The failure to optimize network and IT deployment and upgrading timeliness, accurately assess the potential of new technologies, and invest and evolve in the appropriate direction, could have an adverse impact on our business and financial results.

Globalization, increased competition and ongoing technological advances are driving customer expectations of faster market responses, enhanced user experiences and cost-effective delivery. Meeting these expectations requires the deployment of new service and product technologies that are network-neutral and based on a more collaborative and integrated development environment. Change can be difficult and may present unforeseen obstacles that might impact successful execution, and this transition is made more challenging by the complexity of our multi-product environment, combined with the complexity of our network and IT structures. In addition, new technologies may quickly become obsolete or their launch may be delayed. The failure to optimize network and IT deployment and upgrading timeliness, in light of customer demand and competitor activities, ultimately affects the potential of new technologies, and to invest and evolve in the appropriate direction in an environment of changing business models could have an adverse impact on our business and financial results.

In particular, our network and IT evolution activities seek to leverage new as well as evolving and developing technologies, including network functions virtualization, software-defined networks and cloud technologies, and transform our networks and systems. In achieving this, we are also as well as providing self-service and instant-on capabilities for our customers, ensuring best quality and customer experience, and developing a new network infrastructure that enables a competitive cost structure with rapidly growing capacity needs. These evolution activities require an operational and cultural shift. Alignment across technology, product development and operations is increasingly critical to ensure appropriate trade-offs and optimization of capital allocation.

If this cannot be achieved in accordance with our deployment schedules while maintaining network availability and performance through the migration process, we may lose customers as a result of poor service performance, which could adversely affect our ability to achieve our operational and financial objectives. Failure to leverage IP across all facets of our network and product and service portfolio could inhibit a fully customer-centric approach, limiting or preventing comprehensive self-care convenience, real-time provisioning, cost savings and flexibility in delivery and consumption, leading to negative business and financial outcomes.

Parallel to our focus on next-generation investment, adverse regulatory decisions may impact the specific nature, magnitude, location and timing of investment decisions. In particular, the introduction by the CRTC of mandated wholesale services over FTTP or wireless networks will undermine the incentives for facilities-based digital infrastructure providers to invest in next-generation wired and wireless networks, particularly in smaller communities and rural areas. Failure to continue investment in a disciplined and strategic manner in next-generation capabilities, including real-time information-based customer service strategies, could limit our ability to compete effectively and achieve desired business and financial results.

### Customer experience

Driving a positive customer experience in all aspects of our engagement with customers by embracing new approaches and challenging operational limitations is important to avoid adverse impacts on our business and financial performance.

As we continue to be rated based on customers’ evolving expectations of service and value, failure to get ahead of such expectations and build a more robust service experience could hinder product and service differentiation and customer loyalty. With the proliferation of connectivity services, apps and devices, customers are accustomed to doing things when, how and where they want through websites, self-service options, on-demand, call centres, Facebook, Twitter and other social media forums. Failure to embrace these new media in a positive way, incorporate them into multiple elements of our service delivery and ensure that we understand their potential impact on customer perceptions could adversely affect our reputation and brand value. As the foundation of effective customer service stems from our ability to deliver simple solutions to customers in an expeditious manner, on mutually agreeable terms, complexity in our operations resulting from multiple technology platforms, billing systems, marketing databases and a myriad of rate plans, promotions and product offerings may limit our ability to respond quickly to market changes and reduce costs, and may lead to customer confusion or billing errors, which could adversely affect customer satisfaction, acquisition and retention. While speed of service evolution is critical to competitive differentiation, it must not be achieved at the expense of the quality of our service offerings or of our brand.

### Operational performance

Our networks, IT systems and data centre assets are the foundation of high-quality consistent services which are critical to meeting service expectations.

Our ability to provide consistent, wired, wireless, media broadcasting, satellite and data centre services to customers in a complex and constantly changing operating environment is crucial for sustained success. In particular, network capacity demands for TV and other bandwidth-intensive applications on our internet and wireless networks have been growing at unprecedented rates. Unexpected capacity pressures on our networks may negatively affect our network performance and our ability to provide services. Issues relating to network availability, speed, consistency and traffic management on our current and as well as aging networks could have an adverse impact on our business and financial results.

In addition, we currently use a very large number of interconnected operational and business support systems including for provisioning, networking, distribution, broadcast management, billing and accounting, which may restrain our operational efficiency. If we fail to implement or maintain highly effective customer-facing IT systems supported by an effective governance and operating framework, this may lead to inconsistent performance and dissatisfied customers, which over time could result in higher churn.

Further examples of risks to operational performance that could impact our reputation, business operations and financial performance include the following.
We may need to incur significant capital expenditures beyond those already anticipated by our capital intensity target in order to provide additional capacity and reduce network congestion on our wireless and wireline networks, and we may not be able to generate sufficient cash flows or raise the capital we need to fund such capital expenditures, which may result in service degradation.

Corporate restructuring, system replacements and upgrades, process redesigns and the integration of business acquisitions may not deliver the benefits contemplated and could adversely impact our ongoing operations.

If we fail to streamline our significant IT legacy system portfolio and proactively improve operating performance, this could adversely affect our business and financial outcomes.

There may be a lack of competent and cost-effective resources to perform the life-cycle management and upgrades necessary to maintain the operational status of legacy networks.

Our operations and business continuity depend on how well we protect, test, maintain and replace our networks, IT systems, equipment and other facilities.

Our business depends on our ability to access the capital markets, generate cash flows and fund capital expenditures and other requirements. If we are unable to access the capital we need or generate cash flows to implement our business plan or meet our financial obligations on acceptable terms, we may have to limit our ongoing capital expenditures and our investment in growth opportunities.

There is no assurance that the assets of our post-employment benefit plans will earn their assumed rate of return. A substantial portion of our post-employment benefit plans’ assets is invested in public equity and debt.

Failure to appropriately train, motivate, remunerate or deploy employees on initiatives that further our strategic imperatives, or to efficiently replace retiring employees, could have an adverse impact on our ability to attract and retain talent and drive performance across the organization.

The increasing technical and operational complexity of our businesses creates a challenging environment for hiring, retaining and developing technical resources.

Our ability to meet our cash requirements, fund capital expenditures and plan for provided cash flows depending on having access to adequate sources of capital and on our ability to generate cash flows from operations, which is subject to various risks, including those described in this MD&A.

We provide a wide range of facilities to our customers and, in turn, our customers’ relationships and financial performance. Failure to manage the safety and security of our operating environment in different environments, including manholes, telephone poles, cell towers, vehicles, foreign news bureaus and war zones, requires focus, effective processes and flexibility to avoid injury, service interruption, fines and reputational impact.

We face significant risks exposed to adverse economic conditions and the credit market risk of a significant and prolonged economic downturn. Financial management of our business is subject to a number of risks and uncertainties, including the potential for volatility. Failure to recognize and manage economic exposure and pension rule changes, or to ensure that effective governance is in place for management and funding of pension plan assets and obligations, could have an adverse impact on our liquidity and financial performance.

The economic environment, pension rules or ineffective governance could have an adverse effect on our business and financial performance, and we may be required to increase current dividend policy, increases in the common share dividend are directly linked to growth in BCE’s free cash flow. BCE’s dividend policy and the declaration of dividends on any of its outstanding shares are subject to the BCE Board’s review from time to time of the adequacy of BCE’s dividend policy with the objective of allowing sufficient financial flexibility to continue investing in our business while growing returns to shareholders.

We believe that our ability to attract and retain talent and drive performance across the organization is contingent on negotiating collective agreements that deliver competitive labour conditions and uninterrupted service, both of which are critical to achieving our business objectives. In addition, if the skill sets, diversity and size of the workforce do not match the operational requirements of the business and foster a winning culture, we will likely not be able to sustain our performance.

Effective processes, including sound policies and practices, rigorous controls, effective communication, and the alignment of business and management strategies and actions, are critical to the effective operation of our business. A number of factors, including market conditions, the regulatory environment, our safety culture, actions or omissions by employees, and significant operational risks, such as network failures, tellers’ errors (inaccurate cash transactions), can result in significant revenue loss and/or significant increases in claims costs. A number of significant operational risks, including those related to our wired and wireless networks, could result in significant reduction in our financial results.

The risk of climate change and the adverse impacts of climate change on our business, and our ability to reduce greenhouse gas emissions, are a result of factors beyond our control.

Satellite usage is subject to a number of risks, including the risk that we may not be able to service the satellite, that users may not be able to access the satellite or that the satellite may be unable to access the network.

The BCE Board reviews the adequacy of BCE’s dividend policy with the objective of allowing sufficient financial flexibility to continue investing in our business while growing returns to shareholders. Under the BCE’s dividend policy, increases in the common share dividend are directly linked to growth in BCE’s free cash flow. BCE’s dividend policy and the declaration of dividends on any of its outstanding shares are subject to the discretion of the BCE Board and, consequently, there can be no assurance that BCE’s dividend policy will be maintained or that dividends will be declared. The declaration of dividends by the BCE Board is ultimately dependent on BCE’s operations and financial results, which are, in turn, subject to various assumptions and risks, including those set out in this MD&A.

We are exposed to various credit, liquidity and market risks.

Our business is subject to a number of significant risks and uncertainties, including the potential for volatility. Failure to recognize and manage economic exposure and pension rule changes, or to ensure that effective governance is in place for management and funding of pension plan assets and obligations, could have an adverse impact on our liquidity and financial performance.

The funding requirements of our post-employment benefit plans, based on valuations of plan assets and obligations, depend on a number of factors, including actual returns on post-employment benefit plan assets, long-term interest rates, the ability of our post-employment benefit plans to earn the rate of return that we have assumed significantly depends on the performance of capital markets. Market conditions also impact the discount rate used to calculate our solvency obligations and could therefore also significantly affect our cash funding requirements.

We are exposed to a number of significant risks and uncertainties, including the potential for volatility. Failure to recognize and manage economic exposure and pension rule changes, or to ensure that effective governance is in place for management and funding of pension plan assets and obligations, could have an adverse impact on our liquidity and financial performance.
Income and commodity tax amounts may materially differ from the expected amounts

Our complex business operations are subject to various tax laws, and the adoption of new tax laws, or regulations or rules thereunder, or changes thereto or in the interpretation thereof, could result in higher tax rates, new taxes or other adverse tax implications. In addition, while we believe that we have adequately provided for all income and commodity taxes based on all of the information that is currently available, the calculation of income and the applicability of commodity taxes in many cases require significant judgment in interpreting tax rules and regulations. Our tax filings are subject to government audits that could result in material changes to the amount of current and deferred income tax assets and liabilities and other liabilities and could, in certain circumstances, result in an assessment of interest and penalties.

The failure to reduce costs as well as unexpected increases in costs could adversely affect our ability to achieve our strategic imperatives and our financial results.

Our objectives for targeted cost reductions continue to be aggressive but there is no assurance that we will be successful in reducing costs, especially since incremental cost savings are more difficult to achieve on an ongoing basis. Our cost reduction objectives require aggressive negotiations with our suppliers and there can be no assurance that such negotiations will be successful or that replacement products or services provided will not lead to operational issues.

Examples of risks to our ability to reduce costs or of potential cost increases include:

- Achieving timely cost reductions while moving to an IP-based network is dependent on disciplined network decommissioning, which can be delayed by customer contractual commitments, regulatory considerations and other unforeseen obstacles.
- Fluctuations in energy prices are partly influenced by government policies to address climate change which, combined with growing data demand that increases our energy requirements, could increase our energy costs beyond our current expectations.
- Failure to successfully deliver on our contractual commitments, whether due to security events, operational challenges or other reasons, may result in financial penalties and loss of revenues.

We depend on key third-party suppliers and outsourcers, over which we have no operational or financial control, for products and services, some of which are critical to our operations. If there are gaps in our supplier vendor oversight

Examples of legal and regulatory obligations that we must comply with include the following:

- Demand for products and services available from only a limited number of suppliers, some of which dominate their global market, may lead to decreased availability, increased costs or delays in the delivery of such products and services, since suppliers may choose to favour global competitors that are larger than we are and, accordingly, purchase a larger volume of products and services. In addition, production issues affecting any such suppliers, or other suppliers, could result in decreased quantities, or a total lack of supply of products or services. Any of these events could adversely impact our ability to meet customer commitments and demand.
- Cloud-based solutions may increase the risk of security and data leakage exposure if security control protocols affecting our suppliers are bypassed.
- If products and services important to our operations have manufacturing defects or do not comply with applicable government regulations and standards (including product safety practices), our ability to sell products and provide services on a timely basis may be negatively impacted. We work with our suppliers to identify serious product defects (including safety incidents) and develop appropriate remedial strategies. Remedial strategies may include a recall of products. To the extent that a supplier does not actively participate in, and/or bear primary financial responsibility for, a recall of its products, our ability to perform such recall program at a reasonable cost and in a timely fashion may be negatively impacted. Any of the events referred to above could have an adverse effect on our operations and financial results.
- Products supplied to us may contain latent security issues, including but not limited to software security issues, that would not be apparent upon a diligent inspection of the products prior to their sale to our customers. To the extent that any such latent security issue is discovered, we work with our suppliers to identify and resolve remediation issues. Should a supplier not actively (or be unable to) correct such latent security issues in a timely fashion, there could be an adverse effect on our operations and financial performance.

Legal proceedings, changes in applicable laws and the failure to proactively address our legal and regulatory obligations could have an adverse effect on our business and financial performance

We become involved in various claims and legal proceedings as part of our business. Plaintiffs within Canada are able to launch and obtain class action certifications on behalf of a large group of people with increasing ease, and Canadian provincial securities laws facilitate the introduction in Canada of class action lawsuits by secondary market investors against public companies for alleged misrepresentations in public disclosure documents and oral statements. Changes in laws or regulations, or in how they are interpreted, and the adoption of new laws or regulations, as well as pending or future litigation, including an increase in class actions which, by their nature, could result in significant damage awards and costs relating to litigation, could have an adverse effect on our business and financial performance.

Examples of legal and regulatory obligations that we must comply with include those resulting from:

- As discussed in more detail in section 8. Regulatory environment, decisions, policies and other initiatives of the CRTC, ISED, the Competition Bureau and other governmental agencies, as well as laws of a regulatory nature
  - Consumer protection and privacy legislation
  - Tax legislation
  - Corporate and securities legislation
  - IFRS requirements
  - Environmental protection and health and safety laws
  - Payment card industry standards for the protection against customer credit card fraud

For a description of the principal legal proceedings involving us, please see the section entitled Legal proceedings contained in the BCE 2016 AIF.

Health and environmental concerns

Health concerns about radiofrequency emissions from wireless communication devices, as well as epidemics and other health risks, could have an adverse effect on our business.
Our business is heavily dependent on technological advances, which can present significant challenges to our business and financial performance, such as the following:

- We face current and potential lawsuits alleging adverse health effects on customers, as well as to our marketing and disclosure practices in connection therewith, and the likely outcome of such lawsuits is unpredictable and may change over time.
- Changes in scientific evidence and/or public perceptions could lead to additional government regulations and costs for retrofitting infrastructure and handsets to achieve compliance.
- Public concerns could result in a slower deployment of, or in our inability to deploy, infrastructure necessary to maintain and/or expand our wireless network as required by market evolution.

In addition, epidemics, pandemics and other health risks could occur, which could adversely affect our ability to maintain operational networks and provide services to our customers. Any of these events could have an adverse effect on our business and financial performance.

**Climate change and other environmental concerns could have an adverse effect on our business.**

Global climate change could exacerbate certain of the threats facing our business, including the frequency and severity of weather-related events referred to in Operational performance – Our operations and business continuity depend on how well we protect, test, maintain and replace our networks, IT systems, equipment and other facilities, as discussed in this section. Several areas of our operations further raise environmental considerations, such as fuel storage, greenhouse gas emissions, disposal of hazardous residual materials, and recovery and recycling of end-of-life electronic products we sell or lease. Failure to recognize and adequately respond to changing governmental and public expectations on environmental matters could result in fines, missed opportunities, additional regulatory scrutiny or harm our brand and reputation.

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**Proposed MTS acquisition**

The expected timing and completion of the proposed acquisition of MTS and of the proposed divestitures to the TELUS Group and Xplornet of certain assets are subject to certain closing conditions, termination rights and other risks and uncertainties.

The expected timing and completion of the proposed acquisition by BCE of all of the issued and outstanding shares of MTS (the MTS Transaction), the proposed divestiture to the TELUS Group of a portion of MTS’s prepaid wireless customers and retail locations (the TELUS Transaction), and the proposed divestiture to Xplornet of certain wireless spectrum, wireless subscribers and retail locations and the receipt by Xplornet of certain operational benefits (the Xplornet Transaction and, together with the TELUS Transaction and the MTS Transaction, the Proposed Transactions) are each subject to certain closing conditions, termination rights and other risks and uncertainties. There can be no assurance that the Proposed Transactions will occur, or that they will occur on the timetable or on the terms and conditions currently contemplated. The Proposed Transactions could be modified, restructured or terminated. There can also be no assurance that the synergies or other benefits expected to result from the MTS Transaction, as well as our network development and capital investment plans in Manitoba, will be fully realized. The nature and value of capital investments planned to be made in Manitoba assume completion of the MTS Transaction as well as our ability to access or generate the necessary sources of capital.

Our accounting policies

This section discusses key estimates and assumptions that management has made and how they affect the amounts reported in the financial statements and notes. It also describes key changes in accounting principles and our accounting policies, and how they affect our financial statements.

We have prepared our consolidated financial statements using IFRS. Other significant accounting policies, not involving the same level of measurement uncertainty as those discussed in this section, are nevertheless important to an understanding of our financial statements. See Note 2, Significant accounting policies, in BCE’s 2016 consolidated financial statements for more information about the accounting principles we used to prepare our consolidated financial statements.

Critical accounting estimates and key judgments

When preparing financial statements, management makes estimates and judgments relating to:

- reported amounts of revenues and expenses
- reported amounts of assets and liabilities
- disclosure of contingent assets and liabilities

We base our estimates on a number of factors, including historical experience, current events and actions that the company may undertake in the future, and other assumptions that we believe are reasonable under the circumstances. By their nature, these estimates and judgments are subject to measurement uncertainty and actual results could differ.

We consider the estimates and judgments described in this section to be an important part of understanding our financial statements because they require management to make assumptions about matters that are highly uncertain at the time the estimates and judgments were made, and changes to these estimates and judgments could have a material impact on our financial statements and our segments.

Our senior management has reviewed the development and selection of the critical accounting estimates and judgments described in this section with the Audit Committee of the BCE Board.

Any sensitivity analysis included in this section should be used with caution as the changes are hypothetical and the impact of changes in each key assumption may not be linear.

Our more significant estimates and judgments are described below.

**ESTIMATES**

**USEFUL LIVES OF PROPERTY, PLANT AND EQUIPMENT AND FINITE-LIFE INTANGIBLE ASSETS**

We review our estimates of the useful lives of property, plant and equipment and finite-life intangible assets on an annual basis and adjust depreciation or amortization on a prospective basis, if needed.

- Property, plant and equipment represent a significant proportion of our total assets. Changes in technology or our intended use of these assets, as well as changes in business prospects or economic and industry factors, may cause the estimated useful lives of these assets to change.
- The estimated useful lives of property, plant and equipment and finite-life intangible assets are determined by internal asset life studies, which take into account actual and expected future usage, physical wear and tear, replacement history and assumptions about technology evolution. When factors indicate that assets’ useful lives are different from the prior assessment, we depreciate or amortize the remaining carrying value prospectively over the adjusted estimated useful lives.

**Change in accounting estimate**

In 2016, as part of our ongoing annual review of property, plant and equipment and finite-life intangible assets, and to better reflect their useful lives, we increased the estimate of useful lives of certain assets. The changes have been applied prospectively effective January 1, 2016 and did not have a significant impact on our financial statements.

**POST-EMPLOYMENT BENEFIT PLANS**

The amounts reported in the financial statements relating to DB pension plans and OPEBs are determined using actuarial calculations that are based on several assumptions.

Our actuaries perform a valuation at least every three years to determine the actuarial present value of the account DB pension plan and OPEB obligations. The actuarial valuation uses management’s assumptions for, among other things, the discount rate, life expectancy, the rate of compensation increase, trends in healthcare costs and expected average remaining years of service of employees.
In 2015, we recorded an impairment charge of $49 million, of which $38 million was allocated to indefinite-life intangible assets, $9 million to finite-life intangible assets and $2 million to property, plant and equipment. The impairment is determined by comparing the carrying value of the CGU to its fair value less costs of disposal. We estimated the fair value of the CGU using both discounted cash flows and market-based valuation models which include selection of investments include the size of the issue and credit quality, along with the identification of outliers, which are excluded.

We make a number of estimates when calculating future cash flows using discounted future cash flows or other valuation methods to test for impairment. These estimates include the assumed growth rates for future cash flows, the number of years used in the cash flow model, and the discount rate. When impairment charges occur they are recorded in Other income (expense).

In 2015, we recorded an impairment charge of $49 million, of which $38 million was allocated to indefinite-life intangible assets, $9 million to finite-life intangible assets and $2 million to property, plant and equipment. The impairment charge related mainly to our music cash generating unit (CGU) within our Bell Media segment and resulted from revenue and profitability declines from lower viewership and higher TV content costs. The charge was determined by comparing the carrying value of the CGU to its fair value less costs of disposal. We estimated the fair value of the CGU using both discounted cash flows and market-based valuation models which include five-year cash flow projections derived from business plans reviewed by senior management for the period of January 1, 2016 to December 31, 2020, using a discount rate of 9.0% and a perpetuity growth rate of nil, as well as market multiple data from public companies and market transactions. The carrying value of our music CGU was $171 million at December 31, 2015.

Goodwill impairment testing
We perform an annual test for goodwill impairment in the fourth quarter for each of our CGUs or groups of CGUs to which goodwill is allocated and whenever there is an indication that goodwill might be impaired. A CGU is the smallest identifiable group of assets that generates cash inflows that are independent of the cash inflows from other assets or groups of assets.

We identify any potential impairment by comparing the carrying value of a CGU or group of CGUs to its recoverable amount. The recoverable amount of a CGU or group of CGUs is the higher of its fair value less costs of disposal and its value in use. Both fair value less costs of disposal and value in use are based on estimates of discounted future cash flows or other valuation methods. Cash flows are projected based on past experience, actual operating results and business plans. When the recoverable amount of a CGU or group of CGUs is less than its carrying value, the recoverable amount is determined for its identifiable assets and liabilities. The excess of the recoverable amount of the CGU or group of CGUs over the total of the amounts assigned to its assets and liabilities is the recoverable amount of goodwill.

An impairment charge is recognized in Other income (expense) in the income statements for any excess of the carrying value of goodwill over its recoverable amount. For purposes of impairment testing of goodwill, BCE’s CGUs or groups of CGUs correspond to our reporting segments as disclosed in Note 4. Segmented information, in BCE’s 2016 consolidated financial statements.

Any significant change in each of the estimates used could have a material impact on the calculation of the recoverable amount and resulting impairment charge. As a result, we are unable to reasonably quantify the changes in our overall financial performance if we had used different assumptions.

We cannot predict whether an event that triggers impairment will occur; if it will occur or how it will affect the asset values we have reported.

For the Bell Media group of CGUs, a decrease of (0.4%) in the perpetuity growth rate or an increase of 0.3% in the discount rate, would have resulted in its recoverable amount being equal to its carrying value. There were no goodwill impairment charges in 2016 or 2015.

Deferred taxes
Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply when the asset or liability is recovered or settled. Both our current and deferred tax assets and liabilities are calculated using tax rates that have been enacted or substantively enacted at the reporting date.

Deferred taxes are provided on temporary differences arising from investments in subsidiaries, joint arrangements and associates, except where we control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The amount of deferred tax assets is estimated with consideration given to the timing, sources and amounts of future taxable income.

FAIR VALUE OF FINANCIAL INSTRUMENTS

Certain financial instruments, such as investments in equity securities, derivative financial instruments and certain elements of borrowings, are carried in the statements of financial position at fair value, with changes in fair value reflected in the income statements and the statements of comprehensive income. Fair values are estimated by reference to published price quotations or by using other valuation techniques that may include inputs that are not based on observable market data, such as discounted cash flows and earnings multiples.

CONTINGENCIES

In the ordinary course of business, we become involved in various claims and legal proceedings seeking monetary damages and other relief. Pending claims and legal proceedings represent a potential cost to our business. We estimate the amount of a loss by analyzing potential outcomes and assuming various litigation and settlement strategies, based on information that is available at the time.

If the final resolution of a legal or regulatory matter results in a judgment against us or requires us to pay a large settlement, it could have a material adverse effect on our consolidated financial statements in the period in which the judgment or settlement occurs.

ONEROUS CONTRACTS

A provision for onerous contracts is recognized when the unavoidable costs of terminating our obligations under a contract exceed the expected benefits to be received under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of completing the contract.

JUDGMENTS

POST-EMPLOYMENT BENEFIT PLANS

The determination of the discount rate used to value our post-employment benefit obligations requires judgment. The rate is set by reference to market yields of high-quality corporate fixed-income investments at the beginning of each fiscal year. Significant judgment is required when setting the criteria for fixed-income investments to be included in the population from which the yield curve is derived. The most significant criteria considered for the selection of investments include the size of the issue and credit quality, along with the identification of outliers, which are excluded.

INCOME TAXES

The calculation of income taxes requires judgment in interpreting tax rules and regulations. There are transactions and calculations for which the ultimate tax determination is uncertain. Our tax filings are also subject to audits,

<table>
<thead>
<tr>
<th>IMPACT ON POST-EMPLOYMENT BENEFIT PLANS COST FOR 2016 – INCREASE (DECREASE)</th>
<th>IMPACT ON POST-EMPLOYMENT BENEFIT OBLIGATIONS AT DECEMBER 31, 2016 – INCREASE (DECREASE)</th>
</tr>
</thead>
<tbody>
<tr>
<td>CHANGES IN ASSUMPTIONS</td>
<td>CHANGES IN ASSUMPTIONS</td>
</tr>
<tr>
<td>Discount rate</td>
<td>0.5%</td>
</tr>
<tr>
<td>Life expectancy at age 65</td>
<td>1 year</td>
</tr>
<tr>
<td>Decrease in assumptions</td>
<td>57</td>
</tr>
<tr>
<td>Increase in assumptions</td>
<td>64</td>
</tr>
<tr>
<td>Decrease in assumptions</td>
<td>1,435</td>
</tr>
<tr>
<td>Increase in assumptions</td>
<td>1,533</td>
</tr>
</tbody>
</table>

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the outcome of which could change the amount of current and deferred tax assets and liabilities. Management believes that it has sufficient amounts accrued for outstanding tax matters based on information that currently is available.

Management judgment is used to determine the amounts of deferred tax assets and liabilities and future tax liabilities to be recognized. In particular, judgment is required when assessing the timing of the reversal of temporary differences to which future income tax rates are applied.

**MULTIPLE ELEMENT ARRANGEMENTS**

Determining the amounts of revenue to be recognized for multiple element arrangements requires judgment to establish the separately identifiable components and the allocation of the total price between those components.

**CGUs**

The determination of CGUs or groups of CGUs for the purpose of annual impairment testing requires judgment.

**CONTINGENCIES**

We accrue a potential loss if we believe a loss is probable and an outflow of resources is likely and can be reasonably estimated, based on information that is available at the time. Any accrual would be charged to earnings and included in Trade payables and other liabilities or Other non-current liabilities. Any payment as a result of a judgment or cash settlement would be deducted from cash from operating activities. We estimate the amount of a loss by analyzing potential outcomes and assuming various litigation and settlement strategies.

The determination of whether a loss is probable from claims and legal proceedings and whether an outflow of resources is likely requires judgment.

**Adoption of amended accounting standards**

As required, effective January 1, 2016, we adopted the following amended accounting standards on a prospective basis, none of which had a significant impact on our consolidated financial statements.

<table>
<thead>
<tr>
<th>STANDARD</th>
<th>DESCRIPTION</th>
<th>IMPACT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amendments to International Accounting Standard (IAS) 16 – Property, Plant and Equipment and IAS 38 – Intangible Assets</td>
<td>Clarifies that a revenue-based approach to calculate depreciation and amortization is not appropriate as it does not reflect the consumption of the economic benefits embodied in the related asset.</td>
<td>This amendment did not have a significant impact on our financial statements.</td>
</tr>
<tr>
<td>Amendments to IFRS 11 – Joint Arrangements</td>
<td>Provides guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business, as defined in IFRS 3 – Business Combinations. The amended standard requires the acquirer to apply all of the principles on accounting for business combinations in IFRS 3 and other IFRSs except for any principles that conflict with IFRS 11.</td>
<td>This amendment did not have a significant impact on our financial statements.</td>
</tr>
</tbody>
</table>

**Future changes to accounting standards**

The following new or amended standards issued by the IASB have an effective date after December 31, 2016 and have not yet been adopted by BCE.

<table>
<thead>
<tr>
<th>STANDARD</th>
<th>DESCRIPTION</th>
<th>IMPACT</th>
<th>EFFECTIVE DATE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amendments to IAS 7 – Statement of Cash Flows</td>
<td>Requires enhanced disclosures about changes in liabilities arising from financing activities, including changes from financing cash flows, changes arising from obtaining or losing control of subsidiaries or other businesses, the effects of changes in foreign exchange rates and changes in fair values.</td>
<td>Additional disclosures will be provided in the notes to our financial statements if required.</td>
<td>Annual periods beginning on or after January 1, 2017, applied prospectively.</td>
</tr>
<tr>
<td>IFRS 15 – Revenue from Contracts with Customers</td>
<td>Establishes principles to record revenues from contracts for the sale of goods or services, unless the contracts are in the scope of IAS 11 – Lessor or other IFRSs. Under IFRS 15, revenue is recognized at an amount that reflects the expected consideration receivable in exchange for transferring goods or services to a customer, applying the following five steps:</td>
<td>IFRS 15 will principally affect the timing of revenue recognition, how we classify revenues between product and service and how we account for costs to obtain and fulfill a contract. Under multiple-element arrangements, although the total revenue recognized during the term of a contract will be largely unaffected, the revenue allocated to a delivered item will no longer be limited to the non-contingent amount. This may accelerate the recognition of revenue ahead of the associated cash inflows and result in a corresponding contract asset recorded on the balance sheet, to be realized over the term of the customer contract.</td>
<td>Annual periods beginning on or after January 1, 2018, using either a full retrospective approach for all periods presented in the period of adoption or a modified retrospective approach.</td>
</tr>
<tr>
<td>Amendments to IFRS 2 – Share-based Payment</td>
<td>Clarifies the classification and measurement of cash-settled share-based payment transactions that include a performance condition, share-based payment transactions with a net settlement feature for withholding tax obligations, and modifications of a share-based payment transaction from cash-settled to equity-settled.</td>
<td>The amendments to IFRS 2 are not expected to have a significant impact on our financial statements.</td>
<td>Annual periods beginning on or after January 1, 2018.</td>
</tr>
<tr>
<td>IFRS 9 – Financial Instruments</td>
<td>Sets out the requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. IFRS 9 replaces IAS 39 – Financial Instruments: Recognition and Measurement. The new standard establishes a single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. It also provides guidance on an entity’s own credit risk relating to financial liabilities and has modified the hedge accounting model to better link the economics of risk management with its accounting</td>
<td>We are currently evaluating the impact of IFRS 9 on our financial statements.</td>
<td>Annual periods beginning on or after January 1, 2018.</td>
</tr>
</tbody>
</table>
We define adjusted net earnings as net earnings attributable to common shareholders before severance, acquisition and other costs, net losses (gains) on investments, and early debt redemption costs. We define adjusted financial measures.

### Adjusted EBITA and adjusted adjusted EBITA margin

The terms adjusted EBITA and adjusted EBITA margin do not have any standardized meaning under IFRS. Therefore, they are unlikely to be comparable to similar measures presented by other issuers.

We define adjusted EBITA as operating revenues less operating costs, as shown in BCE’s consolidated income statements. Adjusted EBITA for BCE’s segments is the same as segment profit as reported in Note 4, Segment information, in BCE’s 2016 consolidated financial statements. We define adjusted EBITA margin as adjusted EBITA divided by operating revenues.

We use adjusted EBITA and adjusted EBITA margin to evaluate the performance of our businesses as they reflect their ongoing profitability. We believe that certain investors and analysts use adjusted EBITA to measure a company’s ability to service debt and to meet other payment obligations or as a common measurement to value companies in the telecommunications industry. We believe that certain investors and analysts also use adjusted EBITA and adjusted EBITA margin to evaluate the performance of our businesses. Adjusted EBITA is also one component in the determination of short-term incentive compensation for all management employees.

### Adjusted net earnings and adjusted EPS

The terms adjusted net earnings and adjusted EPS do not have any standardized meaning under IFRS. Therefore, they are unlikely to be comparable to similar measures presented by other issuers.

We define adjusted net earnings as net earnings attributable to common shareholders before severance, acquisition and other costs, net losses (gains) on investments, and early debt redemption costs. We define adjusted EPS as adjusted net earnings per BCE common share.

We use adjusted net earnings and adjusted EPS, and we believe that certain investors and analysts use these measures, among other ones, to assess the performance of our businesses without the effects of severance, acquisition and other costs, net losses (gains) on investments, and early debt redemption costs, net of tax and NCI. We exclude these items because they affect the comparability of our financial results and could potentially distort the analysis of trends in business performance. Excluding these items does not imply they are non-recurring.

The most comparable IFRS financial measures are net earnings attributable to common shareholders and EPS. The following table is a reconciliation of net earnings attributable to common shareholders and EPS to adjusted net earnings on a consolidated basis and per BCE common share (adjusted EPS), respectively.

<table>
<thead>
<tr>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net earnings attributable to common shareholders</td>
<td>2,894</td>
</tr>
<tr>
<td>Severance, acquisition and other costs</td>
<td>104</td>
</tr>
<tr>
<td>Net losses (gains) on investments</td>
<td>4</td>
</tr>
<tr>
<td>Early debt redemption costs</td>
<td>8</td>
</tr>
</tbody>
</table>

### Free cash flow and dividend payout ratio

The terms free cash flow and dividend payout ratio do not have any standardized meaning under IFRS. Therefore, they are unlikely to be comparable to similar measures presented by other issuers.

We define free cash flow as cash flows from operating activities, excluding acquisition and other costs paid (which include significant litigation costs) and voluntary pension funding, less capital expenditures, preferred share dividends and dividends paid by subsidiaries to NCI. We exclude acquisition and other costs paid and voluntary pension funding because they affect the comparability of our financial results and could potentially distort the analysis of trends in business performance.

We consider free cash flow to be an important indicator of the financial strength and performance of our businesses because it shows how much cash is available to pay dividends, repay debt and reinvest in our company. We believe that certain investors and analysts use free cash flow to value a business and its underlying assets and to evaluate the financial strength and performance of our businesses. The most comparable IFRS financial measure is cash flows from operating activities. We define dividend payout ratio as dividends paid on common shares divided by free cash flow. We consider dividend payout ratio to be an important indicator of the financial strength and performance of our businesses because it shows the sustainability of the company’s dividend payments.

### Further information

The following table is a reconciliation of cash flows from operating activities to free cash flow on a consolidated basis.

<table>
<thead>
<tr>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash flows from operating activities</td>
<td>6,643</td>
</tr>
<tr>
<td>Capital expenditures</td>
<td>(3,771)</td>
</tr>
<tr>
<td>Cash dividends paid on preferred shares</td>
<td>(128)</td>
</tr>
<tr>
<td>Cash dividends paid by subsidiaries to NCI</td>
<td>(46)</td>
</tr>
<tr>
<td>Acquisition and other costs paid</td>
<td>28</td>
</tr>
</tbody>
</table>

We are currently evaluating the impact of IFRS 16 on our financial statements. Annual periods beginning on or after January 1, 2019, using either a full retrospective approach for all periods presented in the period of adoption or a modified retrospective approach, with early adoption permitted if an entity has adopted IFRS 15.
Net debt

The term net debt does not have any standardized meaning under IFRS. Therefore, it is unlikely to be comparable to similar measures presented by other issuers.

We define net debt as debt due within one year plus long-term debt and 50% of preferred shares, less cash and cash equivalents, as shown in BCE’s consolidated statements of financial position. We include 50% of outstanding preferred shares in our net debt as it is consistent with the treatment of certain credit rating agencies.

We consider net debt to be an important indicator of the company’s financial leverage because it represents the amount of debt that is not covered by available cash and cash equivalents. We believe that certain investors and analysts use net debt to determine a company’s financial leverage.

Net debt has no directly comparable IFRS financial measure, but rather is calculated using several asset and liability categories from the statements of financial position, as shown in the following table:

<table>
<thead>
<tr>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt due within one year</td>
<td>4,887</td>
</tr>
<tr>
<td>Long-term debt</td>
<td>16,572</td>
</tr>
<tr>
<td>50% of outstanding preferred shares</td>
<td>2,002</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>(653)</td>
</tr>
<tr>
<td>Net debt</td>
<td>22,608</td>
</tr>
</tbody>
</table>

Net debt leverage ratio

The net debt leverage ratio does not have any standardized meaning under IFRS. Therefore, it is unlikely to be comparable to similar measures presented by other issuers. We use, and believe that certain investors and analysts use, the net debt leverage ratio as a measure of financial leverage.

The net debt leverage ratio represents net debt divided by adjusted EBITDA. For the purposes of calculating our net debt leverage ratio, adjusted EBITDA is twelve-month trailing adjusted EBITDA.

Adjusted EBITDA to net interest expense ratio

The ratio of adjusted EBITDA to net interest expense does not have any standardized meaning under IFRS. Therefore, it is unlikely to be comparable to similar measures presented by other issuers. We use, and believe that certain investors and analysts use, the adjusted EBITDA to net interest expense ratio as a measure of financial health of the company.

The adjusted EBITDA to net interest expense ratio represents adjusted EBITDA divided by net interest expense. For the purposes of calculating our adjusted EBITDA to net interest expense ratio, adjusted EBITDA is twelve-month trailing adjusted EBITDA. Net interest expense is twelve-month trailing net interest expense as shown in our statements of cash flows, plus 50% of declared preferred share dividends as shown in our income statements.

KPIs

In addition to the non-GAAP financial measures described previously, we use a number of KPIs to measure the success of our strategic imperatives. These KPIs are not accounting measures and may not be comparable to similar measures presented by other issuers.

<table>
<thead>
<tr>
<th>KPI</th>
<th>DEFINITION</th>
</tr>
</thead>
<tbody>
<tr>
<td>ARPU</td>
<td>Average revenue per user (ARPU) or subscriber is a measure used to track our recurring revenue streams. Wireless blended ARPU is calculated by dividing certain service revenue by the average subscriber base for the specified period and is expressed as a dollar unit per month.</td>
</tr>
<tr>
<td>Capital intensity</td>
<td>Capital expenditures divided by operating revenues.</td>
</tr>
<tr>
<td>Churn</td>
<td>Churn is the rate at which existing subscribers cancel their services. It is a measure of our ability to retain our customers. Wireless churn is calculated by dividing the number of deactivations during a given period by the average number of subscribers in the base for the specified period and is expressed as a percentage per month.</td>
</tr>
<tr>
<td>COA</td>
<td>COA is also referred to as subscriber acquisition costs. COA represents the total cost associated with acquiring a customer and includes costs such as hardware discounts, marketing and distribution costs. This measure is expressed per gross activation during the period.</td>
</tr>
<tr>
<td>Subscriber unit</td>
<td>Wireless subscriber unit is comprised of an active revenue-generating unit (e.g. mobile device, tablet or wireless Internet products), with a unique identifier (typically International Mobile Equipment Identity (IMEI) number), that has access to our wireless networks. We report wireless subscriber units in two categories: postpaid and prepaid. Prepaid subscriber units are considered active for a period of 120 days following the expiry of the subscriber’s prepaid balance.</td>
</tr>
<tr>
<td>Internet, IPTV and satellite TV subscribers have access to stand-alone services, and are primarily represented by a dwelling unit</td>
<td></td>
</tr>
<tr>
<td>NAS subscribers are based on a line count and are represented by a unique telephone number</td>
<td></td>
</tr>
</tbody>
</table>

10.3 Effectiveness of internal controls

Disclosure controls and procedures

Our disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by us in reports filed or submitted under Canadian and U.S. securities laws is recorded, processed, summarized and reported within the time periods specified under those laws, and include controls and procedures that are designed to ensure that the information is accumulated and communicated to management, including BCE’s President and CEO and Executive Vice-President and Chief Financial Officer (CFO), to allow timely decisions regarding required disclosure.

As at December 31, 2016, management evaluated, under the supervision of and with the participation of the CEO and the CFO, the effectiveness of our disclosure controls and procedures, as defined in Rule 13a-15(e) under the U.S. Securities Exchange Act of 1934, as amended, and under National Instrument 52-109 – Certification of Disclosure in Issuers’ Annual and Interim Filings.

Based on that evaluation, the CEO and CFO concluded that our disclosure controls and procedures were effective as at December 31, 2016.

Internal control over financial reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rule 13a-15(j) under the U.S. Securities Exchange Act of 1934, as amended, and under National Instrument 52-109. Our internal control over financial reporting is a process designed under the supervision of the CEO and CFO, and effectuated by the Board, management and other personnel of BCE, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. However, because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements on a timely basis.

Management evaluated, under the supervision of and with the participation of the CEO and the CFO, the effectiveness of our internal control over financial reporting as at December 31, 2016, based on the criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Based on that evaluation, the CEO and CFO concluded that our internal control over financial reporting was effective as at December 31, 2016.

There have been no changes during the year ended December 31, 2016 in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.
Consolidated financial statements

Management’s responsibility for financial reporting

These financial statements form the basis for all of the financial information that appears in this annual report.

The financial statements and all of the information in this annual report are the responsibility of the management of BCE Inc. (BCE) and have been reviewed and approved by the board of directors. The board of directors is responsible for ensuring that management fulfills its financial reporting responsibilities. Deloitte LLP, Independent Registered Public Accounting Firm, have audited the financial statements.

Management has prepared the financial statements according to International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board. Under these principles, management has made certain estimates and assumptions that are reflected in the financial statements and notes. Management believes that these financial statements fairly present BCE’s consolidated financial position, results of operations and cash flows.

Management has a system of internal controls designed to provide reasonable assurance that the financial statements are accurate and complete in all material respects. This is supported by an internal audit group that reports to the Audit Committee, and includes communication with employees about policies for ethical business conduct. Management believes that the internal controls provide reasonable assurance that our financial records are reliable and form a proper basis for preparing the financial statements, and that our assets are properly accounted for and safeguarded.

The board of directors has appointed an Audit Committee, which is made up of unrelated and independent directors. The Audit Committee’s responsibilities include reviewing the financial statements and other information in the annual report, and recommending them to the board of directors for approval. You will find a description of the Audit Committee’s other responsibilities on page 156 of this annual report. The internal auditors and the shareholders’ auditors have free and independent access to the Audit Committee.

[signed] George A. Cope
President and Chief Executive Officer

[signed] Glen LeBlanc
Executive Vice-President and Chief Financial Officer

[signed] Thierry Chaumont
Senior Vice-President and Controller

March 2, 2017

Report of independent registered public accounting firm

To the Board of Directors and Shareholders of BCE Inc.

We have audited the accompanying consolidated financial statements of BCE Inc. and subsidiaries (the "Company") which comprise the consolidated statements of financial position as at December 31, 2016 and December 31, 2015, and the consolidated income statements, consolidated statements of comprehensive income, consolidated statements of changes in equity, and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

MANAGEMENT’S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR’S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of BCE Inc. and subsidiaries as at December 31, 2016 and December 31, 2015, and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

OTHER MATTER

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company’s internal control over financial reporting as at December 31, 2016, based on the criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 2, 2017 expressed an unqualified opinion on the Company’s internal control over financial reporting.

ja/ Deloitte LLP(1)
Montreal, Canada
March 2, 2017

(1) CPA auditor, CA, public accountant permit No. 496468

Consolidated income statements

FOR THE YEAR ENDED DECEMBER 31
(IN MILLIONS OF CANADIAN DOLLARS, EXCEPT SHARE AMOUNTS)

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net earnings</td>
<td>21,719</td>
<td>21,174</td>
</tr>
<tr>
<td>Operating revenues</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating costs</td>
<td>4,6</td>
<td>4,5</td>
</tr>
<tr>
<td>Severance, acquisition and other costs</td>
<td>4,6</td>
<td>4,6</td>
</tr>
<tr>
<td>Depreciation</td>
<td>2,677</td>
<td>2,965</td>
</tr>
<tr>
<td>Amortization</td>
<td>831</td>
<td>(530)</td>
</tr>
<tr>
<td>Finance costs</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest expense</td>
<td>(409)</td>
<td>(466)</td>
</tr>
<tr>
<td>Interest on post-employment benefit obligations</td>
<td>28</td>
<td>22</td>
</tr>
<tr>
<td>Other income (expenses)</td>
<td>21</td>
<td>(12)</td>
</tr>
<tr>
<td>Income taxes</td>
<td>1,106</td>
<td>(524)</td>
</tr>
<tr>
<td>Net earnings attributable to:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Common shareholders</td>
<td>2,894</td>
<td>2,528</td>
</tr>
<tr>
<td>Preferred shareholders</td>
<td>137</td>
<td>152</td>
</tr>
<tr>
<td>Non-controlling interest</td>
<td>29</td>
<td>56</td>
</tr>
</tbody>
</table>

Consolidated financial statements

December 31, 2016

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net earnings attributable to:</td>
<td></td>
</tr>
<tr>
<td>Common shareholders</td>
<td>2,894</td>
</tr>
<tr>
<td>Preferred shareholders</td>
<td>137</td>
</tr>
<tr>
<td>Non-controlling interest</td>
<td>29</td>
</tr>
</tbody>
</table>
Net earnings 3,087 2,730
Net earnings per common share – basic and diluted 10 3.33 2.98
Average number of common shares outstanding – basic (millions) 883.1 847.1

Consolidated statements of comprehensive income

<table>
<thead>
<tr>
<th>NOTE</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net earnings</td>
<td>3,087</td>
<td>2,730</td>
</tr>
<tr>
<td>Other comprehensive (loss) income, net of income taxes</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Items that will be subsequently reclassified to net earnings</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net change in value of derivatives designated as cash flow hedges, net of income taxes of $24 million and ($2) million for 2016 and 2015, respectively</td>
<td>(68)</td>
<td>1</td>
</tr>
<tr>
<td>Items that will not be reclassified to net earnings</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Actuarial (losses) gains on post-employment benefit plans, net of income taxes of $71 million and ($161) million for 2016 and 2015, respectively</td>
<td>22</td>
<td>(191)</td>
</tr>
<tr>
<td>Other comprehensive (loss) income</td>
<td>(266)</td>
<td>453</td>
</tr>
<tr>
<td>Total comprehensive income</td>
<td>2,821</td>
<td>3,183</td>
</tr>
</tbody>
</table>

Consolidated statements of financial position

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>NOTE</th>
<th>DECEMBER 31, 2016</th>
<th>DECEMBER 31, 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current assets</td>
<td>Cash</td>
<td>603</td>
<td>100</td>
</tr>
<tr>
<td></td>
<td>Cash equivalents</td>
<td>250</td>
<td>513</td>
</tr>
<tr>
<td></td>
<td>Trade and other receivables</td>
<td>11</td>
<td>2,979</td>
</tr>
<tr>
<td></td>
<td>Inventory</td>
<td>12</td>
<td>493</td>
</tr>
<tr>
<td></td>
<td>Prepaid expenses</td>
<td>420</td>
<td>393</td>
</tr>
<tr>
<td></td>
<td>Other current assets</td>
<td>200</td>
<td>377</td>
</tr>
<tr>
<td></td>
<td>Total current assets</td>
<td>4,935</td>
<td>4,908</td>
</tr>
<tr>
<td>Non-current assets</td>
<td>Property, plant and equipment</td>
<td>22,346</td>
<td>21,630</td>
</tr>
<tr>
<td></td>
<td>Intangible assets</td>
<td>11,998</td>
<td>11,176</td>
</tr>
<tr>
<td></td>
<td>Deferred tax assets</td>
<td>9</td>
<td>89</td>
</tr>
<tr>
<td></td>
<td>Investments in associates and joint ventures</td>
<td>3,15</td>
<td>852</td>
</tr>
<tr>
<td></td>
<td>Other non-current assets</td>
<td>16</td>
<td>1,019</td>
</tr>
<tr>
<td></td>
<td>Goodwill</td>
<td>8,958</td>
<td>8,377</td>
</tr>
<tr>
<td></td>
<td>Total non-current assets</td>
<td>45,253</td>
<td>43,185</td>
</tr>
<tr>
<td></td>
<td>Total assets</td>
<td>50,108</td>
<td>47,993</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>LIABILITIES</th>
<th>NOTE</th>
<th>DECEMBER 31, 2016</th>
<th>DECEMBER 31, 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current liabilities</td>
<td>Trade payables and other liabilities</td>
<td>4,326</td>
<td>4,287</td>
</tr>
<tr>
<td></td>
<td>Interest payable</td>
<td>156</td>
<td>148</td>
</tr>
<tr>
<td></td>
<td>Dividends payable</td>
<td>617</td>
<td>576</td>
</tr>
<tr>
<td></td>
<td>Current tax liabilities</td>
<td>122</td>
<td>86</td>
</tr>
<tr>
<td></td>
<td>Debt due within one year</td>
<td>4,887</td>
<td>4,895</td>
</tr>
<tr>
<td></td>
<td>Total current liabilities</td>
<td>16,108</td>
<td>9,992</td>
</tr>
<tr>
<td>Non-current liabilities</td>
<td>Long-term debt</td>
<td>20</td>
<td>16,572</td>
</tr>
<tr>
<td></td>
<td>Deferred tax liabilities</td>
<td>9</td>
<td>2,192</td>
</tr>
<tr>
<td></td>
<td>Post-employment benefit obligations</td>
<td>22</td>
<td>2,195</td>
</tr>
<tr>
<td></td>
<td>Other non-current liabilities</td>
<td>23</td>
<td>1,277</td>
</tr>
<tr>
<td></td>
<td>Total non-current liabilities</td>
<td>22,146</td>
<td>20,672</td>
</tr>
<tr>
<td></td>
<td>Total liabilities</td>
<td>32,254</td>
<td>30,664</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>EQUITY</th>
<th>NOTE</th>
<th>DECEMBER 31, 2016</th>
<th>DECEMBER 31, 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Preferred shares</td>
<td>4,004</td>
<td>4,004</td>
<td></td>
</tr>
<tr>
<td>Common shares</td>
<td>18,370</td>
<td>18,100</td>
<td></td>
</tr>
<tr>
<td>Contributed surplus</td>
<td>1,160</td>
<td>1,150</td>
<td></td>
</tr>
<tr>
<td>Accumulated other comprehensive income</td>
<td>46</td>
<td>119</td>
<td></td>
</tr>
<tr>
<td>Deficit</td>
<td>(8,040)</td>
<td>(8,350)</td>
<td></td>
</tr>
<tr>
<td>Total equity attributable to BCE shareholders</td>
<td>17,840</td>
<td>17,520</td>
<td></td>
</tr>
<tr>
<td>Non-controlling interest</td>
<td>29</td>
<td>314</td>
<td></td>
</tr>
<tr>
<td>Total equity</td>
<td>17,869</td>
<td>17,834</td>
<td></td>
</tr>
<tr>
<td>Total liabilities and equity</td>
<td>50,108</td>
<td>47,993</td>
<td></td>
</tr>
</tbody>
</table>

Consolidated statements of changes in equity

<table>
<thead>
<tr>
<th>ATTRIBUTABLE TO BCE SHAREHOLDERS</th>
<th>NOTE</th>
<th>FOR THE YEAR ENDED DECEMBER 31, 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>IN MILLIONS OF CANADIAN DOLLARS</td>
</tr>
<tr>
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<td></td>
<td></td>
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</tr>
<tr>
<td>Balance at January 1, 2016</td>
<td>4,604</td>
<td>18,102</td>
</tr>
<tr>
<td>Net earnings</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Other comprehensive (loss) income</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Total comprehensive (loss) income</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Common shares issued under employee stock option plan</td>
<td>25</td>
<td>–</td>
</tr>
<tr>
<td>Common shares issued under dividend reinvestment plan</td>
<td>25</td>
<td>–</td>
</tr>
<tr>
<td>Common shares issued under employee savings plan</td>
<td>25</td>
<td>–</td>
</tr>
<tr>
<td>Other share-based compensation</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Dividends declared on BCE common and preferred shares</td>
<td>–</td>
<td>–</td>
</tr>
</tbody>
</table>
We, us, our, BCE and the company mean, as the context may require, either BCE Inc. or, collectively, BCE Inc., Bell Canada, their subsidiaries, joint arrangements and associates.

Note 1 Corporate information

BCE is incorporated and domiciled in Canada. BCE’s head office is located at 1, Carrefour Alexander-Graham-Bell, Verdun, Quebec, Canada. BCE is a telecommunications and media company providing wireless, wireline, Internet and television (TV) services to residential, business and wholesale customers in Canada. Our Bell Media segment provides conventional, specialty and pay TV, digital media, radio broadcasting services and out-of-home (OOH) advertising services to customers nationally across Canada. The consolidated financial statements (financial statements) were approved by BCE’s board of directors on March 2, 2017.

Note 2 Significant accounting policies

a) Basis of presentation

The financial statements were prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). The financial statements have been prepared on a historical cost basis, except for certain financial instruments that are measured at fair value as described in our accounting policies.

All amounts are in millions of Canadian dollars, except where noted.

FUNCTIONAL CURRENCY
We consolidate the financial statements of all of our subsidiaries. Subsidiaries are entities we control, where control is achieved when the company is exposed or has the right to variable returns from its involvement with the investee and has the current ability to direct the activities of the investee that significantly affect the investee’s returns.

The results of subsidiaries acquired during the year are consolidated from the date of acquisition and the results of subsidiaries sold during the year are deconsolidated from the date of disposal. Where necessary, adjustments are made to the financial statements of acquired subsidiaries to conform their accounting policies to ours. All intercompany transactions, balances, income and expenses are eliminated on consolidation. Changes in BCE’s ownership interest in a subsidiary that do not result in a change of control are accounted for as equity transactions, with no effect on net earnings or on other comprehensive (loss) income.

c) Revenue recognition

We recognize revenues from the sale of products or the rendering of services when they are earned; specifically when all the following conditions are met:

- the significant risks and rewards of ownership are transferred to customers and we retain neither continuing managerial involvement nor effective control
- there is clear evidence that an arrangement exists
- the amount of revenue and related costs can be measured reliably
- it is probable that the economic benefits associated with the transaction will flow to the company

In particular, we recognize:

- fees for local, long distance and wireless services when we provide the services
- other fees, such as network access fees, licence fees, hosting fees, maintenance fees and standby fees over the term of the contract
- subscriber revenues when customers receive the service
- revenues from the sale of equipment when the equipment is delivered and accepted by customers
- revenues on long-term contracts as services are provided, equipment is delivered and accepted, and contract milestones are met
- advertising revenue, net of agency commissions, when advertisements are aired on radio or TV, posted on our website or appear on the company’s advertising panels and street furniture

We measure revenues at the fair value of the arrangement consideration. We record payments we receive in advance, including upfront non-refundable payments, as deferred revenues until we provide the service or deliver the product to customers. Deferred revenues are presented in Trade payables and other liabilities or in Other non-current liabilities in the consolidated statements of financial position (statements of financial position).

Revenues are reduced for customer rebates and allowances and exclude sales and other taxes we collect from our customers.

We expense subscriber acquisition costs when the related services are activated.

d) Share-based payments

Our share-based payment arrangements include stock options, restricted share units and performance share units (RSUs/PSUs), deferred share units (DSUs), an employee savings plan (ESP) and a deferred share plan (DSP).

STOCK OPTIONS

We use a fair value-based method to measure the cost of our employee stock options, based on the number of stock options that are expected to vest. We recognize compensation expense in Operating costs in the consolidated income statements (income statements). Compensation expense is adjusted for subsequent changes in management’s estimate of the number of stock options that are expected to vest.

We credit contributed surplus for stock option expense recognized over the vesting period. When stock options are exercised, we credit share capital for the amount received and the amounts previously credited to contributed surplus.

RSUs/PSUs

For each RSU/PSU granted, we recognize compensation expense in Operating costs in the income statements, equal to the market value of a BCE common share at the date of grant and based on the number of RSUs/PSUs expected to vest, recognized over the term of the vesting period, with a corresponding credit to contributed surplus. Additional RSUs/PSUs are issued to reflect dividends declared on the common shares. Compensation expense is adjusted for subsequent changes in management’s estimate of the number of RSUs/PSUs that are expected to vest. The effect of these changes is recognized in the period of the change. Upon settlement of the RSUs/PSUs, any difference between the cost of shares purchased on the open market and the amount credited to contributed surplus is reflected in the deficit. Vested RSUs/PSUs are settled in BCE common shares, DSUs, or a combination thereof.

DSUs

If compensation is elected to be taken in DSUs, we issue DSUs equal to the fair value of the services received. Additional DSUs are issued to reflect dividends declared on the common shares. DSUs are settled in BCE common shares purchased on the open market following the cessation of employment or when a director leaves the board. We credit contributed surplus for the fair value of DSUs at the issue date. Upon settlement of the DSUs, any difference between the cost of shares purchased on the open market and the amount credited to contributed surplus is reflected in the deficit.

ESP

We recognize our contributions to our ESP as compensation expense in Operating costs in the income statements. Employer ESP contributions accrue over a two-year vesting period. We credit contributed surplus for the ESP expense recognized over the vesting period, based on management’s estimate of the accrued contributions that are expected to vest. Upon settlement of shares under the ESP, any difference between the cost of shares purchased on the open market and the amount credited to contributed surplus is reflected in the deficit.

DSP

For each deferred share granted under the DSP, we recognize compensation expense in Operating costs in the income statements equal to the market value of a BCE common share and based on the number of deferred shares expected to vest, recognized over the term of the vesting period. Additional deferred shares are issued to reflect dividends declared on the common shares. Compensation expense is adjusted for subsequent changes in the market value of BCE common shares and any change in management’s estimate of the number of deferred shares that are expected to vest. The cumulative effect of any change in value is recognized in the period of the change. Participants have the option to receive either BCE common shares or a cash equivalent for each vested deferred share upon qualifying for payout under the terms of the grant.

e) Income and other taxes

Current and deferred income tax expense is recognized in the income statements, except to the extent that the expense relates to items recognized in other comprehensive (loss) income or directly in equity.

A current or non-current tax asset (liability) is the estimated tax receivable (payable) on taxable earnings for the current or past periods. We also record future tax liabilities, which are included in Other non-current liabilities in the statements of financial position.

We use the liability method to account for deferred tax assets and liabilities, which arise from:

- temporary differences between the carrying amount of assets and liabilities recognized in the statements of financial position and their corresponding tax bases
Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply when the asset or liability is recovered or settled. Both our current and deferred tax assets and liabilities are calculated using tax rates that have been enacted or substantively enacted at the reporting date.

Deferred leases are provided on temporary differences arising from investments in subsidiaries, joint arrangements and associates, except where we control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Tax liabilities are, where permitted, offset against tax assets within the same taxable entity and tax jurisdiction.

**INVESTMENT TAX CREDITS (ITCs), OTHER TAX CREDITS AND GOVERNMENT GRANTS**

We recognize ITCs, other tax credits and government grants given on eligible expenditures when it is reasonably assured that they will be realized. They are presented as part of Trade and other receivables when they are expected to be utilized in the next year. We use the cost reduction method to account for ITCs and government grants, under which the credits are applied against the expense or asset to which the ITC or government grant relates.

**f) Cash equivalents**

Cash equivalents are comprised of highly liquid investments with original maturities of three months or less from the date of purchase.

**g) Securitization of trade receivables**

Proceeds on the securitization of trade receivables are recognized as a collateralized borrowing as we do not transfer control and substantially all the risks and rewards of ownership to another entity.

**h) Inventory**

We measure inventory at the lower of cost and net realizable value. Inventory includes all costs to purchase, convert and bring the inventories to their present location and condition. We determine cost using specific

**i) Property, plant and equipment**

We record property, plant and equipment at historical cost. Historical cost includes expenditures that are attributable directly to the acquisition or construction of the asset, including the purchase cost, and labour.

Borrowing costs are capitalized for qualifying assets if the time to build or develop is in excess of one year at a rate that is based on our weighted average interest rate on our outstanding long-term debt. Gains or losses on the sale or retirement of property, plant and equipment are recorded in Other income (expense) in the income statements.

**LEASES**

Leases of property, plant and equipment are recognized as finance leases when we obtain substantially all the risks and rewards of ownership of the underlying assets. At the inception of the lease, we record an asset together with a corresponding long-term lease liability, at the lower of the fair value of the leased asset or the present value of the minimum future lease payments. If there is reasonable certainty that the lease transfers ownership of the asset to us by the end of the lease term, the asset is amortized over its useful life. Otherwise, the asset is amortized over the shorter of its useful life and the lease term. The long-term lease liability is measured at amortized cost using the effective interest method.

All other leases are classified as operating leases. We recognize operating lease expense in Operating costs in the income statements on a straight-line basis over the term of the lease.

**ASSET RETIREMENT OBLIGATIONS (AROs)**

We initially measure and record AROs at management’s best estimate using a present value methodology, adjusted subsequently for any changes in the timing or amount of the cash flows and changes in discount rates. We capitalize asset retirement costs as part of the related assets and amortize them into earnings over time. We also increase the ARO and record a corresponding amount in interest expense to reflect the passage of time.

**j) Intangible assets**

**FINITE-LIFE INTANGIBLE ASSETS**

Finite-life intangible assets are recorded at cost less accumulated amortization, and accumulated impairment losses if any.

**SOFTWARE**

We record internal-use software at historical cost. Cost includes expenditures that are attributable directly to the acquisition or development of the software, including the purchase cost and labour.

Software development costs are capitalized when all the following conditions are met:

- technical feasibility can be demonstrated
- management has the intent and the ability to complete the asset for use or sale
- it is probable that economic benefits will be generated
- costs attributable to the asset can be measured reliably

**CUSTOMER RELATIONSHIPS**

Customer relationship assets are acquired through business combinations and are recorded at fair value at the date of acquisition.

**PROGRAM AND FEATURE FILM RIGHTS**

We account for program and feature film rights as intangible assets when these assets are acquired for the purpose of broadcasting. Program and feature film rights, which include producer advances and licence fees paid in advance of receipt of the program or film, are stated at acquisition cost less accumulated amortization, and accumulated impairment losses if any. Programs and feature films under licence agreements are recorded as assets for rights acquired and liabilities for obligations incurred when:

- the company receives a broadcast master and the cost is known or reasonably determinable for new program and feature film licences
- the licence term commences for licence period extensions or syndicated programs

Programs and feature films are classified as non-current assets with related liabilities classified as current or non-current, based on the payment terms. Amortization of program and feature film rights is recorded in Operating costs in the income statements.

**INDEFINITE-LIFE INTANGIBLE ASSETS**

Brand assets, mainly comprised of the Bell and Bell Media brands, and broadcast licences are acquired through business combinations and are recorded at fair value at the date of acquisition, less accumulated impairment losses, if any. Wireless spectrum licences are recorded at acquisition cost, including borrowing costs when the time to build or develop the related network is in excess of one year. Borrowing costs are calculated at a rate that is based on our weighted average interest rate on our outstanding long-term debt.

Currently there are no legal, regulatory, competitive or other factors that limit the useful lives of our brands or spectrum licences.
k) Depreciation and amortization

We depreciate property, plant and equipment and amortize finite-life intangible assets on a straight-line basis over their estimated useful lives. We review our estimates of useful lives on an annual basis and adjust depreciation and amortization on a prospective basis, as required. Land and assets under construction or development are not depreciated.

<table>
<thead>
<tr>
<th>Property, plant and equipment</th>
<th>ESTIMATED USEFUL LIFE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Network infrastructure and equipment</td>
<td>2 to 40 years</td>
</tr>
<tr>
<td>Buildings</td>
<td>3 to 50 years</td>
</tr>
<tr>
<td>Finite-life intangible assets</td>
<td>2 to 12 years</td>
</tr>
<tr>
<td>Software</td>
<td>3 to 26 years</td>
</tr>
<tr>
<td>Customer relationships</td>
<td>Up to 5 years</td>
</tr>
<tr>
<td>Program and feature film rights</td>
<td></td>
</tr>
</tbody>
</table>

l) Investments in associates and joint arrangements

Our financial statements incorporate our share of the results of our associates and joint ventures using the equity method of accounting, except when the investment is classified as held for sale. Equity income from investments is recorded in Other income (expense) in the income statements.

Investments in associates and joint ventures are recognized initially at cost and adjusted thereafter to include the company’s share of income or loss and comprehensive income on an after-tax basis.

Investments are reviewed for impairment at each reporting period and we compare their recoverable amount when there is an indication of impairment. We recognize our share of the assets, liabilities, revenues and expenses of joint operations in accordance with the related contractual agreements.

m) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value at the date of acquisition. Acquisition-related transaction costs are expensed as incurred and recorded in Severance, acquisition and other costs in the income statement.

Identifiable assets and liabilities, including intangible assets, of acquired businesses are recorded at their fair values at the date of acquisition. When we acquire control of a business, any previously-held equity interest is reclassified to fair value and any gain or loss on remeasurement is recognized in Other income (expense) in the income statements. The excess of the purchase consideration and any previously-held equity interest over the fair value of identifiable net assets acquired is recorded as Goodwill in the statements of financial position. If the fair value of identifiable net assets acquired exceeds the purchase consideration and any previously-held equity interest, the difference is recognized in Other income (expense) in the income statements immediately as a bargain purchase gain.

Changes in our ownership interest in subsidiaries that do not result in a loss of control are accounted for as equity transactions. Any difference between the change in the carrying amount of non-controlling interest (NCI) and the consideration paid or received is attributed to owner’s equity.

n) Impairment of non-financial assets

Goodwill and indefinite-life intangible assets are tested for impairment annually or when there is an indication that the asset may be impaired. Property, plant and equipment and finite-life intangible assets are tested for impairment if events or changes in circumstances, assessed at each reporting period, indicate that their carrying amount may not be recoverable. For the purpose of impairment testing, assets other than goodwill are grouped at the lowest level for which there are separately identifiable cash inflows.

Impairment losses are recognized and measured as the excess of the carrying value of the assets over their recoverable amount. An asset’s recoverable amount is the higher of its fair value less costs of disposal and its value in use. Previously recognized impairment losses, other than those attributable to goodwill, are reversed for possible reversal at each reporting date and, if the asset’s recoverable amount has increased, all or a portion of the impairment is reversed.

GOODWILL IMPAIRMENT TESTING

We perform an annual test for goodwill impairment in the fourth quarter for each of our cash generating units (CGUs) or groups of CGUs to which goodwill is allocated, and whenever there is an indication that goodwill might be impaired.

A CGU is the smallest identifiable group of assets that generates cash inflows that are independent of the cash inflows from other assets or groups of assets.

We identify any potential impairment by comparing the carrying value of a CGU or group of CGUs to its recoverable amount. The recoverable amount of a CGU or group of CGUs is the higher of its fair value less costs of disposal and its value in use. Both fair value less costs of disposal and value in use are based on estimates of discounted future cash flows or other valuation methods. Cash flows are projected based on past experience, actual operating results and business plans. When the recoverable amount of a CGU or group of CGUs is less than its carrying value, the recoverable amount is determined for its identifiable assets and liabilities. The excess of the recoverable amount of the CGU or group of CGUs over the total of the amounts assigned to its assets and liabilities is the recoverable amount of goodwill.

An impairment charge is recognized in Other income (expense) in the income statements for any excess of the carrying value of goodwill over its recoverable amount. For purposes of impairment testing of goodwill, BCE’s CGUs or groups of CGUs correspond to our reporting segments as disclosed in Note 4. Segmented information.

o) Financial instruments

TRADE AND OTHER RECEIVABLES

Trade and other receivables, which include trade receivables and other short-term receivables, are measured at amortized cost using the effective interest method, net of any allowance for doubtful accounts. An allowance for doubtful accounts is established based on individually significant exposures or on historical trends. Factors considered when establishing an allowance include current economic conditions, historical information and the reason for the delay in payment. Amounts considered uncollectible are written off and recognized in bad debt expense.

AVAILABLE-FOR-SALE (AFS) FINANCIAL ASSETS

Our portfolio investments in equity securities are classified as AFS and are presented in our statements of financial position as Other non-current assets. They have been designated as such based on management’s intentions or because they are not classified in any other categories. These securities are recorded at fair value on the date of acquisition, including related transaction costs, and are adjusted to fair value at each reporting date. The corresponding unrealized gains and losses are recorded in other comprehensive (loss) income and are reclassified to Other income (expense) in the income statements when realized or when an impairment is determined.

OTHER FINANCIAL LIABILITIES

Other financial liabilities, which include trade payables and accruals, compensation payable, obligations imposed by the Canadian Radio-television and Telecommunications Commission (CRTC), interest payable and long-term debt, are recorded at amortized cost using the effective interest method.

COSTS OF ISSUING DEBT AND EQUITY

The cost of issuing debt is included as part of long-term debt and is accounted for at amortized cost using the effective interest method. The cost of issuing equity is reflected in the consolidated statements of changes in equity as a charge to the deficit.

p) Derivative financial instruments

We use derivative financial instruments to manage interest rate risk, foreign currency risk and cash flow exposures related to share-based payment plans, capital expenditures, long-term debt instruments and purchase commitments. We do not use derivative financial instruments for speculative or trading purposes.

HEDGE ACCOUNTING

To qualify for hedge accounting, we document the relationship between the derivative and the related identified risk exposure, and our risk management objective and strategy. This includes associating each derivative to a specific asset or liability, a specific firm commitment or a specific anticipated transaction.
The most significant assumptions used to calculate the net post-employment benefit plans cost are the discount rate and life expectancy. Changes in the fair value of foreign currency forward contracts on purchase commitments are recognized in our consolidated statements of comprehensive income (statements of comprehensive income), except for any ineffective portion, which is recognized immediately in Other income (expense) in the income statements. Realized gains and losses in Comprehensive income are reclassified to the income statements in the same periods as the corresponding hedged items are recognized in earnings. Cash flow hedges that mature within one year are included in Other current assets or Trade payables and other liabilities, whereas hedges that have a maturity of more than one year are included in Other non-current assets or Other non-current liabilities.

We use cross currency basis swaps and foreign currency forward contracts to manage our U.S. dollar borrowings under our unsecured committed term credit facility and U.S. commercial paper program. Changes in the fair value of these derivatives that are related to hedged items are recognized in Other income (expense) in the income statements and offset, unless a portion of the hedging relationship is ineffective.

We provide OPEBs to some of our employees, including:

- healthcare and life insurance benefits during retirement, which were phased out for new retirees over a ten-year period ending on December 31, 2016. We do not fund most of these OPEB plans.
- other benefits, including workers' compensation and medical benefits to former or inactive employees, their beneficiaries and dependents, from the time their employment ends until their retirement starts, under certain circumstances.

We value post-employment benefit plan assets at fair value using current market values.

Post-employment benefit plans current service cost is included in Operating costs in the income statements. Interest on our post-employment benefit assets and obligations is recognized in Finance costs in the income statements and represents the accrual of interest on the assets and obligations under our post-employment benefit plans at the beginning of the year. Actuarial gains and losses for all post-employment benefit plans are recorded in other comprehensive income (loss) in the period in which they occur and are recognized immediately in the deficit.

December 31 is the measurement date for our significant post-employment benefit plans. Our actuaries perform a valuation at least every three years to determine the actuarial present value of the accrued DB pension plan and OPEB obligations. The most recent actuarial valuation of our significant pension plans was as at December 31, 2015.

**DEFINED BENEFIT (DB) AND OTHER POST-EMPLOYMENT BENEFIT (OPEB) PLANS**

We maintain defined benefit pension plans that provide pension benefits for certain employees. Benefits are based on the employee's length of service and average rate of pay during the highest paid consecutive five years of service. Most employees are not required to contribute to the plans. Certain plans provide cost of living adjustments to help protect the income of retired employees against inflation.

We are responsible for adequately funding our DB pension plans. We make contributions to them based on various actuarial cost methods permitted by pension regulatory bodies. Contributions reflect actuarial assumptions about future investment returns, salary projections, future service and life expectancy.

We provide OPEBs to some of our employees, including:

- healthcare and life insurance benefits during retirement, which were phased out for new retirees over a ten-year period ending on December 31, 2016. We do not fund most of these OPEB plans.
- other benefits, including workers' compensation and medical benefits to former or inactive employees, their beneficiaries and dependents, from the time their employment ends until their retirement starts, under certain circumstances.

We value post-employment benefit plan assets at fair value using current market values.

Post-employment benefit plans current service cost is included in Operating costs in the income statements. Interest on our post-employment benefit assets and obligations is recognized in Finance costs in the income statements and represents the accrual of interest on the assets and obligations under our post-employment benefit plans at the beginning of the year. Actuarial gains and losses for all post-employment benefit plans are recorded in other comprehensive income (loss) in the period in which they occur and are recognized immediately in the deficit.

We use cross currency basis swaps and foreign currency forward contracts to manage our U.S. dollar borrowings under our unsecured committed term credit facility and U.S. commercial paper program. Changes in the fair value of these derivatives that are related to hedged items are recognized in Other income (expense) in the income statements and offset, unless a portion of the hedging relationship is ineffective.

**DERIVATIVES USED AS ECONOMIC HEDGES**

We use derivatives to manage cash flow exposures related to equity-settled share-based payment plans and capital expenditures, equity price risk related to a cash-settled share-based payment plan, and interest rate risk related to preferred share dividend rate resets. As these derivatives do not qualify for hedge accounting, the changes in their fair value are recorded in the income statements in Operating costs for derivatives used to hedge cash-settled share-based payments and in Other income (expense) for other derivatives.

**q) Post-employment benefit plans**

**DEFINED BENEFIT (DB) AND OTHER POST-EMPLOYMENT BENEFIT (OPEB) PLANS**

We maintain defined benefit pension plans that provide pension benefits for certain employees. Benefits are based on the employee's length of service and average rate of pay during the highest paid consecutive five years of service. Most employees are not required to contribute to the plans. Certain plans provide cost of living adjustments to help protect the income of retired employees against inflation.

We are responsible for adequately funding our DB pension plans. We make contributions to them based on various actuarial cost methods permitted by pension regulatory bodies. Contributions reflect actuarial assumptions about future investment returns, salary projections, future service and life expectancy.

We provide OPEBs to some of our employees, including:

- healthcare and life insurance benefits during retirement, which were phased out for new retirees over a ten-year period ending on December 31, 2016. We do not fund most of these OPEB plans.
- other benefits, including workers' compensation and medical benefits to former or inactive employees, their beneficiaries and dependents, from the time their employment ends until their retirement starts, under certain circumstances.

We value post-employment benefit plan assets at fair value using current market values.

Post-employment benefit plans current service cost is included in Operating costs in the income statements. Interest on our post-employment benefit assets and obligations is recognized in Finance costs in the income statements and represents the accrual of interest on the assets and obligations under our post-employment benefit plans at the beginning of the year. Actuarial gains and losses for all post-employment benefit plans are recorded in other comprehensive income (loss) in the period in which they occur and are recognized immediately in the deficit.

**DEFINING CONTRIBUTION (DC) PENSION PLANS**

We maintain defined contribution pension plans that provide certain employees with benefits. Under these plans, we are responsible for contributing a predetermined amount to an employee's retirement savings, based on a percentage of the employee's salary.

We recognize a post-employment benefit plans service cost for DC pension plans when the employee provides service to the company, essentially coinciding with our cash contributions. Generally, new employees can participate only in the DC pension plans.

**r) Provisions**

Provisions are recognized when all the following conditions are met:

- the company has a present legal or constructive obligation based on past events
- it is probable that an outflow of economic resources will be required to settle the obligation
- the amount can be reasonably estimated

Provisions are measured at the present value of the estimated expenditures expected to settle the obligation, if the effect of the time value of money is material. The present value is determined using current market assessments of the discount rate and other factors specific to the obligation. The obligation increases as a result of the passage of time, resulting in interest expense which is recognized in Finance costs in the income statements.

**s) Estimates and key judgments**

When preparing the financial statements, management makes estimates and judgments relating to:

- reported amounts of revenues and expenses
- reported amounts of assets and liabilities
- disclosure of contingent assets and liabilities

We base our estimates on a number of factors, including historical experience, current events and actions that the company may undertake in the future, and other assumptions that we believe are reasonable under the circumstances. By their nature, these estimates and judgments are subject to measurement uncertainty and actual results could differ. Our more significant estimates and judgments are described below.

**ESTIMATES**

**USEFUL LIVES OF PROPERTY, PLANT AND EQUIPMENT AND FINITE-LIFE INTANGIBLE ASSETS**

Property, plant and equipment represent a significant portion of our total assets. Changes in technology or our intended use of these assets, as well as changes in business prospects or economic and industry factors, may cause the estimated useful lives of these assets to change.

**POST-EMPLOYMENT BENEFIT PLANS**

The amounts reported in the financial statements relating to DB pension plans and OPEBs are determined using actuarial calculations that are based on several assumptions.

The actuarial valuation uses management's assumptions for, among other things, the discount rate, life expectancy, the rate of compensation increase, trends in healthcare costs and expected average remaining years of service of employees.

The most significant assumptions used to calculate the net post-employment benefit plans cost are the discount rate and life expectancy.
The discount rate is based on the yield on long-term, high-quality corporate fixed income investments, with maturities matching the estimated cash flows of the post-employment benefit plans. Life expectancy is based on publicly available Canadian mortality tables and is adjusted for the company’s specific experience.

IMPAIRMENT OF NON-FINANCIAL ASSETS

We make a number of estimates when calculating recoverable amounts using discounted future cash flows or other valuation methods to test for impairment. These estimates include the assumed growth rates for future cash flows, the number of years used in the cash flow model and the discount rate.

DEFERRED TAXES

The amount of deferred tax assets is estimated with consideration given to the timing, sources and amounts of future taxable income.

FAIR VALUE OF FINANCIAL INSTRUMENTS

Certain financial instruments, such as investments in equity securities, derivative financial instruments and certain elements of borrowings, are carried in the statements of financial position at fair value, with changes in fair value reflected in the income statements and the statements of comprehensive income. Fair values are estimated by reference to published price quotations or by using other valuation techniques that may include inputs that are not based on observable market data, such as discounted cash flows and earnings multiples.

CONTINGENCIES

In the ordinary course of business, we become involved in various claims and legal proceedings seeking monetary damages and other relief. Pending claims and legal proceedings represent a potential cost to our business. We estimate the amount of a loss by analyzing potential outcomes and assuming various litigation and settlement strategies, based on information that is available at the time.

ONEROUS CONTRACTS

A provision for onerous contracts is recognized when the unavoidable costs of meeting our obligations under a contract exceed the expected benefits to be received under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of completing the contract.

JUDGMENTS

POST-EMPLOYMENT BENEFIT PLANS

The determination of the discount rate used to value our post-employment benefit obligations requires judgment. The rate is set by reference to market yields of high-quality corporate fixed income investments at the beginning of each fiscal year. Significant judgment is required when setting the criteria for fixed income investments to be included in the population from which the yield curve is derived. The most significant criteria considered for the selection of investments include the size of the issue and credit quality, along with the identification of outliers, which are excluded.

INCOME TAXES

The calculation of income taxes requires judgment in interpreting tax rates and regulations. There are transactions and calculations for which the ultimate tax determination is uncertain. Our tax filings are also subject to audits, the outcome of which could change the amount of current and deferred tax assets and liabilities.

Management judgment is used to determine the amounts of deferred tax assets and liabilities and future tax liabilities to be recognized. In particular, judgment is required when assessing the timing of the reversal of temporary differences to which future income tax rates are applied.

MULTIPLE ELEMENT ARRANGEMENTS

Determining the amounts of revenue to be recognized for multiple element arrangements requires judgment to establish the separately identifiable components and the allocation of the total price between those components.

CGUs

The determination of CGUs or groups of CGUs for the purpose of annual impairment testing requires judgment.

CONTINGENCIES

The determination of whether a loss is probable from claims and legal proceedings and whether an outflow of resources is likely requires judgment.

Change in accounting estimate

In 2016, as part of our ongoing annual review of property, plant and equipment and finite-life intangible assets, and to better reflect their useful lives, we increased the estimate of useful lives of certain assets. The changes have been applied prospectively effective January 1, 2016 and did not have a significant impact on our financial statements.

Adoption of amended accounting standards

As required, effective January 1, 2016, we adopted the following amended accounting standards on a prospective basis, none of which had a significant impact on our financial statements.

<table>
<thead>
<tr>
<th>STANDARD</th>
<th>DESCRIPTION</th>
<th>IMPACT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amendments to International Accounting Standard (IAS) 38 – Property, Plant and Equipment and IAS 36 – Intangible Assets</td>
<td>Clarifies that a revenue-based approach to calculate depreciation and amortization generally is not appropriate as it does not reflect the consumption of the economic benefits embedded in the related asset.</td>
<td>This amendment did not have a significant impact on our financial statements.</td>
</tr>
<tr>
<td>Amendments to IFRS 11 – Joint Arrangements</td>
<td>Provides guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business, as defined in IFRS 3 – Business Combinations. The amended standard requires the acquirer to apply all of the principles on accounting for business combinations in IFRS 3 and other IFRSs except for any principles that conflict with IFRS 11.</td>
<td>This amendment did not have a significant impact on our financial statements.</td>
</tr>
</tbody>
</table>

Future changes to accounting standards

The following new or amended standards issued by the IASB have an effective date after December 31, 2016 and have not yet been adopted by BCE.

<table>
<thead>
<tr>
<th>STANDARD</th>
<th>DESCRIPTION</th>
<th>IMPACT</th>
<th>EFFECTIVE DATE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amendments to IAS 7 – Statement of Cash Flows</td>
<td>Requires enhanced disclosures about changes in liabilities arising from financing activities, including changes from financing cash flows, changes arising from obtaining or losing control of subsidiaries or other businesses, the effect of changes in foreign exchange rates and changes in fair values. Additional disclosures will be provided in the notes to our financial statements if required.</td>
<td></td>
<td>Annual periods beginning on or after January 1, 2017, applied prospectively.</td>
</tr>
<tr>
<td>IFRS 15 – Revenue from Contracts with Customers</td>
<td>Establishes principles to record revenues from contracts for the sale of goods or services, unless the contracts are in the scope of IAS 17 – Leases or other IFRSs. Under IFRS 15, revenue is recognized at an amount that reflects the expected consideration receivable in exchange for transferring goods or services to a customer, applying the following five steps: 1. Identify the contract with a customer 2. Identify the performance obligations in the contract 3. Determine the transaction price 4. Allocate the transaction price to the performance obligations in the contract 5. Recognize revenue when (or as) each performance obligation is satisfied. Under multiple-element arrangements, although the total revenue recognized during the term of a contract will be largely unaffected, the revenue allocated to a delivered item will no longer be limited to the non-contingent amount. This may accelerate the recognition of revenue ahead of the associated exchange rates and changes in fair values.</td>
<td></td>
<td>Annual periods beginning on or after January 1, 2018, using either a full retrospective approach for all periods presented in the period of adoption or a modified retrospective approach.</td>
</tr>
</tbody>
</table>
BCE’s consolidated operating revenues and net earnings for the year ended December 31, 2016 would have been $21,801 million and $3,038 million, respectively, had the Q9 acquisition occurred on January 1, 2016. These proforma amounts reflect the elimination of intercompany transactions and earnings related to our previously held interest, the amortization of certain elements of the purchase price allocation and related tax adjustments.

In 2016, prior to the acquisition of Q9, BCE provided a loan of $517 million to Q9 mainly for the repayment of certain of its debt.

On October 3, 2016, BCE acquired the remaining 64.6% of the issued and outstanding shares of Q9 that it did not already own for a total cash consideration of approximately $170 million.

The purchase price allocation includes certain provisional estimates, in particular for property, plant and equipment and finite-life intangible assets. The following table summarizes the fair value of the consideration paid and the adjustments made as of the acquisition date:

<table>
<thead>
<tr>
<th>Description</th>
<th>Fair value as of October 3, 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property, plant and equipment</td>
<td>$187 million</td>
</tr>
<tr>
<td>Finite-life intangible assets</td>
<td>$26 million</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>$5 million</td>
</tr>
<tr>
<td>Other non-cash working capital</td>
<td>$1 million</td>
</tr>
<tr>
<td>Goodwill</td>
<td>$340 million</td>
</tr>
</tbody>
</table>

The amendments to IFRS 2 are not expected to have a significant impact on our financial statements.

We are currently evaluating the impact of IFRS 9 on our financial statements.

We are currently evaluating the impact of IFRS 16 on our financial statements.

The amendments to IFRS 2 are expected to have a negligible impact.

The amendments to IFRS 9 are expected to have a negligible impact.

The amendments to IFRS 16 are expected to have a negligible impact.

The purchase price allocation includes certain provisional estimates, in particular for property, plant and equipment and finite-life intangible assets. The following table summarizes the fair value of the consideration paid and the adjustments made as of the acquisition date:

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The purchase price allocation includes certain provisional estimates, in particular for property, plant and equipment and finite-life intangible assets. The following table summarizes the fair value of the consideration paid and the adjustments made as of the acquisition date:

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The purchase price allocation includes certain provisional estimates, in particular for property, plant and equipment and finite-life intangible assets. The following table summarizes the fair value of the consideration paid and the adjustments made as of the acquisition date:

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</tr>
<tr>
<td>Goodwill</td>
<td>$340 million</td>
</tr>
</tbody>
</table>
In Q1 2016, BCE completed a transaction with Corus Entertainment Inc. (Corus) under which Corus waived its HBC content rights in Canada and ceased operations of its Movie Central and Encore Avenue pay TV services in Western and Northern Canada, thereby allowing Bell Media to become the sole operator of HBC Canada nationally across all platforms and to expand TMN into a national pay TV service. TMN was successfully launched nationally on March 1, 2016. BCE paid to Corus a total cash consideration of $218 million, of which $21 million was paid in 2015.

The following table summarizes the fair value of the consideration paid and the fair value assigned to each major class of assets and liabilities.

<table>
<thead>
<tr>
<th>Segment</th>
<th>Cash consideration</th>
<th>Finite-life intangible assets</th>
<th>Non-current assets</th>
<th>Current liabilities</th>
<th>Non-current liabilities</th>
<th>Fair value of net assets acquired</th>
<th>Goodwill</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td></td>
<td>8</td>
<td>1</td>
<td>(3)</td>
<td>(5)</td>
<td>(2)</td>
<td>220</td>
</tr>
</tbody>
</table>

(1) Goodwill arises principally from the ability to leverage media content and expected future growth. The amount of goodwill allocable for tax purposes is $160 million at a 7% annual rate declining balance. The goodwill arising from the transaction was allocated to our Bell Media group of CGUs.

The transaction is part of our strategy to create, negotiate and deliver premium TV programming to Canadian consumers across more platforms on a national basis.

This transaction did not have a significant impact on our consolidated operating revenues and net earnings for the year ended December 31, 2016.

### Acquisition of Cieslok Media Ltd. (Cieslok Media)

Subsequent to year end, on January 3, 2017, BCE acquired all of the issued and outstanding common shares of Cieslok Media for a total cash consideration of $161 million.

Cieslok Media specializes in large-format outdoor advertising in key urban areas across Canada. This acquisition will contribute to growing and strengthening our digital presence in OOH advertising.

Bell Media will be included in our Bell Media segment in our financial statements.

The fair values of Cieslok Media’s assets and liabilities have not yet been determined.

### Proposed acquisition of Manitoba Telecom Services Inc. (MTS)

On May 2, 2016, BCE announced that it intends to acquire all of the issued and outstanding common shares of MTS for a total consideration of $3.1 billion, of which 45% will be paid in cash and the remaining 55% through the issuance of approximately 28 million BCE common shares. The transaction is valued at approximately $3.9 billion, including net debt of approximately $0.9 billion. BCE will fund the cash component of the transaction through debt financing. MTS shareholder approval was obtained at a special meeting of shareholders held on June 23, 2016, and final court approval was obtained on June 29, 2016. On December 20, 2016, the CRTC approved under the Broadcasting Act the transfer of the broadcasting distribution undertaking licence held by MTS to BCE. On February 15, 2017, Innovation, Science and Economic Development Canada (ISED) and the Competition Bureau approved the proposed acquisition of MTS with the result that BCE has now obtained all necessary regulatory approvals to complete the transaction. Subject to certain closing conditions and termination rights, the transaction is expected to close by March 1, 2017. If the transaction does not close under certain circumstances, BCE may be liable to pay a break fee of $200 million to MTS.

MTS is an information and communications technology provider offering wireless, Internet, TV, phone services, security systems and information systems including unified cloud and managed services to residential and business customers in Manitoba.

The acquisition of MTS will allow us to reach more Canadians through the expansion of our wireless and wireline broadband network while supporting our goal of being recognized by customers as Canada’s leading communications company.

BCE has agreed to divest approximately one-quarter of MTS post-paid subscribers and 13 retail locations to TELUS Corporation following the completion of the acquisition of MTS for total proceeds of approximately $300 million, subject to final adjustments. Subject to certain closing conditions and termination rights, this transaction is expected to close on April 1, 2017. The $75 million break fee that was payable by BCE to TELUS if the transaction with TELUS did not close under certain circumstances is no longer applicable given the receipt of all regulatory approvals.

BCE has also agreed to transfer to Xplornet Communications Inc. (Xplornet) a total of 40 Megahertz (MHz) of 700 MHz, advanced wireless services-1 and 2500 MHz wireless spectrum currently held by MTS, which has also been approved by ISED. On May 2, 2016, BCE announced an agreement with Xplornet to build a wireless network to serve all areas of Manitoba for three years and other operational benefits as Xplornet builds out its own network in Manitoba. Subject to certain closing conditions and termination rights, this transaction is expected to close on March 17, 2017.

### Glentel

On May 20, 2015, BCE completed the acquisition of all of Glentel Inc.’s (Glentel) issued and outstanding common shares for a total consideration of $592 million, of which $296 million ($284 million, net of cash on hand) was paid in cash and in the balance through the issuance of 3,548,908 BCE common shares. Immediately following the closing of the acquisition, BCE repaid Glentel’s outstanding debt in the amount of approximately $112 million and was recorded in investments in associates and joint ventures.

On May 2, 2016, BCE announced that it intends to acquire all of the issued and outstanding common shares of MTS for a total consideration of $3.1 billion, of which 45% will be paid in cash and the remaining 55% through the issuance of approximately 28 million BCE common shares. The transaction is valued at approximately $3.9 billion, including net debt of approximately $0.9 billion. BCE will fund the cash component of the transaction through debt financing. MTS shareholder approval was obtained at a special meeting of shareholders held on June 23, 2016, and final court approval was obtained on June 29, 2016. On December 20, 2016, the CRTC approved under the Broadcasting Act the transfer of the broadcasting distribution undertaking licence held by MTS to BCE. On February 15, 2017, Innovation, Science and Economic Development Canada (ISED) and the Competition Bureau approved the proposed acquisition of MTS with the result that BCE has now obtained all necessary regulatory approvals to complete the transaction. Subject to certain closing conditions and termination rights, the transaction is expected to close by March 1, 2017. If the transaction does not close under certain circumstances, BCE may be liable to pay a break fee of $200 million to MTS.

### Note 4 Segmented Information

The accounting policies used in our segment reporting are the same as those we describe in Note 2, Significant accounting policies. Our results are reported in three segments: Bell Wireline, Bell Wireless and Bell Media. Our segments reflect how we manage our business and how we classify our operations for planning and measuring performance. Accordingly, we operate and manage our segments as strategic business units organized by products and services. Segments negotiate sales with each other as if they were unrelated parties.

We measure the performance of each segment based on segment profit, which is equal to operating revenues less operating costs for the segment. We report severance, acquisition and other costs and depreciation and amortization by segment for external reporting purposes. Substantially all of our finance costs and other income (expense) are managed on a corporate basis and, accordingly, are not reflected in segment results.

Our operations and virtually all of our assets are located in Canada.

Our Bell Wireless segment provides wireless voice and data communication products and services to our residential, small and medium-sized business and large enterprise customers across Canada. Our Bell Wireless segment provides data, including Internet access and Internet protocol television, local telephone, long distance, as well as other communications services and products to our residential, small and medium-sized business and large enterprise customers primarily in Ontario, Quebec and the Atlantic provinces, while Satellite TV service and connectivity to business customers are available nationally across Canada. In addition, this segment includes our wholesale business, which buys and sells local telephone, long distance, data and other services from or to resellers and other carriers.

Our Bell Media segment provides conventional, specialty and pay TV, digital media, radio broadcasting services and OOH advertising services to customers nationally across Canada.

### Segmented Information

<table>
<thead>
<tr>
<th>Segment</th>
<th>FOR THE YEAR ENDED DECEMBER 31, 2016</th>
<th>NOTE</th>
<th>BELL WIRELINE</th>
<th>BELL WIRELINE</th>
<th>BELL MEDIA</th>
<th>BELL MEDIA</th>
<th>INTER-SEGMENT</th>
<th>INTER-SEGMENT</th>
<th>BCO</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating profits</td>
<td></td>
<td>External customers</td>
<td>7,117</td>
<td>11,917</td>
<td>2,685</td>
<td>–</td>
<td>21,719</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Inter-segment</td>
<td>42</td>
<td>187</td>
<td>396</td>
<td>(623)</td>
<td>(12,931)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total operating revenues</td>
<td></td>
<td>7,159</td>
<td>12,104</td>
<td>3,061</td>
<td>(623)</td>
<td>21,719</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating costs</td>
<td></td>
<td>4,140</td>
<td>(7,062)</td>
<td>(2,338)</td>
<td>625</td>
<td>(12,931)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating profit</td>
<td></td>
<td>3,019</td>
<td>9,042</td>
<td>5,723</td>
<td>–</td>
<td>8,787</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Severance, acquisition and other costs</td>
<td></td>
<td>6</td>
<td>(6)</td>
<td>(150)</td>
<td>–</td>
<td>(150)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td></td>
<td>15.14</td>
<td>(500)</td>
<td>(519)</td>
<td>(137)</td>
<td>–</td>
<td>(3,586)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Finance costs</td>
<td></td>
<td>7</td>
<td>(880)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest expense</td>
<td></td>
<td>22</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest on post-employment benefit obligations</td>
<td></td>
<td>8</td>
<td>(81)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other income</td>
<td></td>
<td>5</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income taxes</td>
<td></td>
<td>6</td>
<td>(1,110)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net earnings</td>
<td></td>
<td>17</td>
<td>2,304</td>
<td>3,831</td>
<td>2,623</td>
<td>–</td>
<td>8,958</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
For the Year Ended December 31, 2015

Total Products 1,629
Capital expenditures 733 2,338 162 – 3,773
(1) The chief operating decision maker uses primarily one measure of profit to make decisions and assess performance, being operating revenues less operating costs.

Notes to Consolidated Financial Statements

Revenues by services and products

FOR THE YEAR ENDED DECEMBER 31

<table>
<thead>
<tr>
<th>Note</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wireline</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Services</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wireless</td>
<td>6,602</td>
<td>6,246</td>
</tr>
<tr>
<td>Data</td>
<td>6,791</td>
<td>6,590</td>
</tr>
<tr>
<td>Local and access</td>
<td>3,689</td>
<td>3,271</td>
</tr>
<tr>
<td>Long distance</td>
<td>741</td>
<td>831</td>
</tr>
<tr>
<td>Media</td>
<td>2,485</td>
<td>2,635</td>
</tr>
<tr>
<td>Other services</td>
<td>182</td>
<td>186</td>
</tr>
<tr>
<td>Total Services</td>
<td>20,090</td>
<td>18,759</td>
</tr>
<tr>
<td>Products</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wireless</td>
<td>2,303</td>
<td>2,583</td>
</tr>
<tr>
<td>Data</td>
<td>1,605</td>
<td>2,652</td>
</tr>
<tr>
<td>Equipment and other</td>
<td>170</td>
<td>101</td>
</tr>
<tr>
<td>Total Products</td>
<td>6,078</td>
<td>7,336</td>
</tr>
<tr>
<td>Total operating revenues</td>
<td>26,168</td>
<td>26,095</td>
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FOR THE YEAR ENDED DECEMBER 31

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<tr>
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<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
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<td>26,095</td>
</tr>
</tbody>
</table>

Note 5 Operating costs

<table>
<thead>
<tr>
<th>Note</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Labour costs</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wages, salaries and related taxes and benefits</td>
<td>4,016</td>
<td>4,224</td>
</tr>
<tr>
<td>Post-employment benefit plans service cost (net of capitalized amounts)</td>
<td>22</td>
<td>224</td>
</tr>
<tr>
<td>Other labour costs¹</td>
<td>1,036</td>
<td>945</td>
</tr>
<tr>
<td>Lease</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capitalized lease costs</td>
<td>1,283</td>
<td>1,399</td>
</tr>
<tr>
<td>Total lease costs</td>
<td>1,283</td>
<td>1,399</td>
</tr>
<tr>
<td>Cost of revenues²</td>
<td>6,598</td>
<td>6,598</td>
</tr>
<tr>
<td>Other operating costs</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other operating costs³</td>
<td>954</td>
<td>954</td>
</tr>
<tr>
<td>Total operating costs</td>
<td>12,931</td>
<td>12,931</td>
</tr>
</tbody>
</table>

¹ Other labour costs include contractors and outsourcing costs.
² Cost of revenues includes costs of wireless devices and other equipment sold, network and content costs, and payments to other carriers.
³ Other operating costs include marketing, advertising and sales commission costs, Bell equipment taxes, taxes other than income taxes, information technology costs, professional services fees and rent.

Research and development expenses of $147 million and $134 million are included in operating costs for 2016 and 2015, respectively.

Note 6 Severance, acquisition and other costs

FOR THE YEAR ENDED DECEMBER 31

<table>
<thead>
<tr>
<th>Note</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Severance</td>
<td>67</td>
<td>179</td>
</tr>
<tr>
<td>Acquisition and other</td>
<td>46</td>
<td>249</td>
</tr>
<tr>
<td>Total severance, acquisition and other costs</td>
<td>113</td>
<td>328</td>
</tr>
</tbody>
</table>

Severance costs

Severance costs consist of charges related to involuntary and voluntary employee terminations. Severance in 2015 includes incremental costs related to workforce reduction initiatives incurred in our Bell Media and Bell Wireline segments to confront changing consumer preferences, new TV unbundling rules, a soft business market as a result of the economy and declines in home phone subscribers.

Acquisition and other costs

Acquisition and other costs consist of transaction costs, such as legal and financial advisory fees, related to completed or potential acquisitions, employee severance costs related to the purchase of a business, the costs to integrate acquired companies into our operations and litigation costs, when they are significant. Acquisition costs also include severance and integration costs relating to the privatization of Bell Aliant Inc.

2015

Signal piracy litigation

On August 31, 2015, a motion to institute legal proceedings was filed in the Quebec Superior Court against Bell ExpressVu Limited Partnership (Bell ExpressVu) by Vidéotron Inc., Vidéotron (Régional) Inc. and CF Cable TV Inc. In the statement of claim, the plaintiffs alleged that Bell ExpressVu had failed to adequately protect its system against satellite signal piracy, thereby depriving the plaintiffs of subscribers who, but for their alleged ability to pirate Bell ExpressVu’s signal, would have subscribed to the plaintiffs’ services. On March 6, 2015, the Quebec Court of Appeal reversed the judgment of the lower court regarding the quantum of damages awarded by such court, granting plaintiffs damages of $82 million, plus interest and costs. A charge of $137 million was recorded in Q1 2015 and was included in Acquisition and other costs.

On October 15, 2015, the Supreme Court of Canada dismissed Bell ExpressVu’s application for leave to appeal the Quebec Court of Appeal’s judgment. Accordingly, the aggregate amount of $141.6 million, including interest and costs, was paid by Bell ExpressVu on October 19, 2015 in full satisfaction of the judgment as rendered by the Quebec Court of Appeal and was recorded in Acquisition and other costs paid in the statements of cash flows.
Note 7 Interest expense

FOR THE YEAR ENDED DECEMBER 31

<table>
<thead>
<tr>
<th>Item</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest expense on long-term debt</td>
<td>(852)</td>
<td>(757)</td>
</tr>
<tr>
<td>Interest expense on other debt</td>
<td>(86)</td>
<td>(84)</td>
</tr>
<tr>
<td>Capitalized interest</td>
<td>50</td>
<td>50</td>
</tr>
<tr>
<td>Total interest expense</td>
<td>(948)</td>
<td>(898)</td>
</tr>
</tbody>
</table>

Interest expense on long-term debt includes interest on finance leases of $153 million and $161 million for 2016 and 2015, respectively.

Capitalized interest was calculated using an average rate of 3.95% and 4.08% for 2016 and 2015, respectively, which represents the weighted average interest rate on our outstanding long-term debt.

Note 8 Other income (expense)

FOR THE YEAR ENDED DECEMBER 31

<table>
<thead>
<tr>
<th>Item</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net mark-to-market gains on derivatives used as economic hedges</td>
<td>67</td>
<td>54</td>
</tr>
<tr>
<td>Gains on investments</td>
<td>34</td>
<td>72</td>
</tr>
<tr>
<td>Equity (losses) income from investments in associates and joint ventures</td>
<td>(15)</td>
<td>(15)</td>
</tr>
<tr>
<td>Loss on investment</td>
<td>(13)</td>
<td>(13)</td>
</tr>
<tr>
<td>Operations</td>
<td>(20)</td>
<td>(20)</td>
</tr>
<tr>
<td>Losses on disposal/refititure of software, plant and equipment</td>
<td>20</td>
<td>18</td>
</tr>
<tr>
<td>Early debt redemption costs</td>
<td>13</td>
<td>13</td>
</tr>
<tr>
<td>Impairment of assets</td>
<td>14</td>
<td>14</td>
</tr>
<tr>
<td>Other</td>
<td>33</td>
<td>33</td>
</tr>
<tr>
<td>Total other income (expenses)</td>
<td>41</td>
<td>112</td>
</tr>
</tbody>
</table>

Equity (losses) income from investments in associates and joint ventures

In 2016, we recorded a loss on investment of $46 million representing BCE’s share of the loss recorded by one of our equity investments on the sale of a portion of its operations. Additionally, we recorded a loss on investment of $11 million, representing equity losses on our share of an obligation to repurchase at fair value the minority interest in one of BCE’s joint ventures. The obligation is marked to market each reporting period and the gain or loss on investment is recorded as equity gains or losses from investments in associates and joint ventures.

In 2015, we recorded a loss on investment of $54 million, representing equity losses on our share of an obligation to repurchase at fair value the minority interest in one of BCE’s joint ventures.

Gains on investments

In 2016, BCE recorded gains on investments of $58 million which included a gain related to one of our equity investments of $34 million, as well as a gain on investment of $12 million due to the remeasurement of BCE’s previously held equity interest in Q to its fair value. See Note 3, Business acquisitions and dispositions for additional details.

In 2015, BCE recognized a gain of $94 million as a result of its divestiture of its 50% ownership in Glentel to Rogers Communications Inc. Refer to Note 3, Business acquisitions and dispositions. Additionally, BCE recognized a $22 million loss on investments, which includes a loss on the sale of a call centre subsidiary, as well as a write down of the fair value of a financial asset related to one of our equity investments.

Impairment of assets

In 2015, we recorded an impairment charge of $49 million, of which $38 million was allocated to indefinite-life intangible assets, $9 million to finite-life intangible assets and $2 million to property, plant and equipment. The impairment charge related mainly to our music CGU within our Bell Media segment and resulted from revenue and profitability declines from lower viewership and higher TV content costs. The charge was determined by comparing the carrying value of the CGU to its fair value less costs of disposal. We estimated the fair value of the CGU using both discounted cash flows and market-based valuation models which included five-year cash flow projections derived from business plans reviewed by senior management for the period of January 1, 2016 to December 31, 2020, using a discount rate of 9.0% and a perpetuity growth rate of nil, as well as market multiple data from public companies and market transactions. The carrying value of our music CGU was $171 million at December 31, 2015.

Note 9 Income taxes

The following table shows the significant components of income taxes deducted from net earnings.

FOR THE YEAR ENDED DECEMBER 31

<table>
<thead>
<tr>
<th>Item</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current taxes</td>
<td>(855)</td>
<td>(687)</td>
</tr>
<tr>
<td>Uncertain tax positions</td>
<td>(114)</td>
<td>27</td>
</tr>
<tr>
<td>Change in estimate relating to prior periods</td>
<td>14</td>
<td>114</td>
</tr>
<tr>
<td>Utilization of previously unrecognized tax credits</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Other</td>
<td>(1)</td>
<td>–</td>
</tr>
<tr>
<td>Deferred taxes</td>
<td>(295)</td>
<td>(271)</td>
</tr>
<tr>
<td>Change in estimate relating to prior periods</td>
<td>32</td>
<td>(108)</td>
</tr>
<tr>
<td>Recognition and utilization of loss carryforwards</td>
<td>(1)</td>
<td>(14)</td>
</tr>
<tr>
<td>Effect of change in provincial corporate tax rate</td>
<td>4</td>
<td>(8)</td>
</tr>
<tr>
<td>Resolution of uncertain tax positions</td>
<td>5</td>
<td>14</td>
</tr>
<tr>
<td>Total income taxes</td>
<td>(1,116)</td>
<td>(924)</td>
</tr>
</tbody>
</table>

The following table reconciles the amount of reported income taxes in the income statements with income taxes calculated at a statutory income tax rate of 27.1% and 26.9% for 2016 and 2015, respectively.

FOR THE YEAR ENDED DECEMBER 31

<table>
<thead>
<tr>
<th>Item</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net earnings</td>
<td>3,654</td>
<td>2,730</td>
</tr>
<tr>
<td>Add back income taxes</td>
<td>1,116</td>
<td>924</td>
</tr>
<tr>
<td>Earnings before income taxes</td>
<td>4,770</td>
<td>3,654</td>
</tr>
<tr>
<td>Applicable statutory tax rate</td>
<td>27.1%</td>
<td>26.9%</td>
</tr>
<tr>
<td>Income taxes computed at applicable statutory rates</td>
<td>(1,137)</td>
<td>(983)</td>
</tr>
<tr>
<td>Non-taxable portion of gains on investments</td>
<td>11</td>
<td>26</td>
</tr>
<tr>
<td>Uncertain tax positions</td>
<td>(9)</td>
<td>41</td>
</tr>
<tr>
<td>Utilization of previously unrecognized tax credits</td>
<td>–</td>
<td>5</td>
</tr>
<tr>
<td>Effect of change in provincial corporate tax rate</td>
<td>4</td>
<td>(8)</td>
</tr>
<tr>
<td>Change in estimate relating to prior periods</td>
<td>46</td>
<td>8</td>
</tr>
<tr>
<td>Non-taxable portion of losses</td>
<td>(23)</td>
<td>(14)</td>
</tr>
<tr>
<td>Other</td>
<td>(2)</td>
<td>(1)</td>
</tr>
<tr>
<td>Total income taxes</td>
<td>(1,116)</td>
<td>(924)</td>
</tr>
<tr>
<td>Average effective tax rate</td>
<td>26.4%</td>
<td>25.3%</td>
</tr>
</tbody>
</table>

The following table shows aggregate current and deferred taxes relating to items recognized outside the income statements.

FOR THE YEAR ENDED DECEMBER 31

<table>
<thead>
<tr>
<th>Item</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current taxes</td>
<td>(299)</td>
<td>(271)</td>
</tr>
<tr>
<td>Deferred taxes</td>
<td>(32)</td>
<td>8</td>
</tr>
<tr>
<td>Other</td>
<td>(192)</td>
<td>(3)</td>
</tr>
<tr>
<td>Total income tax recovery (expense)</td>
<td>95</td>
<td>17</td>
</tr>
</tbody>
</table>
The following table shows deferred taxes resulting from temporary differences between the carrying amounts of assets and liabilities recognized in the statements of financial position and their corresponding tax basis, as well as tax loss carryforwards.

<table>
<thead>
<tr>
<th>NET DEFERRED TAX LIABILITY</th>
<th>NON-CAPITAL TANGIBLE ASSETS</th>
<th>POST EMPLOYMENT BENEFIT PLANS</th>
<th>PROPERTY, PLANT AND EQUIPMENT</th>
<th>INCOME ITEMS</th>
<th>INVESTMENT TAX CREDITS</th>
<th>CRTC TAX CREDITS</th>
<th>OTHER</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>January 1, 2015</td>
<td>26</td>
<td>714</td>
<td>(1,504)</td>
<td>(859)</td>
<td>(7)</td>
<td>78</td>
<td>190</td>
<td>43,280</td>
</tr>
<tr>
<td>Net income statement</td>
<td>(114)</td>
<td>644</td>
<td>(280)</td>
<td>(174)</td>
<td>(20)</td>
<td>200</td>
<td>182</td>
<td>(35)</td>
</tr>
<tr>
<td>Business acquisition</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(1)</td>
</tr>
<tr>
<td>Business disposition</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(1)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(1)</td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td>–</td>
<td>(190)</td>
<td>–</td>
<td>(1)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(1)</td>
</tr>
<tr>
<td>Deficit</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(3)</td>
</tr>
<tr>
<td>Other</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(3)</td>
</tr>
<tr>
<td>December 31, 2015</td>
<td>12</td>
<td>620</td>
<td>(1,910)</td>
<td>(956)</td>
<td>(6)</td>
<td>61</td>
<td>3</td>
<td>(35)</td>
</tr>
<tr>
<td>Income statement</td>
<td>(21)</td>
<td>(28)</td>
<td>(611)</td>
<td>(192)</td>
<td>(3)</td>
<td>3</td>
<td>29</td>
<td>(28)</td>
</tr>
<tr>
<td>Business acquisition</td>
<td>10</td>
<td>–</td>
<td>(79)</td>
<td>(6)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(73)</td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Deficit</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>6</td>
</tr>
<tr>
<td>Other</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>6</td>
</tr>
<tr>
<td>December 31, 2016</td>
<td>21</td>
<td>404</td>
<td>(1,688)</td>
<td>(1,199)</td>
<td>(9)</td>
<td>44</td>
<td>286</td>
<td>(2,193)</td>
</tr>
</tbody>
</table>

At December 31, 2016, BCE had $221 million of non-capital loss carryforwards. We:

- recognized a deferred tax asset of $21 million, of which $11 million related to Q9, for $77 million of the non-capital loss carryforwards. These non-capital loss carryforwards expire in varying annual amounts from 2029 to 2036.
- did not recognize a deferred tax asset for $144 million of non-capital loss carryforwards. This balance expires in varying annual amounts from 2023 to 2035.

At December 31, 2016, BCE had $783 million of unrecognized capital loss carryforwards which can be carried forward indefinitely.

At December 31, 2015, BCE had $197 million of non-capital loss carryforwards. We:

- recognized a deferred tax asset of $21 million, of which $11 million related to Bell Media, for $44 million of the non-capital loss carryforwards. These non-capital loss carryforwards expire in varying annual amounts from 2030 to 2035.
- did not recognize a deferred tax asset for $153 million of non-capital loss carryforwards. This balance expires in varying annual amounts from 2023 to 2034.

At December 31, 2015, BCE had $765 million of unrecognized capital loss carryforwards which can be carried forward indefinitely.

### Note 10 Earnings per share

The following table shows the components used in the calculation of basic and diluted earnings per common share for earnings attributable to common shareholders.

<table>
<thead>
<tr>
<th>FOR THE YEAR ENDED DECEMBER 31</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net earnings attributable to common shareholders – basic</strong></td>
<td>2,689</td>
<td>2,526</td>
</tr>
<tr>
<td>Dividends declared per common share (in dollars)</td>
<td>2.73</td>
<td>2.60</td>
</tr>
<tr>
<td>Weighted average number of common shares outstanding (in millions)</td>
<td>868.1</td>
<td>847.1</td>
</tr>
<tr>
<td>Assumed exercise of stock options</td>
<td>0.2</td>
<td>0.2</td>
</tr>
<tr>
<td>Weighted average number of common shares outstanding – diluted (in millions)</td>
<td>876.3</td>
<td>947.3</td>
</tr>
</tbody>
</table>

(1) The calculation of the assumed exercise of stock options includes the effect of the average unrecognized future compensation cost of share options. It excludes options for which the exercise price is higher than the average market value of a BCE common share. The number of excluded options was 2,820,034 in 2016 and 2,779,068 in 2015.

### Note 11 Trade and other receivables

<table>
<thead>
<tr>
<th>FOR THE YEAR ENDED DECEMBER 31</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Trade receivables</strong></td>
<td>2,567</td>
<td>2,079</td>
</tr>
<tr>
<td>Allowance for doubtful accounts</td>
<td>24</td>
<td>(85)</td>
</tr>
<tr>
<td>Allowance for revenue adjustments</td>
<td>(85)</td>
<td>70</td>
</tr>
<tr>
<td>Current tax receivable</td>
<td>12</td>
<td>50</td>
</tr>
<tr>
<td>Other accounts receivable</td>
<td>123</td>
<td>80</td>
</tr>
<tr>
<td><strong>Total trade and other receivables</strong></td>
<td>2,579</td>
<td>2,006</td>
</tr>
</tbody>
</table>

(1) The details of secured trade receivables are set out in Note 10. Debt due within one year.

### Note 12 Inventory

<table>
<thead>
<tr>
<th>FOR THE YEAR ENDED DECEMBER 31</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finished goods</td>
<td>315</td>
<td>360</td>
</tr>
<tr>
<td>Work in progress</td>
<td>85</td>
<td>66</td>
</tr>
<tr>
<td>Provision</td>
<td>156</td>
<td>156</td>
</tr>
<tr>
<td><strong>Total inventory</strong></td>
<td>453</td>
<td>416</td>
</tr>
</tbody>
</table>

The total amount of inventory subsequently recognized as an expense in cost of revenues was $2,689 million for 2016 and 2015.

### Note 13 Property, plant and equipment

<table>
<thead>
<tr>
<th>FOR THE YEAR ENDED DECEMBER 31</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cost</strong></td>
<td>97,233</td>
<td>63,694</td>
</tr>
<tr>
<td>Additions</td>
<td>2,361</td>
<td>3,886</td>
</tr>
<tr>
<td>Acquisition through business combinations</td>
<td>32</td>
<td>315</td>
</tr>
<tr>
<td>Transfers</td>
<td>(1,677)</td>
<td>(1,686)</td>
</tr>
<tr>
<td><strong>Depreciation</strong></td>
<td>58,560</td>
<td>59,326</td>
</tr>
<tr>
<td><strong>Accumulated depreciation</strong></td>
<td>39,183</td>
<td>42,064</td>
</tr>
<tr>
<td><strong>Depreciation</strong></td>
<td>2,672</td>
<td>2,877</td>
</tr>
<tr>
<td><strong>Retirements and disposals</strong></td>
<td>6,159</td>
<td>(1,828)</td>
</tr>
<tr>
<td><strong>Other</strong></td>
<td>(31)</td>
<td>(35)</td>
</tr>
<tr>
<td><strong>December 31, 2016</strong></td>
<td>46,233</td>
<td>43,280</td>
</tr>
</tbody>
</table>

**Notes to consolidated financial statements**
January 1, 2016 18,050 2,293 1,287 21,630
December 31, 2016 18,447 2,525 1,374 22,346

(1) Includes assets under finance leases.

Notes to consolidated financial statements

FOR THE YEAR ENDED DECEMBER 31, 2016

<table>
<thead>
<tr>
<th>NOTE</th>
<th>NETWORK INFRASTRUCTURE AND EQUIPMENT</th>
<th>LAND AND BUILDINGS</th>
<th>ASSETS UNDER CONSTRUCTION</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>COST</td>
<td>January 1, 2015</td>
<td>54,968</td>
<td>5,100</td>
<td>1,427</td>
</tr>
<tr>
<td></td>
<td>Additions</td>
<td>2,140</td>
<td>78</td>
<td>1,525</td>
</tr>
<tr>
<td></td>
<td>Acquisition through business</td>
<td>1</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td></td>
<td>combinations</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Transfers</td>
<td>1,112</td>
<td>44</td>
<td>(1,885)</td>
</tr>
<tr>
<td></td>
<td>Retirements and disposals</td>
<td>(951)</td>
<td>(38)</td>
<td>(4)</td>
</tr>
<tr>
<td></td>
<td>Impairment losses recognized in</td>
<td>B</td>
<td>(2)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>earnings</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DECEMBER 31, 2016</td>
<td>57,233</td>
<td>5,174</td>
<td>1,287</td>
<td>63,694</td>
</tr>
</tbody>
</table>

ACCUMULATED DEPRECIATION

<table>
<thead>
<tr>
<th>NOTE</th>
<th>NETWORK INFRASTRUCTURE AND EQUIPMENT</th>
<th>LAND AND BUILDINGS</th>
<th>ASSETS UNDER CONSTRUCTION</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>January 1, 2015</td>
<td>37,461</td>
<td>2,707</td>
<td></td>
<td>40,168</td>
</tr>
<tr>
<td></td>
<td>Depreciation</td>
<td>2,698</td>
<td>192</td>
<td>2,890</td>
</tr>
<tr>
<td></td>
<td>Transfers</td>
<td>1,112</td>
<td>44</td>
<td>(1,661)</td>
</tr>
<tr>
<td></td>
<td>Retirements and disposals</td>
<td>(951)</td>
<td>(24)</td>
<td>(961)</td>
</tr>
<tr>
<td></td>
<td>Other</td>
<td>(33)</td>
<td>6</td>
<td>(33)</td>
</tr>
<tr>
<td>DECEMBER 31, 2016</td>
<td>39,183</td>
<td>2,881</td>
<td></td>
<td>42,064</td>
</tr>
</tbody>
</table>

NET CARRYING AMOUNT

<table>
<thead>
<tr>
<th>NOTE</th>
<th>NETWORK INFRASTRUCTURE AND EQUIPMENT</th>
<th>LAND AND BUILDINGS</th>
<th>ASSETS UNDER CONSTRUCTION</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>January 1, 2015</td>
<td>17,507</td>
<td>2,393</td>
<td>1,427</td>
<td>21,327</td>
</tr>
<tr>
<td></td>
<td>December 31, 2015</td>
<td>18,050</td>
<td>2,293</td>
<td>1,287</td>
</tr>
</tbody>
</table>

Finance leases

BCE's significant finance leases are for satellites and office premises. The office leases have a typical lease term of 23 years. The leases for satellites, used to provide programming to our Bell TV customers, have a term of 15 years.

The following table shows additions to and the net carrying amount of assets under finance leases.

<table>
<thead>
<tr>
<th>NOTE</th>
<th>NETWORK INFRASTRUCTURE AND EQUIPMENT</th>
<th>LAND AND BUILDINGS</th>
<th>ASSETS UNDER CONSTRUCTION</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Network infrastructure and equipment</td>
<td>375</td>
<td>418</td>
<td>1,580</td>
<td>1,677</td>
</tr>
<tr>
<td>Land and buildings</td>
<td>72</td>
<td>68</td>
<td>506</td>
<td>484</td>
</tr>
<tr>
<td>Total</td>
<td>447</td>
<td>426</td>
<td>2,086</td>
<td>2,161</td>
</tr>
</tbody>
</table>

The following table provides a reconciliation of our minimum future lease payments to the present value of our finance lease obligations.

<table>
<thead>
<tr>
<th>NOTE</th>
<th>DECEMBER 31, 2016</th>
<th>THEREAFTER</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minimum future lease payments</td>
<td>24</td>
<td>568</td>
<td>514</td>
</tr>
<tr>
<td>Less: Future finance costs</td>
<td>(133)</td>
<td>(117)</td>
<td>(104)</td>
</tr>
<tr>
<td>Present value of future lease obligations</td>
<td>435</td>
<td>397</td>
<td>224</td>
</tr>
</tbody>
</table>

Note 14 Intangible assets

<table>
<thead>
<tr>
<th>NOTE</th>
<th>FINITE-LIFE</th>
<th>INDEFINITE-LIFE</th>
</tr>
</thead>
<tbody>
<tr>
<td>SOFTWARE</td>
<td>CUSTOMER RELATIONSHIPS</td>
<td>AND FEATURE FILM RIGHTS</td>
</tr>
<tr>
<td>January 1, 2016</td>
<td>6,906</td>
<td>866</td>
</tr>
<tr>
<td>Additions</td>
<td>412</td>
<td>–</td>
</tr>
<tr>
<td>Transfers</td>
<td>615</td>
<td>–</td>
</tr>
<tr>
<td>Business dispositions</td>
<td>(72)</td>
<td>–</td>
</tr>
<tr>
<td>Impairment losses recognized in earnings</td>
<td>B</td>
<td>–</td>
</tr>
<tr>
<td>Amortization included in operating costs</td>
<td>–</td>
<td>(684)</td>
</tr>
<tr>
<td>December 31, 2016</td>
<td>7,651</td>
<td>1,159</td>
</tr>
</tbody>
</table>

ACCUMULATED AMORTIZATION

<table>
<thead>
<tr>
<th>NOTE</th>
<th>DECEMBER 31, 2016</th>
<th>THEREAFTER</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>January 1, 2016</td>
<td>4,824</td>
<td>416</td>
<td>4,408</td>
</tr>
<tr>
<td>Amortization</td>
<td>558</td>
<td>74</td>
<td>632</td>
</tr>
<tr>
<td>Retirements and disposals</td>
<td>69</td>
<td>–</td>
<td>69</td>
</tr>
<tr>
<td>Other</td>
<td>–</td>
<td>(60)</td>
<td>–</td>
</tr>
<tr>
<td>December 31, 2016</td>
<td>5,196</td>
<td>517</td>
<td>1,034</td>
</tr>
</tbody>
</table>

NET CARRYING AMOUNT

<table>
<thead>
<tr>
<th>NOTE</th>
<th>DECEMBER 31, 2016</th>
<th>THEREAFTER</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>January 1, 2016</td>
<td>2,082</td>
<td>400</td>
<td>2,482</td>
</tr>
<tr>
<td>December 31, 2016</td>
<td>2,545</td>
<td>646</td>
<td>3,191</td>
</tr>
</tbody>
</table>

Note to consolidated financial statements

Finance leases

BCE's significant finance leases are for satellites and office premises. The office leases have a typical lease term of 23 years. The leases for satellites, used to provide programming to our Bell TV customers, have a term of 15 years.

The following table shows additions to and the net carrying amount of assets under finance leases.

<table>
<thead>
<tr>
<th>NOTE</th>
<th>NETWORK INFRASTRUCTURE AND EQUIPMENT</th>
<th>LAND AND BUILDINGS</th>
<th>ASSETS UNDER CONSTRUCTION</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Network infrastructure and equipment</td>
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<td>418</td>
<td>1,580</td>
<td>1,677</td>
</tr>
<tr>
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<td>68</td>
<td>506</td>
<td>484</td>
</tr>
<tr>
<td>Total</td>
<td>447</td>
<td>426</td>
<td>2,086</td>
<td>2,161</td>
</tr>
</tbody>
</table>

The following table provides a reconciliation of our minimum future lease payments to the present value of our finance lease obligations.

<table>
<thead>
<tr>
<th>NOTE</th>
<th>DECEMBER 31, 2016</th>
<th>THEREAFTER</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minimum future lease payments</td>
<td>24</td>
<td>568</td>
<td>514</td>
</tr>
<tr>
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<td>(133)</td>
<td>(117)</td>
<td>(104)</td>
</tr>
<tr>
<td>Present value of future lease obligations</td>
<td>435</td>
<td>397</td>
<td>224</td>
</tr>
</tbody>
</table>

Note 14 Intangible assets
We have included additional amounts for the prior year to make them consistent with the presentation for the current year.

(2) Represents BCE’s obligations to repurchase the BCE Master Trust Fund’s (Master Trust) 9% interest in MLSE at a price not less than an agreed minimum price should the Master Trust exercise its put option. The obligation to repurchase is marked to market each reporting period and the gain or loss is recorded in Other income (expense). In 2016, the obligation was recast and no gain or loss was recorded in Other income (expense). In 2015, the obligation was recast and a gain of $17 million was recorded in Other income (expense).
**Securitized trade receivables**

Our securitized trade receivable programs are recorded as floating rate revolving loans secured by certain trade receivables and expire on July 1, 2018 and December 31, 2018.

The following table provides further details on our securitized trade receivables programs.

<table>
<thead>
<tr>
<th>FOR THE YEAR ENDED DECEMBER 31</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average interest rate throughout the year</td>
<td>1.51%</td>
<td>1.50%</td>
</tr>
<tr>
<td>Securitized trade receivables</td>
<td>1,304</td>
<td>2,256</td>
</tr>
</tbody>
</table>

We continue to service these trade receivables. The buyers’ interest in the collection of these trade receivables ranks ahead of our interests, which means that we are exposed to certain risks of default on the amounts securitized.

We have provided various credit enhancements in the form of overcollateralization and subordination of our retained interests.

The buyers will reinvest the amounts collected by buying additional interests in our trade receivables until the securitized trade receivables agreements expire or are terminated. The buyers and their investors have no further claim on our other assets if customers do not pay the amounts owed.

**Credit facilities**

Bell Canada may issue notes under its Canadian and U.S. commercial paper programs up to the maximum aggregate principal amount of $2.5 billion in either Canadian or U.S. currency provided that at no time shall such maximum amount of notes exceed $3.5 billion in Canadian currency which equals the aggregate amount available under Bell Canada’s supporting revolving and expansion credit facilities as at December 31, 2016. The maximum amounts of the commercial paper programs and the committed expansion credit facility both reflect an increase of $500 million effective on December 20, 2016 as compared to December 31, 2015. The total amount of the committed revolving and expansion credit facilities may be drawn at any time.

The table below is a summary of our total bank credit facilities at December 31, 2016.

<table>
<thead>
<tr>
<th>TOTAL AVAILABLE</th>
<th>DRAWN</th>
<th>LETTERS OF CREDIT</th>
<th>COMMERCIAL PAPER OUTSTANDING</th>
<th>NET AVAILABLE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Committed credit facilities</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unsecured revolving and expansion credit facilities</td>
<td>3,500</td>
<td>-</td>
<td>-</td>
<td>2,612</td>
</tr>
</tbody>
</table>

Unsecured committed term credit facility

| | | | |
| Other | 134 | - | - | 4 |

Total committed credit facilities

| | | | |
| Total secured and committed credit facilities | 4,133 | 479 | 130 | 2,612 |

Total long-term debt due within one year

| | | | |
| Total debt due within one year | 5,785 | - | - | 2,612 |

Note 19 Debt due within one year

<table>
<thead>
<tr>
<th>FOR THE YEAR ENDED DECEMBER 31</th>
<th>NOTE</th>
<th>WEIGHTED-AVERAGE INTEREST RATE</th>
<th>MATURITY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unsecured revolving and expansion credit facilities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1997 trust indenture</td>
<td>1</td>
<td>4.06%</td>
<td>2017 – 2054</td>
</tr>
<tr>
<td>1978 trust indenture</td>
<td>2</td>
<td>9.54%</td>
<td>2021 – 2054</td>
</tr>
<tr>
<td>Subordinated debentures</td>
<td>3</td>
<td>6.23%</td>
<td>2026 – 2031</td>
</tr>
<tr>
<td>Finance leases</td>
<td>4</td>
<td>6.23%</td>
<td>2017 – 2018</td>
</tr>
<tr>
<td>Unsecured committed term credit facility</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>5</td>
<td>4.95%</td>
<td>2017</td>
</tr>
</tbody>
</table>

Total debt

| | | | |
| Total debt due within one year | 17,902 | - | - | 2,612 |

Total long-term debt

| | | | |
| Total long-term debt | 16,572 | - | - | 2,612 |

Restrictions

Some of our credit agreements:

- require us to meet specific financial ratios
- require us to offer to repay and cancel the credit agreement upon a change of control of BCE or Bell Canada

We are in compliance with all conditions and restrictions under such credit agreements.

**Note 20 Long-term debt**

<table>
<thead>
<tr>
<th>FOR THE YEAR ENDED DECEMBER 31</th>
<th>NOTE</th>
<th>WEIGHTED-AVERAGE INTEREST RATE</th>
<th>MATURITY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unsecured revolving and expansion credit facilities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1997 trust indenture</td>
<td>1</td>
<td>4.06%</td>
<td>2017 – 2054</td>
</tr>
<tr>
<td>1978 trust indenture</td>
<td>2</td>
<td>9.54%</td>
<td>2021 – 2054</td>
</tr>
<tr>
<td>Subordinated debentures</td>
<td>3</td>
<td>6.23%</td>
<td>2026 – 2031</td>
</tr>
<tr>
<td>Finance leases</td>
<td>4</td>
<td>6.23%</td>
<td>2017 – 2018</td>
</tr>
<tr>
<td>Unsecured committed term credit facility</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>5</td>
<td>4.95%</td>
<td>2017</td>
</tr>
</tbody>
</table>

Total debt

| | | | |
| Total debt due within one year | 17,902 | - | - | 2,612 |

Total long-term debt

| | | | |
| Total long-term debt | 16,572 | - | - | 2,612 |

Note 19 Debt due within one year

(1) Not included in the summary of our total bank credit facilities at December 31, 2016 and 2015, respectively, which were issued under our U.S. commercial paper program and have been included in our total bank credit facilities at December 31, 2016 and 2015, respectively.

(2) The outstanding principal of $500 million in Canadian dollars was included in our total bank credit facilities at December 31, 2016 and 2015, respectively.

(3) The outstanding principal of $500 million in Canadian dollars was included in our total bank credit facilities at December 31, 2016 and 2015, respectively.

(4) Includes commercial paper of $34 million in Canadian dollars ($16 million in U.S. dollars) and $24 million in Canadian dollars ($) (13 million in U.S. dollars) which was issued under our U.S. commercial paper program and have been included in our total bank credit facilities at December 31, 2016 and 2015, respectively.

(5) Includes commercial paper of $34 million in Canadian dollars ($16 million in U.S. dollars) and $24 million in Canadian dollars ($) (13 million in U.S. dollars) which was issued under our U.S. commercial paper program and have been included in our total bank credit facilities at December 31, 2016 and 2015, respectively.

(6) Includes commercial paper of $34 million in Canadian dollars ($16 million in U.S. dollars) and $24 million in Canadian dollars ($) (13 million in U.S. dollars) which was issued under our U.S. commercial paper program and have been included in our total bank credit facilities at December 31, 2016 and 2015, respectively.

(7) Total amount includes $700 million in Canadian dollars which has been reclassified from finance leases to long-term debt due within one year as at December 31, 2016.

(8) Total amount includes $700 million in Canadian dollars which has been reclassified from finance leases to long-term debt due within one year as at December 31, 2016.

(9) Total amount includes $700 million in Canadian dollars which has been reclassified from finance leases to long-term debt due within one year as at December 31, 2016.

Notes to consolidated financial statements

Restrictions

Interest payments on debt for a principal amount of $700 million were swapped from fixed to floating. The debt and swap were settled in 2016. See Note 24, Financial and capital management for additional details.
Some of our debt agreements:
- require us to meet specific financial ratios
- impose covenants, maintenance tests and new issue tests
- require us to make an offer to repurchase certain series of debentures upon the occurrence of a change of control event as defined in the relevant debt agreements.

We are in compliance with all conditions and restrictions under such debt agreements.

All outstanding debentures are issued under trust indentures and are unsecured. All debentures are issued in series and certain series are redeemable at Bell Canada's option prior to maturity at the prices, times and conditions specified for each series.

2016
On September 16, 2016, Bell Canada redeemed, prior to maturity, its Series M-18 medium-term notes (MTN) debentures, having an outstanding principal amount of $750 million which were due on February 15, 2017.

The interest rate swap which was used to hedge the interest rate exposure was also settled in 2016. See Note 24, ‘Financial and capital management for additional details.

On August 12, 2016, Bell Canada issued 2.00% Series M-42 MTN debentures under its 1997 trust indenture, with a principal amount of $850 million, which mature on October 1, 2021. In addition, on the same date, Bell Canada issued 2.90% Series M-43 MTN debentures under its 1997 trust indenture, with a principal amount of $650 million, which mature on August 12, 2026.

On March 31, 2016, Bell Canada redeemed, prior to maturity, its Series M-32 debentures, having an outstanding principal amount of $500 million which were due on September 26, 2016. We incurred an $11 million charge for the early debt redemption costs which was recorded in Other income (expense) in Q1 2016 in the income statement.

On February 29, 2016, Bell Canada issued 3.05% Series M-41 MTN debentures under its 1997 trust indenture, with a principal amount of $750 million, which mature on March 2, 2026.

On March 3, 2016, Bell Canada redeemed, prior to maturity, its Series M-19 MTN debentures, having an outstanding principal amount of $500 million which were due on December 2, 2016.

Subsequent to year end, on February 27, 2017, Bell Canada issued 2.70% Series M-44 MTN debentures under its 1997 trust indenture, with a principal amount of $1 billion, which mature on February 27, 2024. In addition, on the same date, Bell Canada issued 4.45% Series M-45 MTN debentures under its 1997 trust indenture, with a principal amount of $500 million, which mature on February 27, 2047.

2015
In 2015, Bell Canada repaid approximately $500 million ($305 million U.S. dollars) of the borrowings under its unsecured committed term credit facility that was used to fund part of the acquisition of Astral Media Inc.

On November 2, 2015, Bell Canada redeemed, prior to maturity, its Series M-21 MTN debentures, issued under its 1997 trust indenture, having an outstanding principal amount of $1 billion which were due on December 2, 2015.

On October 1, 2015, Bell Canada issued 3.05% Series M-40 MTN debentures under its 1997 trust indenture, with a principal amount of $1 billion, which mature on October 3, 2022.

On February 29, 2016, Bell Canada issued 3.55% Series M-41 MTN debentures under its 1997 trust indenture, with a principal amount of $750 million, which mature on March 2, 2026.

On March 30, 2015, Bell Canada issued 4.35% Series M-39 MTN debentures under its 1997 trust indenture, with a principal amount of $500 million, which mature on December 18, 2045.

Note 21 Provisions
Post-employment benefit plans

Post-employment benefit plans cost
We provide pension and other benefits for most of our employees. These include DB pension plans, DC pension plans and OPEB plans.

We operate our DB and DC pension plans under applicable Canadian and provincial pension legislation, which prescribes minimum and maximum DB funding requirements. Plan assets are held in trust, and the oversight of governance of the plans, including investment decisions, contributions to DB plans and the selection of the DC plans investment options offered to plan participants, lies with the Pension Fund Committee, a committee of our board of directors.

The interest rate risk is managed using a liability matching approach, which reduces the exposure of the DB plans to a mismatch between investment growth and obligation growth.

The longevity risk is managed using a longevity swap, which reduces the exposure of the DB plan to an increase in life expectancy.

The statements of comprehensive income include the following amounts before income taxes.

Other income (expense)

<table>
<thead>
<tr>
<th>Description</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>DB pension</td>
<td>$(264)</td>
<td>$(254)</td>
</tr>
<tr>
<td>DC pension</td>
<td>$(19)</td>
<td>$(6)</td>
</tr>
<tr>
<td>OPEBs</td>
<td>$(6)</td>
<td>$(5)</td>
</tr>
<tr>
<td>Total</td>
<td>$(277)</td>
<td>$(265)</td>
</tr>
</tbody>
</table>

Note 22 Post-employment benefit plans
Post-employment benefit plans cost

Components of post-employment benefit plans service cost

<table>
<thead>
<tr>
<th>Description</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>DB pension</td>
<td>$(594)</td>
<td>$(454)</td>
</tr>
<tr>
<td>DC pension</td>
<td>$(96)</td>
<td>$(96)</td>
</tr>
<tr>
<td>OPEBs</td>
<td>$(5)</td>
<td>$(5)</td>
</tr>
<tr>
<td>Total</td>
<td>$(695)</td>
<td>$(555)</td>
</tr>
</tbody>
</table>

Components of post-employment benefit plans service cost

<table>
<thead>
<tr>
<th>Description</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>DB pension</td>
<td>$(294)</td>
<td>$(254)</td>
</tr>
<tr>
<td>DC pension</td>
<td>$(53)</td>
<td>$(53)</td>
</tr>
<tr>
<td>OPEBs</td>
<td>$(110)</td>
<td>$(110)</td>
</tr>
<tr>
<td>Total</td>
<td>$(357)</td>
<td>$(317)</td>
</tr>
</tbody>
</table>

Note 23 Post-employment benefit plans Financing cost

The statements of comprehensive income include the following amounts before income taxes.

<table>
<thead>
<tr>
<th>Description</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>DB pension</td>
<td>$(2,384)</td>
<td>$(2,384)</td>
</tr>
<tr>
<td>DC pension</td>
<td>$(2,974)</td>
<td>$(2,974)</td>
</tr>
<tr>
<td>OPEBs</td>
<td>$(544)</td>
<td>$(544)</td>
</tr>
<tr>
<td>Total</td>
<td>$(4,902)</td>
<td>$(4,902)</td>
</tr>
</tbody>
</table>
## COMPONENTS OF POST-EMPLOYMENT BENEFIT (OBLIGATIONS) ASSETS

The following table shows the change in post-employment benefit obligations and the fair value of plan assets.

<table>
<thead>
<tr>
<th></th>
<th>DB PENSION PLANS</th>
<th>OPEB PLANS</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2016</td>
<td>2015</td>
<td>2016</td>
</tr>
<tr>
<td>Post-employment benefit obligations, January 1</td>
<td>(298)</td>
<td>(441)</td>
<td>(8)</td>
</tr>
<tr>
<td>Current service cost</td>
<td>(290)</td>
<td>(81)</td>
<td>(171)</td>
</tr>
<tr>
<td>Interest on obligations</td>
<td>(832)</td>
<td>(823)</td>
<td>(9)</td>
</tr>
<tr>
<td>Actuarial (losses) gains</td>
<td>(211)</td>
<td>291</td>
<td>8</td>
</tr>
<tr>
<td>Net curtailment gains (losses)</td>
<td>27</td>
<td>(39)</td>
<td>5</td>
</tr>
<tr>
<td>Benefit payments</td>
<td>1,169</td>
<td>1,122</td>
<td>6</td>
</tr>
<tr>
<td>Employee contributions</td>
<td>(5)</td>
<td>(5)</td>
<td>(10)</td>
</tr>
<tr>
<td>Other</td>
<td>(3)</td>
<td>(4)</td>
<td>(7)</td>
</tr>
<tr>
<td>Post-employment benefit obligations, December 31</td>
<td>(290)</td>
<td>(120)</td>
<td>(80)</td>
</tr>
<tr>
<td>Fair value of plan assets</td>
<td>20,520</td>
<td>140</td>
<td>21,660</td>
</tr>
<tr>
<td>Plan surplus (deficit)</td>
<td>271</td>
<td>414</td>
<td>685</td>
</tr>
<tr>
<td>Fair value of plan assets, January 1</td>
<td>20,563</td>
<td>20,675</td>
<td>20,583</td>
</tr>
<tr>
<td>Fair value of plan assets, December 31</td>
<td>20,520</td>
<td>20,204</td>
<td>20,724</td>
</tr>
<tr>
<td>Plan deficit</td>
<td>(200)</td>
<td>(431)</td>
<td>(631)</td>
</tr>
<tr>
<td>Effect of asset return</td>
<td>(8)</td>
<td>(10)</td>
<td>(18)</td>
</tr>
<tr>
<td>Post-employment benefit liability, December 31</td>
<td>(239)</td>
<td>(444)</td>
<td>(683)</td>
</tr>
<tr>
<td>Post-employment benefit obligations included in other non-current assets</td>
<td>463</td>
<td>158</td>
<td>621</td>
</tr>
<tr>
<td>Post-employment benefit obligations</td>
<td>(791)</td>
<td>(599)</td>
<td>(1,390)</td>
</tr>
</tbody>
</table>

Note: % indicates percentage of plan assets.

## FUNDED STATUS OF POST-EMPLOYMENT BENEFIT PLANS COST

The following table shows the funded status of our post-employment benefit obligations.

<table>
<thead>
<tr>
<th></th>
<th>DB PENSION PLANS</th>
<th>OPEB PLANS</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2016</td>
<td>2015</td>
<td>2016</td>
</tr>
<tr>
<td>Present value of post-employment benefit obligations</td>
<td>(298)</td>
<td>(441)</td>
<td>(8)</td>
</tr>
<tr>
<td>Fair value of plan assets</td>
<td>20,563</td>
<td>20,510</td>
<td>20,583</td>
</tr>
</tbody>
</table>

## SIGNIFICANT ASSUMPTIONS

We used the following key assumptions to measure the post-employment benefit obligations and the net benefit plans cost for the DB pension plans and OPEB plans. These assumptions are long-term, which is consistent with the nature of post-employment benefit plans.

### DB PENSION PLANS AND OPEB PLANS

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rate of compensation increase</td>
<td>2.5%</td>
<td>2.5%</td>
</tr>
<tr>
<td>Cost of living indexation rate</td>
<td>1.6%</td>
<td>1.6%</td>
</tr>
<tr>
<td>Life expectancy at age 65 (years)</td>
<td>25.0</td>
<td>25.0</td>
</tr>
</tbody>
</table>

Notes: % indicates percentage of plan assets.

## SENSITIVITY ANALYSIS

The following table shows a sensitivity analysis of key assumptions used to measure the net post-employment benefit obligations and the net post-employment benefit plans cost for our DB pension plans and OPEB plans.

<table>
<thead>
<tr>
<th></th>
<th>INCREASE</th>
<th>DECREASE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rate of compensation increase</td>
<td>(1%)</td>
<td>2%</td>
</tr>
<tr>
<td>Cost of living indexation rate</td>
<td>(1%)</td>
<td>2%</td>
</tr>
<tr>
<td>Life expectancy at age 65 (years)</td>
<td>(1%)</td>
<td>2%</td>
</tr>
</tbody>
</table>

Notes: % indicates percentage of plan assets.

## POST-EMPLOYMENT BENEFIT PLAN ASSETS

The investment strategy for the post-employment benefit plan assets is to maintain a diversified portfolio of assets invested in a prudent manner to maintain the security of funds.

The following table shows the target allocations for 2016 and the allocation of our post-employment benefit plan assets at December 31, 2016 and 2015.
The following table shows the fair value of the DB pension plan assets at the end of the year for each category:

<table>
<thead>
<tr>
<th>Category</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Equity securities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Canadian</td>
<td>901</td>
<td>910</td>
</tr>
<tr>
<td>Foreign</td>
<td>3,682</td>
<td>4,263</td>
</tr>
<tr>
<td><strong>Total equity securities</strong></td>
<td>4,583</td>
<td>5,173</td>
</tr>
<tr>
<td><strong>Debt securities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Canadian</td>
<td>12,469</td>
<td>12,038</td>
</tr>
<tr>
<td>Foreign</td>
<td>1,068</td>
<td>716</td>
</tr>
<tr>
<td><strong>Total debt securities</strong></td>
<td>13,537</td>
<td>12,754</td>
</tr>
<tr>
<td><strong>Money market</strong></td>
<td>387</td>
<td>431</td>
</tr>
<tr>
<td><strong>Total other non-current liabilities</strong></td>
<td>20,563</td>
<td>20,244</td>
</tr>
</tbody>
</table>

Equity securities included approximately $17 million of BCE common shares, or 0.08% of total plan assets, at December 31, 2016 and approximately $12 million of BCE common shares, or 0.06% of total plan assets, at December 31, 2015. Debt securities included approximately $15 million of Bell Canada debentures, or 0.07% of total plan assets, at December 31, 2016 and approximately $32 million of Bell Canada debentures, or 0.16% of total plan assets, at December 31, 2015. Alternative investments included the pension plan’s investment in MLSE of $135 million, or 0.66% of total plan assets, at December 31, 2016 and $135 million, or 0.67% of total plan assets at December 31, 2015.

On February 23, 2013, the Bell Canada pension plan entered into an investment arrangement to hedge part of its exposure to potential increases in longevity, which covers approximately $5 billion of post-employment benefit obligations. The fair value of the arrangement is included within other alternative investments. As a hedging arrangement of the pension plan, the transaction requires no cash contributions from BCE.

### CASH FLOWS

We are responsible for adequately funding our DB pension plans. We make contributions to them based on various actuarial cost methods that are permitted by pension regulatory bodies. Contributions reflect actuarial assumptions about future investment returns, salary projections and future service benefits. Changes in these factors could cause actual future contributions to differ from our current estimates and could require us to increase contributions to our post-employment benefit plans in the future, which could have a negative effect on our liquidity and financial performance.

We contribute to the DC pension plans as employees provide service.

The following table shows the amounts we contributed to the DB and DC pension plans and the payments made to beneficiaries under OPEB plans.

<table>
<thead>
<tr>
<th>Category</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>DB Plans</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contributions</td>
<td>(638)</td>
<td>(489)</td>
</tr>
<tr>
<td><strong>DC Plans</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contributions</td>
<td>(99)</td>
<td>(37)</td>
</tr>
<tr>
<td><strong>OPEB Plans</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contributions</td>
<td>(76)</td>
<td>(75)</td>
</tr>
</tbody>
</table>

(1) Includes voluntary contributions of $450 million in 2016 and $550 million in 2015.

We expect to contribute approximately $225 million to our DB pension plans in 2017, subject to actuarial valuations being completed. We expect to pay approximately $80 million to beneficiaries under OPEB plans and to contribute approximately $305 million to the DC pension plans in 2017.

### Note 23 Other non-current liabilities

<table>
<thead>
<tr>
<th>Category</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long-term disability benefits obligation</td>
<td>292</td>
<td>206</td>
</tr>
<tr>
<td>Pensions</td>
<td>273</td>
<td>199</td>
</tr>
<tr>
<td>CRTC tangible benefits obligation</td>
<td>115</td>
<td>166</td>
</tr>
<tr>
<td>Deferred revenue on long-term contracts</td>
<td>105</td>
<td>85</td>
</tr>
<tr>
<td>CRTC deferred account obligation</td>
<td>104</td>
<td>138</td>
</tr>
<tr>
<td>Future tax liabilities</td>
<td>73</td>
<td>47</td>
</tr>
<tr>
<td>MLSE financial liabilities</td>
<td>18, 24</td>
<td></td>
</tr>
<tr>
<td>Total other non-current liabilities</td>
<td>1,277</td>
<td>1,420</td>
</tr>
</tbody>
</table>

(1) We have reclassified amounts for the prior year to make them consistent with the presentation for the current year.

### Note 24 Financial and capital management

#### Financial management

Management’s objectives are to protect BCE and its subsidiaries on a consolidated basis against material economic exposures and variability of results from various financial risks that include credit risk, liquidity risk, foreign currency risk, interest rate risk and equity price risk.

#### Derivatives

We use derivative instruments to manage our exposure to foreign currency risk, interest rate risk and changes in the price of BCE common shares under our share-based payment plans.

The following derivative instruments were outstanding during 2016 and/or 2015:

- foreign currency forward contracts and options that manage the foreign currency risk of certain purchase commitments
- cross currency basis swaps that hedge foreign currency risk on a portion of our long-term debt and debt due within one year
- interest rate swaps that hedge interest rate risk on a portion of our long-term debt
- interest rate locks on future debt issuances and dividend rate resets on preferred shares
- forward contracts on BCE common shares that mitigate the cash flow exposure related to share-based payment plans

#### Fair Value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Certain fair value estimates are affected by assumptions we make about the amount and timing of future cash flows and discount rates, all of which reflect varying degrees of risk. Income taxes and other expenses that would be incurred on disposition of financial instruments are not reflected in the fair values. As a result, the fair values are not the net amounts that would be realized if these instruments were settled.

The carrying values of our cash and cash equivalents, trade and other receivables, dividends payable, trade payables and accruals, compensation payable, severance and other costs payable, interest payable, notes payable and loans secured by trade receivables approximate fair value as they are short-term.
The following table is a maturity analysis for recognized financial liabilities at December 31, 2016 for each of the next five years and thereafter.

<table>
<thead>
<tr>
<th>Classification</th>
<th>CARrying VALUE OF ASSET (LIABILITY) AT DECEMBER 31</th>
<th>FAIR VALUE METHODOLOGY</th>
<th>NOTE</th>
</tr>
</thead>
<tbody>
<tr>
<td>CRTC tangible benefits</td>
<td>Trade payables and other liabilities and non-current liabilities</td>
<td>Present value of estimated future cash flows discounted using observable market interest rates</td>
<td>18, 23</td>
</tr>
<tr>
<td>CRTC deferred account obligation</td>
<td>Trade payables and other liabilities and non-current liabilities</td>
<td>Present value of estimated future cash flows discounted using observable market interest rates</td>
<td>18, 23</td>
</tr>
<tr>
<td>Debentures, finance leases and other debt</td>
<td>Debt due within one year and long-term debt</td>
<td>Quoted market price of debt or present value of future cash flows discounted using observable market interest rates</td>
<td>19, 20</td>
</tr>
</tbody>
</table>

We use forward contracts, options and cross currency basis swaps to manage foreign currency risk related to anticipated transactions and certain foreign currency debt.

A 10% depreciation (appreciation) in the value of the Canadian dollar relative to the U.S. dollar would result in a gain (loss) of $30 million recognized in net earnings at December 31, 2016 and a gain (loss) of $44 million recognized in other comprehensive (loss) income at December 31, 2016, with all other variables held constant.

We are also exposed to liquidity risk for financial liabilities due within one year as shown in the statements of financial position.

CREDIT RISK

We are exposed to credit risk from operating activities and certain financing activities, the maximum exposure of which is represented by the carrying amounts reported in the statements of financial position.

We are exposed to credit risk if counterparties to our trade receivables and derivative instruments are unable to meet their obligations. The concentration of credit risk from our customers is minimized because we have a large and diverse customer base. There was minimal credit risk relating to derivative instruments at December 31, 2016 and 2015. We deal with institutions that have investment-grade credit ratings, and as such we expect that they will be able to meet their obligations. We regularly monitor our credit risk and credit exposure.

In many instances, trade receivables are written off directly to bad debt expense if the account has not been collected after a predetermined period of time.

The following table provides further details on trade receivables not impaired.

<table>
<thead>
<tr>
<th>Classification</th>
<th>Fair Value at December 31</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade receivables not past due</td>
<td>2,187 2,205</td>
</tr>
<tr>
<td>Trade receivables past due and not impaired</td>
<td>286 289</td>
</tr>
<tr>
<td>Over 120 days</td>
<td>359 339</td>
</tr>
<tr>
<td>Total</td>
<td>2,507 2,320</td>
</tr>
</tbody>
</table>

LIQUIDITY RISK

Our cash and cash equivalents, cash flows from operations and possible capital markets financing are expected to be sufficient to fund our operations and fulfill our obligations as they become due. Should our cash requirements exceed the above sources of cash, we would expect to cover such a shortfall by drawing on existing committed bank facilities and new ones, to the extent available.

The following table is a maturity analysis for recognized financial liabilities at December 31, 2016 for each of the next five years and thereafter.

<table>
<thead>
<tr>
<th>Classification</th>
<th>NOTE</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long-term debt</td>
<td>20</td>
<td>20</td>
<td>480</td>
<td>1,753</td>
<td>1,326</td>
<td>1,411</td>
</tr>
<tr>
<td>Notes payable</td>
<td>13</td>
<td>358</td>
<td>514</td>
<td>328</td>
<td>265</td>
<td>253</td>
</tr>
<tr>
<td>Minimum future lease payments under finance leases</td>
<td>13</td>
<td>358</td>
<td>514</td>
<td>328</td>
<td>265</td>
<td>253</td>
</tr>
<tr>
<td>Loan secured by trade receivables</td>
<td>19</td>
<td>931</td>
<td>931</td>
<td>931</td>
<td>931</td>
<td>931</td>
</tr>
<tr>
<td>Interest payable on long-term debt, notes payable and loan secured by trade receivables</td>
<td>18</td>
<td>720</td>
<td>638</td>
<td>568</td>
<td>530</td>
<td>477</td>
</tr>
<tr>
<td>MLSE financial liability</td>
<td>18</td>
<td>135</td>
<td>135</td>
<td>135</td>
<td>135</td>
<td>135</td>
</tr>
<tr>
<td>Total</td>
<td>18</td>
<td>5,883</td>
<td>2,995</td>
<td>2,222</td>
<td>2,196</td>
<td>2,965</td>
</tr>
</tbody>
</table>

We are also exposed to liquidity risk for financial liabilities due within one year as shown in the statements of financial position.

MARKET RISK

CURRENCY EXPOSURES

We use forward contracts, options and cross currency basis swaps to manage foreign currency risk related to anticipated transactions and certain foreign currency debt.

The following table provides further details on our outstanding foreign currency forward contracts, options and cross currency basis swaps as at December 31, 2016.
INTEREST RATE EXPOSURES

We use interest rate swaps to manage the mix of fixed and floating interest rates of our debt. We also use interest rate locks to hedge the interest rates on future debt issuances and to economically hedge dividend rate resets on preferred shares.

In 2016, we settled interest rate locks which hedged long-term debt and dividend rate resets on preferred shares with a notional amount of $300 million and $200 million respectively. In 2016, we redeemed, prior to maturity, long-term debt maturing on February 15, 2017 and settled the interest rate swap used to hedge the interest rate exposure on the redeemed debt, having a notional amount of $700 million. In 2016, we recognized a loss of $13 million (2015 – $18 million) on an interest rate swap used as a fair value hedge of long-term debt and an offsetting gain of $19 million (2015 – $18 million) on the corresponding long-term debt in Other income (expense) in the income statements.

A 1% increase (decrease) in interest rates would result in a decrease of $25 million (increase of $20 million) in net earnings at December 31, 2016.

EQUITY PRICE EXPOSURES

We use equity forward contracts on BCE’s common shares to economically hedge the cash flow exposure related to the settlement of share-based payment plans. See Note 26, Share-based payments for details on our share-based payment arrangements. The fair value of our equity forward contracts at December 31, 2016 was $111 million (2015 – $46 million).

A 5% increase (decrease) in the market price of BCE’s common shares at December 31, 2016 would result in a gain (loss) of $36 million recognized in net earnings for 2016, all other variables held constant.

Capital management

We have various capital policies, practices and processes which are utilized to achieve our objectives for capital management. These include optimizing our cost of capital and maximizing shareholder return while balancing the interests of our stakeholders.

Our definition of capital includes equity attributable to BCE shareholders, debt, and cash and cash equivalents.

The key ratios that we use to monitor and manage our capital structure are a net debt leverage ratio and an adjusted EBITDA to net interest expense ratio. Our net debt leverage ratio target range is 1.75 to 2.25 times.

Our definition of capital includes equity attributable to BCE’s shareholders, debt, and cash and cash equivalents.

The following table provides a summary of our key ratios.

<table>
<thead>
<tr>
<th>AT DECEMBER 31</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net debt leverage ratio</td>
<td>2.57</td>
<td>2.53</td>
</tr>
<tr>
<td>Adjusted EBITDA to net interest expense ratio</td>
<td>8.67</td>
<td>8.69</td>
</tr>
</tbody>
</table>

On February 1, 2017, the board of directors of BCE approved an increase of 5.1% in the annual dividend on BCE’s common shares, from $2.73 to $2.87 per common share. In addition, the board of directors of BCE declared a quarterly dividend of $0.7175 per common share, payable on April 15, 2017 to shareholders of record at March 15, 2017.

On February 3, 2018, the board of directors of BCE approved an increase of 5.0% in the annual dividend on BCE’s common shares, from $2.60 to $2.73 per common share.

Note 25 Share capital

Preferred shares

BCE’s articles of amalgamation provide for an unlimited number of First Preferred Shares and Second Preferred Shares, all without par value. The terms set out in the articles authorize BCE’s directors to issue the shares in one or more series and to set the number of shares and the conditions for each series.

The following table is a summary of the principal terms of BCE’s First Preferred Shares. There were no Second Preferred Shares issued and outstanding at December 31, 2016. BCE’s articles of amalgamation, as amended, describe the terms and conditions of these shares in detail.

<table>
<thead>
<tr>
<th>SERIES</th>
<th>ANNUAL RATE</th>
<th>CONVERSION INTO</th>
<th>CONVERSION DATE</th>
<th>RESOLUTION DATE</th>
<th>REDEMPTION PRICE</th>
</tr>
</thead>
<tbody>
<tr>
<td>ADC(3)</td>
<td>8.0%</td>
<td>Series AE</td>
<td>March 1, 2018</td>
<td>March 1, 2018</td>
<td>$25.00</td>
</tr>
<tr>
<td>ADR(1)</td>
<td>4.17%</td>
<td>Series G</td>
<td>December 1, 2020</td>
<td>December 1, 2020</td>
<td>$25.00</td>
</tr>
<tr>
<td>ADR(1)</td>
<td>3.019%</td>
<td>Series S</td>
<td>November 21, 2021</td>
<td>November 21, 2021</td>
<td>$25.00</td>
</tr>
<tr>
<td>ADR(1)</td>
<td>3.152%</td>
<td>Series Y</td>
<td>December 1, 2017</td>
<td>Any time</td>
<td>$25.00</td>
</tr>
<tr>
<td>AE(1)</td>
<td>3.45%</td>
<td>Series AB</td>
<td>September 1, 2017</td>
<td>September 1, 2017</td>
<td>$25.00</td>
</tr>
<tr>
<td>AC(1)</td>
<td>4.55%</td>
<td>Series AD</td>
<td>March 1, 2018</td>
<td>March 1, 2018</td>
<td>$25.00</td>
</tr>
<tr>
<td>AD(1)</td>
<td>3.0%</td>
<td>Series AC</td>
<td>March 1, 2018</td>
<td>March 1, 2018</td>
<td>$25.00</td>
</tr>
<tr>
<td>AE(1)</td>
<td>2.80%</td>
<td>Series AH</td>
<td>May 1, 2021</td>
<td>May 1, 2021</td>
<td>$25.00</td>
</tr>
<tr>
<td>AF(1)</td>
<td>2.75%</td>
<td>Series AJ</td>
<td>August 1, 2021</td>
<td>August 1, 2021</td>
<td>$25.00</td>
</tr>
<tr>
<td>AJ(1)</td>
<td>2.764%</td>
<td>Series AI</td>
<td>August 1, 2021</td>
<td>Any time</td>
<td>$25.00</td>
</tr>
<tr>
<td>AL(1)</td>
<td>2.90%</td>
<td>Series AK</td>
<td>December 31, 2021</td>
<td>Any time</td>
<td>$25.00</td>
</tr>
<tr>
<td>AM(1)</td>
<td>2.764%</td>
<td>Series AN</td>
<td>March 31, 2021</td>
<td>March 31, 2021</td>
<td>$25.00</td>
</tr>
<tr>
<td>AN(1)</td>
<td>2.17%</td>
<td>Series AM</td>
<td>March 31, 2021</td>
<td>March 31, 2021</td>
<td>$25.00</td>
</tr>
<tr>
<td>AO(1)</td>
<td>4.55%</td>
<td>Series AP</td>
<td>March 31, 2017</td>
<td>March 31, 2017</td>
<td>$25.00</td>
</tr>
<tr>
<td>AQ(1)</td>
<td>4.25%</td>
<td>Series AR</td>
<td>September 30, 2018</td>
<td>September 30, 2018</td>
<td>$25.00</td>
</tr>
<tr>
<td>AR(1)</td>
<td>4.0%</td>
<td>Series AS</td>
<td>September 30, 2023</td>
<td>Any time</td>
<td>$25.00</td>
</tr>
</tbody>
</table>
On May 1, 2016, 5,884,470 of BCE’s 10,841,056 fixed-rate Cumulative Redeemable First Preferred Shares, Series AG (Series AG Preferred Shares) were converted, on a one-for-one basis, into floating-rate Cumulative Preferred Shares.

In some cases, the employer also will contribute a percentage of the employee’s eligible annual earnings to the plan, up to a specified maximum. Dividends on all series of First Preferred Shares are paid as and when declared by the board of directors of BCE.

CONVERSION FEATURES

On December 31, 2016, 2,289,677 of BCE’s 11,500,000 fixed-rate Cumulative Redeemable First Preferred Shares, Series AM (Series AM Preferred Shares) were converted, on a one-for-one basis, into floating-rate Cumulative Preferred Shares.

BCE may redeem Series AL and AN First Preferred Shares at $25.00 per share on December 31, 2021 and March 31, 2021, and Series AA, AJ, AK, AM, AO and AQ First Preferred Shares on the applicable redemption date and every five years thereafter.

BCE may redeem Series AL and AN First Preferred Shares at $25.50 per share on any date after December 31, 2021, and Series AA, AJ, AK, AM, AO and AQ First Preferred Shares on any date after December 31, 2021, respectively, for $25.50 per share.

BCE has the option to purchase common shares for cash, for the benefit of employees, in the open market, by private purchase or from treasury. BCE determines the method the trustee uses to buy the shares.

The BCE ESP allows employees to contribute up to 12% of their annual earnings with a maximum employer contribution of 2%.

BCE ESP

The ESP is designed to encourage employees of BCE and its participating subsidiaries to own shares of BCE. Each year, employees can choose to have a certain percentage of their eligible annual earnings withheld through payroll deductions for the purchase of BCE common shares. In some cases, the employer also will contribute a percentage of the employee’s eligible annual earnings to the plan, up to a specified maximum. Dividends are credited to the participant’s account on each dividend payment date and are equivalent in value to the dividends paid on BCE common shares.

Holders of Series R, T, Z, AA, AC, AF, AG, AI, AM, AO and AG First Preferred Shares are entitled to floating-adjustable cumulative monthly dividends. The floating dividend rate on these shares is reset every five years, as set out in BCE’s articles of amalgamation, as amended.

Holders of Series S, Y, AB, AE, AH and AJ First Preferred Shares are entitled to floating-adjustable cumulative monthly dividends. The floating dividend rate on these shares is calculated every quarter, as set out in BCE’s articles of amalgamation, as amended.

VOTING RIGHTS

All of the issued and outstanding First Preferred Shares at December 31, 2016 are non-voting, except under special circumstances, when the holders are entitled to one vote per share.

PRIORITY AND ENTITLEMENT TO DIVIDENDS

Holders of Series R, T, Z, AA, AC, AF, AG, AI, AM, AO and AG First Preferred Shares are entitled to fixed cumulative quarterly dividends. The dividend rate on these shares is reset every five years, as set out in BCE’s articles of amalgamation, as amended.

Holders of Series S, Y, AB, AE, AH and AJ First Preferred Shares are entitled to floating-adjustable cumulative monthly dividends. The floating dividend rate on these shares is calculated every quarter, as set out in BCE’s articles of amalgamation, as amended.

Holders of Series R, T, Z, AA, AC, AF, AG, AI, AM, AO and AG First Preferred Shares are entitled to floating-adjustable cumulative monthly dividends. The floating dividend rate on these shares is calculated every quarter, as set out in BCE’s articles of amalgamation, as amended.

Holders of Series S, Y, AB, AE, AH and AJ First Preferred Shares are entitled to floating-adjustable cumulative monthly dividends. The floating dividend rate on these shares is calculated every quarter, as set out in BCE’s articles of amalgamation, as amended.

Holders of Series R, T, Z, AA, AC, AF, AG, AI, AM, AO and AG First Preferred Shares are entitled to floating-adjustable cumulative monthly dividends. The floating dividend rate on these shares is calculated every quarter, as set out in BCE’s articles of amalgamation, as amended.

Holders of Series R, T, Z, AA, AC, AF, AG, AI, AM, AO and AG First Preferred Shares are entitled to floating-adjustable cumulative monthly dividends. The floating dividend rate on these shares is calculated every quarter, as set out in BCE’s articles of amalgamation, as amended.

Holders of Series R, T, Z, AA, AC, AF, AG, AI, AM, AO and AG First Preferred Shares are entitled to floating-adjustable cumulative monthly dividends. The floating dividend rate on these shares is calculated every quarter, as set out in BCE’s articles of amalgamation, as amended.

Holders of Series R, T, Z, AA, AC, AF, AG, AI, AM, AO and AG First Preferred Shares are entitled to floating-adjustable cumulative monthly dividends. The floating dividend rate on these shares is calculated every quarter, as set out in BCE’s articles of amalgamation, as amended.

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Holders of Series R, T, Z, AA, AC, AF, AG, AI, AM, AO and AG First Preferred Shares are entitled to floating-adjustable cumulative monthly dividends. The floating dividend rate on these shares is calculated every quarter, as set out in BCE’s articles of amalgamation, as amended.

Holders of Series R, T, Z, AA, AC, AF, AG, AI, AM, AO and AG First Preferred Shares are entitled to floating-adjustable cumulative monthly dividends. The floating dividend rate on these shares is calculated every quarter, as set out in BCE’s articles of amalgamation, as amended.
The following table summarizes the status of outstanding RSUs/PSUs at December 31, 2016 and 2015.

<table>
<thead>
<tr>
<th>NUMBER OF RSUs/PSUs</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outstanding, January 1</td>
<td>2,322,385</td>
<td>1,718,391</td>
</tr>
<tr>
<td>Granted</td>
<td>674,888</td>
<td>1,009,582</td>
</tr>
<tr>
<td>Dividends credited</td>
<td>157,663</td>
<td>157,485</td>
</tr>
<tr>
<td>Settled</td>
<td>(1,321,846)</td>
<td>(1,342,914)</td>
</tr>
<tr>
<td>Forfeited</td>
<td>(95,510)</td>
<td>(103,417)</td>
</tr>
<tr>
<td>Outstanding, December 31</td>
<td>2,928,698</td>
<td>2,311,958</td>
</tr>
<tr>
<td>Vested, December 31</td>
<td>1,058,200</td>
<td>1,135,681</td>
</tr>
</tbody>
</table>

(1) The weighted average fair value of the shares contributed was $59 and $56 in 2016 and 2015, respectively.

(2) The RSUs/PSUs granted were settled in February 2017 with BCE common shares and/or DSUs.

The following table provides additional information about BCE’s stock option plans at December 31, 2016.

<table>
<thead>
<tr>
<th>RANGE OF EXERCISE PRICES</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>WEIGHTED AVERAGE EXERCISE PRICE ($)</td>
<td>5.74</td>
<td>5.02</td>
</tr>
<tr>
<td>NUMBER</td>
<td>3,333,583</td>
<td>1,073,212</td>
</tr>
<tr>
<td>WEIGHTED AVERAGE EXERCISE PRICE ($)</td>
<td>5.12</td>
<td>4.86</td>
</tr>
</tbody>
</table>

The following table summarizes BCE’s outstanding stock options at December 31, 2016 and 2015.

<table>
<thead>
<tr>
<th>NUMBER OF OPTIONS</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outstanding, January 1</td>
<td>10,242,162</td>
<td>4,738,270</td>
</tr>
<tr>
<td>Granted</td>
<td>87,665</td>
<td>174,672</td>
</tr>
<tr>
<td>Exercised(1)</td>
<td>1,126,472</td>
<td>585,649</td>
</tr>
<tr>
<td>Forfeited</td>
<td>(105,708)</td>
<td>(47,802)</td>
</tr>
<tr>
<td>Outstanding, December 31</td>
<td>9,278,190</td>
<td>4,116,527</td>
</tr>
<tr>
<td>Vested, December 31</td>
<td>1,058,200</td>
<td>1,135,681</td>
</tr>
</tbody>
</table>

Stock options are granted to executives and other eligible employees. The value of an RSU or PSU at the grant date is equal to the value of one BCE common share. Dividends in the form of additional RSUs/PSUs are credited to the participant’s account on each dividend payment date and are equivalent in value to the dividend paid on BCE common shares. Executives and other eligible employees are granted a specific number of RSUs/PSUs for a given performance period based on their position and level of contribution. RSUs/PSUs vest fully after three years of continuous employment from the date of grant and, in certain cases, if performance objectives are met, as determined by the board of directors.

DSS

The value of a deferred share is equal to the value of one BCE common share. Dividends in the form of additional deferred shares are credited to the participant’s account on each dividend payment date and are equivalent in value to the dividend paid on BCE common shares. Dividends are paid annually on the anniversary of each dividend payment date and are equivalent in value to the dividend paid on BCE common shares. Special vesting provisions may apply if:

- there is a change in control of BCE and the option holder’s employment ends
- the option holder is employed by a designated subsidiary of BCE and BCE’s ownership interest in that subsidiary falls below the percentage set out in the plan

Notes to consolidated financial statements

The fair value of options granted was determined using a variation of a binomial option pricing model that takes into account factors specific to the share incentive plans, such as the vesting period. The following table shows the principal assumptions used in the valuation:

<table>
<thead>
<tr>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>WEIGHTED AVERAGE EXERCISE PRICE ($)</td>
<td>4.70</td>
</tr>
<tr>
<td>WEIGHTED AVERAGE SHARE PRICE</td>
<td>$52</td>
</tr>
<tr>
<td>EXPECTED VOLATILITY</td>
<td>4.5%</td>
</tr>
<tr>
<td>RISK-FREE INTEREST RATE</td>
<td>15%</td>
</tr>
<tr>
<td>EXPECTED LIFE (YEARS)</td>
<td>4.5</td>
</tr>
</tbody>
</table>

Expected volatilities are based on the historical volatility of BCE’s share price. The risk-free rate used is equal to the yield available on Government of Canada bonds at the date of grant with a term equal to the expected life of the options.

Notes to consolidated financial statements

The following table summarizes BCE’s outstanding DSUs at December 31, 2016 and 2015.

<table>
<thead>
<tr>
<th>NUMBER OF DSUs</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outstanding, January 1</td>
<td>201,721</td>
<td>216,500</td>
</tr>
<tr>
<td>Issued(1)</td>
<td>87,665</td>
<td>174,672</td>
</tr>
<tr>
<td>Settled</td>
<td>623,426</td>
<td>216,500</td>
</tr>
<tr>
<td>Dividends credited</td>
<td>183,652</td>
<td>201,721</td>
</tr>
<tr>
<td>Forfeited</td>
<td>(320,859)</td>
<td>(91,380)</td>
</tr>
<tr>
<td>Outstanding, December 31</td>
<td>4,131,220</td>
<td>3,796,051</td>
</tr>
</tbody>
</table>

(1) The weighted average fair value of the DSUs issued was $56 and $53 in 2016 and 2015, respectively.
Note 27 Commitments and contingencies

Commitments
The following table is a summary of our contractual obligations at December 31, 2016 that are due in each of the next five years and thereafter:

<table>
<thead>
<tr>
<th>NOTE</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating leases</td>
<td>297</td>
<td>242</td>
<td>195</td>
<td>157</td>
<td>123</td>
<td>1,377</td>
</tr>
<tr>
<td>Commitments for property, plant and equipment and intangible assets</td>
<td>994</td>
<td>745</td>
<td>608</td>
<td>460</td>
<td>385</td>
<td>4,314</td>
</tr>
<tr>
<td>Purchase obligations</td>
<td>828</td>
<td>585</td>
<td>551</td>
<td>460</td>
<td>444</td>
<td>3,088</td>
</tr>
<tr>
<td>Proposed acquisition of MTS (1)</td>
<td>3</td>
<td>3,058</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>3,061</td>
</tr>
<tr>
<td>Acquisition of Cieslok Media (2)</td>
<td>3</td>
<td>161</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>164</td>
</tr>
<tr>
<td>Total</td>
<td>5,348</td>
<td>1,572</td>
<td>1,354</td>
<td>1,077</td>
<td>952</td>
<td>12,917</td>
</tr>
</tbody>
</table>

(1) Subject to certain closing conditions and termination rights, the proposed acquisition of MTS is expected to close on March 17, 2017. If the transaction does not close under certain circumstances, BCE may be liable to pay a break fee of $200 million to MTS.
(2) The contribution was settled on January 3, 2017 upon completion of the acquisition of Cieslok Media. See Note 3: Business acquisitions and disposals for additional details.

BCE’s significant operating leases are for office premises, cellular tower sites, retail outlets, and OOH advertising spaces with lease terms ranging from 1 to 50 years. These leases are non-cancellable. Rental expense relating to operating leases was $353 million in 2016 and $340 million in 2015.

Our commitments for property, plant and equipment and intangible assets include program and feature film rights and investments to expand and update our networks to meet customer demand. Purchase obligations consist of contractual obligations under service and product contracts for operating expenditures and other purchase obligations.

Contingencies
In the ordinary course of business, we become involved in various claims and legal proceedings seeking monetary damages and other relief. In particular, because of the nature of our consumer-facing business, we are exposed to class actions pursuant to which substantial monetary damages may be claimed. Due to the inherent risks and uncertainties of the litigation process, we cannot predict the final outcome or timing of claims and legal proceedings. Subject to the foregoing, and based on information currently available and management’s assessment of the merits of the claims and legal proceedings pending at March 2, 2017, management believes that the ultimate resolution of these claims and legal proceedings is unlikely to have a material and negative effect on our financial statements. We believe that we have strong defences and intend to vigorously defend our positions.

Note 28 Related party transactions

Subsidiaries
The following table shows BCE’s significant subsidiaries at December 31, 2016. BCE has other subsidiaries which have not been included in the table as each represents less than 10% individually and less than 20% in aggregate of total consolidated revenues.

All of these significant subsidiaries are incorporated in Canada and provide services to each other in the normal course of operations. The value of these transactions is eliminated on consolidation.

<table>
<thead>
<tr>
<th>SUBSIDIARY</th>
<th>OWNERSHIP PERCENTAGE</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bell Canada</td>
<td>100%</td>
<td>100%</td>
<td></td>
</tr>
<tr>
<td>Bell Mobility</td>
<td>100%</td>
<td>100%</td>
<td></td>
</tr>
<tr>
<td>Bell Media</td>
<td>100%</td>
<td>100%</td>
<td></td>
</tr>
</tbody>
</table>

Transactions with joint arrangements and associates
During 2016 and 2015, BCE provided communication services and received programming content and other services in the normal course of business on an arm’s length basis to and from its joint arrangements and associates. Our joint arrangements and associates include MLSE, Glentel, and Dome Productions Partnership. From time to time, BCE may be required to make capital contributions in its investments.

In 2016, BCE recognized revenues and incurred expenses with our joint arrangements and associates of $16 million (2015 – $8 million) and $180 million (2015 – $104 million), respectively.

Note 29 Significant partly-owned subsidiaries

The following tables show summarized financial information for our subsidiaries with significant non-controlling interest (NCI).

Summarized statements of financial position

<table>
<thead>
<tr>
<th>FOR THE YEAR ENDED DECEMBER 31</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current assets</td>
<td>297</td>
<td>277</td>
</tr>
<tr>
<td>Non-current assets</td>
<td>1,013</td>
<td>1,030</td>
</tr>
<tr>
<td>Total assets</td>
<td>1,310</td>
<td>1,300</td>
</tr>
<tr>
<td>Current liabilities</td>
<td>135</td>
<td>142</td>
</tr>
<tr>
<td>Non-current liabilities</td>
<td>193</td>
<td>206</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>328</td>
<td>348</td>
</tr>
<tr>
<td>Total equity attributable to BCE shareholders</td>
<td>587</td>
<td>572</td>
</tr>
<tr>
<td>NCI</td>
<td>294</td>
<td>287</td>
</tr>
</tbody>
</table>

(1) As of December 31, 2016 and 2015, the ownership interest held by NCI in CTV Specialty was 29.9%. CTV Specialty was incorporated and operated in Canada as at such dates.
## Selected income and cash flow information

### CTV Specialty(1)

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating revenues</td>
<td>824</td>
<td>805</td>
</tr>
<tr>
<td>Net earnings</td>
<td>182</td>
<td>166</td>
</tr>
<tr>
<td>Net earnings attributable to NCI</td>
<td>56</td>
<td>52</td>
</tr>
<tr>
<td>Total comprehensive income</td>
<td>173</td>
<td>174</td>
</tr>
<tr>
<td>Total comprehensive income attributable to NCI</td>
<td>54</td>
<td>54</td>
</tr>
<tr>
<td>Cash dividends paid to NCI</td>
<td>46</td>
<td>41</td>
</tr>
</tbody>
</table>

(1) CTV Specialty net earnings and total comprehensive income includes $3 million directly attributable to NCI for 2016 and 2015.
Reports on internal control

Management's report on internal control over financial reporting

The management of BCE Inc. (BCE) is responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control over financial reporting is a process designed under the supervision of the President and Chief Executive Officer and the Executive Vice-President and Chief Financial Officer and effected by the Board of Directors, management and other personnel of BCE, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Due to its inherent limitations, internal control over financial reporting may not prevent or detect misstatements on a timely basis. Also, projections of any evaluation of the effectiveness of internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management evaluated, under the supervision of and with the participation of the President and Chief Executive Officer and the Executive Vice-President and Chief Financial Officer, the effectiveness of our internal control over financial reporting as at December 31, 2016, based on the criteria established in Internal Control -- Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Based on that evaluation, the President and Chief Executive Officer and the Executive Vice-President and Chief Financial Officer concluded that our internal control over financial reporting was effective as at December 31, 2016. There were no material weaknesses that have been identified by BCE’s management in internal control over financial reporting as at December 31, 2016.

Our internal control over financial reporting as at December 31, 2016 has been audited by Deloitte LLP, Independent Registered Public Accounting Firm, who also audited our consolidated financial statements for the year ended December 31, 2016. Deloitte LLP issued an unqualified opinion on the effectiveness of our internal control over financial reporting as at December 31, 2016.

/s/ George A. Cope
President and Chief Executive Officer

/s/ Glen LeBlanc
Executive Vice-President and Chief Financial Officer

/s/ Thierry Chaumont
Senior Vice-President and Controller

March 2, 2017

Report of independent registered public accounting firm

To the Board of Directors and Shareholders of BCE Inc.

We have audited the internal control over financial reporting of BCE Inc. and subsidiaries (the “Company”) as of December 31, 2016, based on the criteria established in Internal Control -- Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company’s internal control over financial reporting is a process designed by, or under the supervision of, the company’s principal executive and principal financial officers, or persons performing similar functions, and effected by the company’s board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of internal control over financial reporting to future periods are subject to the risk the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016, based on the criteria established in Internal Control -- Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended December 31, 2016 of the Company and our report dated March 2, 2017 expressed an unqualified/unmodified opinion on those financial statements.

/s/ Deloitte LLP (1)
Montréal, Canada
March 2, 2017

(1) CPA auditor, CA, public accountant permit No. A104630

BCE Inc. 2016 ANNUAL REPORT 111
Code of Business Conduct

What we do is who we are

Our Moral Compass

Policy Contact: corporate.secretariat@bell.ca

Code of Business Conduct

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Our goal:
To be recognized by customers as Canada’s leading communications company.
Our 6 strategic imperatives:

- Accelerate Wireless
- Leverage Wireline Momentum
- Expand Media Leadership
- Invest In Broadband Networks And Services
- Achieve A Competitive Cost Structure
- Improve Customer Service

If you have any question regarding this Code of Business Conduct, please e-mail corporate.secretariat@bell.ca or contact the Business Conduct Help Line available at clearviewconnects.com on a 24/7 basis or by calling 1 866 298 2942 (toll free).

A Message from our President and Chief Executive Officer

As we work together to achieve Bell’s goal – to be recognized by customers as Canada’s leading communications company – everyone on the team has a responsibility to meet the highest standards of ethical conduct.

In over 135 years of serving Canadians, Bell has built a reputation for adhering to the most rigorous standards of business conduct. We value that reputation and understand the importance of earning it every day in interactions with our customers, shareholders, suppliers, the broader public and our fellow team members.

That is why we are all required to renew a personal commitment to reading and understanding the Bell Code of Conduct each year. The Code clearly explains the values and standards of behaviour expected from every team member in all aspects of our business.

Please take the time to read the Bell Code of Conduct, and to incorporate the principles into your work at Bell every day. Thank you for your support.

George Cope
President and Chief Executive Officer
BCE Inc. and Bell Canada
Acting responsibly is central to achieving sustainable business success and essential to the pursuit of our corporate goal: to be recognized by customers as Canada’s leading communications company.

The Code provides various rules and guidelines for ethical behaviour based on Bell values, as well as applicable laws and regulations.

These values and standards reinforce our commitment to the highest levels of customer service, a working environment in which performance is recognized and people are respected and sensitivity to the needs of the community that Bell serves.

1.1 Scope: Who Does the Code Apply To?

The Code applies to everyone at Bell, including all directors, executives and employees of BCE Inc., Bell Canada and their subsidiaries that are not public companies. Throughout the Code, we will refer to these companies as Bell.

1.2 Objectives

Collectively, we undertake to:

- perform our work duties and conduct our business relationships with integrity and in a dynamic, straightforward, honest and fair manner
- comply with laws that apply to us as well as with Bell policies and procedures
- avoid conflicts of interest
- foster a work environment based on mutual trust and respect and that encourages open communication
- maintain a safe, healthy and secure workplace
- protect the environment
- support a culture in which ethical conduct is recognized, valued and exemplified
- promptly report issues relating to the Code and potential violations, non-compliance with applicable laws, regulations or company policies or procedures and any other emergencies.

1.3 Reporting a Misconduct or Violation of the Code – The Business Conduct Help Line

Individual responsibility does not mean you are on your own when facing an ethical issue. Don’t be reluctant to ask any questions you might have on the Code or raise issues.

As part of Bell’s commitment to the highest standards of ethics, employees are encouraged to promptly report any actual or potential misconduct, Code or other company policy violations, malpractice, fraud, misappropriation of business property or any other illegal or unethical act or behaviour, including accounting, internal accounting controls or auditing matters by an employee of Bell or by any business unit of Bell.

Any submission made by an employee regarding an unethical behaviour will be treated on a confidential and anonymous basis, unless specifically permitted to be disclosed by the employee or unless required by law. Submissions will only be disclosed to those persons who have a need to know in order to properly carry out an investigation of the potential unethical behaviour.

Any employee who in good faith reports an unethical behaviour will be protected from threats of retaliation, discharge or other types of sanctions that are directly related to the disclosure of such unethical behaviour.

No employee will be penalized for inquiring, in good faith, about apparently unethical behaviour or for obtaining guidance on how to handle suspected illegal acts or policy violations. Further, Bell will not allow retaliation for reports made in good faith.

An unethical behaviour may be reported to your immediate manager. If this won’t meet your needs, is inappropriate, does not provide the necessary level of confidentiality or if you otherwise prefer, you can contact our confidential and anonymous Business Conduct Help Line at clearrviewconnects.com on a 24/7 basis or by calling 1 866 298 2942 (toll free). You may also contact the Chief Legal & Regulatory Officer or the Chair of the Audit Committee.

You can also consult the Complaint Procedures for Accounting and Auditing Matters on the Corporate Policies & Ethics Program intranet site.

1.4 Responsibilities of Managers & Executives

We are all expected to perform our jobs with integrity and in a dynamic, straightforward, honest and fair manner. However, managers and executives have an enhanced role. This means:

- setting an example by complying with the Code and all Bell policies at all times
- ensuring that all employees have access to the Code (on-line or in paper format), that they know, understand and comply with its provisions and that they complete the annual review and sign off process
- complying with security policies and the associated directives, procedures and standards
- fostering an environment that encourages open communication and upholds sustainable development, health & safety, labour and ethics principles in every business decision and actions
- immediately reporting violations of the Code or breaches of Bell policies and taking prompt and decisive disciplinary action when it has been established that the Code has been violated.

1.5 Penalties for Violations

Disciplinary action up to and including dismissal will be taken should an employee, manager or executive:

- violate the Code or a Bell policy, disregard proper procedures or ask others to violate the Code or a Bell policy
- deliberately fail to promptly report a violation or withhold relevant information concerning a violation
- fail to cooperate in the investigation of a known or suspected violation
- take action against an employee who reports a violation or breach of the Code or other policy.
1.6 Annual Review and Sign Off

To demonstrate our commitment to the shared values and standards described in the Code, all employees, managers, executives and members of the Board of Directors must certify annually that they have reviewed and follow the Code. A copy of these certifications can be found at Attachments 1A and 2A. All employees must also take the on-line course on the Code at least every two years.

2 OUR PRINCIPLES OF ETHICAL CONDUCT

2.1 Personal Integrity

Ethical behaviour is an essential part of our job and is a personal responsibility we all share. It means performing our job fully and competently. It also means being accountable for our behaviour and for supporting the values, principles and standards upon which our reputation rests.

Many aspects of our business are governed by laws and regulations and compliance with such laws and regulations is basic to ethical conduct. Bell and its directors, executives, managers and other employees are expected to comply with the laws, rules and regulations of all countries in which we operate, as well as the expectations and requirements of our various regulators. These laws include, but are not limited to, telecommunications laws, securities laws, laws prohibiting the corruption of government officials, in Canada and abroad, as well as lobbying, environmental, health and safety and employment legislation.

Ethical behaviour, however, goes beyond mere compliance with the law. It involves thinking through the possible impact of our decisions on all interested parties - customers, employees, unions, business partners, suppliers, investors, government as well as the communities and environment in which we live and work.

Although the Code lays out the fundamental principles of ethical and legal conduct, it cannot anticipate every ethical dilemma or situation we may encounter as we perform our jobs. This would be impossible given the rapid evolution of the communications industry.

Consequently, we may often find ourselves caught in a situation or facing an ethical problem not explicitly covered in the Code. In this case, we must rely on our internal sense of what is right – our moral compass – to guide us in making the right decision.

When faced with a difficult or unclear situation, it may help to ask questions such as:

- how would I feel if, rather than initiating this action, I was on the receiving end?
- how would my customer react if he/she knew I was breaking the rules or distorting the facts to make a sale?
- if I do this, how will I feel afterwards? Would I want my co-workers, friends or family to find out?
- if my actions became public, how would they be reported in the media?

Assuming personal responsibility for our actions means we can’t blame someone else for our behaviour. Conversely, no one - not even a manager - can force us to commit an illegal or unethical act that may damage Bell’s reputation, or our own.

We have a duty to report illegal acts or violations of the Code or Bell policies. Turning a blind eye to wrongdoing - in effect condoning such behaviour - is itself unethical. See section 1.3 for ways that are available to you to report unethical conducts.

Any breach of the Code or Bell policies or evidence of illegal behaviour will be taken very seriously. Depending on the nature and severity of the case, employees who breach the Code, violate Bell policy or commit an illegal act will face immediate discipline, up to and including dismissal, as well as possible civil or criminal prosecution.

2.2 Conflicts of Interest

As employees, managers and executives, our business loyalty rests in placing Bell’s interests – including those of its customers and shareholders – before our personal interests.
Would I act differently if a friend or near relative weren’t involved?

If you have any doubts about a possible conflict, raise the matter with your manager or contact the Business Conduct Help Line at www.clearviewconnects.com or by calling 1-866-298-2942 (toll free).

If there is an actual or potential conflict of interest, the employee must complete form BC3684A – “Disclosure of a Conflict of Interest or Potential Conflict of Interest” and provide a copy signed by his/her manager to the Corporate Secretary’s Office (see Attachment 2B).

2.2.1 Conflicts of Interest Relating to Family and Personal Relationships

Each of us has a variety of personal relationships involving family and friends and sometimes our work and personal lives intersect.

We must disclose this relationship if it compromises, or threatens to compromise, our ability to act in Bell’s best interest. Speak to your manager or contact the Business Conduct Help Line for further guidance. We should also be aware that bridging our personal and business lives may cause our competitors or suppliers – as well as colleagues within Bell – to believe we are in a conflict of interest. To avoid a conflict of interest, or prevent a situation from developing into a conflict of interest, you must inform your manager if, for example:

- you are considering hiring a near relative, friend or co-habitant
- you transact business on behalf of Bell with a near relative, friend or co-habitant
- you have been employed by a competitor within the last two years
- a near relative or co-habitant works for or has a financial interest in or is a major shareholder of a supplier or competitor.

If you are concerned that you may be in a conflict of interest, speak to your manager who may ask you to complete form BC3684A, "Disclosure of a Conflict of Interest or Potential Conflict of Interest.” This form must be signed by you and your manager and sent to the Corporate Secretary’s Office.

My partner has just become an executive sales manager for a company that services the computers in my department. Do I need to tell anyone about this?

Yes. Someone could claim that Bell is giving your partner business because you are a Bell employee. You should notify your manager and make sure you are not involved in any decisions regarding your partner’s company. This relationship should be noted in form BC3684A, "Disclosure of a Conflict of Interest or Potential Conflict of Interest.”

2.2.2 Conflicts of Interest Relating to Supplier-Funded Incentive Programs

Supplier-funded incentive programs, often offered to sales employees by suppliers seeking to sell their products, may only be arranged through an authorized program administrator who does not work with the eligible employees.

It’s up to the program administrator to ensure there is no conflict between Bell’s marketing strategy and the supplier’s incentive program. For further information, please refer to the Compensation & Recognition Policy on the Human Resources Policies intranet site.

2.2.3 Conflicts of Interest Arising from Outside Employment and Similar Activities

We all have a right to do what we want during our non-working hours. This could include holding another job in which we use the skills and experience acquired through our work at Bell. However, we must ensure that our outside employment or other activities do not conflict, or appear to conflict, with Bell’s business or with our ability to fulfill our duties as employees.

To avoid a conflict of interest, or even the appearance of such a conflict, you should discuss any planned outside business activities with your manager. As a general guideline, you may not:

- work for an organization that competes with Bell or operate a business or promote a third party’s line of products or services that compete with those offered by Bell
- use Bell’s time, materials and facilities in paid or unpaid work for other organizations (for example, to support a charitable community project), unless specifically authorized by senior management (CP4 or higher). Where such authorization has been obtained, as per the Bell Community Investment policy, no company products or services (such as wireline telecommunication services, Internet services, handsets, etc.) may be provided in-kind
- accept outside employment or engage in any activity that may prevent you from performing your job at Bell fully and competently
- contribute to or support any political group or political activity on behalf of Bell, unless specifically authorized by the appropriate Bell department responsible for government relations.

I am a Bell technician who installs circuitry for small and medium-sized business customers. With the growth of the Internet and other communications services, demand for my expertise is booming. Can I take advantage of this opportunity and start up an installation business on my own time?

No. You cannot engage in any outside activity that might take business away from Bell or any of its subsidiaries. Furthermore, as an employee, you are expected to contribute your energy and ideas to your job as an installer for Bell.
As a customer service representative I happen to respond to my brother’s telephone call inquiring about a charge on his account for TV services. Can I respond to this call and make adjustments, if any, to his account?

- No. Employees are not allowed to access or make changes to the billing accounts of their families and friends, including accessing their own or invoicing themselves.

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**Code of Business Conduct**

2.2.4 Conflict of Interest Guidelines for Executives and External Directorships

In addition to the conflict of interest guidelines and procedures noted above, in respect to all persons who are executives (i.e. Vice-President and above), a conflict of interest may also arise:

- when there is an outside interest which materially encroaches on time or attention which should be devoted to Bell’s affairs or so affects the executive’s energies as to prevent him/her from devoting his/her full abilities to the performance of duties
- where an executive or any of his/her near relatives, friends or cohabitants has a direct or indirect interest in or relationship with any outsider, such as a supplier (whether of goods or services), customer, agent or competitor of Bell or its subsidiary and associated corporations, or with a person in a position to influence the actions of an outsider, which is inherently unethical or which might be implied or construed to:
  - give rise to a possible personal gain or favour to the executive involved, or any of his/her near relatives, friends or cohabitants due to the executive's actual or potential power to influence dealings between Bell and the outsider
  - render the executive partial toward the outsider for personal reasons, or otherwise inhibit the impartiality of the executive's business judgement or his/her desire to serve only Bell’s best interests in the performance of his/her functions as an executive
  - place the executive or Bell in an equivocal, embarrassing or ethically questionable position in the eyes of the public or any external monitoring body
  - reflect unfavourably on the integrity of the executive or Bell
- where an executive or any of his/her near relatives, friends or cohabitants makes use of any non-public information, such as information for internal use, or of a confidential nature, proprietary, insider, privileged or government classified nature or customer information, entrusted to or obtained by the executive in the conduct of Bell’s business to benefit himself/herself or any of his/her near relatives, by selling or making available such information to interests outside Bell, or uses the information in any other manner to further his/her interest(s), or the interest(s) of any of his/her near relatives
- where an executive or any of his/her near relatives, friends or cohabitants has any direct or indirect interest or relationship which is actually or potentially harmful or detrimental to Bell’s best interests.

Executives are required to disclose any actual or potential conflicts of interest by providing written notice to the Corporate Secretary at corporate.secretariat@bell.ca. The Corporate Secretary is responsible for administering the Code and the Conflict of Interest Guidelines. If the Corporate Secretary is unable to resolve an existing or potential conflict of interest with the person involved, the matter will be discussed with the Executive Vice-President and Chief Legal & Regulatory Officer.

External Directorships

As a general rule, executives are allowed to be appointed to the board of directors of a company other than a Bell company provided that such election:

- will not create conflicts of interest either for the executive or for any Bell company
- will contribute to the development of the executive or will benefit Bell either directly or indirectly
- will not be at the expense of the executive’s corporate responsibilities and will not impose an undue burden on the executive.

Provided the above criteria are met, before accepting an external directorship appointment, an executive shall, through his/her superior, seek and obtain clearance from the President and Chief Executive Officer. If appointed, the executive must then disclose such fact to the Corporate Secretary’s Office promptly.

Executives should however understand that the BCE group companies’ D&O Insurance policy will not be applicable unless the executive’s appointment is made at the request of Bell.

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**2.3 Loans, Gifts and Entertainment**

2.3.1 Loans from Bell

We do not accept, whether directly or indirectly, any loan or guarantee of obligations from Bell that are for our personal benefit.

2.3.2 Business Gifts & Entertainment

Do not solicit, accept or give gifts, gratuities, favours or unusual hospitality from or to suppliers or customers, which may compromise - or appear to compromise - our ability to make fair, objective, business decisions or may unfairly influence a business interaction.

Do not solicit or encourage gifts, hospitality, entertainment or any other thing for personal use.

Do not accept gifts having a monetary value; for example, gift certificates, cash, services, discounts or loans.

These guidelines do not change during traditional gift giving season.

We recognize, however, that building relationships with customers and suppliers is an integral part of doing business.
You may offer and accept reasonable hospitality in certain cases. You should consult your manager or contact the Business Conduct Help Line when in doubt about the appropriateness of a particular situation.

You may participate in unsolicited business entertainment depending on the function or services you perform for Bell and if the entertainment is clearly intended to facilitate business goals. If for example, tickets to a sporting or cultural event are offered, then the person offering the tickets should plan to attend the event as well.

You may sponsor events/activities for customers or potential customers where the purpose is to strengthen business relationships; however it is your responsibility to know and be sensitive to the customer’s own code of conduct on these issues. Solicitation of modest gifts or prizes for Bell sponsored events which provide clear benefits to the sponsor and/or charitable organization is permitted upon approval by your manager.

You may accept unsolicited, nominal value hospitality, gifts or mementos that are customary or business related.

You may accept business entertainment in the form of meals as long as it is modest, infrequent, and as far as possible on a reciprocal basis.

Factors which you and your manager should consider when assessing the proper course of action include:

- Is Bell potentially involved in a major procurement activity with the company offering the gift or entertainment?
- Would the gift or entertainment be considered appropriate or customary, taking into account the nature of the function or services you perform for Bell?
- Would it be perceived as insulting or damaging to the business relationship to return the gift or decline the hospitality?
- Can the gift or hospitality be applied to benefit all team members rather than certain individuals?

2.4 Political Activities

2.4.1 Political Contributions

Political Contributions refer to any payment or donation, including provision of services at favourable rates, irrespective of format or location, made on behalf of Bell to a recipient involved in federal, provincial, territorial or municipal political process, such as a political party, an election or leadership candidate, a riding association or an elected official. Bell’s corporate policy prohibits political contributions without the express prior consent of the Executive Vice-President and Chief Legal & Regulatory Officer. This policy does not apply to political contributions made by individuals within Bell on their own behalf. However, funds or assets being contributed must originate with or belong to the individual making the contribution, and individuals making political contributions should be prepared to demonstrate ownership.

For further information, consult the Political Contributions Policy available from the Corporate Policies & Ethics intranet site.

Beyond standard penalties for non-compliance with the Code which were previously outlined, Bell may refer the matter to the appropriate regulatory and legal authorities, which could lead to penalties, fines or imprisonment.

2.4.2 Lobbying on behalf of Bell

Broadly speaking, lobbying involves reaching out to a public office holder (like an MP, a Minister or in some cases a mayor) in order to further Bell’s objectives. It does not, however, include formal legal or regulatory submissions, communications in a public forum or responses to government Request for Proposals.

Lobbying public office holders is a legitimate activity but the law sets certain boundaries around lobbying, as well as establishes some disclosure requirements, to ensure that lobbying activities are transparent and ethical. The Regulatory/Law Department must be consulted before making representations to public office holders.

Beyond standard penalties for non-compliance with the Code which were previously outlined, Bell may refer the matter to the appropriate regulatory and legal authorities, which could lead to penalties, fines or imprisonment.

2.5 Improper Influence on the Conduct of Audits

Employees are prohibited from coercing, manipulating, misleading or fraudulently influencing Bell’s internal or external auditors at any time and especially when the employee knows or should know that his/her action, if successful, could result in rendering Bell’s financial statements misleading in any way.

2.6 Trading in Securities

2.6.1 Insider Trading

As a director or employee, you may become aware of undisclosed material information about Bell or any other company. Unless you are certain that this information has been officially publicly disclosed, it is illegal for you to:

- disclose such information (otherwise than in the necessary course of business and on a confidential basis) to another person – also known as “tipping” – even if the other person, the tippee, is related to you or is a friend. Trading or tipping by the tippee is also illegal.

Undisclosed material information refers to information that, if disclosed, could affect the market price of a company’s securities or is likely to be considered important by investors in determining whether to buy, sell or otherwise trade in such securities. Some examples of what could constitute undisclosed.
material information are financial results before they are publicly announced, significant planned acquisitions or dispositions, business information such as business plans and new products and services before they are launched.

At law, severe penalties may be imposed against you personally as a result of unlawful trading and tipping.

Assuming you are not otherwise aware of undisclosed material information, the recommended time to purchase or sell BCE Inc. and Bell Canada securities is during the period beginning on the second business day following the day of announcement of BCE Inc.’s and Bell Canada’s quarterly financial results and ending on the last day of the quarter during which the announcement is made. This will help minimize the risk of an unintentional violation of these prohibitions, and the appearance of a violation (intentional or not). All employees are required to keep accurate records of their securities transactions and may be asked to report to Bell their holdings and investment transactions.

Even after Bell has officially publicly released material information, it is important to be sure that sufficient time has elapsed to enable the information to be disseminated to investors. As a rule of thumb, you should not trade BCE Inc. or Bell Canada securities until the second business day following the public announcement. An employee must not attempt to “beat the market” by trading simultaneously with, or shortly after, the official release of public information.

Members of the board of directors and executives should consult the “BCE Inc. and Bell Canada Insider Trading and Reporting Guidelines” for additional information. A copy of these guidelines can be obtained from the Corporate Secretary’s Office.

Can I use information I obtain by accident or overheard?

• No. Even when you obtain undisclosed material information by accident, such as by overhearing a discussion of a planned acquisition, you are prohibited by law from trading in shares of BCE Inc. or the target company. In addition, you cannot suggest to a spouse, near relative or friend that they trade in shares of BCE Inc. or the target company while in possession of such information as this would be considered tantamount to divulging that information to someone outside Bell for personal gain or the gain of someone else. Such securities could only be traded on the second business day after Bell or the company being acquired issues a press release publicly announcing the planned acquisition.

2.6.2 Short Sales, Calls and Puts

As a director or employee of Bell, you may not engage in the following activities with respect to BCE Inc.’s securities or the securities of any of its affiliates (such as Bell Canada): (a) short sale; (b) sale of a call option and (c) purchase of a put option.

“Short selling” means selling shares you do not currently own and borrowing a third party’s shares in order to make delivery, the whole in expectation that the shares will decrease in value when you will buy back the shares and return them to the owner. Such process may lead to undue speculation and abuse and is therefore prohibited.

Puts and calls may also lead to the same abuse and therefore similar restrictions apply to the sales of call options and purchases of put options in respect of securities of BCE Inc. and its affiliates. For the purposes hereof, a “call” can be defined as an option to demand delivery of a specified number or amount of securities at a fixed price within a specified time but does not include an option or right to acquire securities of BCE Inc. or its affiliates where such were granted by BCE Inc. or its affiliates (such as pursuant to BCE Inc.’s Long-Term Incentive (stock option) Programs). A “put” can be defined as an option to deliver a specified number or amount of securities at a fixed price within a specified time.

2.7 Public Disclosure of Material Information

Only authorized executives can decide the timing and content of public disclosures regarding Bell. Examples include public filings with securities regulatory authorities or the issuance of news releases.

If you are not an authorized designated spokesperson, you must not respond under any circumstances (including on a “no-name” or “off the record” basis) to inquiries from, or voluntarily provide information to, the investment community or the media, unless specifically asked to do so by an authorized spokesperson.

Any inquiries need to be immediately referred to Bell’s Communications Department or Investor Relations Department. The list of authorized designated spokespersons can be found in Bell’s Disclosure Policy available on the Policies and Ethics intranet site.

2.8 Confidentiality of Customer and Employee Information

2.8.1 Customer Privacy

Bell has long been committed to maintaining the accuracy, confidentiality, security and privacy of customer information. It is essential that we protect the confidentiality of all non-public information entrusted to us by Bell or its customers, except when disclosure is authorized or legally mandated. Even seemingly mundane information might be of use to competitors, or harmful to Bell or its customers, if disclosed. Even unintentional disclosure can lead to identity theft or financial gain by third parties. Therefore, the best way to protect customer information is to limit access on a need-to-know basis. In addition, we must comply with the laws and regulations related to privacy that apply to Bell, including the Personal Information Protection and Electronic Documents Act and restrictions imposed by the CRTC.

Unless a customer provides explicit consent or disclosure is pursuant to a legal power such as a search warrant, all information kept by Bell about its customers with the exception of listed name, address and telephone number, is confidential and cannot be disclosed or used, directly or indirectly, except for business purposes. We may only use this information for the purposes for which it was collected and that the customer would reasonably expect.

Recording, releasing or disclosing private customer information for personal gain or the benefit of another will result in immediate discipline up to and including dismissal, and may include civil or criminal prosecution. This may also expose Bell to substantive reputational harm and financial liability.

Interception of Private Communications

Communications between Bell and a customer may be monitored for quality assurance purposes, with an appropriate advisory to the customer.

The unlawful interception of a private communication is prohibited under the Criminal Code. The content of a customer’s transmissions (including telephone
and email) may not be monitored, nor may the content, nature and existence of telephone calls and data transmissions be released to third parties except as explicitly authorized by law.

Unintentional interceptions of a call may occur when providing service, doing repairs or when conducting quality control checks. In these instances, the employee must advise the persons on the call of the unintended interruption and immediately disconnect from that call.

Business Customer or Supplier Information

Maintaining customer and supplier privacy is also crucial when dealing with contracts, proposals and quotations. We must be vigilant not to share business or supplier information - such as business plans, names of representatives or information of a sensitive nature - with other employees servicing a similar market segment (for example, the banking industry). By doing so, we may inadvertently divulge information about a business customer or supplier to that customer's or supplier competitor. Also, unless a business customer or supplier provides explicit consent, we do not share information about business customers or supplier with other affiliates or partners or agents or subsidiaries of our group, except with those affiliate or partners or agents or subsidiaries of a group, who are directly involved in the specific contract, proposals or quotations.

To support our commitment to privacy we have developed policies and a formal privacy code - the Bell Privacy Policy - which spell out the commitments of Bell, its employees and agents and the rights of customers and employees regarding personal information.

2.8.2 Employee Privacy

Bell has also long been committed to protecting the personal information of its employees which is collected only for purposes relevant to managing the employment relationship. The obligations described in the Personal Information Protection and Electronic Documents Act also apply to the collection, use, disclosure and protection of personal employee information.

Personal information means information, in any format, about an identifiable individual, but does not include the name, title or business address or telephone number of an employee. Employee personal information refers to those records like the personnel files and other documents collected and used to provide services or support such as pay or benefits information. Personal health information is handled separately by the Disability Management Group.

All personal information is protected by security safeguards appropriate to the sensitivity of the information and may only be used for reasonable purposes relating to the management of the employment relationship or for other purposes as may be required by law. All employees holding personal employee information must handle it in accordance with privacy principles. Aside from applying normal safeguards (i.e. locked cabinets and desks), employees should avoid discussing personal employee information in public areas.

Notwithstanding the notion of employee personal information, there shall be no expectation of privacy for communications made through the use of Bell equipment or using Bell paid services or products (for example, e-mail, internet/intranet activities, voice mail, computer files, network), as well as workspaces (for example, desks, lockers, and vehicles).

Bell reserves the right to monitor or search any and all Bell property at any time, where it determines on reasonable grounds that this is required; for example:

- to evaluate and measure service quality
- in the interests of the safety and protection of employees or Bell
- to search for specific business information
- to comply with legal warrants or other obligations
- to conduct security investigations such as in the event Bell suspects an employee of fraud, theft, undeclared conflict of interest or other situation which may cause prejudice to an employee or Bell or its reputation.

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Additional information is available through the Employee Privacy section of the Human Resources intranet site as well as in the Acceptable Use of Information Technology Resources Policy.

2.8.3 The Bell Privacy Policy

To support our commitment to privacy we have developed policies and a formal privacy code - the Bell Privacy Policy - which spell out the commitments of Bell, its employees and agents and the rights of customers and employees regarding personal information.

The Bell Privacy Ombudsman oversees compliance with these privacy policies and may be contacted at privacy@bell.ca.

The Bell Privacy Policy and other privacy-related documents are available by following the "privacy" link on www.bell.ca or on the Bellnet policies page Corporate Policies & Ethics.

2.9 Information Classification and Records Management

The purpose of the Information Classification and Records Management Policy and of the Records Retention Schedule is to ensure that Bell's information is properly classified so records are adequately protected, stored and shared to comply with legal requirements and business needs. The policy applies to all forms of records irrespective of who has prepared them, whether they are in paper, electronic or other media format and no matter whether they reside on Bell's premises,
Employees are responsible for:

- ensuring compliance with business, legal and regulatory requirements with respect to record retention
- improving operational efficiencies, reducing space requirements and costs by eliminating unnecessary records
- ensuring the preservation and accessibility of relevant records to satisfy specific operating needs and in the event of potential or actual litigation or internal or external (including governmental) investigation.

Confidential information is information about our business that is not and must not be publicly available and includes any information classified as Internal Use or Confidential, as well as any information that has not been classified. Some examples of information which must be safeguarded from disclosure include:

- marketing strategies, pricing, bids and proposals
- training material
- passwords and encryption keys
- undisclosed financial results
- pictures or recordings of confidential information or discussions
- any video, picture or recording taken on work premise or of Bell premises, which are permitted only with director level management approval. Furthermore, it is strictly prohibited to record any identifiable individual without the person’s knowledge and consent, except if such recording is for investigation purposes and authorized by Corporate Security.

Employees must also:

- not send confidential information to personal email accounts or store them on their personal devices
- not store confidential information on portable storage devices including USB keys or external hard drives
- ensure confidential information is securely stored when unattended
- not store confidential information, including pictures, on personal devices that have not been registered through the BYOD (bring your own device) process
- avoid discussing such information in public places (including by phone in taxis, trains and airplanes), with family members or friends or with business colleagues when conversations might be overheared
- report immediately unauthorized disclosure, transmission, misappropriation or misuse of confidential information to Bell’s National Incident Centre (NIC) at 1-866-714-0911 or at cni-nic@bell.ca

Post Employment Obligations

Your obligation to protect Bell’s confidential information continues after the employment relationship ends. Upon termination of employment or contract, or reassignment, all employees must:

- return all copies of confidential information and documents, including electronic records, and all third party information entrusted to Bell
- keep confidential and not use any such information or document. This continuing obligation is particularly important in the case of a departing employee who subsequently works for one of Bell’s competitors or suppliers.

Preservation of Records under Legal Hold

Records subject to preservation under a “legal hold” must not be disposed of until the hold is lifted. Where a “legal hold” is in place, all owners of records that are subject to it must take positive steps to ensure the preservation of such records. Those record owners must also, prior to taking any steps that might affect the disposal of such records, such as re-imaging their computers or being “evergreened” to a new device, contact the Legal Department (ediscovery.legal@bell.ca) to verify whether they can dispose of the records. Any employee unsure whether records are subject to a legal hold or unsure of the hold’s scope should contact the legal team at ediscovery.legal@bell.ca.

When an employee, who owns records that are subject to a legal hold leaves Bell, the employee’s manager and Human Resources Consultant must ensure that these records are preserved.

How do I tell if a document (paper or electronic) is confidential if it is not marked as such?

- You must begin by asking the person who issued the document (if known), as the originator is the person who must determine the security classification. If you can’t find the source of the information and the nature of the document does not make the classification obvious (such as information that has been made public), the document must be treated as confidential until the proper classification is determined.

2.10 Dealing with Customers and Suppliers

We achieve an ongoing competitive advantage by ensuring that our reputation for quality, service and integrity remains intact. Compete fairly but vigorously while complying with our legal and ethical obligations.

2.10.1 Customer Relations

Customers and customer service are at the core of our business. To succeed, we have to be honest, courteous, and respectful when dealing with our customers and their property whether visiting their home or place of business.

Our customers expect us to provide quality products and services, and be truthful when discussing our advantages and benefits. To maintain that trust we should:

- offer customers only those services which we are legally allowed to provide and that they want or need
- promote our products and services accurately even when up selling
- give customers the straight facts about their competitive choices
- guide customers into asking the right questions about their competitive options
convince customers it's to their advantage to stay with Bell – or come back from another carrier

do not offer to waive charges, cut special deals or grant discounts that are not authorized

give our Québec clients the official language of their choice (French or English).

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2.10.2 Supplier Relations - Reciprocity

Like many corporations, we purchase goods and services from thousands of suppliers, many of whom are also our customers.

While we quite naturally want to do business with our customers, and will take advantage of every opportunity to do so, we must keep in mind that this should not be done at the expense of price, quality and service. These criteria, rather than the simple fact a supplier is or is not our customer, should guide our purchasing decisions.

Reciprocity is an arrangement where a purchaser gives business to a supplier because that supplier is its customer for other products, in preference to another supplier. Reciprocity, whether it originates with the buyer or the seller, should be handled with utmost care for a number of financial, ethical and legal reasons.

For example, we may lose the opportunity to save money on our purchases if we choose suppliers solely because they are Bell customers and we may be accused of anticompetitive behaviour.

Under certain circumstances, we may, for strategic marketing reasons, develop and contract services exclusively with a given supplier. The Law Department must be consulted before such arrangements are established.

Our department is organizing a meeting at a hotel. Due to the large size of our group, and the fact we don't want to travel far, we've chosen a nearby hotel serviced by a competitor's long distance network. Is this okay, or should we find a hotel that uses Bell long distance?

It is not Bell policy to prohibit employees on company business from dealing with organizations that do not use Bell's services. While we actively encourage everyone at Bell to do business with our customers, we must ensure that this is not done at the expense of price, quality and service.

Although the hotel you've chosen is not a Bell customer, you were right to choose it if, in your judgment, it best meets the price-quality-service criteria you are looking for: the hotel is located close to your office, it can easily accommodate all the members of your department and, as a result, will enable your group to save both time and traveling expenses.

2.11 Dealing with Competitors

2.11.1 Treating Competitors with Respect

We welcome and encourage fair and open competition and we are committed to treating competitors with due respect. By doing so, we honour the competitive spirit that motivates us to perform at our best.

Behaving competitively means that we:

- do not portray a competitor to the public or to a customer in an inaccurate, misleading, disparaging or unfair manner or in a way contrary to laws that govern competitive business practices
- do not state as a fact our understanding of a competitor's price information as that information may be out of date and incomplete
- exercise care when commenting publicly on such topics as a competitor's financial situation, business practices, management, reliability or foreign ownership
- do not behave disrespectfully toward a customer who has decided to purchase a competitor's products or services; rather we rigorously promote and provide high-quality service for any other product we may supply to this customer.

2.11.2 Obtaining Information about our Competitors

We have every right to gather information about the marketplace in which we operate through legal and ethical means. This includes information about our competitors, their products and services, technology, prices, advertising, and so on.

However, we do not engage in industrial espionage, buy proprietary information or induce employees or former employees of our competitors to disclose proprietary or confidential information of his/her current or former employer.

If you become aware that confidential or proprietary information about a competitor is circulating through Bell, you must not use such information and must immediately report it as indicated below.

Our business unit recently hired someone who was employed with a competing radio station. This person has confidential information which would be very valuable to us. Can we ask him to disclose this confidential information?

- Absolutely not. The new employee has an obligation to protect his/her former company's confidential or proprietary information, just as you would be obliged to protect Bell's confidential or proprietary information if you were to leave Bell. You must respect the employee's personal integrity as well as his/her obligation to his/her former employer. Inducing an employee to disclose such confidential information is a violation of the Code.
2.11.3 Agreements with Competitors

In many cases, agreements between competitors that restrict i) the price at which competitors can sell their products or services to customers, ii) the customers to whom competitors can sell, or iii) quantities that competitors will produce or market, are criminal offences and thus prohibited. To be clear, this prohibition does not address cases where two competitors are simply entering into an agreement as buyer and seller of each other, as is for instance common in our wholesale division.

The law provides certain exceptions and we may, for strategic reasons, sometimes take advantage of these exceptions and enter into specific agreements with competitors. For instance, the rules allow, under certain conditions, the submission of joint bids with competitors in response to requests for proposal, something which otherwise would appear to be a prohibited agreement on price. The Regulatory/Law Department must be consulted before arrangements with competitors are established.

2.11.4 When a Competitor is a Customer

When providing competitors with network facilities, broadcasting, access or other services, we cannot use information obtained as a result of that process in any manner which would give us an undue competitive advantage. This includes ensuring that this information is not made available to those within Bell or its affiliates who develop competitive service strategies. It also means that we must not disclose a customer’s choice of competitive carrier to anyone who does not clearly require the information to provide service to the customer.

2.12 Safeguarding Bell Assets

We all have a responsibility to be accountable for and safeguard Bell assets from loss, damage, theft, fraud, vandalism, sabotage or unauthorized use, copying, disclosure or disposal. The improper use and/or reporting of assets could seriously undermine Bell’s integrity, adversely affect our business strategies and weaken investor confidence. It is considered a severe misconduct that may lead to termination of employment for cause. It could also constitute a criminal offence.

Bell’s assets include but are not limited to, offices and office equipment, inventory, computers, art, telephone and video equipment, vehicles, tools, materials, buildings, people, property, information, funds, communication networks, information systems, and intellectual property. The vehicle related policy and practice can be found on the Corporate Services intranet site and covers both the use of Bell-owned vehicles and the use of employee’s vehicle for Bell purposes.

Access to and use of these assets must be authorized, adequately controlled and based on business needs. We should not use Bell assets for personal purposes, except where this use has been authorized by your leader. Each of us must also take appropriate measures to prevent losses due to willful action by others, both outside and within Bell, which may result in personal injury, property damage, theft, fraud, loss, abuse or unauthorized access to physical or logical assets, and intellectual property (including data).

Employees are expected to safeguard Bell assets and comply with Bell policies, including the Policy on Authorizations. Bell policies, including the Policy on Authorizations, are available in the Corporate Policies & Ethics intranet site.

To best safeguard the tools and equipment used as part of their functions, employees must consult the Bell Corporate Security policies, available on the Corporate Policies & Ethics intranet site.

Loss or theft of Bell assets, property damage and malfunctioning doors and locks are to be reported to Bell’s National Incident Centre (NIC) at 1-866-714-0911 or at cni-nic@bell.ca.

2.12.1 Visible ID

All employees, consultants and contractors must wear a valid, designated ID card at all times while on Bell premises. Visitors must wear a valid, designated visitor’s card while on Bell premises and employees should challenge anyone on Bell premises not wearing one.

2.12.2 Prevention of Fraud

What is Fraud?

- Fraud is defined as an intentional deception, falsification or misrepresentation made for personal gain, or to damage or create loss for the organization, customers or individuals. This can include the misuse or misapplication of the organization’s resources or assets to conduct internal fraud.

Successfully preventing fraud requires an ongoing commitment from all of us. This includes actively participating in the prevention, detection, and reporting of suspected fraud, whether committed by an internal or external party. As employees we will not engage, directly or indirectly, in bribery, kick-backs, account falsification, false claims, time fraud or any other fraudulent or corrupt business practices.

Fraudulent actions are not only unethical, but may also be a violation of law. Bell has a “zero tolerance” stance with regards to all confirmed fraud situations. If you are approached by anyone with an opportunity to engage in fraudulent activities, you must report the incident to your
manager and Corporate Security or through the confidential Employee Help Line available at clearyviewconnects.com or by calling 1 866 298 2942 (toll free).

2.12.3 Corporate Credit Cards and Bell Funds

We are personally responsible for funds, cash, cheques, postage, etc., over which we have control. Corporate credit cards are not to be used for personal cash withdrawals or purchases and other charge cards are to be used only for business purposes. We must also ensure that all expense vouchers, benefit claims and invoices are accurate and properly authorized.

Corporate policy regarding the use of corporate credit cards and corporate travel is detailed on the Travel and Expenses Management intranet site. We should, unless unavailable, use the services of suppliers with whom Bell has negotiated agreements (e.g. travel agents, airlines, car-rental agencies, taxi companies, hotels).

2.12.4 Hiring Consultants or Contractors

Hiring of contractors or consultants must follow the rules as outlined on the Contractors and Consultants Procurement intranet site and hiring of external resources must also comply with Personnel Security Policy available on the Corporate Policies & Ethics intranet site.

2.12.5 Electronic Procurement and Electronic Processing of Expense Reports

Bell electronically processes much of its procurement needs including employee expense reports and accounting for corporate credit card payments. All employee expense reports and credit card payments must be approved by a leader one level above the employee submitting the reports.

2.12.6 Business Books and Records

Bell’s books and records contain information essential to effective and efficient operations. They form the basis upon which key decisions about Bell are made by our executives, financial analysts, shareholders, investors, and regulators.

Because they are so crucial to Bell meeting its legal, regulatory and financial obligations, we must ensure that all documents, reports, plans and records falling under our responsibility are accurate and complete. We must also ensure that all transactions are properly authorized.

In preparing and maintaining our books and records, we must:

- adhere to all accepted accounting standards and practices, rules, regulations and controls applicable to us
- ensure that all entries are recorded accurately, on time, in the proper accounts, and are properly documented
- record all funds, assets and transactions; we may not establish any undisclosed or unrecorded fund or assets for any purpose
- keep books and records which reflect fairly, accurately and in reasonable detail Bell’s transactions, acquisitions and disposal of assets and other relevant activities
- sign only those documents we believe to be accurate and truthful
- restrict access to sensitive or confidential information (such as financial records and customer information) to ensure the information is not accidentally or intentionally disclosed, modified, misused or destroyed
- maintain internal control processes to ensure that Bell meets its book and record keeping obligations.

2.12.7 Standard Contracts and Agreements

Contracts and agreements represent some of the greatest exposures faced by Bell. If you are in a position to develop or sign contracts you must take necessary steps to protect the interests of Bell by ensuring that only Bell standard form template contracts are used and, in the case of purchase agreements, the Procurement Policy is followed. All contracts must be reviewed by appropriate departments such as, Legal, Regulatory, Procurement, Corporate Security, Corporate

2.12.8 Information Security

Computers and computer networks form the backbone of our business and operations infrastructure. For this reason, every effort must be made to protect Bell’s computer systems and associated software from the various threats to their security, such as accidental or deliberate destruction of data and equipment, interruption of service, disclosure of confidential information, theft and corruption.

To maintain security:

- access to computer systems should only be granted to authorized users
- access codes and passwords must be kept confidential and cannot be shared with anyone including leaders, co-workers and support teams,
- when traveling with mobile devices that access or contain company data, you must comply with applicable Bell policies
- follow Bell rules regarding the purchase and use of computer software
- guard against computer viruses that may damage Bell’s computer systems
- report computer security incidents, virus or worms to the Bell Customer Service Desk at 1-888-920-8888.
- report Bell branded phishing emails sent to your Bell office account as follows:
  1. drag the message from Outlook onto your desktop so it appears as an .msg or an .eml file
  2. create a new message to phishing@bell.ca and attach the .msg or .eml file
  3. delete the original and sent messages from Outlook and the .msg or .eml file on your desktop.

For further information and references, visit the Corporate Security intranet site.

2.12.9 Intellectual Property

Responsibility & Environment, Health, Safety and Workplace, Risk Advisory Services and Insurance. Standard contracts must not be modified without prior Law Department approval.

2.12.8 Information Security
Intellectual property such as patents, inventions, copyrights, trade-marks, domain names, industrial designs and trade secrets are strategic assets of Bell and must not be disclosed to or used by others without first ensuring that appropriate legal safeguards are in place. Failure to do so could result in Bell losing rights in its intellectual property.

Intellectual property rights also reside in and protect know-how, business methods and processes, computer software, written materials (including paper or electronic form), graphics, photographs and audiovisual works, whether developed internally within Bell or obtained from others.

Every employee has a responsibility to preserve, protect and enhance the value of these assets.

Trade-marks, including Bell’s logo and its various trade names, are among Bell’s most valuable assets. When using them, employees must follow the Brand guidelines, and must immediately report any infringement or misuse of such trade-marks or trade names to the Branding and Identity Hot Line by sending an email to info.branding@bell.ca. In addition to protecting Bell’s intellectual property, we also have a responsibility to avoid infringing intellectual property rights of others, as detailed in the Intellectual Property Policy referred to below.

All intellectual property conceived or made in the course of our employment with Bell or which are within the scope of Bell’s business interests, are rightly the exclusive property of Bell. Each employee assigns to Bell the ownership of all intellectual property created in the course of their employment, and also waives in favour of Bell any moral rights they may have in such intellectual property. Employees are prohibited from applying for patents or other intellectual property registrations in regards to intellectual property that belongs to Bell, nor can Bell’s intellectual property be used for personal purposes or gain.

For additional information, please consult the Intellectual Property Policy.

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**2.12.10 Proper Use of Bell-Provided Internet Access and Other IT Resources**

Access to the Internet is primarily provided for business purposes. However, accommodating employees’ development and awareness through personal use of Bell-provided Internet access is also encouraged.

Personal use of the Internet and e-mail must be reasonable, i.e. it must not impede or reduce an employee’s ability to perform his/her duties, diminish productivity or effectiveness at work or negatively impact Bell in any way. Abuse of Bell-provided Internet or e-mail may result in disciplinary action up to and including termination of employment. The use of Internet and e-mail to conduct illegal activities is strictly prohibited and will lead to termination of employment.

The law strictly prohibits the unlicensed use of software on computers (including tablets and smart phones). To obtain software licensed by Bell for business use, visit the software page in MY Telecom Warehouse. You must also verify and respect the manufacturer’s conditions of license or agreement under which the software was acquired. Copying software onto your Bell or personal computer may be a violation of the software company’s licensing agreement as well as copyright laws, and placing Bell at risk of prosecution for copyright infringement.

For further details, consult the Acceptable Use of Information Technology Resources Policy.

Any evidence of child pornography is to be immediately reported through the Internet child pornography reporting form.

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I’m attending an important sales meeting next week and I have to prepare a presentation using slides and fairly complicated charts. My colleague has the software I need to put the presentation together, and he’s offered to lend me his CDs so I can install the program on my computer. Can I go ahead?

- No. By copying your colleague’s software into your computer, you may be breaking the software company’s licensing agreement as well as copyright laws. You should speak to your manager to discuss your computer needs.

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**2.13 Social Media**

Social networking sites like Facebook, LinkedIn, Twitter and YouTube have all become increasingly effective channels for Bell to strengthen our brand and our connection with customers and the public. All team members are required to follow Bell’s Social Media Guidelines (available from the Corporate Policies and Ethics intranet site) to ensure we can maximize the value of social media while protecting and enhancing the reputation of Bell and our team. We expect our team members to respect the principles and values outlined in the Code while navigating the social media world.

As a general rule, always remember that you are responsible for what you say or post online. Never assume that anything you say or post is private on social media and other public websites. Any statement you make online may be perceived as representative of Bell company policy and may create unnecessary liability for you and the company.

No Bell team member is authorized to speak on behalf of Bell and its related subsidiaries without prior approval. If you believe it is necessary for you to engage in social media on behalf of Bell, please contact the Social Media team (social.info@bell.ca), which will coordinate all requests for approval with Bell’s executive leadership team. For individuals authorized to participate in social media on behalf of Bell, any business records created by this activity will be managed in accordance with the Information Classification and Records Management Policy.

- Protecting confidential information: whether you are posting as an approved Bell spokesperson or for personal reasons, you can only disclose information that is in the public domain. You have an obligation to continue to protect Bell’s Confidential and Internal Use information as defined in the Information Classification and Records Management Policy. You have an obligation to protect confidential and personal information and may not post any comment that would include confidential information concerning our company, customers, suppliers or team members.

- Do not post online reviews of Bell products and services: “Astroturfing” is the term for online reviews of products and services that give the impression they have been made by independent consumers when in fact the person making them has a business interest in the product or service being reviewed.
Employee discussion of our products or services online could be perceived as providing a biased or unrealistic opinion. This conduct may also raise legal issues and can have serious repercussions for you and for Bell. For all these reasons, Bell’s policy is that team members cannot rate or review any product or service owned by or associated with Bell or its affiliates on any public online service or site, including all social media platforms. That means, for example, that we cannot rate or review Bell products, services or apps on online review sites or Apple, Android, BlackBerry, or other app stores. It also means that we cannot comment on Bell products or services on social media sites such as Facebook, Twitter, LinkedIn or Instagram.

• **Respect for our company and reputation:** upholding Bell’s reputation is in the best interests of our entire team. Misleading, disparaging or untruthful comments about our company, products, services or team members can seriously undermine our brand and ability to support customers. We must also have respect for our competitors and must not portray a competitor to the public or to a customer in an inaccurate, misleading, disparaging or unfair manner. Don’t post comments or participate in online campaigns that could potentially jeopardize our reputation, including posting comments, reviews or ratings online about competitors’ products and services.

As with any company policy, violations may be serious and require a disciplinary action, up to and including termination of employment.

A complete copy of the Bell’s Social Media Guidelines is available from the Corporate Policies and Ethics intranet site. Additional related corporate policies, such as Bell’s Acceptable Use of Information Technology Resources Policy and Bell Media’s Social Media Policy for CTV News and on-air talent are available from the Corporate Policies and Ethics intranet site.

### 2.14 Work Environment

#### 2.14.1 Mental Health

At Bell, we believe that the mental health of our team members is essential to achieving personal and organizational success and we are committed to leading by example in our own workplace by promoting mental health and supporting team members with a mental illness.

We expect every member of the Bell organization to take primary responsibility for their own health. Every employee also has a responsibility to contribute towards a workplace that promotes mental wellbeing.

**Bell is committed to:**

- supporting employees experiencing mental illness through our workplace practices
- understanding what factors contribute towards mental wellbeing at work by reviewing Bell’s mental health policy, employee feedback, government and legal requirements, and current best practices
- setting objectives that drive continuous improvement of our workplace mental health strategy and regularly evaluating our approach
- implementing or adapting policies and practices that support mental health in the workplace within the context of our corporate priorities and the evolution of our industry
- providing resources and training to educate all team members about mental health
- encouraging employees to take part in activities that contribute to their own mental health in the workplace.

#### 2.14.2 Trust and Respect

Nothing is more basic to ethical behaviour than trust and respect. Upholding these values enables us to build and cultivate more meaningful, richer relationships with fellow employees, customers, suppliers and shareholders. For this reason, we expect all our employees to respect their colleagues, team members and leaders.

**We are committed** to fostering a workplace which encourages open and honest communication, recognizes the intrinsic dignity and worth of all employees and values the diversity of employees, customers, suppliers and shareholders.

#### 2.14.3 Diversity and Employment Equity

**Diversity** is an unwavering respect for each other’s uniqueness, including, but not limited to: culture, ethnicity, gender, gender identity/expression, age, religion, disability, sexual orientation, education and experiences. By valuing our differences, we can create an inclusive work environment based on merit and fairness where all employees achieve their full potential.

Our Diversity, Human Rights and Accommodation policies provide the framework for supporting a diverse and inclusive workplace.

Employment equity is an important aspect of our diversity strategy. While diversity encompasses many different factors that make each of us unique, legislated employment equity programs focus on four designated groups: women, visible minorities, Aboriginal peoples and persons with disabilities. Bell is required to comply with the Employment Equity Act through workforce practices free of barriers to recruiting, retaining and promoting members of these designated groups. Ensuring equality in the workplace is not about hiring unqualified individuals but rather to ensure that the qualified members of the designated groups are given equal employment opportunities.

Employment equity and diversity programs also makes business sense. A diverse workforce brings Bell closer to its customers. By becoming the supplier of choice to a diverse customer base and the employer of choice to our current and future employees, we further improve Bell’s chances of success.

Promotion of self identification through our online employment equity and diversity questionnaire, available in the Employment equity section of the Diversity intranet site, allows Bell to have an accurate assessment of representation within the four groups and allows for appropriate strategies and action plans to be developed in order to address any gaps. The information collected in the employment equity and diversity questionnaire is confidential.

In addition, Diversity training (Career Zone course L744) and Respect in the Workplace (also in Career Zone) training are available to help support a diverse and inclusive work environment. Information is available at the following link: Diversity and Human Rights.

Bell operates in both official languages, English and French, and complies with Quebec laws requiring French to be the primary language used in workplaces in that province. Our Language Diversity Program provides training, tools and a language pairing program to support bilingualism throughout the organization. For more details, please see the Bell Language Policy.

#### 2.14.4 Discrimination and Harassment

We provide a workplace free of any type of personal harassment, including sexual harassment, intimidation and violence and are committed to an environment in which all workers can work safely.
We prohibit all types of unlawful discrimination, including harassment, whether directed against an individual or group, including employees, customers, suppliers and shareholdes. This specifically includes discrimination based on race, national or ethnic origin, aboriginal or indigenous status, language spoken, religion, age, sex (including pregnancy or childbirth), gender identity/expression, sexual orientation, marital status, family status, veteran status, physical or mental disability and conviction for which a pardon has been granted.

Harassment is defined as vexatious behaviour that is repetitive and hostile or unwanted that degrades, humiliates, embarrasses, affects or insults an employee’s dignity or integrity and that results in a harmful work environment for the employee. It may include:

- threats, intimidation and/or verbal abuse, unwelcome remarks or jokes
- unnecessary physical contact, such as touching, patting, pinching or punching
- displaying sexist, racist or other offensive pictures, posters, e-mails or screen displays
- any other action that may reasonably be perceived as offensive or degrading.

Sexual harassment includes offensive or humiliating behaviour that is related to a person’s sex, as well as behaviour of a sexual nature that creates an intimidating, unwelcome, hostile or offensive work environment, or that could reasonably be thought to put sexual conditions on a person’s job or employment opportunities. A few examples are:

- questions and discussions about a person’s sexual life
- commenting on someone’s sexual attractiveness or unattractiveness
- displaying posters, calendars and/or screen displays of a sexual nature
- writing notes, letters or e-mails of a sexually suggestive nature.

An employee who believes that he or she is being unlawfully discriminated against should tell the person to stop immediately. If there is imminent danger the matter should be reported to the police and/or emergency services as appropriate (dial 911) and then to Corporate Security (dial 1-866-714-0911). If the behaviour or action persists, the employee should report the matter to his or her manager or to a more senior manager in the organization. Unionized employees may elect to contact their union representative; management employees may consult with their Human Resources representative.

2.14.5 Workplace Violence Prevention

We all have a right to work in an environment free from violence and threats. Bell prohibits all acts of physical, verbal or written aggression or violence. This applies whether the aggression is committed by one employee against another, or against anyone else an employee comes in contact with when carrying out his or her responsibilities.

It’s up to each employee to report any act, or threatened act, of violence to a manager or to Corporate Security. In situations of imminent danger call the police or local emergency services and then Corporate Security. If the danger seems less imminent, take note of the facts: Who was involved? Where and when did the incident take place? Were there any witnesses? Then report the incident to Corporate Security. Corrective action will ensue as required.

Bell’s policy Preventing Violence in the Workplace is available on the Human Resources intranet site. In addition, mandatory violence prevention training (Career Zone course L1027) must be taken every three years.

2.14.6 Health and Safety

At Bell, the health and safety of our team members and external stakeholders, including contractors, customers, and the general public, is an absolute priority. We also believe that a safe and healthy workplace is essential to achieving organization success, in all areas of our business. To support our commitment to team members, Bell will:

- ensure due diligence in its approach to meet or exceed all applicable workplace health & safety laws and regulations

In support of our commitment to external partners and stakeholders, Bell will:

- require that all contractors, sub-contractors and third parties that access Bell sites have received health and safety training related to their jobs, use proper equipment and follow Bell’s procedures
- require all third parties to abide by legal and contractual guidelines as outlined in their contracts and monitor them accordingly
- cooperate with government and other stakeholders on health & safety matters.

Each team member of the organization is expected to:
• take primary responsibility for their own health and safety
• actively participate in health & safety training
• contribute to a safe and healthy workplace by upholding safe work practices at all times to prevent injuries
• identify and report health & safety hazards and incidents as well as participate in associated investigations when required
• comply with our legal and responsibility requirements.

Additional information on Health and safety programs and procedures is available on the Human Resources intranet site at Workplace and Safety.

You can also contact the Corporate Health and Safety team for more information at Info.ss-hs@bell.ca.

2.14.7 Reasonable Accommodation

Accommodation is part of a broader principle - that our society should be structured and designed for inclusiveness.

An accommodation is considered reasonable if it does not result in undue hardship, such as: significant impact on business operations, or risk to the health and safety of the employee concerned or any other person. Examples of accommodation can include physical or technical alterations to an employee’s workspace (work station height, non-standard computer monitor, telephone with amplifier or headset) and modification of work duties or conditions.

2.14.8 Corporate Security - Emergency Management

Employees may encounter various emergency situations that can directly affect them or Bell. To this end, Bell is committed to a level of preparedness and planning that is designed to “protect life and property” and to ensure a rapid return to providing service to our customers. Through the development and implementation of emergency response procedures and the “Be Ready” training modules, employees and business units will be ready to respond during emergencies. All employees must follow the “Be Ready” on line training every two years.

In the event of a life-threatening emergency first make sure you are safe, then call 911 (or local emergency service). All emergencies and emergency conditions including unplanned evacuations, or situations significantly impairing or potentially impacting service (such as but not limited to floods, major fires, power outages, health and safety emergencies) occurring on or in proximity to Bell facilities are to be reported to Bell’s National Incident Centre (NIC) at 1-866-714-0911 or cni-nic@bell.ca. For information on Bell’s Emergency Management procedures, consult the Corporate Security intranet site.

Evidence of serious criminal activity such as terrorism, found on Bell or customer premises or systems, are to be reported to Bell’s National Incident Centre (NIC) at 1-866-714-0911, unless involving an imminent threat where 911 must be called.

Significant facility or utility interruptions, surveillance, control systems or any service failures that impact our network are to be reported to 1-888-570-1091.

2.14.9 Business Continuity

Bell recognizes the importance of its infrastructure and services for its employees and customers. To that end, all business unit leaders and team members must ensure they have appropriate business continuity plans and disaster recovery plans in order to be ready to react to any type of events that may impair our activities.

2.14.10 Alcohol, Drugs and Other Substances

We are required to be fit at all times to perform all assigned duties. While at work, we must not be impaired by the use of alcohol, medication, or illicit drugs.

The use, sale, unlawful possession, manufacture or distribution of alcohol and illicit drugs or non-prescribed medications for which a prescription is legally required, whether on Bell work premises or other work locations, is strictly prohibited.

Employees have the responsibility to determine any potential adverse effects when using prescribed or over-the-counter medications with the assistance of their doctor or pharmacist. Intentional misuse of prescribed or over-the-counter medications is strictly prohibited.

For further information consult the Alcohol and Drug Policy on the Human Resources intranet site.

2.14.11 Involvement in a Legal Matter

If you are involved in a legal matter or police case you must immediately inform your manager if this involvement has the potential to affect your ability to perform your job fully and competently. Loss of a driver’s license, for example, must be reported immediately if the affected employee is required to drive a Bell vehicle.

2.15 Journalistic Independence

Bell is committed to upholding principles of journalistic independence. The Journalistic Independence Policy governs CTV News editorial decision making. CTV News refers to all applicable news divisions owned by Bell, including radio. CTV News is solely responsible for all news reporting decisions and for ensuring the integrity of its news operations. Compliance with the Journalistic Independence Policy is mandatory for all Bell employees. Failure to comply with the policy will be considered a breach of the Code of Conduct and may result in disciplinary action up to and including termination of employment.

An appropriate framework of independence between CTV News and Bell is a fundamental safeguard to ensure that news is covered in a fair, accurate, balanced and unbiased manner. Any interference, whether direct or indirect, actual or perceived, undermines the principles of news independence and can erode the credibility of CTV News which is critical to maintaining the trust of audiences.

Bell fully endorses the independence of CTV News and requires that all employees execute their day-to-day job responsibilities in a manner that respects this core value.

From time to time, news stories directly or indirectly concerning Bell, or of commercial interest to Bell, will be reported by CTV News. The appropriate CTV News editorial team is solely responsible for determining how to cover any such story, with full discretion and control, and without interference. No Bell employee will take
any action that will impact the standards of fairness, accuracy, balance and independence that must be applied to any such news story.

In the normal course of business, representatives of Bell may offer ideas for news coverage to the CTV News team, as they would with any other news organization. In any such instances, Bell representatives must recognize that the material offered must be considered newsworthy and relevant to the audience by the applicable CTV News division’s editorial team before receiving coverage. The news team will decide whether to proceed with a story, how it will be covered, and the extent of any coverage, with full and absolute discretion and control, and without direct or indirect interference in the decision making process.

You are a member of the CTV News team and you receive a request from the Bell Residential Services team to profile an item they believe is newsworthy on CP24. What should you do?

- Remember that it is acceptable for Bell employees to suggest story ideas, with respect for the CTV News team’s full authority to decide on news coverage.
- If you decide the item is not newsworthy, but they persist or escalate the matter, you should discuss it with your supervisor to confirm your position and obtain support.
- Ultimately, you can engage the President of CTV News, who is the final arbiter in matters relating to independent news reporting and has the authority to take steps to ensure the situation is resolved in an appropriate manner in accordance with the Policy on Journalistic Independence.
- Should you consider that the matter is not handled in accordance with the policy, you can report your concerns through the Business Conduct Help Line.

All news editorial decision making resides with the CTV News team with absolute and final privilege belonging to the President, CTV News. The CTV News teams will be responsible for the development of applicable editorial and reporting policies, including news policies on attribution, sources, and disclosure of conflicts.

If at any time the President, CTV News has any concerns about journalistic independence or compliance with the Policy that cannot be resolved through normal functional reporting channels in line with the principles of the Policy, the President, CTV News can address said matters with BCE’s Chief Executive Officer and/or the Chair of the BCE Audit Committee.

If you have any concerns regarding compliance with the Journalistic Independence Policy, such concerns shall be communicated to your immediate manager and/or the President, CTV News. However, if such reporting is either inappropriate, does not provide the necessary level of confidentiality, or as you otherwise prefer, the reportable activity should be reported to the Business Conduct Help Line or to the BCE Chief Legal & Regulatory Officer or equivalent position.

To view the full Journalistic Independence Policy, consult the Corporate Ethics and Policy intranet site at the following link: Corporate Policies and Ethics.

The Business Conduct Help Line may be reached 24/7 by calling 1-866-298-2942 or by visiting clearviewconnects.com.

Members of the public should call Bell Canada’s Complaint and Concerns Line at 1-866-317-3382 with any concerns about Bell activities.

2.16 Protecting the Environment

Bell believes that environmental protection is an integral part of doing business and is committed to minimizing, through a continuous improvement process, the impact that some of its activities, products or services may have on the environment. It is also every employee’s responsibility to comply with our policies.

In support of this commitment, we will:

- exercise due diligence to meet or exceed the requirements of all applicable legislation and other requirements to which it subscribes.
- prevent, control and reduce releases into the environment and correct in a timely manner problem situations which could not be prevented.
- promote and support cost-effective resource and waste minimization initiatives.
- deal with suppliers who seek to minimize their environmental impacts.
- develop and market services providing people and organizations with innovative solutions that take into account their environmental challenges.
- participate with governments, businesses, the public and relevant interest groups to advance environmental protection.
- communicate its environmental initiatives and performance to stakeholders on a regular basis.
- ensure that employees adhere to the Environmental policy and understand their responsibilities in putting it into practice.

The Corporate Responsibility & Environment (CR&E) group has developed a series of policies, programs, procedures and guidelines to support employees in their environmental duties. These documents are available through your Enviro-web intranet site.

Environmental training is mandatory for all employees directly involved in managing one of the following environmental issues: incidents, manhole effluents, network impacts, residual materials (hazardous and non-hazardous), treated wood poles, petroleum products or ozone depleting substances. Training must be completed before the employee is assigned to its operational duties.

To report an environmental incident, for inquiries, support, to raise concerns with environmental issues or to inquire about environmental training, please contact your CR&E group via Enviro-Line at 1-877-235-5368, available on a 24/7 basis, or at enviroline@bell.ca.
3.1 Business Unit Responsibility

Managers are required to ensure that all employees have access to the Code either on-line or in a paper format if required, and that they know, understand and comply with its provisions. To this end, they should ensure that all employees review the Code annually and comply with the annual review process outlined in this Code.

3.2 Board of Directors, Corporate Governance Committee and Audit Committee

The Board of Directors, with the recommendation of the Corporate Governance Committee, has the authority to approve this policy. In addition, the Corporate Secretary’s Office in conjunction with Internal Audit, report quarterly to the Audit Committee on the number and scope of issues brought via the Business Conduct Help Line.

3.3 Corporate Secretary’s Office

The Corporate Secretary’s Office has the responsibility of administering the Code and managing the Business Conduct Help Line, securing annual certification of all executives and members of the Board of Directors under the Code, addressing conflict of interest issues and ensuring compliance by all Business Units.

APPENDICES

Supporting Procedures

The Code of Business Conduct annual review is included in the annual performance process. These procedures are located in the Career Zone intranet site under Objective Performance.

Attachments

<table>
<thead>
<tr>
<th>Attachment</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Attachment 1A</td>
<td>Certification of Directors and Executives under the Code of Business Conduct</td>
</tr>
<tr>
<td>Attachment 2A</td>
<td>Form BC 3684 – Employee Annual Record of Review</td>
</tr>
<tr>
<td>Attachment 2B</td>
<td>Form BC 3684A – Disclosure of Conflict of Interest or Potential Conflict of Interest</td>
</tr>
<tr>
<td>Attachment 3</td>
<td>Additional Resources</td>
</tr>
</tbody>
</table>

Attachment 1A

CERTIFICATION OF DIRECTORS AND EXECUTIVES UNDER THE CODE OF BUSINESS CONDUCT

The Boards of Directors of BCE Inc. and Bell Canada (in each case, the “Company”) and our shareholders, expect all Directors and executives of the Company to follow the highest possible standards of honest and ethical conduct and to encourage and promote a culture in which ethical business conduct is recognized, valued and exemplified.

Certification

I certify that I have reviewed, understand and follow the Bell Canada Code of Business Conduct (the “Code”).

In addition, I support the setting of standards needed to discourage wrongdoing and to promote:

- honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships,
- full, fair, accurate and timely disclosure in reports and documents that the Company files with, or submits to, securities regulators and in other public communications made by the Company, in accordance with the Disclosure Policy,
- compliance with laws, rules and regulations of federal, provincial, state or local governments, and other relevant private and public regulatory agencies in all jurisdictions in which the Company operates,
- prompt reporting of all material violations of the Code to the Chair of the Audit Committee of the Board of Directors of the Company.

To the best of my knowledge and ability, I will act in good faith, responsibly, with due care, competence and diligence, without misrepresenting material facts or allowing my independent judgment to be compromised.

I acknowledge that I am accountable for following the Code and the responsibilities I have under it. I also acknowledge that complying with the Code is a condition of my employment. If I do not comply with it or applicable laws, rules or regulations, I may be subject to disciplinary measures, which could include dismissal from the Company.
Policy on conflict of interest

Employees owe their first business allegiance to Bell, and therefore they must remain free of interests or relationships which are harmful or detrimental to Bell’s best interests. Employees should avoid not only a real conflict of interest, but also the appearance of one which could tarnish their own or Bell’s image. Even though it is not always possible to avoid relationships that could place you in a position of potential conflict, it is important to inform your manager and avoid actions or decisions that would conflict with Bell’s interests.

Conflict of interest can lead to disciplinary action, even to dismissal and/or prosecution. If you are in doubt, you should discuss your specific situation with your manager, who will then advise you as to the position of Bell with respect to the matter.

Annual certification

I have reviewed, fully understand and follow Bell Canada’s “Code of Business Conduct” including the section on Conflict of Interest. I have reported to my manager any relationship or other circumstances that do or could place me in conflict with the interests of Bell. Any new situations will be reported as they occur. I hereby certify that I have no real or potential conflict of interest, except what is noted on Form BC 3684A (available as Attachment 2B to the Code).

Employee Signature Date

Immediate Manager Name Signature

Note to immediate Manager: this form is to be completed and signed each year and retained in employee's personnel file.
I have, in the past 2 years, been employed or otherwise commercially involved in endeavours or companies which are in competition with Bell Canada and its affiliated companies (e.g.: Rogers, Telus, Videotron, Cogeco, etc.):

I am currently or was recently bound by restrictive covenants such as non-competition or non-solicitation restrictions:

Other:

I understand that in my previous employment or commercial involvement with a competitor of Bell Canada and its affiliated companies I may have become aware of or given access to undisclosed confidential or proprietary information of my previous employer. As such, unless this information has been publicly disclosed or otherwise available in the marketplace, I also acknowledge that I have returned to my previous employer all property belonging to my previous employer including any confidential or proprietary information and documents provided to me including any third party information that was entrusted to me.

<table>
<thead>
<tr>
<th>Signature:</th>
<th>Manager’s signature:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Title:</td>
<td>Title:</td>
</tr>
<tr>
<td>Organization code:</td>
<td>Organization code:</td>
</tr>
<tr>
<td>Phone number:</td>
<td>Phone number:</td>
</tr>
<tr>
<td>Date:</td>
<td>Date:</td>
</tr>
</tbody>
</table>

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Code of Business Conduct

Attachment 3

ADDITIONAL RESOURCES

If you have any questions regarding the issues raised in this document or any questions on the Code, speak to your manager or use the Business Conduct Help Line at clearviewconnects.com or by calling 1-866-298-2942 (toll free).

If you wish to report any unethical or illegal behaviour such as corporate fraud, or to raise any concerns regarding Bell’s accounting, internal accounting controls or auditing matters, you may report the matter to your manager or use the Business Conduct Help Line at clearviewconnects.com or by calling 1-866-298-2942 (toll free).

You may also use the following resources:

- Human Resources intranet site (HR policies - workplace)
- Industrial Relations Consultants intranet site
- Corporate Security intranet site:
  - life-threatening emergencies: call 911
  - loss or theft of Bell assets, internal fraud, criminal activity, property damage, unauthorized disclosure of confidential information, known failures in security safeguards, malfunctioning doors and locks, emergency response system (non-life threatening emergencies), emergency conditions and service impacting situations are to be reported to Bell’s National Incident Centre (NIC) Corporate Security at 1-866-714-0911 or at cni-nic@bell.ca
  - computer security incidents, virus, worms, spam or phishing using Bell’s name, any other computer or data network attacks, weaknesses in security systems, and unexplained systems changes are to be reported to the CSD intranet site at 1-888-920-8888
  - significant facility or utility interruptions, surveillance, control systems or any service failures that impact our telecommunications networks are to be reported on 1-888-570-1091
- Corporate Responsibility at 1-877-235-5368 or at responsibility@bell.ca.
- Enviro-Line Bell (environmental issues) intranet site or at 1-877-235-5368
- Branding and Identity Line at (514) 870-2347 or at info.branding@bell.ca
- Corporate Secretary’s Office intranet site or at (514) 786-8424
- Occupational Health, Safety and Workplace at (514) 870-5848 or at Info.ss-hs@bell.ca
- Office of the Bell Privacy Ombudsman for customer related privacy issues at privacy@bell.ca or for additional privacy related information, visit bell.ca
- Information on privacy in the workplace for employees is available on the Privacy intranet site or at:
  - English: privacy.coordinator@bell.ca
  - French: coord.rens.pers@bell.ca

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POLICY OR PRACTICE DETAILS

<table>
<thead>
<tr>
<th>Issuing BU</th>
<th>Law &amp; Regulatory Department</th>
</tr>
</thead>
<tbody>
<tr>
<td>Policy sponsor</td>
<td>Chief Legal &amp; Regulatory Officer and Executive Vice-President, Corporate Development</td>
</tr>
<tr>
<td>Policy owner</td>
<td>Corporate Secretary’s Office</td>
</tr>
<tr>
<td>Primary contact</td>
<td>Corporate Secretary’s Office</td>
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<tr>
<td>Required approvals</td>
<td>Board of Directors, Corporate Governance Committee, Corporate Secretary</td>
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<tr>
<td>First Release</td>
<td>1995</td>
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<tr>
<td>Review cycle</td>
<td>Annually</td>
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Required Policy or Practice management elements checklist

| Monitoring compliance processes defined | Yes |
| Communication plan complete            | Yes |
| Communication materials complete       | Yes |
| Training plan complete                 | Yes |

Revision history

<table>
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<tr>
<th>Date</th>
<th>Change owner</th>
<th>Changed by</th>
<th>Description</th>
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</thead>
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<td>2010</td>
<td>Alain Dussault</td>
<td>Alain Dussault</td>
<td>Annual update</td>
</tr>
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<td>Feb. 2011</td>
<td>Alain Dussault</td>
<td>Alain Dussault</td>
<td>Update</td>
</tr>
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<td>August 2011</td>
<td>Alain Dussault</td>
<td>Alain Dussault</td>
<td>Annual update</td>
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<td>August 2012</td>
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<td>Alain Dussault</td>
<td>Annual update</td>
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<td>August 2013</td>
<td>Alain Dussault</td>
<td>Alain Dussault</td>
<td>Annual update</td>
</tr>
<tr>
<td>August 2014</td>
<td>Michel Lalande</td>
<td>Michel Lalande</td>
<td>Annual update</td>
</tr>
<tr>
<td>June 2015</td>
<td>Mirko Bibic</td>
<td>Mirko Bibic</td>
<td>Update</td>
</tr>
<tr>
<td>August 2015</td>
<td>Michel Lalande</td>
<td>Michel Lalande</td>
<td>Annual update</td>
</tr>
<tr>
<td>August 2016</td>
<td>Michel Lalande</td>
<td>Michel Lalande</td>
<td>Annual update</td>
</tr>
</tbody>
</table>
CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statements No. 333-12130 on Form F-3, No. 333-12780 and 333-12802 on Form S-8 and No. 333-213603 on Form F-10 and to the use of our reports dated March 2, 2017, relating to the consolidated financial statements of BCE Inc. and subsidiaries (the “Company”) and the effectiveness of the Company’s internal control over financial reporting, appearing in this Annual Report on Form 40-F of BCE Inc. for the year ended December 31, 2016.

/s/ Deloitte LLP[1]

March 8, 2017
Montréal, Canada

[1] CPA auditor, CA, public accountancy permit No. A104630
To: Alberta Securities Commission
British Columbia Securities Commission
Manitoba Securities Commission
Financial and Consumer Services Commission, New Brunswick
Office of the Superintendent of Securities, Newfoundland and Labrador
Nova Scotia Securities Commission
Ontario Securities Commission
Office of the Superintendent of Securities, Prince Edward Island
Autorité des marchés financiers
Financial and Consumer Affairs Authority of Saskatchewan
Toronto Stock Exchange

Notice is hereby given that Bell Canada relies on the continuous disclosure documents filed by BCE Inc. pursuant to the exemption from the requirements of National Instrument 51-102 – Continuous Disclosure Obligations ("NI 51-102") provided in Section 13.4 of NI 51-102.

The continuous disclosure documents of BCE Inc. can be found for viewing in electronic format at www.sedar.com.

Attached to this notice and forming part thereof is the consolidating summary financial information for BCE Inc. as required by Section 13.4 of NI 51-102.

Dated: March 8, 2017

BELL CANADA

By: (signed) Thierry Chaumont
Name: Thierry Chaumont
Title: Senior Vice-President and Controller

Bell Canada

UNAUDITED SELECTED SUMMARY FINANCIAL INFORMATION(1)
For the periods ended December 31, 2016 and 2015
(in millions of Canadian dollars)

BCE Inc. fully and unconditionally guarantees the payment obligations of its 100% owned subsidiary Bell Canada under the public debt issued by Bell Canada.

Accordingly, the following summary financial information is provided by Bell Canada in compliance with the requirements of section 13.4 of National Instrument 51 -102 (Continuous Disclosure Obligations) providing for an exemption for certain credit support issuers. The tables below contain selected summary financial information for (i) BCE Inc. (as credit supporter), (ii) Bell Canada (as credit support issuer) on a consolidated basis, (iii) BCE Inc. ’s subsidiaries, other than Bell Canada, on a combined basis, (iv) consolidating adjustments, and (v) BCE Inc. and all of its subsidiaries on a consolidated basis, in each case for the periods indicated. Such summary financial information for BCE Inc. and Bell Canada and all other subsidiaries is intended to provide investors with meaningful and comparable financial information about BCE Inc. and its subsidiaries. This summary financial information should be read in conjunction with BCE Inc. ’s audited consolidated financial statements for the year ended December 31, 2016.

For the periods ended December 31:

<table>
<thead>
<tr>
<th>BCE INC.</th>
<th>BELL CANADA CONSOLIDATED</th>
<th>SUBSIDIARIES OF BCE INC. OTHER THAN BELL CANADA(3)</th>
<th>CONSOLIDATING ADJUSTMENTS(4)</th>
<th>BCE INC. CONSOLIDATED</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating revenues</td>
<td>–</td>
<td>–</td>
<td>21,721</td>
<td>21,516</td>
</tr>
<tr>
<td>Net earnings from continuing operations attributable to owners</td>
<td>3,031</td>
<td>2,678</td>
<td>3,083</td>
<td>2,683</td>
</tr>
<tr>
<td>Net earnings attributable to owners</td>
<td>3,031</td>
<td>2,678</td>
<td>3,083</td>
<td>2,683</td>
</tr>
</tbody>
</table>

As at December 31, 2016 and December 31, 2015, respectively:

<table>
<thead>
<tr>
<th>BCE INC.</th>
<th>BELL CANADA CONSOLIDATED</th>
<th>SUBSIDIARIES OF BCE INC. OTHER THAN BELL CANADA(3)</th>
<th>CONSOLIDATING ADJUSTMENTS(4)</th>
<th>BCE INC. CONSOLIDATED</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Current Assets</td>
<td>691</td>
<td>597</td>
<td>5,098</td>
<td>4,954</td>
</tr>
<tr>
<td>Total Non-current Assets</td>
<td>18,168</td>
<td>17,578</td>
<td>38,428</td>
<td>37,043</td>
</tr>
<tr>
<td>Total Current Liabilities</td>
<td>1,155</td>
<td>867</td>
<td>9,937</td>
<td>9,020</td>
</tr>
<tr>
<td>Total Non-current Liabilities</td>
<td>163</td>
<td>285</td>
<td>21,591</td>
<td>19,723</td>
</tr>
</tbody>
</table>

(1) The summary financial information is prepared in accordance with International Financial Reporting Standards and is in accordance with generally accepted accounting principles issued by the Canadian Accounting Standards Board for publicly-accountable enterprises.

(2) This column accounts for investments in all subsidiaries of BCE Inc. (other than Bell Canada) on a consolidated basis.

(3) This column accounts for investments in all subsidiaries of BCE Inc. under the equity method.

(4) This column includes the necessary amounts to eliminate the intercompany balances between BCE Inc., Bell Canada and other subsidiaries and other adjustments to arrive at the information for BCE Inc. on a consolidated basis.
The following consolidated financial ratios are calculated for the twelve months ended December 31, 2016 and give effect to the issuance and redemption of all long-term debt since January 1, 2016 as if these transactions occurred on January 1, 2016 and are based on unaudited financial information of BCE Inc.

<table>
<thead>
<tr>
<th>Description</th>
<th>December 31, 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Earnings coverage of interest on debt requirements based on net earnings attributable to owners of BCE Inc. before interest expense and income tax:</td>
<td>5.3 times</td>
</tr>
<tr>
<td>Earnings coverage of interest on debt requirements based on net earnings attributable to owners of BCE Inc. before interest expense, income tax and non-controlling interest:</td>
<td>5.4 times</td>
</tr>
</tbody>
</table>
CERTIFICATIONS

I, George A. Cope, certify that:

1. I have reviewed this annual report on Form 40-F of BCE Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;

4. The issuer’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the issuer and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our 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;
   (c) Evaluated the effectiveness of the issuer’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the issuer’s internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer’s internal control over financial reporting; and

Date: March 8, 2017
(signed) George A. Cope
George A. Cope
President and Chief Executive Officer
BCE Inc.

CERTIFICATIONS

I, Glen LeBlanc, certify that:

1. I have reviewed this annual report on Form 40-F of BCE Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;

4. The issuer’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the issuer and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our 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;
   (c) Evaluated the effectiveness of the issuer’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the issuer’s internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer’s internal control over financial reporting; and

Date: March 8, 2017
(signed) Glen LeBlanc
Glen LeBlanc
President and Chief Financial Officer
BCE Inc.
5. The issuer’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer’s auditors and the audit committee of the issuer’s board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer’s ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer’s internal control over financial reporting.

Date: March 8, 2017

(signed) Glen LeBlanc

Glen LeBlanc
Executive Vice-President and Chief Financial Officer
BCE Inc.
CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. Section 1350), as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, each of the undersigned officers of BCE Inc. (the “Company”), does hereby certify that:

the annual report on Form 40-F for the year ended December 31, 2016 of the Company (the “Form 40-F”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and the information contained in the Form 40-F fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 8, 2017  
(signed) George A. Cope
George A. Cope
President and Chief Executive Officer
BCE Inc.

Date: March 8, 2017  
(signed) Glen LeBlanc
Glen LeBlanc
Executive Vice-President and Chief Financial Officer
BCE Inc.